COVER SHEET

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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

571-5948 / 871-4001
Company Telephone Number

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

17-Q
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2016

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	**8,425,981,156 shares**
Preferred stock	**2,350,000,000 shares**

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

Yes [x] No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015
(In Thousand Pesos)

	Unaudited 03/31/2016	*Audited* 2015
A S S E T S		
CURRENT ASSETS		
Cash	832,240	1,008,053
Trade and other receivables - net	1,875,285	1,527,212
Due from related parties	204,061	186,940
Real estate properties for sale - net	324,064	323,383
Available-for-sale financial assets	36,962	36,962
Prepayments and other current assets	1,928,604	1,869,204
Total Current Assets	5,201,216	4,951,755
NON-CURRENT ASSETS		
Due from related parties	3,556,024	3,556,024
Available-for-sale financial assets	3,500,972	3,899,643
Investment properties	20,419,107	19,154,159
Property and equipment - net	57,724	61,032
Other non-current assets - net	161,021	161,021
Total Non-current Assets	27,694,848	26,831,879
TOTAL ASSETS	32,896,064	31,783,634
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Liability for land acquisition	528,034	502,527
Interest-bearing loans and borrowings	1,236,354	868,191
Trade and other payables	1,909,135	1,736,092
Due to related parties	326,680	326,680
Income tax payable	61,762	37,178
Other current liabilities	275	275
Total Current Liabilities	4,062,240	3,470,943
NON-CURRENT LIABILITIES		
Liability for land acquisition	114,129	49,629
Interest-bearing loans and borrowings	10,288,118	9,880,060
Retirement benefit obligation	60,696	60,696
Due to related parties	393,257	393,257
Deferred tax liabilities - net	452,669	342,768
Other noncurrent liabilities	666,543	676,442
Total Non-current Liabilities	11,975,412	11,402,853
Total Liabilities	16,037,652	14,873,796
EQUITY		
Equity attributable to parent company's shareholders		
Capital Stock	8,449,481	8,449,481
Additional paid-in capital	6,389,314	6,389,314
Revaluation reserves	(1,742,235)	(1,343,564)
Retained earnings	3,698,011	3,347,703
Total equity attributable to parent company's shareholders	16,794,572	16,842,934
Non-controlling interest	63,840	66,904
Total Equity	16,858,412	16,909,838
TOTAL LIABILITIES AND EQUITY	32,896,064	31,783,634

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2016	*Unaudited Jan - Mar* 2016	*Unaudited Jan - Mar* Q1 - 2015	*Unaudited Jan - Mar* 2015
REVENUES				
Rental income	839,816	839,816	444,154	444,154
Parking fees	15,644	15,644	10,711	10,711
Other operating income	36,158	36,158	17,792	17,792
	891,618	891,618	472,656	472,656
COSTS AND EXPENSES				
Depreciation & Amortization	134,544	134,544	114,877	114,877
Occupancy expenses	62,314	62,314	36,439	36,439
Outside services	59,692	59,692	50,309	50,309
Repairs and maintenance	25,649	25,649	11,782	11,782
Advertising and promotions	9,936	9,936	4,719	4,719
Salaries and employee benefits	37,306	37,306	31,872	31,872
Taxes and licenses	29,987	29,987	14,907	14,907
Others	10,769	10,769	19,974	19,974
	370,196	370,196	284,879	284,879
OPERATING PROFIT	521,422	521,422	187,778	187,778
OTHER INCOME (CHARGES)				
Finance income	3,684	3,684	6,194	6,194
Finance costs - net	(25,737)	(25,737)	(19,861)	(19,861)
	(22,053)	(22,053)	(13,666)	(13,666)
PROFIT BEFORE TAX	499,369	499,369	174,111	174,111
TAX EXPENSE -	(152,125)	(152,125)	(39,148)	(39,148)
NET INCOME	347,244	347,244	134,963	134,963
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gain (loss) on Available for Sale Financial Assets	(398,670)	(398,670)	4,986	4,986
TOTAL COMPREHENSIVE INCOME (LOSS)	(51,426)	(51,426)	139,948	139,948
Attributable to:				
Parent company's shareholders	(48,362)	(48,362)	138,335	138,335
Minority interest	(3,065)	(3,065)	1,614	1,614
	(51,426)	(51,426)	139,948	139,948
Earnings per Share	P 0.042	P 0.042	P 0.016	P 0.016

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2016	*Unaudited Jan - Mar* 2016	*Unaudited Jan - Mar* Q1 - 2015	*Unaudited Jan - Mar* 2015
EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS				
COMMON STOCK				
Balance at beginning of period	8,425,981	8,425,981	8,425,981	8,425,981
Treasury shares	-	-	(1,578,228)	(1,578,228)
Balance at end of period	8,425,981	8,425,981	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	6,389,314	6,389,314	2,451,349	2,451,349
REVALUATION RESERVES				
Balance at beginning of period	(1,343,564)	(1,343,564)	2,001	2,001
Fair value gains (losses)	(398,670)	(398,670)	4,986	4,986
Balance at end of period	(1,742,235)	(1,742,235)	6,987	6,987
RETAINED EARNINGS				
Balance at beginning of period	3,347,703	3,347,703	2,517,193	2,517,193
Net income	350,308	350,308	133,349	133,349
Balance at end of period	3,698,011	3,698,011	2,650,542	2,650,542
MINORITY INTEREST				
Balance at beginning of period	66,904	66,904	135,793	135,793
Share in net income	(3,065)	(3,065)	1,614	1,614
MINORITY INTEREST	63,840	63,840	137,407	137,407
TOTAL EQUITY	16,858,412	16,858,412	12,117,538	12,117,538

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2016	*Unaudited Jan - Mar* 2016	*Unaudited Jan - Mar* Q1 - 2015	*Unaudited Jan - Mar* 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	499,369	499,369	174,111	174,111
Adjustments for:				
Finance costs	25,737	25,737	19,861	19,861
Depreciation and amortization	134,544	134,544	114,877	114,877
Interest income	(3,684)	(3,684)	(6,194)	(6,194)
Operating income before changes in operating assets and liabilities	655,965	655,965	302,655	302,655
Decrease (increase) in:				
Trade and other receivables	(348,073)	(348,073)	(84,955)	(84,955)
Real estate properties for sale	(680)	(680)	(886)	(886)
Prepayments and other current assets	(59,400)	(59,400)	(378,476)	(378,476)
Other non-current assets	-	-	(10,085)	(10,085)
Increase (decrease) in:				
Trade and other payables	173,043	173,043	(447,037)	(447,037)
Liability for land acquisition	90,007	90,007	(89,756)	(89,756)
Deferred tax liabilities	109,901	109,901	11,824	11,824
Income tax payable	24,585	24,585	(42,950)	(42,950)
Other non-current liabilities	(9,899)	(9,899)	39,331	39,331
Cash from (used in) operations	635,448	635,448	(700,335)	(700,335)
Payment of taxes	(152,125)	(152,125)	(39,148)	(39,148)
Interest received	3,684	3,684	6,194	6,194
Interest paid	(25,737)	(25,737)	(19,861)	(19,861)
Net Cash from (Used in) Operating Activities	461,270	461,270	(753,149)	(753,149)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in amounts due from related parties	(17,120)	(17,120)	(278,176)	(278,176)
Acquisition of AFS investments	-	-	(25,014)	(25,014)
Increase in investment properties and property and equipment	(1,396,183)	(1,396,183)	(993,182)	(993,182)
Net Cash Provided by (Used in) Investing Activities	(1,413,303)	(1,413,303)	(1,296,372)	(1,296,372)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in amounts due to related parties	-	-	779	779
Proceeds from bank loans	1,001,309	1,001,309	869,751	869,751
Payment of loans	(225,088)	(225,088)	(61,166)	(61,166)
Net Cash From Financing Activities	776,220	776,220	809,364	809,364
NET INCREASE IN CASH	(175,813)	(175,813)	(1,240,157)	(1,240,157)
CASH AT BEGINNING OF PERIOD	1,008,053	1,008,053	1,960,277	1,960,277
CASH AT END OF PERIOD	832,240	832,240	720,120	720,120

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016
(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 Vista Land & Lifescapes, Inc. or VLLI (88.34%), Land & Houses Public Company Limited or L&H (9.59%), and the rest by other entities and individuals. The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

As of March 31, 2016 and 2015, the Company has ownership interests in the following entities (the Company and subsidiaries are collectively referred herein as the Group):

Subsidiaries	Percentage of Ownership	
	2016	2015
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (Manuela)	**98.4%**	98.4%

In December 2014, the Company disposed its 100% ownership interest in Brittany Estates Corporation (BEC), a subsidiary which is engaged in developing and selling real estate properties, in order to focus in the mall and office building development and operations. The disposal of the subsidiary resulted to the latter's deconsolidation from the Group as of December 31, 2014.

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

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

2. BASIS OF PREPARATION

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance Philippine Financial Reporting Standards (PFRS).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (the Group) as at March 31, 2016 and 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when 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. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The policy is accordance with PFRS 10, Consolidated Financial Statements.

The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage of Ownership	
Subsidiaries	**2016**	2015
MAPI	100.00%	100.00%
Manuela	98.36%	98.36%

In 2012, the Parent Company acquired 98.36% interest over Manuela, an entity under common ownership and control. The acquisition was accounted for using acquisition method by adjusting the balances of the net assets of Manuela to reflect the fair value of its net assets at the time of acquisition. This resulted to a negative goodwill amounting ₱9,317.89 million.

On December 29, 2014, the Company disposed its 100% ownership interest in Britanny Estate Corporation. The disposal of the subsidiary resulted to the latter's deconsolidation from the Group as of December 31, 2014.

On November 10, 2015, VLLI signed an agreement with the existing shareholders of the Group to acquire approximately 88.25% or 7,436.22 million shares of the outstanding capital stock of the Parent Company for a total consideration of ₱33,537.36 million.

In December 2015, VLLI acquired 6,692.93 million shares of the Parent Company from the Fine Group, including Manuela for a total consideration of ₱30,185.11 million (the "First Closing Date"). The second closing date which is after the tender offer period in February 10, 2016, VLLI acquired the remaining afs743.29 million shares of the Parent Company from the Fine Group in the amount of ₱3,352.25 million.

Upon execution of the agreement, VLLI paid ₱2,681.25 million to the Fine Group (the "Initial Sale Payment") which was applied against the consideration in the First Closing Date.

As a condition to the acquisition of the Group, Fine Group agreed to invest the 97.5% of the total consideration from the disposal or ₱32,698.93 million representing 4,573.28 million shares of VLLI at ₱7.15 per share. The shares will be issued out of VLLI's increase in its authorized capital stock which was applied and approved by the SEC on November 11, 2015.

As at December 31, 2015, VLLI completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares. Further, VLLI has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

After the aforementioned transactions, Starmalls, Masterpiece and Manuela became subsidiaries of VLLI as at December 31, 2015.

As at February 24, 2016, VLLI completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

Both VLLI and Starmalls Group are entities under common control of Fine Group. Accordingly, VLLI accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.
As a result of the acquisition, Starmalls accounting policies have been realigned to Vista Group. Accordingly, the fair values previously recognized on Property and equipment, and Investment Properties of the Starmalls Group have been adjusted under the pooling-of-interest method and brought back to cost.

In addition, the financial statements as of and for the years ended December 31, 2014 and 2013 have been restated to include the accounts of Starmalls as if the entities had always been combined. The January 1, 2014 statement of financial condition has been presented for the opening balances at a combined basis using the same pooling-of-interest method.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2015. Except as otherwise indicated, the adoption of the new and amended PFRS, PAS, Philippine Interpretations did not have any effect on the consolidated financial statements of the Group.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments had no impact on the Group's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition;
    - A performance target must be met while the counterparty is rendering service;
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
    - A performance condition may be a market or non-market condition; and
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between

the gross and carrying amounts of the asset. The amendment will have no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and had no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment had no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment had no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment had no significant impact on the Group's financial position or performance.

There are new PAS and PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

<u>Standards Issued but not yet Effective</u>
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the financial statements, unless otherwise stated.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real

estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts.

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group's financial position or performance.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments are not expected to have any impact to the Group.

- PFRS 10, *Consolidated Financial Statements* and PAS 28*, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. These amendments will have no significant impact on the Group's financial position or performance.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its financial statements.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of consolidated financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRS (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will have no significant impact on the Group's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment will have no significant impact on the Group's financial position or performance.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous

versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The requirements on hedge accounting will not have any impact on the Group's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group plans to adopt the new standard on the required effective date once adopted locally but this will not have impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

This accounting policy applies primarily to the Group's cash and cash equivalents, trade receivables, installment contract receivables (classified under current and non-current assets) and refundable deposits (classified under current and non-current assets).

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

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in OCI.

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

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

As of March 31, 2016 and December 31, 2015, AFS financial assets comprise of unquoted and quoted equity securities. The Group's AFS financial assets in quoted equity securities pertain to investments in shares of publicly listed companies while unquoted equity securities pertain to investments in shares of non-listed companies.

Liability for land acquisition and other financial liabilities
Liability for land acquisition and other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

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

The financial liabilities measured at cost are accounts and other payables and payable to related parties and other liabilities. The financial liabilities measured at amortized cost are interest-bearing loans and borrowings and liability for land acquisition.

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

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

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

Impairment of Financial Assets

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

Loans and Receivables

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

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

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

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

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

AFS financial assets carried at fair value

In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI is removed from OCI and recognized in profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in the profit or loss. Increases in fair value after impairment are recognized directly in OCI.

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

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

<u>Business Combination and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

For business combinations under common control an entity can choose to account for the combinations using the acquisition method or pooling of interest method. However, where an entity selects the acquisition method of accounting, the transaction must have substance from the perspective of the reporting entity. When evaluating whether the transaction has substance, the following factors are considered:

(a) the purpose of the transaction;
(b) the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
(c) whether or not the transaction is conducted at fair values;
(d) the existing activities of the entities involved in the transactions;
(e) whether or not it is bringing entities together into a "reporting entity" that didn't exist before; and
(f) where a Newco is established, whether it is undertaken as an integral part of an IPO or spin-off or other change in control and significant change in ownership.

Under acquisition method, the Group can either measure the consideration transferred at the acquisition-date fair value of the consideration actually given or elect to impute an additional equity contribution to recognize total consideration equivalent to the fair value of the business received. Whichever method is adopted should be applied consistently, and the entity should disclose its chosen accounting policy.

<u>Real Estate Properties for Sale</u>
Real estate properties for sale consist of raw land intended for future development, subdivision land and residential house and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

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

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

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

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

<u>Creditable Withholding Tax</u>
This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

<u>Value-Added Tax (VAT)</u>
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

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

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

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

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

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

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred.

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

	Years
Building and building improvements	10 to 40 years
Office furniture, fixtures and equipment	3 to 5 years
Transportation equipment	3 years
Construction equipment	5 years

Building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

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

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

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

Impairment of Nonfinancial Assets
This accounting policy relates to property and equipment and investment properties.

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

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

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

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries (Note 17).

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

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

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rental income
Rental income from investment property is accounted for on a straight-line basis over the lease term.

Common usage and service area charges
Revenue is recognized when the performance of contractually agreed task has been substantially rendered

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

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

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

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

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

Income from forfeited reservations and collections
Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act,* upon prescription of the period for the payment of required amortizations from defaulting buyers.

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

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables or HTM investments) using the effective interest method and is shown as deduction for the financial assets.

Dividend and miscellaneous income
Dividend and miscellaneous income are recognized when the Group's right to receive payment is established.

Pension Cost

Defined benefit plan

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

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

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Commissions
The Group recognizes commissions when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

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

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

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

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

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

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

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

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

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

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

As of March 31, 2016 and December 31, 2015, the Group has no potential dilutive common shares.

Segment Reporting
Presently, the Group's only significant operating segment is related to its leasing of commercial spaces operations. This is being monitored and strategic decisions are made on the basis of operating results.

Furthermore, the Group's operations are presently concentrated in the Philippines; hence, it has no geographical segment classification. The Group, however, continues to acquire properties for future development in different areas. Rentals to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

Since the Group has only one significant operating segment, the items presented in the consolidated financial statements corresponding to assets and liabilities represent virtually the entire segment assets and liabilities.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the financial reporting date. Exchange gains or losses arising from foreign exchange transactions are credited or charged against operations for the period.

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Revenue and cost recognition

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

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

Collectability of the sales price

For real estate sales, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification required significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS financial assets. Consequently, the investment would therefore be measured at fair value and not at amortized cost.

Operating lease commitments - the Group as lessee

The Group is engaged in contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor

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

Classification of property as investment property or real estate properties for sale
The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an 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 property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or 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.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position.

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

Revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the POC measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

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

Impairment of financial assets

(i) *AFS equity securities*

The Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged', greater than twelve (12) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price of similar equity securities.

In addition, in the case of unquoted equity securities, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

(ii) *Loans and receivables*

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

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

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

Estimating allowance for impairment losses on receivables

The Group maintains allowances for impairment losses based on the results of the individual and collective assessments under PAS 39. For both individual and collective assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. The estimated cash flows considers the management's estimate of proceeds from the disposal of the collateral less cost to repair, cost to sell and return of deposit due to the defaulting party. The cost to repair and cost to sell are based on historical experience. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates made for the year. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Evaluation of net realizable value of real estate properties for sale

Real estate properties for sale are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Evaluation of impairment
The Group reviews investment properties and property and equipment for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value les cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investment properties and property and equipment.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of March 31, 2016 and December 31, 2015, no indicators of impairment exist for investment properties, and property and equipment.

Estimating useful lives of investment properties and property and equipment
The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The EUL of property and equipment and investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Estimating pension obligation and other retirement benefits
The determination of the Group's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. See Note 18 to the consolidated financial statements for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible

estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 26 to the consolidated financial statements for the related balances.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2016 and December 31, 2015:

		31 Mar 2016		31 Dec 2015
Cash on hand	**P**	**334,500**	P	294,500
Cash in banks		**538,199,905**		842,381,391
Cash equivalents		**293,706,094**		165,377,382
	P	**832,240,499**	P	1,008,053,273

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

	2016	2015
Philippine Peso	1.2% to 2.5%	1.2% to 2.0%
US Dollar	3.00%	3.00%

5. TRADE RECEIVABLES

The balance of this account is composed of the following as of March 31, 2016 and December 31, 2015:

		31 Mar 2016		31 Dec 2015
Trade receivables from tenants:				
Third party	**P**	**1,169,580,095**	P	1,054,511,027
Related parties under common ownership		**738,087,602**		505,083.858
Others		**18,161,774**		18,161,774
		1,925,829,471		1,577,756,659
Allowance for impairment		**(50,544,672)**		(50,544,672)
	P	**1,875,284,799**	P	1,527,211,987

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2015, certain receivables from tenants, contractors, suppliers, brokers, and others were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. In 2014, management assessed that certain receivables totaling P21.6 million which were previously provided with allowance should already be written off.

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

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale as of March 31, 2016 and December 31, 2015 are stated at cost, the details of which are shown below.

	31 Mar 2016	31 Dec 2015
Land	**P 166,467,236**	P 165,906,181
Residential units for sale	**157,596,464**	157,477,140
	P 324,063,700	P 323,383,321

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.

7. AVAILABLE-FOR-SALE FINANCIAL ASSESTS

The breakdown of this account is as follows:

	31 Mar 2016	31 Dec 2015
Current:		
Equity securities	**P 36,961,985**	P 36,961,985
Non-current –		
Equity securities	**3,500,972,370**	3,899,642,724
	P 3,537,934,355	P 3,936,604,709

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

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

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

8. PREPAYMENTS AND OTHER ASSETS

This account is composed of the following as of March 31, 2016 and December 31, 2015:

	31 Mar 2016	31 Dec 2015
Current:		
Input VAT	**P 1,277,268,280**	P 1,251,951,699
Advances to contractors, brokers and others	**531,566,362**	466,196,241
Reserve fund	**-**	72,185,021
Prepayments	**66,809,066**	29,706,926
Short-term installment contracts receivable	**26,914,007**	26,914,007
Creditable withholding taxes	**12,778,213**	13,991,373
Others	**13,268,279**	8,258,764
	1,928,604,207	1,869,204,031
Non-current:		
Refundable deposits	**130,803,294**	130,803,294
Long-term installment contracts receivable	**30,217,68**	30,217,682
	161,020,976	161,020,976
	P 2,089,625,183	P 2,030,225,007

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

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

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

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

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

9. 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 ₱839.8 million and ₱444.2 million for the period ended March 31, 2016 and 2015, 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.

	31 Mar 2016	31 Dec 2015
Land	**P 7,815,803,002**	P 7,725,796,111
Building and improvements, net of accumulated depreciation	**6,876,618,652**	5,689,844,233
Commercial building under construction	**5,726,685,383**	5,738,518,894
	P 20,419,107,037	P 19,445,196,123

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

Investment Property Owned by the Parent Company
The fair value of the remaining investment property in Valenzuela amounting ₱41.52 million as of December 31, 2015. The Parent Company's investment property has a carrying amount of ₱5.32 million as of March 31, 2016 and December 31, 2015. This consists of parcels of land located in Valenzuela City with a total land area of 23,675 square meters. The investment property is being held for capital appreciation. There was no additional impairment loss recognized in 2015 and 2014 as determined by an independent firm of appraisers.

Investment Property Owned by MAPI
MAPI's investment property includes several parcels of land, commercial buildings which are currently held for lease (Starmall San Jose Del Monte in Bulacan, Starmall Taguig and Starmall Azienda in Cebu), a commercial building in Wack-Wack, Mandaluyong and commercial buildings under construction which are owned primarily to earn rental income in the future.

The land located in San Jose del Monte, Bulacan amounting to ₱52.5 million, which represents its purchase price, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership (Note 23). The Phase 1 and Phase 2 of Starmall San Jose Del Monte were completed in 2012 and 2014, respectively, and started their operations in 2013 and 2014, respectively. Accordingly, the Company reclassified portion of Commercial buildings under construction to Buildings and improvements amounting to ₱786.4 million and ₱56.4 million representing the completion of Phase 1 and Phase 2, respectively, of the commercial building which are already available for lease. Phase 3 of Starmall San Jose Del Monte is still in progress as of March 31, 2016.

In addition to the Phase 2 of Starmall San Jose Del Monte, Starmall Taguig and Starmall Azienda were also completed in 2014 and started operations in September and November, respectively. A commercial building in Wack-Wack in Mandaluyong was also completed during the latter part of 2014.

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 amounted to ₱2,090.28 million as of December 31, 2014. The parcel of land is currently being developed by the Group as a commercial center that will be available for lease in the future.

MAPI acquired certain parcels of land in several locations at a cost of ₱2,665.36 million and ₱957.10 million in 2015 and 2014, respectively, for future establishment of commercial properties.

The Phase 1 of Starmall Molino, Starmall Sta. Rosa and Starmall Imus were completed and started their operations in 2015. Accordingly, the Company reclassified portion of Commercial buildings under construction to Land and Buildings and improvements amounting to ₱65.31 million and ₱1,089.94 million, respectively.

Commercial buildings still in progress as of March 31, 2016 include Starmall Bataan, Starmall Bulacan and Phase 2 of Starmall Prima Taguig, Starmall Molino in Bacoor, Cavite and Starmall Sta. Rosa, Laguna.

Investment Property Owned by Manuela
The investment property of Manuela, with a total carrying amount of ₱4,706.23 million and ₱3,331.27 million as of December 31, 2015 and 2014, includes several parcels of land and buildings and improvements located in Mandaluyong City (Starmall EDSA – Shaw and Worldwide Corporate Center), Las Piñas City (Starmall Las Piñas and Starmall Las Piñas - Annex) and Muntinlupa City (Starmall Alabang). Part of the cost of buildings and improvements is the capitalized borrowing cost amounting to ₱57.50 million, ₱1.06 million and ₱6.05 million as of December 31, 2015, 2014 and 2013, respectively. These properties are owned and held primarily to earn rental income. The capitalization rate used was 5.75% for December 31, 2015, 2014 and 2013.

Fair Value of Investment Property
In 2015, the Company secured the services of an independent firm of appraisers to determine the fair market values of the Company's investment as of December 31, 2015. 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, 2015.

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

Starmall Las Piñas	394,100,000	1,642,900,000	2,037,000,000
Starmall Las Piñas-Annex	121,000,000	100,000,000	221,000,000
WCC	–	1,935,000,000	1,935,000,000
	₱14,404,100,000	₱14,492,900,000	₱28,897,000,000

10. LIABILITY FOR LAND ACQUISITION

Liability for land acquisition represents the outstanding payable as of March 31, 2016 and December 31, 2015 relating to the Group's acquisition of certain parcels of land.

Additions in 2016 and 2015 pertains to land purchases in various locations from individual third parties amounting to ₱90.0 million and ₱699.8 million, respectively, to be held as future commercial building construction sites. From these purchases, the Company had outstanding liability of ₱528.0 million, payable in the next 12 months, and ₱114.1 million with maturity of more than 1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section, respectively, as of March 31, 2016.

11. TRADE AND OTHER PAYABLES

This account consists of:

	31 Mar 2016	31 Dec 2015
Retention payable	**P 674,957,056**	P 584,314,257
Trade payables	**615,852,914**	553,884,718
Deferred output VAT	**228,610,188**	280,333,605
Accrued rentals	**216,437,162**	239,049,684
Construction payable	**94,991,299**	16,390,234
Accrued expenses	**71,666,993**	62,119,723
Other payables	**6,619,278**	-
	P 1,909,134,890	P 1,736,092,221

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

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

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

Construction payable pertains to contractors' billings for services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

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

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

12. EQUITY

12.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	31 Mar 2016	31 Dec 2015	**31 Mar 2016**	31 Dec 2015
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	**8,425,981,156**	8,425,981,156	**P 8,425,981,156**	P 8,425,981,156
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 8,449,481,156	P 8,449,481,156

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

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

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

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

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

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

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

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

As of March 31, 2016 and December 31, 2015, 8,425,981,156 shares are listed in the PSE and closed at ₱7.06 and ₱7.00 per share, respectively.

12.2 Retained Earnings

The Company's BOD approved the declaration of cash dividends of ₱0.20 per share (or a total of ₱978,482,232) on November 20, 2007, payable on December 28, 2007, to stockholders of record as of December 5, 2007. As of March 31, 2016 and December 31, 2014, unpaid portion of these dividends amounting to ₱0.3 million is presented as Dividends Payable in the consolidated statements of financial position. There were no dividends declared for the period ended March 31, 2016 and the years ended December 31, 2015 and 2014.

13. EARNINGS PER SHARE

Earnings per share were computed as follows:

	31 Mar 2016	31 Mar 2015
Net profit attributable to parent company's shareholders	**P 350,308,458**	P 133,349,013
Divided by weighted outstanding common shares	**8,425,981,156**	8,425,981,156
Earnings per share	**P 0.04**	P 0.02

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2016 vs. three months ended March 31, 2015

Revenues

Rental Revenue

Rental income increased by 89% from ₱444.2 million in the three months ended March 31, 2015 to ₱839.8 million in the period ended March 31, 2016. The increase was primarily attributable the increase in occupancy and rental rates of our existing malls and additional gross floor area of our investment properties.

Parking Fees

Parking fee revenue increased from ₱10.7 million in the quarter ended March 31, 2015 to ₱15.6 million in the quarter ended March 31, 2016. The 46% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Other Operating Income

Other operating income increased from ₱17.8 million in the three months ended March 31, 2015 to ₱36.2 million in the period ended March 31, 2016. The 103% increase was due to increase in other operating income such as sale of ancillary products and services to tenants.

Finance Income

Finance income decreased from ₱6.2 million in the three months ended March 31, 2015 to ₱3.7 million in the period ended March 31, 2016. The 41% decrease was due to the increase in interest earned from AFS financial assets and the savings and time deposit accounts of the Group.

Costs and Expenses

Operating Costs and Expenses

Operating cost and expenses increased from ₱284.9 million in the three months ended March 31, 2015 to ₱370.2 million in the period ended March 31, 2016. The increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 17% from ₱114.9 million in the three months ended March 31, 2015 to ₱134.5 million in the period ended March 31, 2016 due to additional depreciation from the newly opened malls and corporate building.

- Increase in occupancy expenses by 71% from ₱36.4 million in the period ended March 31, 2015 to ₱62.3 million in the three months ended March 31, 2016 due to the increase in the rate of utilities as well as consumption due to the newly opened malls and corporate buildings.

- Increase in outside services by 19% from ₱50.3 million in the period ended March 31, 2015 to ₱59.7 million in the three months ended March 31, 2016 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in repairs and maintenance by 118% from ₱11.8 million in the period ended March 31, 2015 to ₱25.6 million in the three months ended March 31, 2016 due to the refurbishments of the equipment and facilities of the existing malls.

- Increase in advertising and promotion by 111% from ₱4.7 million in the three months ended March 31, 2015 to ₱9.9 million in the period ended March 31, 2015 due to increase in advertorials and events for the marketing and promotion of the malls and corporate buildings.

- Increase in salaries and employee benefits by 17% from ₱31.9 million in the three months ended March 31, 2015 to ₱37.3 million in the period ended March 31, 2016 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 101% from ₱14.9 million in the quarter ended March 31, 2015 to ₱30.0 million in the period ended March 31, 2016 due to additional taxes with the increase of the Group's investment portfolio.

- Decrease in other operating expenses by 46% from ₱20.0 million in the three months ended March 31, 2015 to ₱10.8 million in the period ended March 31, 2016 due to cost rationalization measures implemented.

Interest and financing charges increased by 30% from ₱19.9 million in the quarter ended March 31, 2015 to ₱25.7 million in the period ended March 31, 2016. This was due to additional interest–bearing loans obtained during the period.

Provision for tax increased by 289% from ₱39.1 million in the quarter ended March 31, 2015 to ₱152.1 million in the period ended March 31, 2016. This was due to higher operating revenues in the 1st quarter 2016.

Net Income

As a result of the foregoing, the Company's net income increased by 157% from ₱135.0 million in the three months ended March 31, 2015 to ₱347.2 million in the three months ended March 31, 2016.

Other Comprehensive Income (Loss)

The Group reported a net gain for the quarter ended March 31, 2015 in the amount of ₱4.9 million while it incurred a net loss for the quarter ended March 31, 2016 in the amount of ₱398.7 million arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

For the three months ended March 31, 2016, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between costs and revenues.

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

Financial Condition as of March 31, 2016 vs. December 31, 2015

Total assets were ₱33.2 billion as of March 31, 2016 and ₱31.8 billion as of December 31, 2015. The 5% increase is due to the following:

- Cash and cash equivalents posted a decrease of 17% from ₱1.0 billion as of December 31, 2015 to ₱832.2 million as of March 31, 2016 due to disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

- Trade and other receivables posted an increase of 23% from ₱1.5 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Available for sale financial assets decreased by 10% from ₱3.9 billion as of December 31, 2015 to ₱3.5 billion as of March 31, 2016 due to fair value loss on the Company's investment in VLL shares.

- Prepayments and other current assets increased by 3% from ₱1.87 billion as of December 31, 2015 to ₱1.93 billion as of March 31, 2016 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings.

- Investment properties increased by 7% from ₱19.2 billion as of December 31, 2015 to ₱20.4 billion as of March 31, 2016 due to the construction and development of new projects and purchase of various properties to be used for commercial development.

- Property and equipment decreased by 5% from ₱61.0 million as of December 31, 2015 to ₱57.7 million as of March 31, 2016 due to the depreciation charges during the period.

Total Liabilities as of March 31, 2016 were ₱16.0 billion compared to ₱14.9 billion as of December 31, 2015, or an 8% increase. This was due to the following:

- Liabilities for land acquisition increased by 16% from ₱552.2 million as of December 31, 2015 to ₱642.2 million as of March 31, 2016 due to purchase of new project sites.

- Interest-bearing loans and borrowings increased by 7% from ₱10.7 billion as of December 31, 2015 to ₱11.5 billion as of March 31, 2016 due to loans availed in the 1st Quarter 2016.

- Trade and other payables increased by 10% from ₱1.7 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 due mainly to payables to contractors and suppliers for on-going construction projects.

- Income tax payable increased by 66% from ₱37.2 million as of December 31, 2015 to ₱61.8 million as of March 31, 2016 due to increase in income tax payable for the year ended December 31, 2015.

- Deferred tax liabilities increased by 32% from ₱342.8 million as of December 31, 2015 to ₱452.7 million as of March 31, 2016 due to recognition of tax liabilities in the 1st Quarter 2016.

- Other non-current liabilities decreased by 1% from ₱676.4 million as of December 31, 2015 to ₱666.5 million as of March 31, 2016 due to payments of security deposits to various mall tenants.

Total stockholder's equity decreased by 0.3% from ₱16.91 billion as of December 31, 2015 to ₱16.86 billion as of March 31, 2016 due to the total comprehensive loss incurred for the three months ended March 31, 2016.

Top Five(5) Key Performance Indicators

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

Key Performance Indicators	03/31/2016	03/31/2015
Current ratio [(a)]	1.3	1.8
Debt-to-equity ratio [(b)]	0.95	0.37
Interest coverage ratio [(c)]	20	7
EBITDA margin [(d)]	74%	64%
Return on equity [(e)]	2.1%	0.5%

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 March 31, 2016 decreased from that of March 31, 2015 due to the increase in current liabilities arising from bank loans.

The increase in debt-to-equity ratio as of March 31, 2016 was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the quarter ended March 31, 2016 increased because increase in revenues for the 1st Quarter 2016.

EBITDA margin increased to 74% with the improvement in operating income for the 1st Quarter 2016.

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

Material Changes to the Company's Statement of Financial Position as of March 31, 2016 compared to December 31, 2015 (increase/decrease of 5% or more)

Cash and cash equivalents posted a decrease of 17% from ₱1.0 billion as of December 31, 2015 to ₱832.2 million as of March 31, 2016 due to disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

Trade and other receivables posted an increase of 23% from ₱1.5 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 mainly due increase in rental revenue with the opening of the new malls and corporate building.

Available for sale financial assets decreased by 10% from ₱3.9 billion as of December 31, 2015 to ₱3.5 billion as of March 31, 2016 due to fair value loss on the Company's investment in VLL shares.

Investment properties increased by 7% from ₱19.2 billion as of December 31, 2015 to ₱20.4 billion as of March 31, 2016 due to the construction and development of new projects and purchase of various properties to be used for commercial development.

Property and equipment decreased by 5% from ₱61.0 million as of December 31, 2015 to ₱57.7 million as of March 31, 2016 due to the depreciation charges during the period.

Liabilities for land acquisition increased by 16% from ₱552.2 million as of December 31, 2015 to ₱642.2 million as of March 31, 2016 due to purchase of new project sites.

Interest-bearing loans and borrowings increased by 7% from ₱10.7 billion as of December 31, 2015 to ₱11.5 billion as of March 31, 2016 due to loans availed in the 1st Quarter 2016.

Trade and other payables increased by 10% from ₱1.7 billion as of December 31, 2015 to ₱1.9 billion as of March 31, 2016 due mainly to payables to contractors and suppliers for on-going construction projects.

Income tax payable increased by 66% from ₱37.2 million as of December 31, 2015 to ₱61.8 million as of March 31, 2016 due to increase in income tax payable for the year ended December 31, 2015.

Deferred tax liabilities increased by 32% from ₱342.8 million as of December 31, 2015 to ₱452.7 million as of March 31, 2016 due to recognition of tax liabilities in the 1st Quarter 2016.

Other non-current liabilities decreased by 1% from ₱676.4 million as of December 31, 2015 to ₱666.5 million as of March 31, 2016 due to payments of security deposits to various mall tenants.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 (increase/decrease of 5% or more)

Rental income increased by 89% from ₱444.2 million in the three months ended March 31, 2015 to ₱839.8 million in the period ended March 31, 2016. The increase was primarily attributable the increase in occupancy and rental rates of our existing malls and additional gross floor area of our investment properties.

Parking fee revenue increased from ₱10.7 million in the quarter ended March 31, 2015 to ₱15.6 million in the quarter ended March 31, 2016. The 46% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Other operating income increased from ₱17.8 million in the three months ended March 31, 2015 to ₱36.2 million in the period ended March 31, 2016. The 103% increase was due to increase in other operating income such as sale of ancillary products and services to tenants.

Finance income decreased from ₱6.2 million in the three months ended March 31, 2015 to ₱3.7 million in the period ended March 31, 2016. The 41% decrease was due to the increase in interest earned from AFS financial assets and the savings and time deposit accounts of the Group.

Increase in depreciation and amortization by 17% from ₱114.9 million in the three months ended March 31, 2015 to ₱134.5 million in the period ended March 31, 2016 due to additional depreciation from the newly opened malls and corporate building.

Increase in occupancy expenses by 71% from ₱36.4 million in the period ended March 31, 2015 to ₱62.3 million in the three months ended March 31, 2016 due to the increase in the rate of utilities as well as consumption due to the newly opened malls and corporate buildings.

Increase in outside services by 19% from ₱50.3 million in the period ended March 31, 2015 to ₱59.7 million in the three months ended March 31, 2016 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in repairs and maintenance by 118% from ₱11.8 million in the period ended March 31, 2015 to ₱25.6 million in the three months ended March 31, 2016 due to the refurbishments of the equipment and facilities of the existing malls.

Increase in advertising and promotion by 111% from ₱4.7 million in the three months ended March 31, 2015 to ₱9.9 million in the period ended March 31, 2015 due to increase in advertorials and events for the marketing and promotion of the malls and corporate buildings.

Increase in salaries and employee benefits by 17% from ₱31.9 million in the three months ended March 31, 2015 to ₱37.3 million in the period ended March 31, 2016 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 101% from ₱14.9 million in the quarter ended March 31, 2015 to ₱30.0 million in the period ended March 31, 2016 due to additional taxes with the increase of the Group's investment portfolio.

Decrease in other operating expenses by 46% from ₱20.0 million in the three months ended March 31, 2015 to ₱10.8 million in the period ended March 31, 2016 due to cost rationalization measures implemented.

Interest and financing charges increased by 30% from ₱19.9 million in the quarter ended March 31, 2015 to ₱25.7 million in the period ended March 31, 2016. This was due to additional interest–bearing loans obtained during the period.

Provision for tax increased by 289% from ₱39.1 million in the quarter ended March 31, 2015 to ₱152.1 million in the period ended March 31, 2016. This was due to higher operating revenues in the 1st quarter 2016.

COMMITMENTS AND CONTINGENCIES

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

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

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation except for those items disclosed in the 1st Quarter 2016 Financial Statements.

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

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

In February 2016, The Group opened to the public the expansion of Starmall Prima Taguig in Cayetano Boulevard, Taguig City. The building which has a GFA of 47,631 square meters is home to three (3) cinemas and various retail shops and restaurants.

B. **Composition of Board of Directors**

Manuel B. Villar Jr.	Chairman of the Board
Jerry M. Navarrete	Director, President and CEO
Benajamarie Therese N. Serrano	Director, COO
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.**

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLL) signed an agreement with Fine Properties, Inc. ("Fine Properties"), Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar (collectively, the "Fine Group") to acquire approximately 88.25% or 7,436.22 million shares of the Company for a total consideration of P33,537.36 million.

In December 2015, VLL acquired 6,692.93 million shares of Starmalls, Inc. from the Fine Group for a total consideration of P30,185.11 million (the "First Closing Date"). As at December 31, 2015, VLL completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares from the Fine Group. Further, VLL has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

The second closing date which is after the tender offer period in February 10, 2016, VLL acquired the remaining 743.29 million shares of Starmalls, Inc. from the Fine Group in the amount of P3,352.25 million. As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

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

None.

Item 4. Other Notes as of the 1st Quarter 2016 Operations and Financials.

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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

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

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

As of March 31, 2016, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the nine months ended March 31, 2016 financial statements.

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

None.

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

None.

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

None.

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

None.

SIGNATURES

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

STARMALLS, INC.
Issuer

By:

FRANCES ROSALIE T. COLOMA
Chief Financial Officer

Date: May 11, 2016