COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

3	R	D		L	E	V	E	L		S	T	A	R	M	A	L	L		L	A	S			
P	I	N	A	S	,		C	V		S	T	A	R	R		A	V	E	N	U	E	,		
P	H	I	L	A	M	L	I	F	E		V	I	L	L	A	G	E	,						
P	A	M	P	L	O	N	A	,		L	A	S		P	I	N	A	S		C	I	T	Y	

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

Jo L. Ilijay
Contact Person

571-5948
Registrant Telephone Number

1	2		3	1

Month *Day*
Calendar Year

20-IS Preliminary Information Statement
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

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of **STARMALLS, INC.** (the "Company") for the year 2015 will be held on 29 June 2015, Monday, at 10:00 in the morning, at Monte di Portofino, Portofino Heights Subdivision, Daang Hari, Las Piñas City.

The order of business thereat as follows:

I. Call to order

II. Certification of service of notice and presence of quorum

III. President's Report

IV. Approval of the Audited Consolidated Financial Statements for the period ended 31 December 2014 as contained in the Company's Annual Report

V. Election of the Directors and Independent Directors

VI. Appointment of External Auditors

VII. General ratifications of the acts of the Board of Directors and the Management in line with the usual business of the Company from the date of the last annual stockholders' meeting up to the date of the meeting

VIII. Approval of the amendment of the Fourth Article of the Articles of Incorporation of the Company to specify the complete principal office address of the Company

IX. Approval of the amendment of the First Article of the By-laws of the Company to specify the complete principal office address of the Company

X. Other Matters

XI. Adjournment

The Board of Directors has fixed 29 May 2015 as the record date for the determination of stockholders entitled to notice of, and to vote at, said Annual Stockholders' Meeting.

Please bring some form of identification, such as passport, driver's license, or company ID and certification from PCD participant (if applicable) to facilitate registration which will start at 9:30 a.m.

MA. NALEN S.J. ROSERO-GALANG
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

1. Call to Order

The Chairman of the Board of Directors of the Company, Mr. Manuel B. Villar, Jr., will call the meeting to order.

2. Certification of service of notice and presence of quorum

The Corporate Secretary, Atty. Nalen S.J. Rosero-Galang, will certify that copies of this Notice were sent to the Stockholders of record as of 29 May 2015, and will certify the number of attendees, whether in person or by proxy, for purposes of determining the presence of quorum.

3. Approval of the President's Report and Audited Consolidated Financial Statements for the period ended 31 December 2014 as contained in the Company's Annual Report

The President and Chief Executive Officer of the Company, Mr. Jerry M. Navarrete, will present a report on the Operations and Financial Results of the Company and its subsidiaries for the year 2014. Thereafter, the Company's Audited Financial Statements for the period ended 31 December 2014 will be presented for approval by the stockholders. The Audited Consolidated Financial Statements were incorporated in the Information Statement of the Company accompanying this Notice to be sent to the shareholders twenty eight (28) days before the meeting.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve these agenda items.

2. Election of Directors and Independent Directors

The incumbent members of the Board of Directors were nominated for re-election for the current year. Background information about the nominees to the Board are contained in the Information Statement accompanying this Notice.

For the election of directors, the candidates who received the highest number of votes shall be declared elected.

3. Appointment of External Auditors

The auditing firm of Punongbayan & Araullo (P&A) is being recommended for re-appointment as external auditor for the current year. Brief information about P&A and the aggregate fees paid for the professional services provided by P&A for the last two (2) years are set out in the Information Statement accompanying this Notice.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

4. <u>General ratifications of the acts of the Board of Directors and the Management in line with the usual business of the Company from the date of the last annual stockholders' meeting up to the date of the meeting</u>

Ratification by the stockholders will be sought for the acts of the Board of Director and the Management of the Company since the annual meeting of the stockholders on 30 June 2014 until 29 June 2015, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the Board and the Management are those taken in line with the usual business of the Company.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

5. <u>Approval of the amendment of the Fourth Article of the Articles of Incorporation of the Company to specify the complete principal office address of the Company</u>

Ratification by the stockholders will be sought for the amendment of the Fourth Article of the Articles of Incorporation of the Company to specify the complete principal office address of the Company. This is in compliance with SEC Memorandum Circular Numbers 6 Series of 2014 and 1 Series of 2015, requiring the Company to amend its Articles of Incorporation to reflect its complete address.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

6. <u>Approval of the amendment of the First Article of the By-laws of the Company to specify the complete principal office address of the Company</u>

Ratification by the stockholders will be sought for the amendment of the First Article of the By-Laws of the Company to specify the complete principal office address of the Company.

The vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve this agenda item.

7. <u>Other Matters</u>

The Chairman will entertain questions and comments from the stockholders.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 15 2015
MARKET REGULATION DEPT.
BY: Ocupe TIME: 3:38pm

1. Check the appropriate box:

   [x] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **STARMALLS, INC.**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **39587**

5. BIR Tax Identification Code **000-806-396-000**

6. **3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City** — **1746**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code **(632) 571-5948 / (632) 871-4001**

8. Date, time and place of the meeting of security holders

   29 June 2015, 10:00 a.m.
   Monte di Portofino, Daang Hari, Las Piñas City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   May 30, 2015

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

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

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes [x]   No [ ]

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

    7,682,687,828 Common shares are listed with the Philippine Stock Exchange as of April 30, 2015

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

PART I

INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date: June 29, 2015
Time: 10:00 a.m.
Place: Monte di Portofino, Daang-Hari, Las Piñas City

The corporate mailing address of the principal office of the Registrant is 3rd Level Starmall Las Piñas C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City, Philippines.

Notices of the meeting and copies of the Information Statement shall be sent to security holders as soon as practicable after the approval hereof by the Securities and Exchange Commission, but not later than **May 30, 2015**.

Dissenters' Right of Appraisal

There are no corporate matters or action that will entitle a shareholder to exercise a right of appraisal as provided under Section 81, Title X, of the Corporation Code of the Philippines ("Corporation Code").

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
(3) In case of merger or consolidation; and
(4) In case of investments in another corporation, business or purpose.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of 30 April 2015

Common: 8,425,981,155
Preferred: 2,350,000,000

(b) Record Date: 28 May 2015

Each common share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article III, Section 3 of the Registrant's By-Laws, every holder of voting stock may vote during all meetings, including the Annual Stockholders' Meeting, either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides, in part, that: "….in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit…."

Equity Ownership of Foreign and Local Shareholders

Foreign and local security ownership as of April 30, 2015:

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	7,616,372,429	90.38%	809,608,726	9.62%	8,425,981,155
Preferred	2,350,000,000	100.00%	-	-	2,350,000,000
Total	**9,966,372,429**		**809,608,726**		**10,775,981,155**

Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of April 30, 2015:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Registrant	Name of Beneficial Owner/ Relationship with Record Owner	Citizenship	No. of Shares Held*	% of Ownership[1]
Common Common Preferred	Fine Properties, Inc.[2] 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	D -2,573,507,156 I -491,569,605 D- 2,350,000,000	30.54% 5.83% 100.00%
Common	Manuela Corp. [3] Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	I - 1,223,102,790	14.52%
Common	Althorp Holdings Corp. [4] Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	D- 14,909,708 I – 2,198,961,026	0.18% 26.10%
Common	Land & Houses Public Company Limited [5] Q House Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	D- 808,431,465	9.60%
Common	Manuel B. Villar Jr. Caroline Masibay Street, BF Resort Village, Talon 2, Las Pinas City Shareholder	Record Owner is also beneficial Owner	Filipino	D- 559,900,022	6.57%

* D-Direct shareholdings; I-Indirect shareholdings (through PCD Nominee Corp.)

1 Based on the total issued stocks as of April 30, 2015 of 8,425,981,155 common shares and 2,350,000,000 preferred shares.

2 Fine Properties, Inc. through a resolution passed by the Board of Directors, usually designate its President, Jerry M. Navarrete, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

3 Manuela Corp. through a resolution passed by the Board of Directors, usually designate its President, Jerry M. Navarrete, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

4 Althorp Holdings Corp. through a resolution passed by the Board of Directors, usually designate its President, Rowena S. Reclosado, to be its authorized representative with the power to vote its shares of stock in Starmalls, Inc.

5 Land & Houses Public Company Limited (L&H) is a foreign corporation duly organized and existing by virtue of the laws of Thailand with office address at Reg. No. 57 Q. House Convent Bldg., 3rd to 5th Floor, 38 Convent Road, Silom, Bangkok 10500 Thailand. As of 2013, the members of the Board of L&H are Mr. Anant Asavabhokhin, Mr. Naporn Sunthornchitcharoen, Mr. Adisorn Thananun-Narapool, Mr. Chalerm Kiettitanabumroong, Mr. Soong Hee Sang, Mr. Nantawat Pipatwongkasem, Mr. Pratip Wongnirund, Mr. Pakhawat Kovithvathanaphong, and Assoc. Prof. Dr. Wisanu Subsompon. L&H usually acts through Mr. Adisorn Thananun-Narapool in matters relating to its shares of stock in the Company.

Security ownership of management as of April 30, 2015:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Pinas City	553,900,022 - Indirect	Filipino	6.5737%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Pinas City	361,944,243 – Indirect 1,000 - Direct	Filipino	4.2956%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	.00030%
Common Shares	Benjamarie Therese N. Serrano Parlane Street, La Marea Subdivision, San Pedro, Laguna	1,000 - Direct	Filipino	.00000%
Common Shares	Anant Asavabhokhin Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand	1,000 - Indirect	Thai	.00000%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.00000%
Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Direct	Filipino	.00000%
Common Shares	Frances Rosalie T. Coloma Block 1 Lot 10 Granwood Villas, Quezon City	3,500 - Direct	Filipino	.00000%
AGGREGATE SHAREHOLDINGS			**915,877,765**	**10.8696%**

None of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

Background Information

The following are the names, ages and citizenship of the incumbent directors/independent directors and officers of the Registrant:

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	65	Chairman	Filipino
Jerry M. Navarrete	60	President	Filipino
Benjamarie Therese N. Serrano	51	Director, Chief Operating Officer	Filipino
Manuel Paolo A. Villar	38	Director	Filipino
Adisorn Thananun-Narapool	60	Director	Thai
Joel L. Bodegon	66	Independent Director	Filipino
Raul Juan N. Esteban	50	Independent Director	Filipino
Frances Rosalie T. Coloma	52	Chief Financial Officer	Filipino
Ma. Nalen Rosero-Galang	43	Corporate Secretary & Compliance Officer	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

MANUEL B. VILLAR JR., *Chairman*, was a Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served as Speaker of the House of Representatives from 1998 to 2000. A certified public accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. In the early 1970's he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been a Director and Chairman of the Board of the Company since June 18, 2012. Mr. Villar is currently the Chairman of the Board of Vista Land.

JERRY M. NAVARRETE, *President*, graduated from the Lyceum of the Philippines with a Bachelor's degree in Economics and from Ateneo de Manila University with a Master's degree in Business Administration. He previously worked as research analyst with Aguilar Shipping for one year. Mr. Navarrete has been with the Villar Family Companies for more than 35 years. Mr. Navarrete has been President and Chief Executive Officer of the Company since October 29, 2004.

BENJAMARIE THERESE N. SERRANO, *Director and Chief Operating Officer,* graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present. She has been a Director of the Company since June 30, 2014.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since May 7, 2007.

ADISORN THANANUN-NARAPOOL, *Director*, holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee Realestate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002 and of the Company since June 24, 2013.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since October 4, 2010. Atty. Bodegon possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

RAUL JUAN N. ESTEBAN, *Independent Director*, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc. Mr. Esteban has been a Director of the Company since June 30, 2014. Mr. Esteban possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

FRANCES ROSALIE T. COLOMA, *Chief Financial Officer*, graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. She is a Certified Public Accountant. She worked as Finance Manager of Alcatel Philippines Inc. and Intel Philippines, Inc., Country Controller of Ericsson Telecommunications Philippines Inc., and Deal

Finance Manager of Accenture Delivery Center, Philippines. Before joining the Starmalls group in February, 2011, she was the Assistant General Manager of Maersk Global Services, Philippines. Ms. Coloma has been a Director of the Company since 2011.

MA. NALEN SJ. ROSERO-GALANG, *Compliance Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with Manuela since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She has been a director of Masterpiece Asia Properties, Inc. from 2005 to 2013 and of Manuela Corporation from 2011 to 2013. She is also the Corporate Secretary of the subsidiaries of Vista Land.

All the incumbent Directors above have one (1) year term of office.

All directors have been nominated for re-election to the Board of Directors. Mr. Joel L. Bodegon and Mr. Raul Juan N. Esteban have been nominated as independent director.

The By-Laws of the Registrant conforms with SRC Rule 38, as amended, with regard to the nomination of independent directors of the Registrant. Article IV, Sections 1-A and 2 of the Registrant's By-Laws provide as follows:

> Section 1A. Independent Directors – The corporation shall have at least two (2) independent directors or at least twenty (20%) of the entire Board membership, whichever is lesser.
>
> The independent directors shall have all the qualifications and none of the disqualifications set forth in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, as the same may be amended from time to time. *(As amended on 04 October 2010)*
>
> Section 2. Election and term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.
>
> A Nomination Committee is hereby created which may be organized from time to time upon determination of the Board of Directors. The Nomination Committee shall be composed of at least three (3) members, one of whom shall be an independent director. The Nomination Committee shall have the following functions: (A) formulate screening policies to enable the committee to effectively review the qualification of the nominees for independent directors; and (B) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as the same may be amended from time to time. *(As amended on 04 October 2010)*

On the other hand, SRC Rule 38, as amended, provide in part as follows:

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.

B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting."

The Registrant has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The nominated independent directors, namely, Mr. Raul Juan N. Esteban and Mr. Joel L. Bodegon were duly nominated by Ms. Editha Dolon, a registered shareholder of the Registrant who is not a director, officer or substantial shareholder of the Registrant and who is not related to either of the said nominees. The Nominations Committee of the Registrant is composed of Mr. Manuel B. Villar Jr., Chairman, and Mr. Jerry M. Navarrete and Mr. Joel L. Bodegon, members.

Attendance in Board Meetings

Attendance of each director if the Corporation in Board meetings held during the year 2014 as follows:

	Mar 10	Apr 11	May 15	Jun 30	Aug 13	Nov 14
Manuel B. Villar Jr.	P	P	P	-	P	P
Jerry M. Navarrete	P	P	-	P	P	P
Benjamarie Therese N. Serrano	-	-	-	P	P	P
Manuel Paolo A. Villar	P	P	P	P	P	P
Adisorn Thananan-Narapool	-	P	-	-	-	-
Frances Rosalie T. Coloma	P	P	P	-	-	-
Carolina C. Mejias	P	P	-	-	-	-
Joel L. Bodegon	P	P	P	P	P	P
Raul Juan N. Esteban	-	-	-	P	P	P

* *Mr. Raul Juan N. Esteban and Ms. Benjamarie Therese N. Serrano were elected as Director during the Annual Stockholders' Meeting held on June 30, 2014.*

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

Resignations/Declined Nominations

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

Significant Employees

The Registrant has no other significant employee other than its Executive Officers.

Family Relationships

Mr. Manuel B. Villar Jr, and Mr. Manuel Paolo A. Villar, who are both directors of the Company, are father and son. Except for said relationship, none of the aforementioned Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

Certain Relationships and Related Transactions

Except as disclosed in the Annual Report of the Registrant (SEC Form 17-A) for the year ended December 31, 2014, the Registrant has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is, or has been, involved in any criminal or bankruptcy proceeding, or is, or has been, subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Compensation of Directors and Executive Officers

Executive Compensation

The executive officers of the Registrant are currently receiving and will continue to receive fixed salaries on a monthly basis from the respective subsidiaries or businesses of the Registrant that they manage. The compensation for its executive officers for the year 2013 and 2014 (actual) and 2015 (projected) are as shown below:

Names	Position	Year	Salary	Bonus
Jerry Navarrete Frances Rosalie T. Coloma Benjamarie Therese N. Serrano Florence R. Bernardo Shiela Joy L. Sanchez **Aggregate executive compensation for above named officers**	President Chief Financial Officer Chief Operations Officer Mall operations BPO operations	**Actual 2013** **Actual 2014** **Projected 2015**	**₱ 5.0 M** **₱ 6.5 M** **₱ 8.5 M**	**₱ 0.5 M** **₱ 0.6 M** **₱ 0.7 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2013** **Actual 2014** **Projected 2015**	**₱ 3.5 M** **₱ 4.0 M** **₱ 4.5 M**	**₱ 0.3 M** **₱ 0.4 M** **₱ 0.5 M**

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

Standard arrangements

Other than payment of reasonable per diem of ₱50,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2013 and 2014.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2013 or 2014 for any service provided as a director.

Employment contract between the company and executive officers

There are no special employment contracts between the Company and the named executive officers.

Warrants and options held by the executive officers and directors

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

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Independent Public Accountants

The auditing firm of Punongbayan & Araullo (P&A) is being recommended for election as external auditor for the current year.

Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. In 2014, the Registrant's auditors did not perform any substantial non-audit services for the Registrant.

Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

Since the initial audit of P&A in 2004, there was no instance where the Registrant's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Registrant had any disagreement with its public accountants on any accounting or financial disclosure issue.

The 2014 audit of the Registrant is in compliance with paragraph (3)(b)(iv) of SRC Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

For Changes in Accounting Policies, refer to Note 2 - Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Consolidated Financial Statements as of and for the years ended December 31, 2014, 2013 and 2012 included in this report.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

The Audit Committee of the Registrant is composed of Mr. Raul Juan N. Esteban, Chairman, and Ms. Benjamarie Therese N. Serrano and Mr. Joel L. Bodegon, members.

Audit and Audit-Related Fees

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

	2014	2013
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 2.65	₱ 2.54
All other fees	–	–
Total	**₱ 2.65**	**₱ 2.54**

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

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

OTHER MATTERS

Action with Respect to Reports

The following reports will be submitted for approval by the stockholders:

1. The President's Report; and

2. Audited Financial Statements for the year 2014.

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2014 as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover the approval of the quarterly and annual reports of the Registrant filed with the SEC and the PSE; acting as surety for the loans of the subsidiaries; opening and closure of various investment and/or deposit accounts; application for registration before the Intellectual Property Office of the trade name and trademark "Starmall Prima" and/or any variations using the word "Starmall" and sale of the Company's 1,009,960 shares of stocks in Brittany Estates Corp. to Household Development Corp.

2. Election of External Auditors.

Amendment of Charter, By-Laws or Other Documents

Amendment of the Principal Office of the Company

The Company is seeking approval from the shareholders of the Company to amend the Fourth Article of the Amended Articles of Incorporation of the Company to specify the principal office of the Corporation.

As amended, the Fourth Article of the Amended Articles of Incorporation of the Company shall read as follows:

> "**FOURTH** – That the place where the principal office of said Corporation is to be established or located is **3rd Floor, Starmall, C.V. Starr Avenue, Philamlife Village, Pamplona, Las Pinas City."**

Amendment of the By-laws of the Company reflecting the specific address of the Company's Principal Office

The Company is seeking approval from the shareholders of the Company to amend the First Article of the By-Laws of the Company to reflect the change in the specific address of the principal office of the Company.

As amended the title of the First Article of the By-laws of the Company shall read as follows:

> "The principal office of the Corporation shall be located at the **3rd Floor, Starmall, C.V. Starr Avenue, Philamlife Village, Pamplona, Las Pinas City.** The Corporation may establish and maintain branch offices or agencies elsewhere in the Philippines whenever warranted by the existence of its business affairs."

Voting Procedures

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

Voting requirements

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

(b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2014, as well as the approval or ratification of the other actions set forth under the heading "Other Proposed Actions" above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

PART II

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Registrant as of and for the year ended December 31, 2014 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

Punongbayan & Araullo (P&A), independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2014, 2013 and 2012, included in this report.

From 2004 to 2014, the external auditor of the Company was the accounting firm of Punongbayan and Araullo. Ms. Dalisay B. Duque has been the Partner In-charge since 2004. Pursuant to the General Requirements of SRC Rule 68, Par 3 (Qualifications and Reports of Independent Auditors), Ms. Mailene Sigue-Bisnar became the Partner In-charge for the year 2009. Mr. Nelson J. Dinio has been the partner designated for the financial statements for the year ended December 31, 2010 to present.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. P&A. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. P&A will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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

	2014	2013
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 2.65	₱ 2.54
All other fees	–	–
Total	**₱ 2.65**	**₱ 2.54**

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

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Company has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

REVIEW OF YEAR END 2014 VS YEAR END 2013

RESULTS OF OPERATIONS

Revenues

Rental Revenue
Rental revenue increased from ₱1.26 billion in the year ended December 31, 2013 to ₱1.41 billion in the year ended December 31, 2014. The 11% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from ₱168.9 million in the year ended December 31, 2013 to ₱206.9 million in the year ended December 31, 2014. The 22% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

Real Estate Sales
Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

Parking Fees
Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

Other operating income
Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance Income
Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain from Disposal of an Investment in an Associate
In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million. There was no similar transaction made in 2014.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱1.1 billion in the year ended December 31, 2013 to ₱1.3 billion in the year ended December 31, 2014. The 17% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 12% from ₱578.5 million in the year ended December 31, 2013 to ₱647.3 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

- Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Azienda are located.

- Increase in salaries and employee benefits by 4% from ₱100.0 million in the year ended December 31, 2013 to ₱103.6 million in the year ended December 31, 2014 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

- Decrease in taxes and licenses by 1% from ₱54.9 million in the year ended December 31, 2013 to ₱54.1 million in the year ended December 31, 2014 due to the discounts on early payments of real property taxes of the various investment properties and business permits and other licenses for the operations of the malls and the corporate building.

- Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

- Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

- Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

- Increase in insurance expense by 3% from ₱14.7 million in the year ended December 31, 2013 to ₱15.1 million in the year ended December 31, 2014 due to the lower insurance premiums paid for the buildings, equipment and service vehicles used in operations in 2014.

- Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and Financing Charges

Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss from Disposal of an Investment in an Associate

In order to focus in the mall and office building development and operations, the Company sold 100% of its 1,009,960 shares of its investment in BEC, with a carrying amount of ₱535.3 million for a total consideration of ₱507.2 million in December 2014. The Group recognized a loss from this transaction amounting to ₱28.2 million.

Provision for Income Tax

Tax expense for the year ended December 31, 2014 is ₱168.4 million and decreased by 14% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

Other Comprehensive Income (Loss)

The Group reported a net gain for the year ended December 31, 2014 in the amount of ₱58.5 million while it incurred a net loss for the year ended December 31, 2013 in the amount of ₱79.5 million arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

Net Income

As a result of the foregoing, the Company's comprehensive income increased from ₱1.3 billion in the year ended December 31, 2013 to ₱415 million in the year ended December 31, 2014.

For the year ended December 31, 2014, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2014 vs. December 31, 2013

Total assets as of December 31, 2013 were ₱24.3 billion compared to ₱28.5 billion as of December 31, 2014, or a 17% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

- Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱586.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

- Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

- Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

- Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

- Property and equipment decreased by 34% from ₱318.5 million as of December 31, 2013 to ₱210.7 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

- Investment properties increased by 19% from ₱16.4 billion as of December 31, 2013 to ₱19.5 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

- Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Total liabilities as of December 31, 2013 were ₱3.8 billion compared to ₱7.6 billion as of December 31, 2014, or a 100% increase. This was due to the following:

- Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

- Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

- Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

- Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

- Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

- Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

- Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted a decrease of 27% from ₱98.2 million as of December 31, 2013 to ₱71.9 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

- Other non-current liabilities increased by 0.5% from ₱455.0 million as of December 31, 2013 to ₱475.7 million as of December 31, 2014 due to the increase in security deposits from tenants of the existing malls and corporate building.

Total stockholder's equity increased from ₱20.5 billion as of December 31, 2013 to ₱20.9 billion as of December 31, 2014 to due to the earnings for the year.

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

Key Performance Indicators	12/31/2014	12/31/2013
Current ratio [(a)]	1.50:1	3.25:1
Debt-to-equity ratio [(b)]	0.36:1	0.19:1
Interest coverage [(c)]	19.0	33.7
Return on assets [(d)]	1.4%	1.1%
Return on equity [(e)]	2.0%	1.3%

Notes:

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

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

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

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

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

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

Current ratio as of December 31, 2014 decreased from that of December 31, 2013 due to the increased loans and borrowings.

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

Interest coverage for the year ended December 31, 2014 decreased because of the increase in interest-bearing loans and accounts payable.

Return on asset increased as of December 31, 2014 compared to that as of December 31, 2013 due to higher income in 2014.

Return on equity is increased as a result of higher income made in 2014.

Material Changes to the Company's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱586.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

Property and equipment decreased by 34% from ₱318.5 million as of December 31, 2013 to ₱210.7 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

Investment properties increased by 19% from ₱16.4 billion as of December 31, 2013 to ₱19.5 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted a decrease of 27% from ₱98.2 million as of December 31, 2013 to ₱71.9 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

Material Changes to the Company's Statement of income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Rental revenue increased from ₱1.26 billion in the year ended December 31, 2013 to ₱1.41 billion in the year ended December 31, 2014. The 11% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

CUSA charges increased from ₱168.9 million in the year ended December 31, 2013 to ₱206.9 million in the year ended December 31, 2014. The 22% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain on sale of investment in an associate decreased by 100% from ₱993.9 million in the year ended December 31, 2013 to nil in the same period in 2014 due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Increase in depreciation and amortization by 12% from ₱578.5 million in the year ended December 31, 2013 to ₱647.3 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Azienda are located.

Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss on disposal of a subsidiary increased by 100% from nil for the year ended December 31, 2013 to ₱28.2 million in the year ended December 31, 2014 with the disposal of the Company of 100% of its 1,009,960 shares of its investment in BEC in December 2014.

Tax expense for the year ended December 31, 2014 is ₱168.4 million and decreased by 14% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2013 VS YEAR END 2012

RESULTS OF OPERATIONS

Revenues

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

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2013. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking Fees
Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2012 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

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

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

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

Finance Income

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

Income from Acquisition of a Subsidiary

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

Gain (Loss) from Disposal of an Investment in an Associate

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

Costs and Expenses

Operating Expenses

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

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

- Increase in service fees by 29% from ₱118.4 in the year ended December 31, 2012 to ₱152.9 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

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

- Increase in rentals by 22% from ₱69.0 million in the year ended December 31, 2012 to ₱83.8 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

- Increase in repairs and maintenance by 4% from ₱33.3 million in the year ended December 31, 2012 to ₱34.8 million in the year ended December 31, 2013 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in light and power by 108% from ₱17.0 million in the year ended December 31, 2012 to ₱35.3 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

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

- Increase in insurance expense by 13% from ₱13.1 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

- Decrease in professional fees by 58% from ₱36.5 million in the year ended December 31, 2012 to ₱14.7 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

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

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

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

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

Provision for Income Tax

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

Net Income

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

For the year ended December 31, 2013, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

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

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

- Cash and cash equivalents including short term cash investments decreased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2013 as a result of payments to suppliers and contractors for the on-going projects of the Group.

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

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

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

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

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

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

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

- Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2013 due to the increase in refundable deposits.

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

- Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 to ₱39.5 million as of December 31, 2013 due to the payments made for the land in San Jose del Monte, Bulacan.

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

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators	12/31/2013	12/31/2012
Current ratio [(a)]	3.25:1	2.82:1
Debt-to-equity ratio [(b)]	0.19:1	0.13:1
Interest coverage [(c)]	33.7	27.1
Return on assets [(d)]	1.1%	2.0%
Return on equity [(e)]	1.3%	2.2%

Notes:

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

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

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

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

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

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

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

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

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

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

Return on equity is decreased due to higher equity base in 2013.

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

Cash and cash equivalents including short term cash investments decreased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2013 as a result of payments to suppliers and contractors for the on-going projects of the Group.

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

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

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

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

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

Property and equipment increased by 33% from ₱239.4 million as of December 31, 2012 to ₱318.5 million as of December 31, 2013 due refurbishment of cooling system of Starmall Bulacan and Starmall Alabang.
Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 to ₱39.5 million as of December 31, 2013 due to the payments made for the land in San Jose del Monte, Bulacan.

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

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

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

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

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

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

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

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

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

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

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

Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2013. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2012 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

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

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

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

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

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

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

Increase in depreciation and amortization by 30% from ₱443.6 million in the year ended December 31, 2012 to ₱578.5 million in the year ended December 31, 2013 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.
Increase in service fees by 29% from ₱118.4 in the year ended December 31, 2012 to ₱152.9 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

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

Increase in rentals by 22% from ₱69.0 million in the year ended December 31, 2012 to ₱83.8 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

Increase in light and power by 108% from ₱17.0 million in the year ended December 31, 2012 to ₱35.3 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

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

Increase in insurance expense by 13% from ₱13.1 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

Decrease in professional fees by 58% from ₱36.5 million in the year ended December 31, 2012 to ₱14.7 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

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

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

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

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

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

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

IV. NATURE AND SCOPE OF BUSINESS

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

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

The Company's subsidiaries include the following:

- ***Masterpiece Asia Properties Inc. (MAPI)***. MAPI is currently in the operations and development of commercial properties for lease.

- ***Manuela Corporation (MC)***. MC is currently in the operations and development of commercial properties for lease.

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines. Brittany Estates Corporation (BEC) was deconsolidated from the Group in December 2014.

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

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

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

Quarter	2015		2014		2013	
	High	Low	High	Low	High	Low
1st	7.46	7.13	3.56	3.39	4.09	3.51
2nd			3.84	3.69	4.05	3.70
3rd			6.65	6.00	3.95	3.70
4th			7.28	6.31	3.75	3.40

The market capitalization of the Company as of December 31, 2014, based on the closing price of ₱7.20 per share, was approximately ₱60.7 billion.

As of May 14, 2015, STR's market capitalization stood at ₱59.8 billion based on the ₱7.10 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low	Close
14 May 2015	6.95	6.60	7.10

Stockholders

Common Shares

There are approximately 440 holders of common equity security of the Company as of December 31, 2014 (based on the number of accounts registered with the Stock Transfer Agent). The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[3]
1.	Fine Properties, Inc.[4]	3,065,076,761	36.3765%
2.	Althorp Holdings Inc.[5]	2,205,752,534	26.1780%
3.	Manuela Corporation[6]	1,223,102,790	14.5159%
4.	Land & Houses Public Company Limited[7]	808,431,465	9.5945%
5.	Manuel B. Villar Jr.	553,900,022	6.5737%
6.	Manuel Paolo A. Villar	361,945,243	4.2956%
7.	Mark A. Villar	182,015,541	2.1602%
8.	PCD Nominee Corporation (Filipino)	19,254,756	0.2285%
9.	Peter O. Tan	1,798,000	0.0213%
10.	Peter Tan &/Or Marilou Tan	1,524,000	0.0180%
11.	PCD Nominee Corporation (Foreign)	556,003	0.0066%
12.	Campos, Lanuza & Co., Inc.	210,000	0.0025%
13.	Arthur Winikoff Fao OBMVM	120,000	0.0014%
14.	Orion-Squire Capital, Inc.	82,000	0.0010%
15.	Orion-Squire Sec., Inc.	77,900	0.0009%
16.	Cua, Ang & Chua Securities Inc.	66,000	0.0008%
17.	Dees Securities Corp.	60,715	0.0007%
18.	Paic Securities Corporation	60,400	0.0007%
19.	Tansengco & Co., Inc.	56,000	0.0007%
20.	Ansaldo, Godinez & Co. Inc.	54,286	0.0006%
		8,424,144,416	**99.9781%**

Preferred Shares

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

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3 *based on the total shares issued of 8,425,981,155*

4 *Includes 491,569,605 shares that are under PCD Nominee Corporation (Filipino)*

5 *Includes shares owned by Hero Holdings Inc. and Vitale Properties & Holdings Corp. which have been merged with Althorp Holdings Inc. in December 2012 and of which 2,190,842,826 are under PCD Nominee Corporation (Filipino)*

6 *Shares are under PCD Nominee Corporation (Filipino)*

7 *Shares are under PCD Nominee Corporation (Filipino)*

Dividends

The Company did not declare any dividends in 2014, 2013 and 2012. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There are no restrictions that limit the ability of the Company to pay dividends on common equity other than the above mentioned conditions.

Dividend Policy

The Registrant's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Registrant's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Registrant's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Banko Sentral ng Pilipinas.

The Registrant is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Company's Board has adopted a Revised Manual on Corporate Governance. The Company's Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value. Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's three standing committees:

- The Audit Committee is charged with internal audit oversight over all of the Company's business transactions and the effective management of risk.
- The Nomination Committee is charged with ensuring that potential candidates for the Board are fully qualified as well as ensuring that the Board maintains adequate independent membership.
- The Compensation and Remuneration Committee is charged with ensuring that fair and competitive compensation policies are maintained.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business. Each January, the Company will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of December 31, 2014, there are no known material deviations from the Company's Manual of Corporate governance. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

Starmalls, Inc.
3rd Level Starmall Las Piñas C.V. Starr Avenue,
Philamlife Village, Pamplona, Las Piñas City,
Philippines

Attention: Jo L. Ilijay

REPORT ACCOMPANYING INFORMATION SHEET

(A) Notice of Agenda for the Annual Stockholder's Meeting

(B) 2014 Annual Report

(C) Financial Statements as of 31 December 2014

(D) Interim Financial Statements

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this Report is true, complete and correct. This Report is signed in Mandaluyong City on 15 May 2015.

By:

MA. NALEN ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAY 15 2015, Affiant exhibiting to me her Passport No. EB2116785 valid until 17 March 2016 issued in Manila.

Doc. No. 412;
Page No. 84;
Book No. 11;
Series of 2015.

ATTY. ARBIN OMAR P. CARIÑO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
ROLL NO. 57146
IBP No. 0981981 / 05 Jan. '2015 / RSM
PTR No. 2264434 / 06 Jan. '2015 / Mandaluyong City
MCLE Compliance No. IV-0020853, Issued dated 17 June 2013
Notarial Commission Appointment No. 0388-15
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

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

(Company's Full Name)

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

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

Jo L. Ilijay
Contact Person

571-5948
Company Telephone Number

12 (*Month*) **31** (*Day*)
Calendar Year

17-A
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2014**

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

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

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

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

7. **3rd Floor Starmall Las Piñas CV Starr Ave. Philamlife Village Pamplona, Las Piñas City** — **1746**
Address of principal office — Postal Code

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

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

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

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

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

Yes [**x**] No [ ]

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

7,682,687,828 Common shares are listed with the Philippine Stock Exchange as of December 31, 2014

12. Check whether the issuer:

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

Yes [**x**] No [ ]

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

Yes [**x**]　　　　No [ ]

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

₱ 7.3 Billion as of December 31, 2014

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

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

Yes [ ]　　　No [x] **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

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

Consolidated Financial Statements as of and for the year ended December 31, 2014
(incorporated as reference for Items 7 and 12 of SEC Form 17-A)

TABLE OF CONTENTS

PART I – BUSINESS

Item 1. Business

Overview

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

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

The Company's subsidiaries include the following:

- ***Masterpiece Asia Properties Inc. (MAPI)***. MAPI is currently in the operations and development of commercial properties for lease.

- ***Manuela Corporation (MC)***. MC is currently in the operations and development of commercial properties for lease.

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

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

Recent Developments

As of December 31, 2014 and 2013, the Company has equity interests in the following entities:

	Percentage of Ownership	
Subsidiaries / Associate	2014	2013
Subsidiaries:		
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (MC)	**98.4%**	98.4%
Brittany Estates Corp. (BEC)	**-**	100.0%

On June 22, 2012, the Company increased its authorized capital stock from Php5.5 billion to Php17.0 billion. The Company also completed a series of transactions for the purpose of acquiring MC as a subsidiary and changed its name to Starmalls, Inc. This has enabled the Company to effectively consolidate its resources, businesses and operations with MC to create a strong consolidated entity that will pursue mall and office building development and operations in the country.

In December 2014, in order to focus in the mall and office building development and operations, the Company disposed of its shareholdings in BEC.

Description of the Business of the Registrant and its Subsidiaries

The Company and its subsidiaries are incorporated in the Philippines. MAPI and MC are both in the commercial property development and operations.

Products

MAPI and MC combined have seven (7) malls and one (1) corporate building namely: Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig, Starmall Azienda and Worldwide Corporate Center. The malls house various retail establishments and the corporate building caters to the office space needs of the business process outsourcing companies.

In 2014, the Group has on-going construction of two (2) corporate buildings in EDSA in Mandaluyong City and Las Piñas City and four (4) malls in Bacoor and Imus in Cavite, Sta. Rosa in Laguna and Balanga in Bataan. Expansion of Starmall Prima Taguig and Starmall San Jose del Monte also started in the same year.

Distribution Methods of Products

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

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

The Company has registered with the Intellectual Property Office ("IPO") the trademarks "starmalls.inc" and "starmall prima". The Company's subsidiary, MC, on the other hand, registered with the IPO the trademark "starmall", which was subsequently assigned to the Company. The Company has applied for the registration of the revised design of "starmall".

<table>
<tr><th>Trademark</th><th>Registrant</th><th>Registration Date</th><th>Term</th><th>Principal Conditions</th></tr>
<tr><td>starmalls.inc.</td><td>Starmalls, Inc.</td><td>14 February 2013</td><td>Ten (10) Years</td><td rowspan="2">(1) Renewable upon payment of the prescribed fee and filing of request;

(2) Registrant must file a declaration of actual use within three (3) years from filing of the Application and pay the required fee;

(3) Registrant must again file a declaration of actual use or non-use together with the evidence of use or reasons for non-use within one (1) year from the 5th Anniversary of the date of registration/renewal and pay the required fee.</td></tr>
<tr><td>starmall</td><td>Manuela Corporation</td><td>16 August 2012</td><td>Ten (10) Years</td></tr>
<tr><td>starmall prima</td><td>Starmalls, Inc.</td><td colspan="2">Pending Registration
Application Date:
1 July 2014</td><td>Registrant must file a declaration of actual use within three (3) years from filing of the Application and pay the required fee;</td></tr>
<tr><td>starmall (revised design)</td><td>Starmalls, Inc.</td><td colspan="2">Pending Registration
Application Date:
19 November 2014</td><td>Registrant must file a declaration of actual use within three (3) years from filing of the Application and pay the required fee;</td></tr>
</table>

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

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

Masterpiece Asia Properties Inc. – incorporated in October 4, 2001 and is wholly owned by STR. The Company's mall developments are Starmall San Jose del Monte in Bulacan, Starmall Prima in Taguig, and Starmall Azienda in Cebu. In 2014, it has on-going construction of one (1) corporate building in EDSA, Mandaluyong City and four (4) malls in Bacoor and Imus in Cavite, Sta. Rosa in Laguna and Balanga in Bataan. It also started expansion of Starmall Prima Taguig and Starmall San Jose del Monte in 2014.

Manuela Corporation – incorporated in February 22, 1972 and is 98.36% wholly owned by STR. The Company's mall developments are Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang. Its corporate building is known as the Worldwide Corporate Center. In 2013, it started the redevelopment of Starmall EDSA-Shaw and Starmall Alabang. In 2014, it started redevelopment of Starmall Las Piñas complex and the construction of a corporate building in Las Piñas City.

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

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

Bankruptcy, Receivership or Similar Proceeding

As of December 31, 2014, there is no bankruptcy, receivership or similar proceedings involving the Group.

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

In June 2012, the Securities and Exchange Commission approved the approved the increase in the authorized capital stock of the Company from Five Billion Five Hundred Million Pesos (Php5,500,000,000.00) divided into Five Billion Five Hundred Million (5,500,000,000) common shares with par value of One Peso (Php1.00) per share to Seventeen Billion Pesos (Php17,000,000,000.00) divided into Sixteen Billion Nine Hundred Million (16,900,000,000) common shares with par value of One Peso (Php1.00) per share and Ten Billion (10,000,000,000) voting, cumulative, non-participating, non-convertible and non-redeemable preferred shares with par value of One Centavo (Php0.01) per share and the issuance of shares out of the aforementioned increase in authorized capital stock to the Hero Holdings Corp., Land & Houses Public Company Limited, Manuel B. Villar Jr., Manuel Paolo A. Villar and Mark A. Villar in exchange for 98.36% share in MC.

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

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

In May 2013, the Company sold the remaining 399,397,000 shares of its investment in VLL, hence, it ceased to be an associate as of December 31, 2013.

In December 2014, the Company sold 1,009,960 shares of its investment in BEC. This disposal of 100% of the investment in BEC resulted to its cessation as a subsidiary.

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

In April 2012, MAPI opened its first mall development in what is known as Starmall San Jose Del Monte in Bulacan. It opened Starmall Prima in Taguig in September 2014 and Starmall Azienda in Cebu in November 2014. As of end of 2014, it has on-going construction of one (1) corporate building in EDSA, Mandaluyong

City and four (4) malls in Bacoor and Imus in Cavite, Sta. Rosa in Laguna, and Balanga in Bataan. MAPI also started expansion of Starmall Prima Taguig and Starmall San Jose del Monte.

After its acquisition of MC in June 2012, the Company increased its mall portfolio to include Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang and a corporate building, Worldwide Corporate Center. MC redeveloped Starmall EDSA-Shaw and Starmall Alabang in 2013 and started the redevelopment of Starmall Las Piñas complex including the construction of a corporate building in 2014.

Competition

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

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

Suppliers

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

Dependence on a Few Major Customers

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

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

The remaining house and lot business is not dependent on repeat business from customers. MC has a marketing agreement with Crown Asia Properties, Inc., a subsidiary of VLL, which has a broad market base including local and foreign buyers.

Transactions with related parties

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

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

Government approvals

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

The Company has no principal product that has pending government approval as of December 31, 2014.

Effect of Existing or Probable Governmental Regulations

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

As of December 31, 2014, the Company is not aware of any existing or probable governmental regulations that will have an effect on the Company's business operations.

Compliance With Environmental Laws

Prior to any land development activity, the subsidiaries of the Company secure the requisite environmental permits, including environmental compliance certificate and drainage permit for the sewage treatment plants, from the appropriate government agencies.

Costs and Effects of Compliance with Environmental Laws

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

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

Research and Development Costs

Research and development activities, such as market research, training and contractor's development programs, are treated as normal operating expense. For 2014, the amount that the Company spent for research and development is minimal and does not constitute a significant percentage of the Company's revenues.

Employees

As of December 31, 2014, the Company and its subsidiaries, had a total of 172 employees. This is broken down by function as follows:

Function	Number of employees
Operations	74
Administrative	60
Technical	38
Total	172

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

Risks related to the Companies Business

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

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

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

Item 2. Properties

Details of the Company's properties as of December 31, 2014 are set out in the table below:

LAND

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

BUILDING AND IMPROVEMENTS

Location	Owner	Use
San Jose del Monte, Bulacan	MAPI	Mall
Bacoor, Cavite	MAPI	Mall
Taguig City	MAPI	Mall
Talisay, Cebu	MAPI	Mall
Imus, Cavite	MAPI	Mall
Sta. Rosa, Laguna	MAPI	Mall
Balanga, Bataan	MAPI	Mall
EDSA, Mandaluyong City	MAPI	Office Building
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall
EDSA-Shaw	MC	Office Building
Las Piñas City	MC	Office Building

As of December 31, 2014, investment properties with fair value of ₱7.1billion were used to secure the bank loans of MAPI and MC (see Note 15 of the 2014 Audited Financial Statements).

Item 3. Legal Proceedings

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

There is another case pending before the Regional Trial Court of Bacoor, Cavite filed by MAPI for quieting of title and annulment of titles involving portions of the Bacoor Property. The case is now under Judicial Dispute Resolution before the said court.

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

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

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Quarter	2015		2014		2013	
	High	Low	High	Low	High	Low
1st	7.46	7.13	3.56	3.39	4.09	3.51
2nd			3.84	3.69	4.05	3.70
3rd			6.65	6.00	3.95	3.70
4th			7.28	6.31	3.75	3.40

The market capitalization of STR as of December 31, 2014, based on the closing price of ₱7.20 per share, was approximately ₱60.7 billion.

As of March 31, 2015, STR's market capitalization stood at ₱61.9 billion based on the ₱7.35 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low
10 April 2015	7.60	7.57

Stockholders

There are approximately 440 holders of common equity security of the Company as of December 31, 2014 (based on the number of accounts registered with the Stock Transfer Agent).

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

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[1]
1.	Fine Properties, Inc.[2]	3,065,076,761	36.3765%
2.	Althorp Holdings Inc.[3]	2,205,752,534	26.1780%
3.	Manuela Corporation[4]	1,223,102,790	14.5159%
4.	Land & Houses Public Company Limited[5]	808,431,465	9.5945%

[1] *based on the total shares issued of 8,425,981,155*

[2] *Includes 491,569,605 shares that are under PCD Nominee Corporation (Filipino)*

[3] *Includes shares owned by Hero Holdings Inc. and Vitale Properties & Holdings Corp. which have been merged with Althorp Holdings Inc. in December 2012 and of which 2,190,842,826 are under PCD Nominee Corporation (Filipino)*

[4] *Shares are under PCD Nominee Corporation (Filipino)*

[5] *Shares are under PCD Nominee Corporation (Filipino)*

5.	Manuel B. Villar Jr.	553,900,022	6.5737%
6.	Manuel Paolo A. Villar	361,945,243	4.2956%
7.	Mark A. Villar	182,015,541	2.1602%
8.	PCD Nominee Corporation (Filipino)	19,254,756	0.2285%
9.	Peter O. Tan	1,798,000	0.0213%
10.	Peter Tan &/Or Marilou Tan	1,524,000	0.0180%
11.	PCD Nominee Corporation (Foreign)	556,003	0.0066%
12.	Campos, Lanuza & Co., Inc.	210,000	0.0025%
13.	Arthur Winikoff Fao OBMVM	120,000	0.0014%
14.	Orion-Squire Capital, Inc.	82,000	0.0010%
15.	Orion-Squire Sec., Inc.	77,900	0.0009%
16.	Cua, Ang & Chua Securities Inc.	66,000	0.0008%
17.	Dees Securities Corp.	60,715	0.0007%
18.	Paic Securities Corporation	60,400	0.0007%
19.	Tansengco & Co., Inc.	56,000	0.0007%
20.	Ansaldo, Godinez & Co. Inc.	54,286	0.0006%
		8,424,144,416	**99.9781%**

Dividends

The Company did not declare any dividends in 2014, 2013 and 2012. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There are no restrictions that limit the ability of the Company to pay dividends on common equity other than the above mentioned conditions.

Recent Sale of Unregistered Securities

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

Stock Options

None

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

REVIEW OF YEAR END 2014 VS YEAR END 2013

RESULTS OF OPERATIONS

Revenues

Rental Revenue
Rental revenue increased from ₱1.26 billion in the year ended December 31, 2013 to ₱1.41 billion in the year ended December 31, 2014. The 11% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from ₱168.9 million in the year ended December 31, 2013 to ₱206.9 million in the year ended December 31, 2014. The 22% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

Real Estate Sales
Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

Parking Fees
Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

Other operating income
Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance Income
Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in Net Earnings of an Associate
Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain from Disposal of an Investment in an Associate
In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million. There was no similar transaction made in 2014.

<u>Costs and Expenses</u>

Operating Expenses
Cost and expenses increased from ₱1.1 billion in the year ended December 31, 2013 to ₱1.3 billion in the year ended December 31, 2014. The 17% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 12% from ₱578.5 million in the year ended December 31, 2013 to ₱647.3 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

- Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Azienda are located.

- Increase in salaries and employee benefits by 4% from ₱100.0 million in the year ended December 31, 2013 to ₱103.6 million in the year ended December 31, 2014 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

- Decrease in taxes and licenses by 1% from ₱54.9 million in the year ended December 31, 2013 to ₱54.1 million in the year ended December 31, 2014 due to the discounts on early payments of real property taxes of the various investment properties and business permits and other licenses for the operations of the malls and the corporate building.

- Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

- Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

- Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

- Increase in insurance expense by 3% from ₱14.7 million in the year ended December 31, 2013 to ₱15.1 million in the year ended December 31, 2014 due to the lower insurance premiums paid for the buildings, equipment and service vehicles used in operations in 2014.

- Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and Financing Charges
Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss from Disposal of an Investment in an Associate
In order to focus in the mall and office building development and operations, the Company sold 100% of its 1,009,960 shares of its investment in BEC, with a carrying amount of ₱535.3 million for a total consideration of ₱507.2 million in December 2014. The Group recognized a loss from this transaction amounting to ₱28.2 million.

Provision for Income Tax

Tax expense for the year ended December 31, 2014 is ₱168.4 million and decreased by 14% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

<u>Other Comprehensive Income (Loss)</u>

The Group reported a net gain for the year ended December 31, 2014 in the amount of ₱58.5 million while it incurred a net loss for the year ended December 31, 2013 in the amount of ₱79.5 million arising primarily from fair value gains and losses on available-for-sale financial assets in the respective periods.

<u>Net Income</u>

As a result of the foregoing, the Company's comprehensive income increased from ₱1.3 billion in the year ended December 31, 2013 to ₱415 million in the year ended December 31, 2014.

For the year ended December 31, 2014, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2014 vs. December 31, 2013

Total assets as of December 31, 2013 were ₱24.3 billion compared to ₱28.5 billion as of December 31, 2014, or a 17% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

- Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱586.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

- Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

- Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

- Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

- Property and equipment decreased by 34% from ₱318.5 million as of December 31, 2013 to ₱210.7 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

- Investment properties increased by 19% from ₱16.4 billion as of December 31, 2013 to ₱19.5 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

- Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Total liabilities as of December 31, 2013 were ₱3.8 billion compared to ₱7.6 billion as of December 31, 2014, or a 100% increase. This was due to the following:

- Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

- Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

- Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

- Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

- Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

- Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

- Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

- Deferred tax liabilities posted a decrease of 27% from ₱98.2 million as of December 31, 2013 to ₱71.9 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

- Other non-current liabilities increased by 0.5% from ₱455.0 million as of December 31, 2013 to ₱475.7 million as of December 31, 2014 due to the increase in security deposits from tenants of the existing malls and corporate building.

Total stockholder's equity increased from ₱20.5 billion as of December 31, 2013 to ₱20.9 billion as of December 31, 2014 to due to the earnings for the year.

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

Key Performance Indicators	**12/31/2014**	**12/31/2013**
Current ratio [a]	1.50:1	3.25:1
Debt-to-equity ratio [b]	0.36:1	0.19:1
Interest coverage [c]	19.0	33.7
Return on assets [d]	1.4%	1.1%
Return on equity [e]	2.0%	1.3%

Notes:

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

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

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

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

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

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

Current ratio as of December 31, 2014 decreased from that of December 31, 2013 due to the increased loans and borrowings.

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

Interest coverage for the year ended December 31, 2014 decreased because of the increase in interest-bearing loans and accounts payable.

Return on asset increased as of December 31, 2014 compared to that as of December 31, 2013 due to higher income in 2014.

Return on equity is increased as a result of higher income made in 2014.

Material Changes to the Company's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 74% from ₱1.1 billion as of December 31, 2013 to ₱1.9 billion as of December 31, 2013 as a result of loans availed for construction and improved revenues.

Trade Receivables – net decreased by 25% from ₱816.1 million as of December 31, 2013 to ₱586.2 million as of December 31, 2014 mainly due improved collection of rental from the mall and BPO office tenants.

Due from related parties increased by 31% from ₱3.1 million as of December 31, 2013 to ₱4.0 billion as of December 31, 2014 primarily due to advances made to affiliates.

Available for sale financial assets decreased by 62% from ₱906.2 million as of December 31, 2013 to ₱343.9 million as of December 31, 2014 due disposal of some debt and equity investments.

Prepayments and other current assets increased by 76% from ₱777.5 million as of December 31, 2013 to ₱1.4 billion as of December 31, 2014 due mainly to the increase in increase in input taxes and creditable withholding taxes, advances to contractors and debt reserve fund.

Property and equipment decreased by 34% from ₱318.5 million as of December 31, 2013 to ₱210.7 million as of December 31, 2014 due to reclassification made for various equipment to investment property account.

Investment properties increased by 19% from ₱16.4 billion as of December 31, 2013 to ₱19.5 billion as of December 31, 2014. The increase was due to purchase of various properties to be used for commercial development and the construction and development of new projects.

Other non-current assets increased by 25% from ₱119.8 million as of December 31, 2013 to ₱150.0 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition increased by 583% from ₱39.5 million as of December 31, 2013 from ₱270.2 million as of December 31, 2014 due to the land acquired during the year for new project sites.

Interest bearing loans and borrowings increased by 177% from ₱1.8 billion as of December 31, 2013 from ₱4.9 billion as of December 31, 2014 due to the additional interest bearing loans obtained in 2014.

Accounts and other payables increased by 51% from ₱1.0 billion as of December 31, 2013 to ₱1.5 billion as of December 31, 2014 due mainly to the increase in accounts payable to suppliers and contractors for the construction and development of new projects.

Due to related parties decreased by 29% from ₱254.8 million as of December 31, 2013 to ₱180.9 million as of December 31, 2014 to payments made to affiliates in 2014.

Income tax payable increased by 33% from ₱41.8 million as of December 31, 2013 to ₱55.9 million as of December 31, 2014 to due to the income tax payable of MC.

Other current liabilities increased by 99% from ₱25.1 million as of December 31, 2013 to ₱0.3 million as of December 31, 2014 to due to payments made to creditors in 2014.

Retirement benefit obligation increased by 36% from ₱37.3 million as of December 31, 2013 to ₱50.8 million as of December 31, 2014 due to increased headcount and actuarial adjustments.

Deferred gross profit decreased by 100% from ₱27.7 million as of December 31, 2013 to nil as of December 31, 2014 due to the recognition of deferred gross profit on the real estate sales of MC.

Deferred tax liabilities posted a decrease of 27% from ₱98.2 million as of December 31, 2013 to ₱71.9 million as of December 31, 2014. The difference is due to the decrease in temporary tax differences of MAPI and MC.

Material Changes to the Company's Statement of income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Rental revenue increased from ₱1.26 billion in the year ended December 31, 2013 to ₱1.41 billion in the year ended December 31, 2014. The 11% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

CUSA charges increased from ₱168.9 million in the year ended December 31, 2013 to ₱206.9 million in the year ended December 31, 2014. The 22% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center and the opening of Starmall Prima Taguig and Starmall Azienda.

Real estate sales increased from ₱19.5 million in the year ended December 31, 2013 to ₱85.3 million in the year ended December 31, 2014. The 336% increase was due to the sale of BEC of portion of its undeveloped land in 2014.

Parking fee revenue increased from ₱36.7 million in the year ended December 31, 2013 to ₱40.8 million in the year ended December 31, 2014. The 11% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate office building.

Other operating income increased from ₱95.7 million in the year ended December 31, 2013 to ₱180.0 million in the year ended December 31, 2014. The 88% increase was due to increase in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Finance income increased from ₱21.5 million in the year ended December 31, 2013 to ₱35.6 million in the year ended December 31, 2014. The 65% increase resulted from interest income on the Group's available-for-sale financial assets and short-term placements.

Equity in net earnings of an associate decreased from ₱113.9 million in the year ended December 31, 2013 to nil in the year ended December 31, 2014. The 100% decrease was due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Gain on sale of investment in an associate decreased by 100% from ₱993.9 million in the year ended December 31, 2013 to nil in the same period in 2014 due to disposal of remaining 4.1% shareholdings in VLL in May 2013.

Increase in depreciation and amortization by 12% from ₱578.5 million in the year ended December 31, 2013 to ₱647.3 million in the year ended December 31, 2014 due to additional depreciation from new or refurbished mall equipment and the full year depreciation on the fair value adjustment on the properties owned by MC during the consolidation in 2012.

Increase in service fees by 6% from ₱152.9 in the year ended December 31, 2013 to ₱161.4 million in the year ended December 31, 2014 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in rentals by 25% from ₱83.8 million in the year ended December 31, 2013 to ₱104.9 million in the year ended December 31, 2014 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Azienda are located.

Increase in cost of real estate sales by 468% from ₱11.6 million in the year ended December 31, 2013 to ₱66.1 million in the year ended December 31, 2014 due to the sale of BEC of portion of its undeveloped land in 2014.

Increase in repairs and maintenance by 36% from ₱34.8 million in the year ended December 31, 2013 to ₱47.3 million in the year ended December 31, 2014 due to the repairs made to various equipment of the older malls and WCC building.

Increase in light and power by 12% from ₱35.3 million in the year ended December 31, 2013 to ₱39.4 million in the year ended December 31, 2014 due to the increase in consumption and rate of utilities.

Increase in advertising and promotion by 28% from ₱18.3 million in the year ended December 31, 2013 to ₱23.4 million in the year ended December 31, 2014 due to increase in marketing, advertising and promotions for the malls and corporate buildings.

Increase in professional fees by 11% from ₱15.2 million in the year ended December 31, 2013 to ₱16.9 million in the year ended December 31, 2014 as a result of increase in audit and other professional fees paid in 2014.

Increase in other operating expenses by 42% from ₱41.1 million in the year ended December 31, 2013 to ₱58.5 million in the year ended December 31, 2014 due to the increase in various expenses such as representation, transportation, and supplies for the operations of the existing malls and corporate building and construction management of the new projects as well as commission for real estate sales in 2014.

Interest and financing charges increased by 113% from ₱30.4 million in the year ended December 31, 2013 to ₱64.5 million in the year ended December 31, 2014. This was due additional loans incurred for the construction of the new projects of the group.

Loss on disposal of a subsidiary increased by 100% from nil for the year ended December 31, 2013 to ₱28.2 million in the year ended December 31, 2014 with the disposal of the Company of 100% of its 1,009,960 shares of its investment in BEC in December 2014.

Tax expense for the year ended December 31, 2014 is ₱168.4 million and decreased by 14% from ₱195.6 million for the year ended December 31, 2013. This is due to the primarily to the deferred tax income relating to reversal of temporary difference.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2013 VS YEAR END 2012

RESULTS OF OPERATIONS

Revenues

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

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2013. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking Fees
Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2012 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

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

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

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

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

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

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

this transaction amounting to ₱35.2 million. In May 2013, the Company sold its remaining shares of investment in VLL with a carrying amount of ₱1.79 billion for a total consideration of ₱2.79 billion and recognizing a gain of ₱993.9 million.

<u>Costs and Expenses</u>

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

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

- Increase in service fees by 29% from ₱118.4 in the year ended December 31, 2012 to ₱152.9 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

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

- Increase in rentals by 22% from ₱69.0 million in the year ended December 31, 2012 to ₱83.8 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

- Increase in repairs and maintenance by 4% from ₱33.3 million in the year ended December 31, 2012 to ₱34.8 million in the year ended December 31, 2013 due to the repairs made to various equipment of the older malls and WCC building.

- Increase in light and power by 108% from ₱17.0 million in the year ended December 31, 2012 to ₱35.3 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

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

- Increase in insurance expense by 13% from ₱13.1 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

- Decrease in professional fees by 58% from ₱36.5 million in the year ended December 31, 2012 to ₱14.7 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

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

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

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

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

<u>Provision for Income Tax</u>

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

<u>Net Income</u>

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

For the year ended December 31, 2013, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

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

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

- Cash and cash equivalents including short term cash investments decreased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2013 as a result of payments to suppliers and contractors for the on-going projects of the Group.

- Net Receivables increased by 34% from ₱630.3 million as of December 31, 2012 to ₱846.0 million as of December 31, 2013 mainly due increase in receivables from tenants as a consequence of improved mall and BPO office occupancy.
- Due from related parties increased by 822% from ₱335.2 million as of December 31, 2012 to ₱3.1 billion as of December 31, 2013 primarily due to receivables from the sale of VLL shares which is payable annually up to 2019 and bears interest at a fixed annual rate of 4%.

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

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

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

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

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

- Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2013 due to the increase in refundable deposits.

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

- Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 to ₱39.5 million as of December 31, 2013 due to the payments made for the land in San Jose del Monte, Bulacan.

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

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

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

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

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

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

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

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

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

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

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

Notes:

Key Performance Indicators	**12/31/2013**	**12/31/2012**
Current ratio [(a)]	3.25:1	2.82:1
Debt-to-equity ratio [(b)]	0.19:1	0.13:1
Interest coverage [(c)]	33.7	27.1
Return on assets [(d)]	1.1%	2.0%
Return on equity [(e)]	1.3%	2.2%

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

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

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

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

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

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

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

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

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

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

Return on equity is decreased due to higher equity base in 2013.

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

Cash and cash equivalents including short term cash investments decreased by 25% from ₱1.5 billion as of December 31, 2012 to ₱1.1 billion as of December 31, 2013 as a result of payments to suppliers and contractors for the on-going projects of the Group.

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

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

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

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

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

Property and equipment increased by 33% from ₱239.4 million as of December 31, 2012 to ₱318.5 million as of December 31, 2013 due refurbishment of cooling system of Starmall Bulacan and Starmall Alabang.
Other non-current assets increased by 12% from ₱107.4 million as of December 31, 2012 to ₱119.8 million as of December 31, 2013 due to the increase in refundable deposits.

Liability for land acquisition decreased by 14% from ₱45.7 million as of December 31, 2012 to ₱39.5 million as of December 31, 2013 due to the payments made for the land in San Jose del Monte, Bulacan.

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

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

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

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

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

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

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

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

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

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

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

Common usage and service area (CUSA) charges increased from ₱76.0 million in the year ended December 31, 2012 to ₱168.9 million in the year ended December 31, 2013. The 122% increase was due to increase in occupancy and CUSA charged to tenants of Starmall Las Piñas, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte and Worldwide Corporate Center.

Parking fee revenue increased from ₱30.8 million in the year ended December 31, 2012 to ₱36.7 million in the year ended December 31, 2013. The 19% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

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

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

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

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

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

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

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

Increase in service fees by 29% from ₱118.4 in the year ended December 31, 2012 to ₱152.9 million in the year ended December 31, 2013 due to the increase in manpower and agency fees for the operations of the malls and office building.

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

Increase in rentals by 22% from ₱69.0 million in the year ended December 31, 2012 to ₱83.8 million in the year ended December 31, 2013 due to the increase in rental payments for the parcel of land in which the Worldwide Corporate Center is located.

Increase in light and power by 108% from ₱17.0 million in the year ended December 31, 2012 to ₱35.3 million in the year ended December 31, 2013 due to the increase in consumption and rate of utilities.

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

Increase in insurance expense by 13% from ₱13.1 million in the year ended December 31, 2012 to ₱17.2 million in the year ended December 31, 2013 due to the increase in insurance premiums paid for additional malls, equipment and service vehicles used in operations.

Decrease in professional fees by 58% from ₱36.5 million in the year ended December 31, 2012 to ₱14.7 million in the year ended December 31, 2013 as a result of decrease in number of consultants in 2013.

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

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

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

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

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

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

Commitments and Contingencies

The Group is contingently liable with respect to guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

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

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

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

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

None, except for those items disclosed in the 2014 Audited Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 2014 Audited Financial Statements.

Item 7. Financial Statements

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2014 are incorporated herein in the accompanying Index to Financial Statements and/Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

<u>Independent Public Accountant</u>

From 2004 to 2014, the external auditor of the Company was the accounting firm of Punongbayan and Araullo.

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

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

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

<u>External Audit Fees</u>

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

	2014	**2013**
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 2.65	₱ 2.54
All other fees	–	–
Total	**₱ 2.65**	**₱ 2.54**

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

<u>Tax Fees</u>

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

All Other Fees

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

Audit Committee’s Approval Policies and Procedure for the Services of the External Auditor

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Group has adopted some revisions and annual improvements to the PFRS (Philippine Financial Reporting Standards) that are relevant to the Group and effective for the financial statements beginning on or after January 1, 2014 as discussed in Note 2.2 of the Notes to Consolidated Financial Statements for the years ended December 31, 2014, 2013 and 2012.

As such, the comparative amounts contained in the audited financial statements may differ from those previously presented in the consolidated financial statements for the year ended December 31, 2013, 2012 and 2011.

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Executive Officers

The table below sets forth the members of the Company's Board and Executive Officers as of December 31, 2014.

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	65	Chairman	Filipino
Jerry M. Navarrete	60	President	Filipino
Benjamarie Therese N. Serrano	51	Director, Chief Operating Officer	Filipino
Manuel Paolo A. Villar	38	Director	Filipino
Adisorn Thananun-Narapool	60	Director	Thai
Joel L. Bodegon	66	Independent Director	Filipino
Raul Juan N. Esteban	50	Independent Director	Filipino
Frances Rosalie T. Coloma	52	Chief Financial Officer	Filipino
Ma. Nalen Rosero-Galang	43	Corporate Secretary & Compliance Officer	Filipino

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

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

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

BENJAMARIE THERESE N. SERRANO, *Director and Chief Operating Officer,* graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since 2007.

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

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

RAUL N. ESTEBAN, *Independent Director*, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc.

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

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

Resignation of Directors

Ms. Carolina C. Mejias resigned as director of the Company in June 2014. Mr. Raul Juan N. Esteban was elected in her place.

Ms. Frances Rosalie T. Coloma was not nominated for re-election in June 2014. Ms. Benjamarie Therese N. Serrano was nominated in her place.

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

Family relationships

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

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

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

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

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

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

Item 10. Executive Compensation

Names	Position	Year	Salary	Bonus
Jerry Navarrete Frances Rosalie T. Coloma Benjamarie Therese N. Serrano Florence R. Bernardo Shiela Joy L. Sanchez **Aggregate executive compensation for above named officers**	President Chief Financial Officer Chief Operating Officer Mall operations BPO operations	**Actual 2013** **Actual 2014** **Projected 2015**	**₱ 5.0 M** **₱ 6.5 M** **₱ 8.5 M**	**₱ 0.5 M** **₱ 0.6 M** **₱ 0.7 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2013** **Actual 2014** **Projected 2015**	**₱ 3.5 M** **₱ 4.0 M** **₱ 4.5 M**	**₱ 0.3 M** **₱ 0.4 M** **₱ 0.5 M**

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

Standard arrangements

Other than payment of reasonable per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2014 and 2013.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2013 and 2014 for any service provided as a director.

Employment Contracts and Termination of Employment and Change in Control Arrangements

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

Warrants and options held by the executive officers and directors

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

Significant employee

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of December 31, 2014:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Fine Properties, Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	3,065,076,761	36.3765%
Common	Althorp. Holdings Inc. Located at 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,205,752,534	26.1780%

Common	Manuela Corporation Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is subsidiary of the Company	Filipino	1,223,102,790	14.5158%
Common	Land & Houses Public Company Limited Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	808,431,465	9.5945%
Common	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Talon, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	553,900,022	6.5737%
Preferred	Fine Properties Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,350,000,000	100.000%

Security Ownership of Management

Security ownership of certain management as of December 31, 2014:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership[6]	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	553,900,022 – Indirect	Filipino	6.5737%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	361,945,243 – Indirect	Filipino	4.2956%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	.00030%
Common Shares	Benjamarie Therese N. Serrano 103 Parklane St. La Marea Subdivision, San Pedro, Laguna	1,000 - Direct	Filipino	.00000%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 – Indirect	Thai	.00000%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	.00000%

[6] *Indirect shares are under PCD Nominee Corp.*

Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Indirect	Filipino	.00000%
Common Shares	Frances Rosalie T. Coloma Block 1 Lot 10 Granwood Villas, Quezon City	3,500 - Direct	Filipino	.00000%
AGGREGATE SHAREHOLDINGS			**915,877,765**	**10.8697%**

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

As of December 31, 2014, there is no party holding any voting trust for 5% or more of total shares outstanding.

<u>Changes In Control</u>

As of December 31, 2014, there was no arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

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

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

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

Please refer to Notes on Related Party Transactions of the Notes to Consolidated Financial Statements of the 2014 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the attached Annual Corporate Governance Report

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 A

Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2014.

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

Reports on SEC Form 17-C

The following current reports have been reported by Starmalls, Inc. during the year 2014 through official disclosure letters dated:

January 25, 2014
In compliance with the Code of Corporate Governance, the Company submitted the Sworn Certification on the attendance of the members of the Board of Directors in the meetings for the year 2013.

April 11, 2014
The Board of Directors approved the Annual Report and Audited Financial Statements for the year 2013.

May 15, 2014
The Board of Directors approved the Quarterly Report for the three (3) months ended 31 March 2014; setting of the Annual Stockholders' Meeting of STR on 30 June 2014, with record date of 29 May 2014; amendment of the primary purpose of the Company; and amendment of the title of the Company's By-Laws.

June 30, 2014
During the Annual Stockholders' Meeting of the Company, the members of the Board Directors of the Company were elected. The shareholders also approved the appointment of Punongbayan & Araullo as external auditor of the Company for 2014. During the organizational meeting of the Board of Directors, members of the Nomination Committee, Audit Committee and Compensation and Remuneration Committee were elected.

August 13, 2014
The Board of Directors approved the Quarterly Report for the six (6) months ended 30 June 2014.

November 14, 2014
The Board of Directors approved the Quarterly Report for the nine (9) months ended 30 September 2014.

SIGNATURES

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

By:

MANUEL B. VILLAR JR.
Chairman

JERRY M. NAVARRETE
President and Chief Executive Officer

FRANCES ROSALIE T. COLOMA
Chief Financial Officer

MA. NALEN ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 1 4 2015 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Valid ID No.	Valid Until
Manuel B. Villar Jr.	Passport DE0011147	10/14/2019
Jerry M. Navarrete	Passport EB1908540	02/10/2016
Ma. Nalen Rosero-Galang	Passport EB2116785	03/17/2016
Frances Rosalie T. Coloma	Passport EB6724938	11/09/2017

Doc. No. 387
Page No. 79
Book No. I
Series of 2015.

ATTY. CRISTY B. DIZON-VICTORIO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
ROLL NO. 59655
IBP No. 0981982 / 05 Jan. '2015 / Manila III
PTR No. 2264435 / 06 Jan. '2015 / Mandaluyong City
MCLE Compliance No. IV-0017948, Issued dated 26 Apr. 2013
Notarial Commission Appointment No. 0402-15
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

STARMALLS, INC.

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

Consolidated Financial Statements

Supplementary Schedules

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Starmalls, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

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

Manuel B. Villar Jr.
Chairman of the Board

Jerry M. Navarrete
President and Chief Executive Officer

Frances Rosalie T. Coloma
Chief Financial Officer

Signed this 10th day of April 2015.

Subscribed to and sworn before me this APR 1 0 2015 at MANDALUYONG CITY affiants exhibiting to me their respective Passports, to wit:

Name	Valid ID No.	Valid Until
Manuel B. Villar Jr.	Passport DE0011147	10/14/2019
Jerry M. Navarrete	Passport EB1908540	02/10/2016
Frances Rosalie T. Coloma	Passport EB6724938	11/09/2017

Doc. No. 383
Page No. 78
Book No. I
Series of 2015

ATTY. CRISTY B. DIZON-VICTORIO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
ROLL NO. 59655
IBP No. 0981982 / 05 Jan. '2015 / Manila III
PTR No. 2264435 / 06 Jan. '2015 / Mandaluyong City
MCLE Compliance No. IV-0017992, issued dated 26 Apr. 2013
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Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

Punongbayan & Araullo
An instinct for growth™

Report of Independent Auditors

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6766 Ayala Avenue
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Philippines

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The Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
(Formerly Polar Property Holdings Corporation and Subsidiaries)
3rd Level Starmall Las Piñas
CV Starr Avenue, Pamplona
Las Piñas City

We have audited the accompanying consolidated financial statements of Starmalls, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014, and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Starmalls, Inc. and subsidiaries as at December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 10, 2015

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(With Corresponding Figures as of December 31, 2012)
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	4	**P 1,960,276,632**	P 1,124,306,207	P 1,492,219,006
Trade receivables – net	5	**608,166,919**	816,076,243	598,013,671
Due from related parties	21	**860,675,322**	496,970,020	335,153,501
Real estate properties for sale	6	**323,441,376**	715,556,362	715,764,450
Available-for-sale financial assets	7	**340,656,543**	903,039,131	-
Prepayments and other current assets – net	8	**1,372,956,610**	777,487,270	486,302,347
Total Current Assets		**5,466,173,402**	4,833,435,233	3,627,452,975
NON-CURRENT ASSETS				
Due from related parties	21	**3,189,815,581**	2,592,652,336	-
Available-for-sale financial assets	7	**3,204,170**	3,204,170	29,157,295
Investment in an associate	11	**-**	-	1,679,962,625
Property and equipment – net	9	**210,667,625**	318,519,856	239,454,389
Investment property – net	10	**19,445,196,123**	16,389,454,200	16,045,444,233
Other non-current assets	8	**150,035,893**	119,828,652	107,431,885
Total Non-current Assets		**22,998,919,392**	19,423,659,214	18,101,450,427
TOTAL ASSETS		**P 28,465,092,794**	P 24,257,094,447	P 21,728,903,402

	Notes	2014	2013	2012
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Liability for land acquisition	13	**P 246,757,369**	P 21,685,532	P 19,639,519
Interest-bearing loans and borrowings	15	**1,383,863,652**	294,136,138	118,751,102
Trade and other payables	14	**1,507,427,810**	999,112,850	832,850,158
Due to related parties	21	**25,935,787**	106,293,430	269,896,937
Income tax payable		**55,869,585**	41,845,895	30,929,997
Other current liabilities		**275,120**	25,148,122	13,432,415
Total Current Liabilities		**3,220,129,323**	1,488,221,967	1,285,500,128
NON-CURRENT LIABILITIES				
Liability for land acquisition	13	**23,473,236**	17,849,625	26,068,907
Interest-bearing loans and borrowings	15	**3,518,035,302**	1,477,439,536	634,032,691
Due to related party	21	**154,919,075**	148,502,161	-
Post-employment defined benefit obligation	19	**50,819,318**	37,338,199	26,874,314
Deferred gross profit on real estate sales		**-**	27,721,650	38,214,910
Deferred tax liabilities – net	20	**71,893,917**	98,172,965	41,287,680
Refundable deposits		**72,602,802**	45,145,549	38,878,624
Other non-current liabilities	16	**475,697,625**	454,984,050	441,727,940
Total Non-current Liabilities		**4,367,441,275**	2,307,153,735	1,247,085,066
Total Liabilities		**7,587,570,598**	3,795,375,702	2,532,585,194
EQUITY	22			
Equity attributable to parent company's stockholders:				
Capital stock		**8,449,481,156**	8,449,481,156	8,449,481,156
Additional paid-in capital		**976,058,769**	976,058,769	976,058,769
Treasury stock – at cost		**(1,578,227,989)**	(1,578,227,989)	(1,578,227,989)
Revaluation reserves		**2,001,344**	(56,380,556)	23,133,540
Retained earnings		**12,770,742,305**	12,424,336,236	11,087,294,578
		20,620,055,585	20,215,267,616	18,957,740,054
Non-controlling interest		**257,466,611**	246,451,129	238,578,154
Total Equity		**20,877,522,196**	20,461,718,745	19,196,318,208
TOTAL LIABILITIES AND EQUITY		**P 28,465,092,794**	P 24,257,094,447	P 21,728,903,402

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
REVENUES AND INCOME				
Rental income	10, 21	P 1,408,139,631	P 1,263,599,761	P 1,192,765,075
Common usage and service area charges		206,886,448	168,882,948	76,004,183
Real estate sales	2	85,322,949	19,548,234	-
Parking fees	2	40,773,513	36,669,167	30,835,323
Other operating income	17	180,030,185	95,700,501	127,968,190
		1,921,152,726	1,584,400,611	1,427,572,771
COSTS AND EXPENSES				
Depreciation and amortization	9, 10	647,316,776	578,532,908	443,592,597
Outside services		161,423,883	152,907,999	118,420,599
Rentals	25	104,931,735	83,825,183	68,965,566
Salaries and employee benefits	19	103,630,832	100,014,197	92,265,688
Cost of real estate sales		66,078,352	11,635,515	-
Taxes and licenses	10	54,147,139	54,931,262	54,901,401
Repairs and maintenance		47,340,342	34,794,719	33,323,381
Light and power		39,401,871	35,323,626	16,960,749
Advertising and promotions		23,357,276	18,287,772	20,582,034
Professional fees		16,911,529	15,199,778	36,491,259
Insurance		15,111,380	14,742,364	13,097,215
Other operating expenses	17	58,535,630	41,137,508	78,752,505
		1,338,186,745	1,141,332,831	977,352,994
PROFIT FROM OPERATIONS		582,965,981	443,067,780	450,219,777
OTHER INCOME (CHARGES) - Net				
Finance costs	18	(64,536,296)	(30,354,838)	(33,040,774)
Finance income	18	35,622,165	21,525,005	17,011,663
Loss on disposal of a subsidiary	1	(28,156,760)	-	-
Gain (loss) on sale of investment in an associate	11	-	993,936,785	(35,159,199)
Equity in net earnings of an associate	11	-	113,923,650	344,633,001
Income from acquisition of a subsidiary	12	-	-	9,317,886,860
Miscellaneous charges	18	-	(1,560,779)	(55,505,434)
		(57,070,891)	1,097,469,823	9,555,826,117
PROFIT BEFORE TAX		525,895,090	1,540,537,603	10,006,045,894
TAX EXPENSE	20	(168,473,539)	(195,622,970)	(241,371,497)
PROFIT BEFORE PREACQUISITION LOSS		357,421,551	1,344,914,633	9,764,674,397
PREACQUISITION LOSS OF A NEWLY–ACQUIRED SUBSIDIARY		-	-	(24,494,733)
NET PROFIT *(Balance carried forward)*		P 357,421,551	P 1,344,914,633	P 9,740,179,664

	Notes	2014	2013	2012
Balance brought forward		**P 357,421,551**	P 1,344,914,633	P 9,740,179,664
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss	7			
Fair value loss (gain) on available-for-sale financial asset reclassified to profit or loss		**45,418,786**	(25,663,240)	-
Unrealized fair value gain (loss) on available-for-sale financial assets		**16,735,567**	(47,710,869)	6,393,750
		62,154,353	(73,374,109)	6,393,750
Items that will not be reclassified subsequently to profit or loss				
Remeasurement on post-employment defined benefit obligation	19	**(4,528,713)**	(7,195,767)	(404,000)
Tax income	20	**756,260**	1,055,780	-
		(3,772,453)	(6,139,987)	(404,000)
		58,381,900	(79,514,096)	5,989,750
TOTAL COMPREHENSIVE INCOME		**P 415,803,451**	P 1,265,400,537	P 9,746,169,414
Attributable to:				
Parent company's stockholders		**P 404,787,969**	P 1,257,527,562	P 9,738,439,826
Non-controlling interest		**11,015,482**	7,872,975	7,729,588
		P 415,803,451	P 1,265,400,537	P 9,746,169,414
Earnings per share - Basic and Diluted	23	**P 0.048**	P 0.186	P 1.748

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Stockholders							
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Revaluation Reserve	Retained Earnings	Total	Non-controlling Interest	Total
Balance at January 1, 2014	P 8,449,481,156	P 976,058,769	(P 1,578,227,989)	(P 56,380,556)	P 12,424,336,236	P 20,215,267,616	P 246,451,129	P 20,461,718,745
Total comprehensive income for the year	-	-	-	58,381,900	346,406,069	404,787,969	11,015,482	415,803,451
Balance at December 31, 2014	**P 8,449,481,156**	**P 976,058,769**	**(P 1,578,227,989)**	**P 2,001,344**	**P 12,770,742,305**	**P 20,620,055,585**	**P 257,466,611**	**P 20,877,522,196**
Balance at January 1, 2013	P 8,449,481,156	P 976,058,769	(P 1,578,227,989)	P 23,133,540	P 11,087,294,578	P 18,957,740,054	P 238,578,154	P 19,196,318,208
Total comprehensive income for the year	-	-	-	(79,514,096)	1,337,041,658	1,257,527,562	7,872,975	1,265,400,537
Balance at December 31, 2013	P 8,449,481,156	P 976,058,769	(P 1,578,227,989)	(P 56,380,556)	P 12,424,336,236	P 20,215,267,616	P 246,451,129	P 20,461,718,745
Balance at January 1, 2012								
As previously reported	P 4,892,411,159	P 20,000	P -	P 17,143,790	P 1,354,844,502	P 6,264,419,451	P -	P 6,264,419,451
Effect of error	1	-	-	-	-	1	-	1
As restated	4,892,411,160	20,000	-	17,143,790	1,354,844,502	6,264,419,452	-	6,264,419,452
Additions during the year	3,557,069,996	976,038,769	(1,578,227,989)	-	-	2,954,880,776	230,848,566	3,185,729,342
Total comprehensive income for the year	-	-	-	5,989,750	9,732,450,076	9,738,439,826	7,729,588	9,746,169,414
Balance at December 31, 2012	P 8,449,481,156	P 976,058,769	(P 1,578,227,989)	P 23,133,540	P 11,087,294,578	P 18,957,740,054	P 238,578,154	P 19,196,318,208

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 525,895,090	P 1,540,537,603	P 10,006,045,894
Adjustments for:				
Depreciation and amortization	9, 10	647,316,776	578,532,908	443,592,597
Interest expense	18	61,365,180	26,714,405	4,290,431
Realized gross profit on real estate sales	17	(45,462,027)	(6,152,501)	(27,291,650)
Interest income	18	(30,538,142)	(17,689,914)	(17,011,663)
Loss on sale of a subsidiary	1	28,156,760	-	-
Gain on sale of available-for-sale financial assets	18	(739,714)	-	-
Unrealized foreign currency losses (gains) – net		(833)	(173,387)	186,043
Loss (gain) on sale of investment in associate	11	-	(993,936,785)	35,159,199
Equity in net earnings of an associate	11	-	(113,923,650)	(344,633,001)
Impairment losses on trade and other receivables, available-for-sale financial assets and other current assets	18	-	2,464,076	24,612,969
Income from acquisition of a subsidiary	12	-	-	(9,317,886,860)
Impairment loss on investment property	10	-	-	6,059,967
Operating profit before working capital changes		1,185,993,090	1,016,372,755	813,123,926
Decrease (increase) in trade and other receivables		198,544,404	(217,150,992)	(545,461,628)
Decrease (increase) in real estate properties for sale		74,895,634	208,088	(6,397,374)
Increase in prepayments and other current assets		(673,298,099)	(379,969,009)	(182,342,821)
Decrease (increase) in other non-current assets		(38,043,207)	169,170,350	9,077,518
Increase in trade and other payables		558,770,498	199,791,357	157,983,398
Increase (decrease) in other current liabilities		(10,104,724)	11,715,707	(467,015)
Increase in post-employment defined benefit obligation		18,304,903	4,323,898	3,731,160
Increase (decrease) in estimated liability for property development		(612,626)	4,672,311	-
Increase (decrease) in other non-current liabilities		(264,397)	(4,226,335)	14,824,420
Cash generated from operations		1,314,185,476	804,908,130	264,071,584
Cash paid for taxes		(122,966,837)	(25,321,244)	(141,885,703)
Net Cash From Operating Activities		1,191,218,639	779,586,886	122,185,881
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to investment property	10	(2,771,278,092)	(1,056,557,703)	(1,059,895,980)
Advances to (collections from) related parties		(1,135,315,296)	181,856,366	132,283,298
Proceeds from disposal of available-for-sale financial assets	7	982,589,293	-	-
Additional acquisitions of available-for-sale financial assets	7	(372,063,000)	(950,750,000)	-
Acquisitions of property and equipment	9	(149,982,282)	(126,617,756)	(75,566,551)
Interest received		24,371,608	14,143,796	12,826,265
Proceeds from disposal of a portion of investment in an associate	11	-	-	1,536,478,845
Dividends received		-	-	64,608,526
Payment for transaction cost on available-for-sale financial assets		-	-	(11,623,800)
Net Cash From (Used in) Investing Activities		(3,421,677,769)	(1,937,925,297)	599,110,603
Balance carried forward		(P 2,230,459,130)	(P 1,158,338,411)	P 721,296,484

	Notes	2014	2013	2012
Balance brought forward		(P 2,230,459,130)	(P 1,158,338,411)	P 721,296,484
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of interest-bearing loans and borrowings	15	3,429,852,694	1,072,979,166	728,000,000
Repayments of interest-bearing loans and borrowings	15	(299,529,414)	(54,187,285)	(65,100,301)
Interest paid		(138,501,182)	(64,936,149)	(23,220,984)
Increase (decrease) in amounts due to related parties		75,397,432	(163,603,507)	(83,184,385)
Proceeds from issuance of preferred shares	22	-	-	23,500,000
Payment of stock issuance cost		-	-	(17,787,875)
Net Cash From Financing Activities		3,067,219,530	790,252,225	562,206,455
Cash of disposed subsidiary		(790,808)	-	-
Effect of Exchange Rate Changes on Cash and Cash Equivalents		833	173,387	(186,043)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		835,970,425	(367,912,799)	1,283,316,896
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,124,306,207	1,492,219,006	83,514,811
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF A NEWLY ACQUIRED SUBSIDIARY		-	-	125,387,299
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,960,276,632	P 1,124,306,207	P 1,492,219,006

Supplemental Information on Non-cash Investing and Financing Activities:

1.) In 2014, the Group transferred its 100% ownership interest in Brittany Estates Corporation (BEC) consisting of 1,009,960 shares to Household Development Corporation in exchange for lands amounting to P507.2 million (see Note 1). The Company received certain parcels of land in Taguig, Imus and Las Pinas City amounting to P415.5 million (see Note 10). The outstanding receivables arising from this transaction is shown as part of the Due from Related Party account in the current section of the 2014 consolidated statement of financial position (see Note 21.6).

2.) In 2014, the Group reclassified Construction-in-progress and Elevator equipment amounting to P128.5 million and P78.8 million, respectively, from Property and Equipment account to Investment Property account in the 2014 consolidated statement of financial position (see Note 9).

3.) In 2013, the Group sold the remaining 399,397,000 shares of its investment in VLL, with carrying amount of P1.8 billion, for a total consideration of P2.8 billion to Fine Properties, Inc., a related party under common ownership, which remained outstanding as of December 31, 2014 and 2013 (see Notes 11 and 21).

4.) In 2014, 2013 and 2012, the Group capitalized borrowing costs amounting to P98.0 million, P41.2 million and P41.2 million, respectively, representing the actual borrowing costs incurred on loans obtained to fund the development of the Company's investment property (see Note 10).

5.) In 2014, the Group acquired parcels of land in various locations amounting to P700.5 million to be developed as commercial property in the future. Out of which, P231.9 million is still outstanding, and payable in the next twelve months, and P14.3 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 of the 2014 consolidated statement of financial position (see Note 13).

6.) In 2014, the Group transferred certain parcels of land to BEC amounting to P70.8 million (see Note 10).

See Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
(Formerly Polar Property Holdings Corporation and Subsidiaries)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

The Company is owned by Fine Properties, Inc. or FPI (48.8%), PCD Nominee Corporation or PCDNC (50.9%), and other entities and individuals (0.3%) (see also Note 22). The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

As of December 31, 2014 and 2013, the Company has ownership interests in the following entities (the Company and subsidiaries are collectively referred herein as the Group):

Subsidiaries	Percentage of Ownership	
	2014	2013
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (Manuela)	**98.4%**	98.4%
Brittany Estates Corporation (BEC)	**-**	100.0%

On December 29, 2014, the Company disposed its 100% ownership interest in BEC. The disposal of the subsidiary resulted to the latter's deconsolidation from the Group as of December 31, 2014 (see Note 21.6).

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.

The consolidated financial statements of the Group as of and for the year ended December 31, 2014 (including the comparative financial statements for December 31, 2013 and 2012) were authorized for issue by the Company's BOD on April 10, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

Certain accounts in the 2013 and 2012 consolidated statements of financial position and statements of comprehensive income were reclassified to conform with the consolidated financial statement classification and presentation in 2014; hence, a third consolidated statement of financial position is presented.

(c) Functional and Presentation Currency

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

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

2.2 *Adoption of Amended PFRS and Interpretation*

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interest in Other Entities And Separate Financial Statements – Exemption from Consolidation for Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding pages are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of PAS 32, the amendment had no material effect on the Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the consolidated financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the recoverable amounts of the Group's non-financial assets where impairment losses have been recognized were determined based on value-in-use which have been adequately disclosed in accordance with PAS 36 (see Note 10).

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

(iv) PFRS 10, 12 and PAS 27 (Amendments), *Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements – Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39 or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have an effect on the Group's consolidated financial statements as all of the subsidiaries are included in the consolidation.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the consolidated financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2014 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the consolidated financial statements. Accordingly, it clarifies that materiality applies to the whole consolidated financial statements and an entity shall not reduce the understandability of the consolidated financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the consolidated financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). This amendment confirms that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its interest in all its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarifies that if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services that are related to the investment activities of the investment entity parent, the latter shall consolidate that subsidiary.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) PFRS 11 (Amendment), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

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

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

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

(viii) PFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18, *Revenue* and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programs,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.

(ix) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the amendments in the succeeding pages are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements.

Annual Improvements to PFRS (2010 - 2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment*. The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

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

(c) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

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

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11 in the consolidated financial statements of the joint arrangement itself.

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

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

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(c) PAS 34 (Amendment), *Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"*. The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when: (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets of the subsidiaries acquired, in the case of a bargain purchase, the difference is recognized directly as income in profit or loss (see Notes 2.9 and 12).

(b) Investment in an Associate

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings of an Associate account in the statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

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

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

(c) Transactions with Non-controlling Interests

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

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

2.4 Financial Assets

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

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

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

(a) Loans and Receivables

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

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

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

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-Sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include equity securities, corporate bonds, and bank notes.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

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

All income and expenses, including impairment losses, relating to financial assets are recognized in profit or loss section and are presented as part of Finance Income or Finance Costs account of the consolidated statement of comprehensive income.

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all the risks and rewards of ownership have been substantially transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Real Estate Properties for Sale

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

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

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

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

2.6 Property and Equipment

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

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

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

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

Fully depreciated and amortized assets are retained in the account until these are no longer in use. No further charge of depreciation and amortization is made in respect of those assets.

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

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

2.7 Investment Property

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

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

Depreciation and amortization of investment property under building and improvements are computed using the straight-line method over the estimated useful lives ranging from 10 to 40 years. The estimated useful life of the asset is reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

2.8 Prepayments and Other Assets

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

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

2.9 Business Combinations

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

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

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

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

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

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

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

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

2.10 Financial Liabilities

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

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

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

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

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

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

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Provisions and Contingencies

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

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

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

2.13 Revenue and Expense Recognition

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

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

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

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

(c) *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.

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

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

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

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

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

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

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

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

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

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

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

2.15 Employee Benefits

The Group provides post-employment defined benefits to employees through a defined benefit plan which are recognized as follows:

(a) *Defined benefit plan*

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

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

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

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

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

(b) Compensated Absences and Other Employee Benefits

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

2.16 Borrowing Costs

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

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

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

2.17 Impairment of Non-financial Assets

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

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

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

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

2.18 Income Taxes

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

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

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

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

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

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

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

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

2.19 Related Party Transactions and Relationships

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

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

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

2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 24, which represent the main products and services provided by the Group.

Presently, the Group's only significant operating segment is related to its leasing operations; hence, no segment reporting is presented.

2.21 Equity

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

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

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

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

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

2.22 Earnings per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

2.23 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Revenue Recognition Criteria on Real Estate Sales

The Group recognizes revenues from real estate sales under the full accrual method. Under this method, critical judgment is made by management in determining whether the collectability of the sales price is reasonably assured. Management considers the collectibility of real estate sales as reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion of the contract price, at least 20%, is received, and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

(b) Impairment of AFS Financial Assets

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

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

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

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

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

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

(d) Distinction Between Operating and Finance Leases

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

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant provisions and contingencies are presented in Note 25.

3.2 Key Sources of Estimation Uncertainty

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

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

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers and counterparties, the customers' and counterparties' credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

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

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

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

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

The Group estimates the useful lives of certain property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment and investment property are analyzed in Notes 9 and 10, respectively. Based on management's assessment as at December 31, 2014 and 2013, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Fair Value Measurement for Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 10 is determined by the Company based on the appraisal report prepared by professional and independent appraisers using the relevant valuation methodology as discussed in Note 28.4. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect the prices and the value of the assets. As of December 31, 2014 and 2013, the Company determined that there were no significant circumstances that may affect the fair value determination of investment property.

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

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

The carrying value of deferred tax assets, which management assessed to be fully recoverable in the subsequent periods, as of December 31, 2014 and 2013 is disclosed in Note 20.

(f) *Impairment of Non-financial Assets*

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

There were no impairment losses recognized on property and equipment and investments in an associate based on management's evaluation for the years ended December 31, 2014, 2013 and 2012 (see Notes 9 and 11). Impairment loss recognized on investment property is discussed in Note 10.

(g) *Estimated Liability on Property Development Costs*

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

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

The determination of the Group's obligation and cost of post-employment defined benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense as well as the significant assumptions used in estimating such obligation are presented in Note 19.2(b).

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

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

The carrying value of the Group's AFS financial assets and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 7.

4. CASH AND CASH EQUIVALENTS

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

	2014	2013
Cash on hand and in banks	**P 1,955,825,670**	P 1,069,748,242
Short-term placements	**4,450,962**	54,557,965
	P 1,960,276,632	P 1,124,306,207

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

Short-term placements are made for varying periods of between 30 to 90 days and earn effective interests ranging from 0.4% to 2.3% in 2014, 0.3% to 4.9% in 2013 and 1.6% to 3.9% in 2012. Interest income from cash in banks and short-term placements amounted to P5.1 million, P14.1 million and P12.8 million in 2014, 2013 and 2012, respectively, and is recognized as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income (see Note 18.2). The Group's cash and cash equivalents do not include restricted cash amounting to P72.2 million and P19.7 million as of December 31, 2014 and 2013, respectively, which is presented as part of Prepayments and Other Assets account in the consolidated statements of financial position (see Note 8).

5. TRADE AND OTHER RECEIVABLES

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

	Note	**2014**	2013
Trade receivables from tenants:			
Third party		**P 515,960,408**	P 396,789,050
Related parties under common ownership	21.5	**92,206,511**	440,893,938
		608,166,919	837,682,988
Allowance for impairment		**-**	(21,606,745)
		P 608,166,919	P 816,076,243

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2013, certain receivables from tenants, contractors, suppliers, brokers, and others were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. There was no additional impairment loss required to be recognized in 2014. 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.

A reconciliation of the allowance for impairment at the beginning and end of 2014 and 2013 is shown below.

	Note	**2014**	2013
Balance at beginning of year		**P 21,606,745**	P 20,163,209
Write-off of receivables previously provided with allowance		**(21,606,745)**	-
Impairment loss during the year	18.1	**-**	1,443,536
Balance at end of year		**P -**	P 21,606,745

6. REAL ESTATE PROPERTIES FOR SALE

Real estate properties for sale at the end of 2014 and 2013 are stated at cost, the details of which are shown below.

	2014	2013
Residential units for sale	**P 157,357,423**	P 348,511,052
Land for future development	**166,083,953**	166,467,236
Property development costs	**-**	200,578,074
	P 323,441,376	P 715,556,362

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

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

In 2013, the Group bought back certain subdivision lot at a cost of P1.9 million from a former customer and currently holds it for resale. There was no similar transaction in 2014.

Property development costs represent the accumulated costs incurred in developing the real estate properties for sale of BEC. The outstanding balance of P162.1 million was eliminated as of December 31, 2014 due to the deconsolidation of the net assets of BEC from the Group (see Note 21.6)

The estimated development costs related to residential units which are sold but not yet completed as of December 31, 2014 and 2013 is presented as Estimated liability on property development cost under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this account is as follows:

	2014	2013
Current:		
Debt securities	**P 198,786,854**	P 630,035,640
Bank notes	**100,000,000**	-
Equity securities	**41,869,689**	273,003,491
	340,656,543	903,039,131
Non-current –		
Equity securities	**3,204,170**	3,204,170
	P 343,860,713	P 906,243,301

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

	2014	2013
Balance at beginning of year	**P 906,243,301**	P 29,157,295
Additions	**372,063,000**	950,750,000
Disposals	**(951,181,155)**	-
Impairment loss	**-**	(25,953,125)
Fair value gains (losses) – net	**16,735,567**	(47,710,869)
Balance at end of year	**P 343,860,713**	P 906,243,301

The fair values of the investments in AFS financial assets have been determined directly by reference to published prices in an active market (see Note 28.2).

In 2014, certain equity and debt securities were disposed by the Group. The unrealized loss previously recognized under other comprehensive income was reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income.

In 2013, certain equity securities amounting to P26.0 million were assessed by management to be no longer recoverable; hence, an impairment loss equivalent to its cost was recognized and presented as part of Finance Costs under the Other Income (Charges) account in the 2013 consolidated statement of comprehensive income. The fair value gain on AFS financial assets previously recognized as other comprehensive income was reversed in 2013 as a result of the impairment. There was no similar transaction in 2014 and 2012.

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 amounting to P22.6 million in 2014 (nil in 2013 and 2012) are presented as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income (see Note 18.2).

8. PREPAYMENTS AND OTHER ASSETS

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

	Notes	**2014**	2013
Current:			
Advances to contractors, brokers and others		**P 605,338,800**	P 266,315,892
Input VAT		**592,917,116**	385,295,898
Reserve fund	15.2	**72,185,021**	19,710,303
Prepayments		**31,068,666**	23,275,630
Advances to officers and employees	21.7(b)	**25,382,375**	8,463,806
Advances to suppliers		**13,743,363**	-
Short-term installment contracts receivable	8.1,15.3 21.4(d)	**9,645,634**	28,496,184
Creditable withholding taxes		**7,927,322**	29,153,593
Others		**14,748,313**	36,407,555
		1,372,956,610	797,118,861
Allowance for impairment		**-**	(19,631,591)
		1,372,956,610	777,487,270
Non-current:			
Refundable deposits		**92,603,284**	56,302,065
Long-term installment contracts receivable	8.2	**56,984,250**	62,979,641
Others		**448,359**	546,946
		150,035,893	119,828,652
		P 1,522,992,503	P 897,315,922

Reserve fund represents the fund established by MAPI in 2013 in accordance with a loan agreement with a local bank. The fund earns effective interest ranging from 0.3% to 2.5% in 2014 and 0.3% to 2.0% in 2013 (see Note 18.2).

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.

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

A reconciliation of the allowance for impairment at the beginning and end of 2014 and 2013 is shown below.

	Note		**2014**		2013
Balance at beginning of year		**P**	**19,631,591**	P	18,900,936
Elimination arising from disposed subsidiary		**(**	**19,631,591)**		-
Impairment loss during the year	18.1		**-**		730,655
Balance at end of year		**P**	**-**	P	19,631,591

The allowance for impairment pertains to the allowance provided for short-term installment contracts receivable of BEC. The allowance was eliminated as of December 31, 2014 due to the deconsolidation of the net assets of BEC from the Group (see Note 21.6).

8.1 Short-term Installment Contracts Receivable

Short-term installment contracts receivable represents the current portion of the Group's installment contracts receivable. The balance of the account as of December 31, 2013 (nil as of December 31, 2014 due to deconsolidation of BEC's net assets from the Group) also includes receivables arising from the sale of residential units that are internally-financed by the Group under deferred cash payment arrangements.

Portion of the short-term installment contracts receivable with a total amount of P11.3 million as of December 31, 2013 (nil as of December 31, 2014) was used as collateral for the Group's interest-bearing loans (see Note 15.3). The interest bearing loans were paid in full in 2014.

8.2 Long-term Installment Contracts Receivable

This account principally consists of amounts arising from the sale of residential units that are noninterest-bearing and collectible within 2 to 10 years. These receivables are remeasured at amortized cost using the effective interest equivalent to prevailing market rates at the times the receivables were recognized. Also included in this account are those arising from the internal financing arrangement of the Group for the sale of its residential units. There was no similar transaction in 2014.

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

The Group recognized interest income in 2014, 2013 and 2012 amounting to P2.8 million, P3.5 million and P4.2 million, respectively, representing the amortization of discounts on these long-term installment contract receivables; the amounts are shown as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income (see Note 18.2).

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2014 and 2013 are shown below and in the succeeding page.

	Buildings and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
December 31, 2014					
Cost	P -	P 343,829,831	P 5,937,512	P 37,962,714	P 387,730,057
Accumulated depreciation and amortization	-	(149,237,166)	(2,931,832)	(24,893,434)	(177,062,432)
Net carrying amount	**P -**	**P 194,592,665**	**P 3,005,680**	**P 13,069,280**	**P 210,667,625**
December 31, 2013					
Cost	P 171,341,602	P 288,931,573	P 3,703,692	P 37,962,714	P 501,939,581
Accumulated depreciation and amortization	(36,886,613)	(126,868,467)	(2,239,371)	(17,425,274)	(183,419,725)
Net carrying amount	P 134,454,989	P 162,063,106	P 1,464,321	P 20,537,440	P 318,519,856
January 1, 2013					
Cost	P 143,876,896	P 80,886,302	P 1,895,036	P 37,962,714	P 264,620,948
Accumulated depreciation and amortization	(4,350,147)	(9,742,891)	(1,240,789)	(9,832,732)	(25,166,559)
Net carrying amount	P 139,526,749	P 71,143,411	P 654,247	P 28,129,982	P 239,454,389

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2014 and 2013 is shown below.

	Buildings and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 134,454,989	P 162,063,106	P 1,464,321	P 20,537,440	P 318,519,856
Additions	855,994	146,892,468	2,233,820	-	149,982,282
Transfer to investment property	(128,499,211)	(78,832,406)	-	-	(207,331,617)
Depreciation and amortization charges for the year	(6,811,772)	(35,530,503)	(692,461)	(7,468,160)	(50,502,896)
Balance at December 31, 2014, net of accumulated depreciation and amortization	**P -**	**P 194,592,665**	**P 3,005,680**	**P 13,069,280**	**P 210,667,625**

	Buildings and Improvements	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 139,526,749	P 71,143,411	P 654,247	P 28,129,982	P 239,454,389
Additions	2,487,493	122,321,607	1,808,656	-	126,617,756
Retirement	(1,028,128)	(2,041,361)	-	-	(3,069,489)
Depreciation and amortization charges for the year	(6,531,125)	(29,360,551)	(998,582)	(7,592,542)	(44,482,800)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 134,454,989	P 162,063,106	P 1,464,321	P 20,537,440	P 318,519,856

In 2014, the Company reclassified portion of the Buildings, which was previously presented under Property and Equipment, to Investment Property amounting to P207.3 million. The reclassification resulted from change in management intention to hold the related building development for rental purposes.

10. INVESTMENT PROPERTY

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

The Group's investment property generates rental income under various operating lease agreements. Rental income from the investment property amounting to P1,408.1 million, P1,263.6 million and P1,192.8 million in 2014, 2013 and 2012, respectively, are presented as Rental income under the Revenues and Income account 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 amounting to P43.0 million, P43.3 million and P44.0 million were recognized as part of Taxes and licenses under the Costs and Expenses account in the consolidated statements of comprehensive income. Depreciation charges amounted to P596.8 million, P534.1 million and P421.1 million in 2014, 2013 and 2012, respectively, and are presented as part of Depreciation and amortization under the Costs and Expenses account in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation and amortization of investment property at the beginning and end of 2014 and 2013 are as follows.

	Land	Buildings and Improvements	Commercial Buildings Under Construction	Total
December 31, 2014				
Cost	P 9,329,122,464	P 11,271,963,706	P 1,746,019,274	P 22,347,105,444
Accumulated depreciation and amortization	-	(2,901,909,321)	-	(2,901,909,321)
Net carrying amount	**P 9,329,122,464**	**P 8,370,054,385**	**P 1,746,019,274**	**P 19,445,196,123**
December 31, 2013				
Cost	P 8,293,665,748	P 10,798,240,094	P 532,957,092	P 19,624,862,934
Accumulated depreciation and amortization	-	(3,235,408,734)	-	(3,235,408,734)
Net carrying amount	P 8,293,665,748	P 7,562,831,360	P 532,957,092	P 16,389,454,200
January 1, 2013				
Cost	P 8,175,526,800	P 10,302,272,191	P 269,012,785	P 18,746,811,776
Accumulated Depreciation and amortization	-	(2,701,367,543)	-	(2,701,367,543)
Net carrying amount	P 8,175,526,800	P 7,600,904,648	P 269,012,785	P 16,045,444,233

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

	Land	Buildings and Improvements	Commercial Buildings Under Construction	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 8,293,665,748	P 7,562,831,360	P 532,957,092	P 16,389,454,200
Additions	1,081,833,739	188,438,910	2,246,416,787	3,516,689,436
Transfer from property and equipment	-	207,331,617	-	207,331,617
Retirements	(46,377,023)	-	(24,376,009)	(70,753,032)
Reclassifications	-	1,008,978,596	(1,008,978,596)	-
Elimination arising from disposed subsidiary	-	(712,218)	-	(712,218)
Depreciation and amortization charges for the year	-	(596,813,880)	-	(596,813,880)
Balance at December 31, 2014, net of accumulated depreciation and amortization	**P 9,329,122,464**	**P 8,370,054,385**	**P 1,746,019,274**	**P 19,445,196,123**

	Land	Buildings and Improvements	Commercial Buildings Under Construction	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 8,175,526,800	P 7,600,904,648	P 269,012,785	P 16,045,444,233
Additions	118,138,948	589,694,492	348,724,263	1,056,557,703
Retirements	-	(178,497,628)	-	(178,497,628)
Reclassifications		84,779,956	(84,779,956)	-
Depreciation and amortization charges for the year	-	(534,050,108)	-	(534,050,108)
Balance at December 31, 2013, net of accumulated depreciation, amortization and impairment	P 8,293,665,748	P 7,562,831,360	P 532,957,092	P 16,389,454,200

Commercial buildings under construction pertains to accumulated costs incurred in the development of certain commercial buildings. Capitalized borrowing costs amounting to P98.0 million in 2014 and P47.8 million in 2013 representing the actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of Investment Property (see Note 15.2).

Investment property with total carrying amount of P24.8 million as of December 31, 2014 are used as collaterals for loans obtained from local creditor banks (see Note 15.2).

Also certain properties under the name of the Group with carrying amount of P1,247.4 million are used as third party real estate mortgage for the secured long-term loan obtained by the Company from PDB (see Note 15.1).

10.1 Investment Property Owned by the Parent Company

The Parent Company's investment property has a carrying amount of P5.1 million as of December 31, 2014 and 2013. 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.

In 2012, the Group recognized an impairment loss on a parcel of land located in Caloocan City as the Group's management has assessed that no future cash flows are expected to be generated from such asset. The impairment loss amounting to P6.1 million, which is equal to the carrying amount of the impaired asset, is presented as Impairment loss on investment property under the Other Operating Expenses account in the 2012 consolidated statement of comprehensive income (see Note 17.2). There was no additional impairment loss recognized in 2014 and 2013.

The fair value of the remaining investment property in Valenzuela as of December 31, 2014 and 2013 amounted to P41.5 million and P44.7 million, respectively, as determined by an independent firm of appraisers (see Note 10.5).

10.2 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 and commercial buildings under construction which are owned primarily to earn rental income in the future.

In 2014 and 2013, MAPI acquired certain parcels of land in several locations at a cost of P700.5 million and P95.8 million, respectively, for future establishment of commercial properties.

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounted to P2.9 billion and P2.6 billion as of December 31, 2014 and 2013, respectively. The parcel of land is currently being developed by the Group as a commercial center that will be available for lease in the future.

The land located in San Jose del Monte, Bulacan amounting to P52.5 million, which represents its purchase price, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership [see Notes 13 and 21.4(a)]. 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 P786.4 million and P56.4 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 December 31, 2014.

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 was also completed during the latter part of the year. Accordingly, the Company reclassified portion of commercial buildings under construction to building and improvements totaling P1.0 billion which represents all the completed malls and commercial buildings for 2014.

10.3 Investment Property owned by BEC

Investment property owned by BEC includes a commercial building, which is held to earn rental income, and the related improvements which have a carrying amount of P1.3 million as of December 31, 2013 (nil as of December 31, 2014). The amount was deconsolidated upon the disposal of the Company's ownership interest over BEC in 2014.

10.4 Investment Property Owned by Manuela

The investment property of Manuela, with a total carrying amount of P12.3 billion and P12.2 billion as of December 31, 2014 and 2013, includes several parcels of land and buildings and improvements located in Mandaluyong City [Starmall EDSA – Shaw and Worldwide Corporate Center (WCC)], 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 P1.1 million in 2014 (nil in 2013) (see Note 15). These properties are owned and held primarily to earn rental income. The capitalization rate used was 5.75% in 2014.

10.5 Fair Value of Investment Property

In 2014, 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, 2014. 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, 2014.

	Land	Buildings and Improvements	Total
Company –			
Land in Valenzuela City	P 41,521,500	P -	P 41,521,500
MAPI:			
Sta. Rosa Laguna	-	451,447,000	451,447,000
Imus, Cavite	218,489,734	-	218,489,734
Land in Bacoor, Cavite	4,471,177,000	803,740,000	5,274,917,000
Starmall San Jose del Monte	204,800,000	956,085,000	1,160,885,000
Mandaluyong City	221,000,000	419,782,000	640,782,000
Manuela:			
Starmall Alabang	2,813,000,000	3,534,428,000	6,347,428,000
Starmall EDSA-Shaw	2,925,000,000	1,186,495,000	4,111,495,000
Starmall Las Piñas	289,400,000	523,107,000	812,507,000
Starmall Las Piñas-Annex	117,600,000	99,728,000	217,328,000
WCC	-	1,983,252,000	1,983,252,000
	P 11,301,988,234	**P 9,958,064,000**	**P 21,260,052,234**

11. INVESTMENT IN AN ASSOCIATE

The details of the investment account as of December 31, 2013 are shown below.

Investment in VLL:	
Acquisition cost	P 1,906,228,900
Unrealized gain on share swap	(286,374,372)
Excess of fair value over cost	516,508,944
	2,136,363,472
Accumulated equity in net earnings:	
Balance at beginning of year	1,115,237,197
Equity in net earnings	113,923,650
	1,229,160,847
Accumulated disposals:	
Balance at beginning of year	(1,571,638,044)
Disposals during the year	(1,793,886,275)
	(3,365,524,319)
	P -

In May 2013, the Group sold the remaining 399,397,000 shares of its investment in Vista Land & Landscapes (VLL), with the carrying amount of P1.8 billion, for a total consideration of P2.8 billion (see Note 21.3).

The Group recognized a gain of P993.9 million in 2013 and a loss of P35.2 million in 2012 which are presented as Gain (loss) on disposals of investment in an associate under the Other Income (Charges) account in the consolidated statements of comprehensive income.

There were no dividends earned in 2013 before the sale of the remaining shares of VLL.

12. GOODWILL

The Company's acquisitions of equity interests in its subsidiaries gave rise to negative goodwill. The deficiency of the acquisition costs over the Company's share in the fair value of the identifiable net assets for Manuela amounting to P9.3 billion was recognized directly in profit or loss in the 2012 consolidated statement of comprehensive income; while for MAPI and BEC totaling P24.9 million, this was treated as adjustment to the subsidiaries' undivided land deemed to be overvalued at the date of acquisition in 2004 for both subsidiaries.

The negative goodwill arising from the acquisition of BEC was accordingly eliminated in its deconsolidation from the Group in 2014.

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

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

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

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

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

13. LIABILITY FOR LAND ACQUISITION

Liability for land acquisition represents the outstanding payable as of December 31, 2014 and 2013 relating to the Group's acquisition of certain parcels of land.

In 2011, the Group entered into a Contract to Sell (CTS) with HDC to purchase a parcel of land located in San Jose, Bulacan to be developed by the Group as commercial property (see Note 8). Total contract price amounted to P52.5 million, out of which P5.3 million was paid upon execution of the CTS and the balance payable in quarterly payments over a period of five years commencing on January 15, 2012. The liability for land acquisition is noninterest-bearing and measured at amortized cost using the effective interest rate method. The discount rate of 5.70% was determined by reference to prevailing interest rates on similar borrowings. As of December 31, 2013, the Group has paid 25% of the total purchase price and the title to the land has already been transferred to the Group. Additions in 2014 pertains to land purchases in various locations from individual third parties amounting to P700.5 million to be held as future commercial building construction sites. From these purchases, the Group had outstanding liability of P217.6 million, payable in the next 12 months, and P14.3 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, of the 2014 consolidated statement of financial position.

In 2014, 2013 and 2012, the Group amortized interest costs relating to this transaction amounting to P1.0 million, P1.1 million and P2.2 million, respectively, which are presented as part of Finance costs under the Other Income (Charges) account in the consolidated statements of comprehensive income (see Note 18.1).

Included in this account is a liability in prior years from the purchase of a parcel of land located in Dasmariñas, Cavite to be developed as a residential community. The parcel of land is presented as part of the Real Estate Properties for Sale account in the consolidated statements of financial position.

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

	2014	2013
Current	**P 246,757,369**	P 21,685,532
Non-current	**23,473,236**	17,849,625
	P 270,230,605	P 39,535,157

14. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2014	2013
Trade payables		**P 573,958,565**	P 358,064,198
Retention payable		**264,273,577**	65,079,940
Accrued rentals		**252,107,294**	253,023,867
Construction payable		**174,269,234**	131,758,912
Deferred output VAT		**139,633,119**	131,371,837
Accrued expenses	15.4, 21.4(b)	**75,019,755**	9,057,336
Estimated liability on property development cost	6	**4,831,199**	50,579,827
Other payables		**23,335,067**	176,933
		P 1,507,427,810	P 999,112,850

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

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

15. INTEREST-BEARING LOANS AND BORROWINGS

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

	Note	2014	2013
Current:			
China Banking Corporation (CBC)	15.2	**P 995,062,444**	P -
Rizal Commerical Banking Corporation (RCBC)	15.2	**115,902,247**	1,951,982
Asia United Bank (AUB)	15.2	**105,000,000**	105,000,000
Planters Development Bank (PDB)	15.1, 15.3	**88,895,000**	80,859,934
BDO Unibank, Inc. (BDO)	15.1	**50,768,667**	106,324,222
Union Bank of the Philippines (UBP)	15.1	**28,235,294**	-
Balance carried forward		**P 1,383,863,652**	P 294,136,138

	Note	2014	2013
Balance brought forward		**P 1,383,863,652**	P 294,136,138
Non-current:			
RCBC	15.2	**2,284,733,424**	673,822,342
AUB	15.2	**520,083,644**	262,500,000
UBP	15.1	**311,764,706**	-
BDO	15.1	**211,539,778**	262,308,444
PDB	15.1	**189,913,750**	278,808,750
		3,518,035,302	1,477,439,536
		P 4,901,898,954	P 1,771,575,674

15.1 Loans of Manuela

In 2014, Manuela obtained various loans from UBP to finance the upgrade of the air conditioning systems of Starmall Las Piñas and Starmall Las Piñas – Annex and the acquisition of generator set upgrades for all the malls of Manuela. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.8%. In 2013 and previous years, the Manuela also obtained various term loans from BDO and PDB to finance the upgrade of the air conditioning systems of Starmall EDSA – Shaw and Starmall Alabang and the expansion of the business process outsourcing area of WCC. The loans have maturities from October 2014 to February 2020 and bear an annual fixed interest rates ranging from 7.0% to 7.3%.

Certain properties registered under the name of MAPI are used as third party real estate mortgage for the secured long-term loan obtained from PDB (see Note 10).

15.2 Loans of MAPI

In 2014, MAPI entered into a term loan agreement with CBC and AUB amounting to P1.0 billion and P366.0 million, respectively, primarily to finance various ongoing mall construction. The loan with CBC has maturities beginning December 2014 to June 2015 and bears annual interest of 4.5% while the loan with AUB has maturities beginning December 2014 to December 2019 and bears annual interest of 6.3%.

In connection with the loan entered with CBC, MAPI agreed to execute a negative pledge over certain real properties with carrying amount of P2.7 billion as of December 31, 2014. MAPI cannot allow any other indebtedness to be secured by the covered real properties nor permit any other creditor to receive any priority or preference over the covered real properties, without written consent from the CBC.

In 2013, MAPI entered into a term loan agreement with RCBC for a total credit line of P2.7 billion. As of December 31, 2014 and 2013, P1.7 billion and P0.7 billion, respectively, has been drawn from this secured facility to finance the construction of various ongoing projects of MAPI. The loans have maturities beginning December 2015 to August 2020 and bear annual interest of 5.8%.

In addition, the loan agreement with RCBC and AUB requires MAPI to maintain a current ratio of not lower than 1.50:1:00 and debt-equity ratio of not higher than 3.00:1.00. MAPI has complied with these loan covenants, including maintaining certain financial ratios as at the reporting dates, except for the current ratio for 2014 which fell below the requirement. Subsequent to December 31, 2014, MAPI has given notice to both RCBC and AUB for this non-compliance and has set out to meet the current ratio requirement.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments. In accordance with the agreement, MAPI maintains a reserve fund amounting to P72.2 million and P19.7 million as of December 31, 2014 and 2013, respectively, which is presented as part of the Prepayments and Other Current Assets account in the consolidated statements of financial position (see Note 8).

In 2012, MAPI obtained a loan from AUB amounting to P420.0 million to finance the construction of Starmall San Jose del Monte. The loan is due to be settled until 2017 and bears annual interest rate of 5.7%.

Certain investment property with carrying amount of P24.8 million as of December 31, 2014 and 2013, respectively, is used as collateral for the secured long-term loan (see Note 10).

15.3 Loans of BEC

Interest-bearing loans represent secured loans obtained from various commercial banks using the credit line of Brittany Corporation (BC), a related party under common ownership [see Note 21.4(c)]. The loans were obtained in 2010 exclusively to finance the Group's on-going projects and are payable up to 2019 at annual interest rates ranging from 10.3% to 13.0%. In 2014, the Company paid in full its outstanding interest bearing loans.

Certain short-term installment contracts receivable amounting to P11.3 million as at December 31, 2013 (nil as of December 31, 2014) are used as collaterals for the bank loans (see Note 8.1).

15.4 Interest Expense from Regular Loans

Interest expense recognized in 2014, 2013 and 2012 amounting to P59.4 million, P24.1 million, P4.3 million, respectively, are presented as part of Finance Costs under the Other Income (Charges) account in the consolidated statements of comprehensive income (see Note 18.1). The outstanding interest payable as of December 31, 2014 and 2013 amounting to P15.5 million and P0.5 million, respectively, are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

15.5 Short-term Borrowings

In 2011, MAPI obtained unsecured short-term promissory notes from various third parties amounting to P81.0 million which bear annual interest of 9.0%. These were raised to finance the construction of the commercial building in San Jose del Monte. These were all fully-paid as of December 31, 2013. Total interest expense amounting to P1.5 million and P1.3 million in 2013 and 2012, respectively, was capitalized as part of cost of the completed commercial building (see Note 10).

16. OTHER NON-CURRENT LIABILITIES

The composition of this account is shown below.

	2014	2013
Security deposits	**P 455,398,999**	P 437,765,716
Construction bond	**4,845,341**	2,259,222
Customer deposits	**74,835**	3,734,735
Miscellaneous	**15,378,450**	11,224,377
	P 475,697,625	P 454,984,050

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

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

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

17. OTHER OPERATING INCOME AND EXPENSES

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

17.1 Other Operating Income

	2014	2013	2012
Gain on derecognition of liabilities	**P 52,369,195**	P 3,936,771	P 13,483,023
Realized gross profit on real estate sales	**45,462,027**	6,152,501	27,291,650
Advertising	**17,599,304**	10,915,060	10,149,347
Restroom fee	**8,012,098**	7,643,759	4,487,100
Security postings	**7,606,469**	3,129,071	2,345,620
Equipment rental	**7,601,471**	6,994,328	-
Pest control fees	**7,339,417**	5,756,037	5,078,692
Sale of liquified petroleum gas	**7,151,464**	4,429,303	5,567,437
Penalties and interest charges to tenants	**5,713,528**	11,454,254	16,852,237
Waterbill recharges	**4,007,239**	8,582,269	7,636,445
Scrap sales	**3,762,042**	5,612,904	668,315
Sale of beverages	**3,427,669**	3,219,485	1,076,981
Hauling services	**-**	7,894,020	16,227,754
Gain on reversal of allowance for impairment on creditable withholding taxes	**-**	-	8,561,700
Service income	**-**	-	897,051
Management fee	**16,710**	5,117,143	-
Miscellaneous	**9,961,552**	4,863,596	7,644,838
	P 180,030,185	P 95,700,501	P 127,968,190

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

17.2 Other Operating Expenses

	Note	2014	2013	2012
Representation and entertainment		**P 17,647,754**	P 8,769,523	P 8,554,217
Transportation and travel		**10,362,281**	2,598,704	7,638,956
Commission		**6,314,310**	1,659,385	535,454
Supplies		**5,678,243**	5,083,232	3,822,918
Subdivision maintenance		**2,968,725**	2,818,804	-
Security services		**2,603,534**	3,593,940	13,609,605
Listing fee		**2,040,398**	2,609,165	1,035,280
Rehabilitation expense		**1,596,843**	2,168,702	17,245,866
Registration fees		**732,779**	740,902	1,033,332
Garbage fee		**262,321**	1,372,941	964,107
Training		**261,796**	53,268	397,624
Dues and subscriptions		**215,617**	165,242	48,123
Documentation fee		**55,939**	1,779,661	1,164,797
Donation		**16,000**	42,000	50,500
Communication		**-**	181,286	5,808,485
Penalties and surcharges		**-**	87,000	-
Mortgage fee		**-**	26,494	4,143,241
Impairment loss on investment property	10.1	**-**	-	6,059,967
Miscellaneous		**7,779,090**	7,387,259	6,640,033
		P 58,535,630	P 41,137,508	P 78,752,505

Miscellaneous expenses include bank charges and postage and telegram expenses.

18. OTHER INCOME (CHARGES)

Presented below are the details of other charges and income.

18.1 Finance Costs

	Notes	**2014**	2013	2012
Interest expense on regular loans, short-term borrowings and liability for land acquisition	13, 15	**P 61,365,180**	P 26,714,405	P 4,290,431
Interest cost on post-employment defined benefit obligation	19.2	**3,171,116**	1,176,357	288,000
Impairment loss on trade receivables and other current assets	5, 8	**-**	2,174,191	24,612,969
Impairment loss on AFS financial assets	7	**-**	289,885	-
Foreign currency losses – net		**-**	-	3,849,374
		P 64,536,296	P 30,354,838	P 33,040,774

18.2 Finance Income

	Notes	**2014**	2013	2012
Interest income from AFS financial assets	7	**P 22,563,238**	P -	P -
Interest income from cash and cash equivalents	4, 8	**5,147,558**	14,143,796	12,826,265
Foreign currency gains – net		**4,294,309**	3,835,091	-
Amortization of discount on long-term installment contract receivables	8.2	**2,827,346**	3,546,118	4,185,398
Gain on sale of AFS financial assets		**739,714**	-	-
Others		**50,000**	-	-
		P 35,622,165	P 21,525,005	P 17,011,663

18.3 Miscellaneous Charges

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

Miscellaneous charges account in the 2013 and 2012 consolidated statements of comprehensive income (nil in 2014) pertains to income and costs incurred by the Group from transactions entered into other than the Group's normal operations.

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

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

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

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

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefits

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

	Note	**2014**	2013	2012
Short-term benefits		**P 99,410,310**	P 97,922,436	P 88,663,503
Post-employment expense	19.2(b)	**4,220,522**	2,091,761	3,602,185
		P 103,630,832	P 100,014,197	P 92,265,688

19.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group is yet to establish a post-employment defined benefit plan. The Group obtains actuarial valuation annually to determine and recognize its post-employment defined benefit obligation and related post-employment defined benefit expense. The Group's post-employment benefit obligation is based on the amount determined by the independent actuary.

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

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2014 and 2013.

The present value of the post-employment defined benefit obligation recognized in the consolidated statements of financial position amounted to P50.8 million and P37.3 million as of December 31, 2014 and 2013, respectively.

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

	2014	2013
Balance at beginning of year	**P 37,338,199**	P 26,874,314
Transfer in	**9,408,241**	-
Current service cost	**4,220,522**	2,091,761
Interest cost	**3,171,116**	1,176,357
Elimination arising from disposed subsidiary	**(9,352,497)**	-
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**7,477,485**	5,220,596
Experience adjustments	**(1,443,748)**	6,669,494
Changes in demographic assumptions	**-**	(4,694,323)
	P 50,819,318	P 37,338,199

**Transfers represent the amount of obligation transferred to the Company due to the transfer of employees from other related parties.*

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

	2014	2013	2012
Recognized in profit or loss:			
Current service costs	**P 4,220,522**	P 2,091,761	P 3,602,185
Interest cost	**3,171,116**	1,176,357	288,000
	P 7,391,638	P 3,268,118	P 3,890,185
Recognized in other comprehensive income (loss) –			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**P 7,477,485**	P 5,220,596	P 779,200
Experience adjustments	**(1,443,748)**	6,669,494	41,600
Changes in demographic assumptions	**-**	(4,694,323)	(416,800)
	P 6,033,737	P 7,195,767	P 404,000

Current service cost is presented as part of Salaries and Employee Benefits under the Costs and Expenses account in the consolidated statements of comprehensive income (see Note 19.1).

Interest cost is presented as part of Finance Costs under the Other Income (Charges) account in the consolidated statements of comprehensive income (see Note 18.1).

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

	2014	2013
Expected rate of salary increase	**7.0% to 11.0%**	7.0% to 11.0%
Discount rate	**4.5% to 4.7%**	5.7% to 6.3%

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

(c) Risks Associated with the Retirement Plan

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

(i) Interest Risk

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2014 and 2013:

	Impact of Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2014			
Discount rate	**+1.00%/-1.00%**	**(P 45,494,904)**	**P 57,258,974**
Salary growth rate	**+1.00%/-1.00%**	**56,681,709**	**(45,827,164)**
December 31, 2013			
Discount rate	+1.00%/-1.00%	(P 23,885,832)	P 29,320,440
Salary growth rate	+1.00%/-1.00%	28,734,858	(24,800,444)

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

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

(ii) Expected Benefit Payment

The maturity profile of undiscounted expected benefit payments from the plan as of December 31, 2014 and 2013 are as follows:

	2014	2013
Less than one year	**P 10,706,347**	P 10,478,757
More than one year but less than ten years	**14,792,367**	4,305,698
More than ten years	**771,983,798**	189,942,734
	P 797,482,512	P 204,727,189

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

(iii) Expected Funding of the Post-employment Defined Benefit Obligation

As of December 31, 2014, the Group is yet to determine how much and when to fund the post-employment defined benefit plan.

20. CURRENT AND DEFERRED TAXES

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

	2014	2013	2012
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 175,996,401**	P 118,683,094	P 78,137,190
Final tax at 20% and 7.5%	**4,436,500**	2,472,962	2,492,629
Minimum corporate income tax (MCIT) at 2%	**4,332,187**	2,608,348	1,677,868
Stock transactions tax	**-**	13,938,955	6,186,700
Capital gains tax	**-**	-	122,937,666
Balance carried forward	**P 184,765,088**	P 137,703,359	P 211,432,053

	2014	2013	2012
Balance brought forward	**P 184,765,088**	P 137,703,359	P 211,432,053
Deferred tax expense (income) relating to origination and reversal of temporary difference	**(16,291,549)**	57,919,611	29,939,444
	P 168,473,539	P 195,622,970	P 241,371,497
Reported in other comprehensive income			
Deferred tax income relating to the origination and reversal of temporary differences	**(P 756,260)**	(P 1,055,780)	P -

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

	2014	2013	2012
Tax on pretax profit at 30%	**P 157,768,527**	P 462,161,281	P 3,001,813,768
Adjustments for income subjected to lower tax rates	**(3,679,810)**	(286,012,259)	(20,737,808)
Tax effects of:			
Nondeductible interest and other expenses	**82,978,328**	74,178,184	46,497,525
Rental income adjustment in accordance with PAS 17	**(31,383,700)**	(85,653,952)	(63,979,516)
Recognition of deferred tax liability in excess of deferred tax asset	**(23,825,114)**	70,225,354	23,622,960
Nontaxable revenues	**(21,285,952)**	(2,909,585)	(8,479,749)
Expiration of NOLCO and MCIT	**5,293,227**	-	-
Unrecognized DTA on temporary differences during the year	**2,608,033**	2,508,965	34,169,999
Equity in net earnings of an associate	**-**	(34,177,095)	(103,389,900)
DTA on previously unrecognized DTA on NOLCO and MCIT	**-**	(8,260,121)	-
Unrecognized NOLCO, MCIT and other temporary differences	**-**	3,562,198	4,282,610
Income from acquisition of a subsidiary	**-**	-	(2,795,366,058)
Capital gains tax	**-**	-	122,937,666
Tax expense reported in consolidated profit or loss	**P 168,473,539**	P 195,622,970	P 241,371,497

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

	2014	2013
Deferred Tax Assets:		
Rental expense	**P 75,621,138**	P 80,272,325
NOLCO	**40,908,182**	22,283,737
MCIT	**7,709,187**	2,363,092
Post-employment DBO	**7,694,906**	7,137,263
Deferred gross profit	**-**	12,393,960
Allowance for impairment losses	**-**	5,615,902
	131,933,413	130,066,279
Deferred Tax Liabilities:		
Capitalized borrowing cost	**(P 100,956,788)**	(P 85,775,075)
Rental income	**(94,898,323)**	(141,686,518)
Prepaid rent	**(7,972,219)**	-
Deferred gross profit	**-**	(725,634)
Unrealized foreign currency gains	**-**	(52,017)
	(203,827,330)	(228,239,244)
Net Deferred Tax Liabilities	**(P 71,893,917)**	(P 98,172,965)

The net deferred tax liabilities as of December 31, 2013 includes the deferred tax liabilities of BEC amounting to P11.1 million pertaining to capitalized borrowing cost and deferred gross profit. Net deferred tax liabilities presented as of December 31, 2014 no longer include deconsolidated deferred tax liabilities of BEC.

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

Movements in net deferred tax liabilities for the years ended December 31 are as follows.

	Consolidated Profit or Loss			**Consolidated Other Comprehensive Income**		
	2014	2013	2012	**2014**	2013	2012
Rental expense	**P 4,651,187**	P 2,104,387	(P 22,235,678)	**P -**	P -	P -
NOLCO	**(18,624,445)**	(22,283,737)	-	**-**	-	-
MCIT	**(3,661,361)**	(2,363,092)	-	**-**	-	-
Post-employment DBO	**(644,138)**	(4,665,796)	(808,609)	**(756,260)**	(1,055,780)	-
Deferred gross profit	**12,393,960**	1,108,191		**-**	-	-
Allowance for impairment losses	**5,615,902**	433,061	(6,048,963)	**-**	-	-
Capitalized borrowing cost	**23,570,974**	6,930,907	8,177,634	**-**	-	-
Rental income	**(45,248,423)**	76,603,673	64,357,211	**-**	-	-
Prepaid rent	**6,432,446**	-	-	**-**	-	-
Deferred gross profit	**(725,634)**	-	(13,502,151)	**-**	-	-
Unrealized foreign currency gains - net	**(52,017)**	52,017	-	**-**	-	-
Deferred tax expense (income)	**(P 16,291,549)**	P 57,919,611	P 29,939,444	**(P 756,260)**	(P 1,055,780)	P -

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

	Amount		Tax Effect	
	2014	2013	**2014**	2013
NOLCO	**P 115,091,582**	P 172,250,176	**P 34,527,477**	P 51,675,053
Retirement benefit obligation	**14,005,542**	13,547,322	**4,201,663**	4,064,197
MCIT	**158,490**	2,003,203	**158,490**	2,003,203
Allowance for impairment	**-**	19,631,591	**-**	5,889,477
	P 129,255,614	P 207,432,292	**P 38,887,630**	P 63,631,930

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

Entity	Year Incurred	Amount	Valid Until
Starmall	2014	P 6,786,325	2017
	2013	6,904,912	2016
	2012	101,400,345	2015
MAPI	2014	79,655,766	2017
	2013	46,745,387	2016
	2012	9,959,455	2015
		P 251,452,190	

NOLCO incurred by BEC, Starmall and MAPI in 2011 amounting to 23,449,398, P13,948,501 and P17,574,282, respectively, expired in 2014 while P2,616,603 was applied by BEC on its taxable income in 2014.

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

Entity	Year Incurred	Amount	Valid Until
Starmall	2014	P 71,788	2017
	2013	86,702	2016
MAPI	2014	3,682,303	2017
	2013	2,363,092	2016
	2012	1,663,792	2015
		P 7,867,677	

In 2014, 2013 and 2012, the Group opted to claim itemized deductions in computing for its income tax due. MCIT amounting to P55,272 and P20,942 recognized in 2011 for BEC and MAPI, respectively, expired in 2014.

21. RELATED PARTY TRANSACTIONS

The related parties of the Group include the companies under common ownership, subsidiaries of such companies, the Group's stockholders and key management personnel. The significant transactions of the Group in the normal course of business with related parties and related balances as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 are discussed below and in the succeeding pages.

Related Party Category	Notes	Amount of Transaction 2014	Amount of Transaction 2013	Amount of Transaction 2012	Outstanding Balance 2014	Outstanding Balance 2013
Related Parties Under Common Ownership:						
Cash advances granted	21.2	**P 478,241,135**	(P 44,184,886)	(P 96,578,898)	**P 685,174,899**	P 206,933,764
Cash advances received	21.2	**73,940,729**	163,118,506	83,184,385	**(32,837,702)**	(106,778,431)
Rental Income	21.5	**(348,687,427)**	281,324,052	256,734,115	**92,206,511**	440,893,938
Purchase of land	10.2, 21.4(a)	**(42,970,678)**	(1,705,031)	(2,175,385)	**(87,947,505)**	(44,976,827)
Real estate sales	21.4(d)	**32,169,088**	11,510,394	-	**-**	51,581
Operating leases	21.4(b)	**(8,035,826)**	(8,035,626)	-	**-**	(8,035,826)
Disposal of BEC shares	1, 21.6	**507,160,536**	-	-	**162,389,443**	-
Stockholder:						
Cash advances granted	21.2	**P 320,237,969**	P 26,355,415	(P 35,704,400)	**P 430,628,235**	P 110,390,266
Sale of VLL shares	21.3	**-**	2,772,298,326	-	**2,772,298,326**	2,772,298,326
Cash advances received	21.2	**-**	148,017,160	-	**(148,017,160)**	(148,017,160)
Key Management:						
Cash advances granted	21.7(b)	**(P 5,500,000)**	(P 6,500,000)	P 12,000,000	**P -**	P 5,500,000
Compensation	21.7(a)	**22,196,389**	17,419,705	19,753,614	**-**	-

21.1 Assignment of Receivables

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

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

The outstanding balance was accordingly excluded from the Group's consolidated financial statement as a result of the deconsolidation of BEC in 2014.

21.2 Cash Advances

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

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

	2014	2013
Due from related parties:		
Balance at beginning of year	**P 496,970,020**	P 335,153,501
BEC beginning balance	**(240,276,591)**	-
Additions	**859,109,705**	161,816,519
Balance at end of year	**P 1,115,803,134**	P 496,970,020
Due to related parties:		
Balance at beginning of year	**P 254,795,591**	P 269,896,937
BEC beginning balance	**(81,363,426)**	-
Additions (repayments)	**7,422,697**	(15,101,346)
Balance at end of year	**P 180,854,862**	P 254,795,591

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

	2014	2013
Current:		
Cash advances	**P 462,884,068**	P 317,324,030
Outstanding balance from sale of VLL shares	**235,401,811**	179,645,990
Disposal of BEC shares	**162,389,443**	-
	860,675,322	496,970,020
Noncurrent –		
Cash advances	**652,919,066**	-
Outstanding balance from sale of VLL shares	**2,536,896,515**	2,592,652,336
	3,189,815,581	2,592,652,336
	P 4,050,490,903	P 3,089,622,356

21.3 Sale of Investment in an Associate

In May 2013, the Group sold the remaining 399,397,000 shares of its investments in VLL, with a carrying amount of P1.9 billion, for a total consideration of P2.8 billion to FPI. The outstanding receivable as of December 31, 2014 and 2013 is presented as part of Due from Related Parties under current and non-current sections of the consolidated statements of financial position and is payable annually up to 2019. The agreement also provides for interest at a fixed annual rate of 4% starting 2015.

The outstanding receivable as of December 31, 2013 is net of stock transaction tax and other charges amounting to P15.5 million which was paid by FPI in behalf of the Group.

21.4 Transactions with Related Parties Under Common Ownership

(a) Land Purchase

In 2011, the Group acquired a parcel of land amounting to P46.3 million from HDC to be developed as commercial property in the future whose balance is payable on a quarterly basis over a period of five years (see Notes 10.2 and 13). The liability is noninterest-bearing and measured at amortized cost using the effective interest method. The outstanding balance arising from this transaction is presented as Liability for Land Acquisition in the consolidated statements of financial position.

(b) Operating Lease Agreement

In 2013, the Group entered into an operating lease agreement with HDC for the lease of parcels of land located in Ususan Taguig and Tuktukan Taguig, to be developed by the Group as commercial property in the future. The lease term is for a period of 20 years with renewal option. In 2014, the Group and HDC entered into a deed of absolute sale covering the parcel of land located in Tuktukan Taguig and cancelled the contract of lease.

Subsequent to December 31, 2014, the Group and HDC entered into another deed of absolute sale covering the parcels of land located in Ususan Taguig (see Note 25.1).

(c) Loan Facility

In 2010, the Group obtained secured loans from various commercial banks using BC's credit line. The loans, which are payable up to 2019 and bear annual interest ranging from 10.25% to 13.00%, were obtained exclusively to finance the Group's on-going projects (see Note 15.3).

(d) Real Estate Sales

In 2014, the Group sold portion of its residential lots for sale for a consideration of P32.2 million to HDC which were recognized as part of Real Estate Sales in the 2014 statement of comprehensive income. There was no outstanding receivable arising from the transaction as of December 31, 2014.

In 2013, BC and Crown Asia Properties, Inc. (CAPI), related parties under common ownership, entered into real estate sales transaction on behalf of the Group. The sales contracted by BC and CAPI amounted to P7.7 million and P3.7 million, respectively, which were recognized as part of Real Estate Sales in the 2013 consolidated statement of comprehensive income. As of December 31, 2013, the outstanding receivable from this transaction amounted to P0.1 million and is recorded as part of Short-term installment contracts receivable under the Prepayments and Other Current Assets account in the 2013 consolidated statement of financial position (see Note 8). There was no similar transaction in 2014.

21.5 Rental Income

The Group has operating lease agreements with certain related parties under common ownership for the lease of the Group's investment property (see Note 9). The lease agreements have a term of one year and are renewable annually. The rentals earned from related parties are presented as part of Rental Income under the Revenues and Income account in the consolidated statements of comprehensive income. The outstanding receivables arising from these transactions are shown as part of the Trade and Other Receivables account in the consolidated statements of financial position (see Note 5).

21.6 Disposal of Investment in a Subsidiary

On December 29, 2014, the Company transferred, by executing a deed of assignment, all its ownership interest in BEC consisting of 1,009,960 common shares of stock with par value of P100 per share to HDC, a related party under common ownership, for P507.2 million (see Note 1). As of December 31, 2014, the Group received certain parcels of land in Taguig, Imus and Las Piñas City amounting to P415.5 million (see Note 10). The outstanding receivables arising from this transaction is shown as part of the Due from Related Party account in the current section of the 2014 consolidated statement of financial position. The disposal of the BEC shares resulted to the deconsolidation of the latter as of December 31, 2014. Loss on disposal of a subsidiary amounted to P28.2 million and is presented under the Other Income (Charges) account in the 2014 consolidated statement of comprehensive income.

21.7 Key Management Personnel

(a) Compensation

Compensation provided to key management personnel in 2014, 2013 and 2012 consists of short-term and post-employment benefits amounting to P22.2 million, P17.4 million, P19.8 million, respectively.

(b) Cash Advances

In 2012, the Group granted unsecured, noninterest-bearing advances to one of its key management personnel amounting to P12.0 million. As of December 31, 2013, P5.5 million is still outstanding and is presented as part of Advances to officers and employees under the Prepayments and Other Current Assets account in the 2013 consolidated statement of financial position (see Note 8). This was fully-paid as of December 31, 2014.

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2014	2013	**2014**	2013
Preferred – voting, cumulative, non-participating, non- convertible, non-redeemable – P0.01 par value				
Authorized	**10,000,000,000**	10,000,000,000	**P 100,000,000**	P 100,000,000
Issued and outstanding	**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	**8,425,981,156**	8,425,981,156	**P 8,425,981,156**	P 8,425,981,156
			P 8,449,481,156	P 8,449,481,156

The Company's Stock Capital Details

**At the consolidation level, 1,223,102,790 shares of stock of the Company held by Manuela resulted in the recognition of Treasury Stock amounting to P1.6 billion, which is equal to the cost of acquisition by Manuela of the said shares.*

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

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

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

	Number of Shares Issued	Percentage Ownership
FPI	2,573,507,156	30.5%
PCDNC	5,831,436,554	69.2%
Others	21,037,446	0.3%
	8,425,981,156	100%

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

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

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Company to P4.5 billion divided into 4.5 billion shares with a par value of P1.0 each, as authorized by the Company's BOD.

In 2005, the Company applied for another increase in its authorized capital stock to P5.5 billion divided into 5.5 billion shares with a par value of P1.0 each, as authorized by the Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Company.

As of December 31, 2014 and 2013, 7.7 billion shares are listed in the PSE and closed at P7.20 and P3.60 per share, respectively.

22.2 Revaluation Reserves

The component and reconciliation of items of comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves are shown below.

	AFS Financial Assets	Post-Employment Defined Benefit Obligation	Total
Balance as of January 1, 2014	(P 47,710,869)	(P 8,669,687)	(P 56,380,556)
Fair value loss on AFS financial assets reclassified to profit or loss	45,418,786	-	45,418,786
Fair value gain on AFS financial assets	16,735,567	-	16,735,567
Remeasurements of post-employment defined benefit obligation (net of tax)	-	(3,772,453)	(3,772,453)
Balance as of December 31, 2014	**P 14,443,484**	**(P 12,442,140)**	**P 2,001,344**
Balance as of January 1, 2013	P 25,663,240	(P 2,529,700)	P 23,133,540
Fair value losses on AFS financial assets	(47,710,869)	-	(47,710,869)
Fair value gain on AFS financial assets reclassified to profit or loss	(25,663,240)	-	(25,663,240)
Remeasurements of Post-employment defined benefit obligation (net of tax)	-	(6,139,987)	(6,139,987)
Balance as of December 31, 2013	(P 47,710,869)	(P 8,669,687)	(P 56,380,556)

22.3 Retained Earnings

The Company's unrestricted retained earnings available for distribution amounted to P2,825,688,154 which excludes unrealized gains.

23. EARNINGS PER SHARE

EPS were computed as follows:

	2014	2013	2012
Net profit attributable to parent company's stockholders	**P 346,406,068**	P 1,337,041,658	P 9,732,450,076
Divided by weighted average number of outstanding common shares	**7,202,878,365**	7,202,878,365	5,566,787,051
	P 0.048	P 0.186	P 1.748

The Group does not have potential dilutive shares as of December 31, 2014, 2013 and 2012; hence, diluted EPS is equal to basic EPS.

EPS before the effect of income from acquisition of a subsidiary is P0.047 for the year ended December 31, 2012.

24. 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.

25. COMMITMENTS AND CONTINGENCIES

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

25.1 Operating Lease Commitments – Group as Lessee

The Group leases a parcel of land from LECA Properties, Inc. (LECA) where WCC is situated for an original period of 25 years commencing on August 1, 1995 until July 31, 2020 with rental escalation every year at an agreed rate ranging from P44.2 to P44.9 per square meter. The lease contract includes a clause that the lessee shall be responsible for all real property taxes, assessments or charges on the improvements on the leased property.

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

Also, the Group is a lessee under various operating leases covering parcels of land where some on-going mall projects are being constructed. These leases have terms ranging from 20 to 25 years, with rental escalation clauses and renewal options.

Subsequent to December 31, 2014, the Group entered into deeds of absolute sale to acquire certain parcels of the aforementioned land, thus resulting to the termination of the related lease contracts [see Note 21.4(b)]. These were taken into consideration in computing for the future minimum rental commitments as of December 31, 2014.

Rental expense from these operating leases amounted to P98.6 million, P85.3 million and P63.1 million in 2014, 2013 and 2012, respectively, and is presented as part of Rentals under the Costs and Expenses account in the consolidated statements of comprehensive income.

The future minimum rental commitments arising from their agreements as of December 31 are as follows:

	2014	2013
Less than one year	**P 100,153,956**	P 78,182,597
Between one and five years	**529,658,655**	417,924,000
More than five years	**2,147,795,459**	2,384,332,192
	P 2,777,608,070	P 2,880,438,789

25.2 Operating Lease Commitments – Group as Lessor

The Group leases out properties under various operating leases with various escalation clauses and renewal rights. Rental income from these operating leases in 2014, 2013 and 2012 amounted to P1.4 billion, P1.3 billion and P1.2 billion, respectively, and is presented as Rental Income under the Revenues and Income account in the consolidated statements of comprehensive income. The future minimum lease receivables under these non-cancelable leases as of December 31 are as follows:

	2014	2013
Less than one year	**P 854,985,334**	P 377,468,689
Between one and five years	**1,171,195,358**	1,943,785,746
More than five years	**507,353,973**	1,809,640,830
	P 2,533,534,665	P 4,130,895,265

Stated in the lease agreements is the payment of refundable security deposits equivalent to 3-month's rent which is remitted by the tenants upon the commencement of their lease contracts. The Group has outstanding liability as of December 31, 2014 and 2013 amounting to P72.6 million and P45.1 million, respectively, and is presented under non-current liabilities section of the consolidated statements of financial position.

25.3 Credit Line

As of December 31, 2014 and 2013, the Group has unused letters of credit with two local banks amounting to P119.7 million and P1.6 billion, respectively.

25.4 Legal Matters

As of December 31, 2014 and 2013, certain lawsuits and claims filed by or against the Group are still pending. Management and its legal counsel believe that the ultimate outcome of these lawsuits and claims will not have a material adverse effect on the Group's consolidated financial statements.

25.5 Others

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

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's U.S. dollar-denominated cash and cash equivalents and AFS financial instruments amounting to P3.8 million and P66.6 million, respectively, as translated to Philippine peso at closing rate.

The effect on the Group's consolidated profit before tax with respect to changes in Philippine peso against U.S. dollar amounted to P19.4 million in 2014 at reasonably possible change in rates of 27.84%. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions denominated in U.S. dollar. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 4). All other financial assets and liabilities have fixed rates.

In 2014 and 2013, the Group's cash and cash equivalents comprise of cash in banks and short-term highly liquid investments that are readily convertible to known amounts of cash which have limited exposure to changes in market interest rates. This financial instrument has historically shown small or measured changes in interest rates.

(c) Other Price Risk

The Group's market price risk arises from its AFS financial assets which are carried at fair value. The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the set limit set by management.

For equity securities listed in the Philippines, the average volatility rate of the fair values of the Group's AFS financial assets is 10.0%, 19.0%, 35.0% in 2014, 2013 and 2012, respectively. In 2012, the percentage has been determined based on the volatility of the index of mining companies, using standard deviation, in the previous 12 months, estimated at 95% level of confidence while the percentages for 2014 and 2013 has been determined through the PSE Index since the Group's investment portfolio is composed of various listed equity securities. If quoted prices for these securities increased or decreased by those rates, equity would have changed by P4.2 million, P51.9 million, and P10.2 million in 2014, 2013 and 2012, respectively.

26.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans, rendering services to customers including related parties; placing deposits with banks; and investing in debt securities.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy customers and counterparties. In addition, for a significant proportion of revenues, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2014	2013
Cash and cash equivalents	4	**P 1,960,276,632**	P 1,124,306,207
Trade receivables – net	5	**608,166,919**	816,076,243
Due from related parties	21.2	**4,050,490,903**	3,089,622,356
Installment contract receivable*	8	**66,629,884**	91,475,825
Refundable deposits*	8	**92,603,284**	56,302,065
Advances to officers and employees*	8	**25,382,375**	8,463,806
AFS financial assets – debt securities	7	**198,786,854**	530,035,640
AFS financial assets – bank notes	7	**100,000,000**	100,000,000
		P 7,102,336,851	P 5,816,282,142

** Presented as part of Prepayments and Other Assets in the consolidated statements of financial position.*

None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

With respect to installment contract receivables, the Group has no significant concentration of credit risk as its customer base is comprised of individuals, each of which usually acquires a unit on a one-time basis. The Group's receivables are actively monitored to avoid significant concentrations of credit risk. Further, the titles to the residential units sold are transferred only to the buyers upon full payment of the installment contract receivables, effectively using the sold units as collaterals. In addition, for a significant proportion of revenues, advance payments are received to mitigate credit risk. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

In relation to the Group's due from related parties, the Group is not exposed to any significant credit risk on its advances to related parties with good credit standing. Accordingly, management considers the credit quality of advances to related parties to be good.

The Group has no significant concentration of credit risk with any counterparty. The Group's management considers that all financial assets in the previous paragraphs that are not impaired or past due for each reporting date are of good credit quality. There are no significant financial assets which are past due but not impaired as at the end of the reporting period.

26.3 Liquidity Risk

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

The Group maintains cash and obtains financing from its parent company and other related parties to meet its liquidity requirements for up to a 60-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured if needed.

As of December 31, 2014, the Group's financial liabilities have contractual maturities which are presented below.

	Current		**Non-current**
	1 – 6 months	**6 – 12 months**	**1 to 9 years**
Interest-bearing loans and borrowings	P 213,608,624	P4,013,969,818	P5,646,971,809
Trade and other payables	1,350,992,996	-	-
Due to related parties	25,935,787	-	154,919,075
Liability for land acquisition	123,760,847	123,760,847	23,767,207
Refundable deposits	-	-	72,602,802
	P1,714,298,254	**P4,137,730,665**	**P5,898,260,893**

As of December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current
	1 – 6 months	6 – 12 months	1 to 9 years
Interest-bearing loans and borrowings	P 147,068,069	P 147,068,069	P1,477,439,536
Trade and other payables	867,564,080	-	-
Due to related parties	254,795,591	-	-
Liability for land acquisition	16,958,552	4,726,980	17,849,625
Refundable deposits	-	-	45,145,549
	P1,286,386,292	P 151,795,049	P1,540,434,710

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

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

27.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	Notes	**2014**		2013	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	4	**P 1,960,276,632**	**P1,960,276,632**	P 1,124,306,207	P1,124,306,207
Trade receivables – net	5	**608,166,919**	**608,166,919**	816,076,243	816,076,243
Due from related parties	21.2	**4,050,490,903**	**4,050,490,903**	3,089,622,356	3,089,622,356
Installment contract receivable	8	**66,629,884**	**66,629,884**	91,475,825	91,475,825
Refundable deposits	8	**92,603,284**	**92,603,284**	56,302,065	56,302,065
Advances to officers and employees	8	**25,382,375**	**25,382,375**	8,463,806	8,463,806
		6,803,549,997	**6,803,549,997**	5,186,246,502	5,186,246,502
AFS financial asset –	7				
Debt securities		**198,786,854**	**198,786,854**	530,035,640	530,035,640
Bank notes		**100,000,000**	**100,000,000**	100,000,000	100,000,000
Equity securities		**45,073,859**	**45,073,859**	533,239,810	533,239,810
		343,860,713	**343,860,713**	1,163,275,450	1,163,275,450
		P 7,147,410,710	**P7,147,410,710**	P 6,349,521,952	P6,349,521,952
Financial Liabilities					
Financial liabilities at amortized cost:					
Liability for land acquisition	13	**P 271,288,901**	**P 271,288,901**	P 39,535,157	P 39,535,157
Interest bearing-loans and borrowings	15	**9,874,550,251**	**9,874,550,251**	1,771,575,674	1,771,575,674
Trade and other payables	14	**1,350,992,996**	**1,350,992,996**	867,564,080	867,564,080
Due to related parties	21.2	**180,854,862**	**180,854,862**	254,795,591	254,795,591
Refundable deposits		**72,602,802**	**72,602,802**	45,145,549	45,145,549
		P 11,750,289,812	**P11,750,289,812**	P 2,978,616,051	P 2,978,616,051

See Notes 2.4 and 2.9 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

27.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2014 and 2013 and does not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 21 can be potentially offset to the extent of their corresponding outstanding balances. The Group also has established a reserve fund in a certain local bank to which it has an outstanding loan (see Note 8). In case of the Group's default on loan amortization, the reserve fund amounting to P72.2 million and P19.7 million as of December 31, 2014 and 2013, respectively, can be applied against its outstanding loan amounting to P2.4 billion and P0.7 billion, respectively.

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

28.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2014 and 2013.

	Level 1	Level 2	Level 3	Total
December 31, 2014				
AFS financial assets	**P 174,036,807**	**P 166,619,736**	**P 3,204,170**	**P 343,860,713**
December 31, 2013				
AFS financial assets	P 410,113,491	P 492,925,640	P 3,204,170	P 906,243,301

The Group has no financial liabilities measured at fair value as of December 31, 2014 and 2013.

Described below are the information about how the fair values of the Group's classes of financial assets are determined.

a) Equity securities

As of December 31, 2014 and 2013, instruments included in Level 1 comprise listed equity securities classified as AFS financial assets. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. Instruments included in Level 3 comprise of equity shares of non-publicly listed entity which does not have quoted prices at the end of each reporting period.

b) Debt Securities

The fair values of the Group's debt securities consisting of corporate bonds from a listed corporation are estimated by reference to quoted bid price in an active market at the end of each reporting period and are categorized within Level 1. Corporate bonds with fair value categorized within Level 2 are determined based on prices of relative benchmark securities which are also quoted in an active market or bond exchange (i.e., Philippine Dealing and Exchange Corporation).

c) Bank Notes

Bank notes classified as AFS financial assets are included in Level 2 as their prices are not derive from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

28.3 *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The tables below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Financial assets:				
Cash and cash equivalents	P1,960,276,632	P -	P -	P 1,960,276,632
Trade and other receivables	-	-	608,166,919	608,166,919
Due from related parties	-	-	4,050,490,903	4,050,490,903
Installment contracts receivable	-	-	66,629,884	66,629,884
Refundable deposits	-	-	92,603,284	92,603,284
Advances to officers and employees	-	-	25,382,375	25,382,375
	P1,960,276,632	**P -**	**P 4,843,273,365**	**P 6,803,549,997**

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Financial liabilities:				
Liability for land acquisition	P -	P -	P 271,288,901	P 271,288,901
Interest-bearing loans and borrowings	-	-	9,874,550,251	9,874,550,251
Trade and other payables	-	-	1,350,992,996	1,350,992,996
Due to related parties	-	-	180,854,862	180,854,862
Refundable deposits	-	-	72,602,802	72,602,802
	P -	**P -**	**P 11,750,289,812**	**P11,750,289,812**

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Financial assets:				
Cash and cash equivalents	P1,124,306,207	P -	P -	P 1,124,306,207
Trade and other receivables	-	-	816,076,243	816,076,243
Due from related parties	-	-	3,089,622,356	3,089,622,356
Installment contracts receivable	-	-	91,475,825	91,475,825
Refundable deposits	-	-	56,302,065	56,302,065
Advances to officers and employees	-	-	8,463,806	8,463,806
	P1,124,306,207	P -	P 4,061,940,295	P 5,186,246,502
Financial liabilities:				
Liability for land acquisition	P -	P -	P 39,535,157	P 39,535,157
Interest-bearing loans and borrowings	-	-	1,771,575,674	1,771,575,674
Trade and other payables	-	-	867,564,080	867,564,080
Due to related parties	-	-	254,795,591	254,795,591
Refundable deposits	-	-	45,145,549	45,145,549
	P -	P -	P 2,978,616,051	P 2,978,616,051

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

28.4 Fair Value Measurement for Investment Property

The Group's investment property is included in Level 2. The fair value of the Group's investment properties (see Note 6) are determined on the basis of the appraisals performed by independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 2 fair value of land and buildings were derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

29. CAPITAL MANAGEMENT OBJECTIVE POLICIES AND PROCEDURES

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

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

Relevant information is shown below.

	2014	2013
Total liabilities	**P 7,587,570,598**	P 3,795,375,702
Total equity	**20,877,522,196**	20,461,718,745
Debt-to-equity ratio	**0.36 : 1.00**	0.19 : 1.00

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

STARMALLS, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Others Required Information
(SEC Circular 11)

* These schedules and supplementary information are not included as these are not applicable to the Group.

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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The Board of Directors and Stockholders
Starmalls, Inc. and Subsidiaries
(Formerly Polar Property Holdings Corporation and Subsidiaries)
3rd Level Starmall Las Piñas
CV Starr Avenue, Pamplona
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Starmalls, Inc. and subsidiaries for the year ended December 31, 2014, on which we have rendered our report dated April 10, 2015. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 10, 2015

STARMALLS, INC. AND SUBSIDIARY

Schedule A - Financial Assets in Equity Securities

Name of Issuing Entity and Association of Each Issue	Number of Shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Value based on market quotation at end of reporting period	Income received and accrued
Wealth Private Advisory Ltd	30 units	41,869,629.00	41,869,629.00	-
Manuela Metropolis Corp.	2,432,000 shares	3,204,170.00	3,204,170.00	-
Total			45,073,799.00	-

STARMALLS, INC. AND SUBSIDIARY

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)

Name of debtor	Balance at beginning of period	Additions	Amount Collected	Amounts written off	Current	Non-current	Balance at end of period
R. Riguera	5,500,000.00	-	5,500,000.00	-	-	-	-
Subject to liquidation of Employees*	2,963,806.00	26,972,640.00	4,554,071.00	-	25,382,375.00	-	25,382,375.00
Total	**8,463,806.00**	**26,972,640.00**	**10,054,071.00**	**-**	**25,382,375.00**	**-**	**25,382,375.00**

* Cash advances used for the Group's operations

STARMALLS, INC. AND SUBSIDIARY
Schedule C - Amounts of Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2014

TERMS & CONDITIONS:
All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

			Deductions		Ending balance		
Name and designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Non current**	**Balance at the end of the period**
MC	746,189,169	272,104,800	109,109,350	-	909,184,619		909,184,619
STR	276,784,614	901,869,535	290,000,000	-		888,654,149	888,654,149
STR	**226,970,000**	4,019,330	3,103,412	-	227,885,918		227,885,918
MAPI	(746,189,169)	(272,104,800)	(109,109,350)	-	(909,184,619)		(909,184,619)
MAPI	(276,784,614)	(901,869,535)	(290,000,000)	-		(888,654,149)	(888,654,149.00)
MC	(226,970,000)	(4,172,410)	(3,103,412)	-	(228,038,998)		(228,038,998.00)

Legend:
STR – Starmalls, Inc.
MC – Manuela Corp.
MAPI – Masterpiece Asia Properties, Inc.

STARMALLS, INC. AND SUBSIDIARY

Schedule E - Long Term Debt

Creditor	Debtor	Amount	Current	Non-current
Planters Development Bank	Manuela	278,808,750	88,895,000	189,913,750
BDO Unibank	Manuela	262,308,445	50,768,667	211,539,778
Union Bank of the Philippines	Manuela	340,000,000	28,235,294	311,764,706
China Bank	MAPI	995,062,444	995,062,444	-
RCBC	MAPI	2,400,635,671	115,902,247	2,284,733,424
Asia United Bank	MAPI	625,083,644	105,000,000	520,083,644
Total		**4,901,898,954**	**1,383,863,652**	**3,518,035,302**

STARMALLS, INC. AND SUBSIDIARY

Schedule F - Indebtedness to Related Parties (Long-term Loans from Related Companies)

Entity	Relationship	Balance at beginning of reporting period	Balance at end of reporting period
Brittany Corporation	Under Common Ownership	6,526,960	6,901,915
Fine Properties Inc	Stockholder	148,502,161	148,017,160
Total		**155,029,121**	**154,919,075**

STARMALLS, INC. AND SUBSIDIARY
Schedule H - Capital Stock
December 31, 2014

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value	16,900,000,000	8,425,981,156	-	6,493,932,085	915,877,765	1,016,171,306
Preferred-P0.01 par value	10,000,000,000	2,350,000,000	-	2,350,000,000	-	-

STARMALLS INC. AND SUBSIDIARIES
3rd Level Starmall Las Piñas CV Starr Avenue,
Pamplona Las Piñas City

Schedule I - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2014

Unappropriated Retained Earnings at Beginning of Year		P	2,537,223,453
Effect of Prior Period Adjustments			-
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		P	2,537,223,453
Net Profit Realized during the Year			
Net profit per audited financial statements		P	357,421,550
Non-actual/unrealized income, net of tax			
Unrealized foreign exchange gain	(833)		
Deferred tax income	(68,956,016)		(68,956,849)
Other Transactions During the Year			
Dividends declared			-
Appropriation of retained earnings			
Retained Earnings Restricted for Treasury Shares			-
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P**	**288,464,701**

STARMALLS, INC. AND SUBSIDIARIES
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2014 and 2013

	12/31/14	12/31/13
Current ratio	1.49	3.25
Quick ratio	0.80	1.32
Debt-to-equity ratio	0.36	0.19
Asset -to-equity ratio	1.36	1.19
Net profit margin	18.56%	84.88%
Return on assets	1.36%	5.85%
Return on equity/investment	1.73%	6.78%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Debt-to-equity ratio - computed as total liabilities divided by stockholders'equity.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

PROFITABILITY RATIOS
Net profit margin - computed as net profit divided by revenues
Return on assets - net profit divided by average total assets
Return on investment - net profit divided by average total stockholders' equity

Appendix IV.A

STARMALLS, INC. AND SUBSIDIARIES

**Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2014**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		♋		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		♋		
Practice Statement Management Commentary			♋	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	♋		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	♋		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	♋		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	♋		
	Amendment to PFRS 1: Government Loans			♋
PFRS 2	Share-based Payment			♋
	Amendments to PFRS 2: Vesting Conditions and Cancellations			♋
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			♋
PFRS 3 (Revised)	Business Combinations	♋		
PFRS 4	Insurance Contracts			♋
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			♋
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	♋		
PFRS 6	Exploration for and Evaluation of Mineral Resources			♋
PFRS 7	Financial Instruments: Disclosures	♋		
	Amendments to PFRS 7: Transition	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	♋		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	♋		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	♋		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	♋		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			♋
PFRS 8	Operating Segments			♋
PFRS 9	Financial Instruments* *(effective January 1, 2018)*		♋	
PFRS 10	Consolidated Financial Statements	♋		
	Amendment to PFRS 10: Transition Guidance	♋		
	Amendment to PFRS 10: Investment Entities	♋		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*		♋	
PFRS 11	Joint Arrangements		♋	
	Amendment to PFRS 11: Transition Guidance		♋	
PFRS 12	Disclosure of Interests in Other Entities	♋		
	Amendment to PFRS 12: Transition Guidance	♋		
	Amendment to PFRS 12: Investment Entities	♋		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*		♋	

PFRS 13	Fair Value Measurement	♋		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			♋
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	♋		
	Amendment to PAS 1: Disclosure Initiative * *(effective January 1, 2016)*		♋	
PAS 2	Inventories	♋		
PAS 7	Statement of Cash Flows	♋		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	♋		
PAS 10	Events after the Reporting Period	♋		
PAS 11	Construction Contracts			♋
PAS 12	Income Taxes	♋		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	♋		
PAS 16	Property, Plant and Equipment	♋		
PAS 17	Leases	♋		
PAS 18	Revenue	♋		
PAS 19 (Revised)	Employee Benefits	♋		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions * *(effective July 1, 2014)*	♋		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			♋
PAS 21	The Effects of Changes in Foreign Exchange Rates	♋		
	Amendment: Net Investment in a Foreign Operation	♋		
PAS 23 (Revised)	Borrowing Costs	♋		
PAS 24 (Revised)	Related Party Disclosures	♋		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			♋
PAS 27 (Revised)	Separate Financial Statements	♋		
	Amendment to PAS 27: Investment Entities			♋
PAS 28 (Revised)	Investments in Associates and Joint Ventures	♋		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception		♋	

PAS 29	Financial Reporting in Hyperinflationary Economies			♋
PAS 32	Financial Instruments: Presentation	♋		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	♋		
	Amendment to PAS 32: Classification of Rights Issues	♋		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			♋
PAS 33	Earnings per Share	♋		
PAS 34	Interim Financial Reporting	♋		
PAS 36	Impairment of Assets	♋		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	♋		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	♋		
PAS 38	Intangible Assets	♋		
PAS 39	Financial Instruments: Recognition and Measurement	♋		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	♋		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	♋		
	Amendments to PAS 39: The Fair Value Option	♋		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	♋		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	♋		
	Amendment to PAS 39: Eligible Hedged Items	♋		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	♋		
PAS 40	Investment Property	♋		
PAS 41	Agriculture			♋
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	ॐ		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			♋
IFRIC 4	Determining Whether an Arrangement Contains a Lease	♋		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	♋		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			♋
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			♋
IFRIC 9	Reassessment of Embedded Derivatives	♋		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	♋		
IFRIC 10	Interim Financial Reporting and Impairment			♋
IFRIC 12	Service Concession Arrangements			♋
IFRIC 13	Customer Loyalty Programmes			♋
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	♋		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	♋		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	♋		

IFRIC 17	Distributions of Non-cash Assets to Owners	♋		
IFRIC 18	Transfers of Assets from Customers	♋		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	♋		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			♋
IFRIC 21	Levies	♋		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			♋
SIC-10	Government Assistance - No Specific Relation to Operating Activities			♋
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			♋
SIC-15	Operating Leases - Incentives	♋		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	♋		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	♋		
SIC-29	Service Concession Arrangements: Disclosures			♋
SIC-31	Revenue - Barter Transactions Involving Advertising Services	♋		
SIC-32	Intangible Assets - Web Site Costs			♋

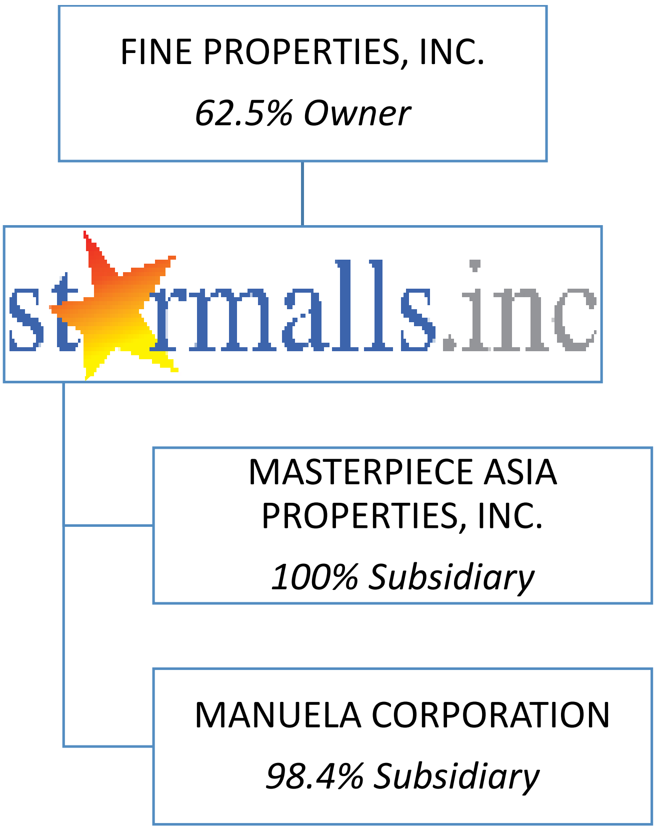
* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

STARMALLS, INC. AND SUBSIDIARIES

Map showing the relationships between and among the Group and its ultimate parent and its subsidiaries

December 31, 2014



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SECURITIES AND EXCHANGE COMMISSION

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Industry Classification	
Company Type	Stock Corporation

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Remarks	ACGR

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **STARMALLS, INC.**

3. **3/F Starmall Las Piñas, Philamlife Village, Pamplona, Las Piñas City** **1740**
   Address of Principal Office Postal Code

4. SEC Identification Number **39587** 5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **000-806-396**

7. **(+632) 571-5948 / (+632) 571-5949**
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven (7)

Actual number of Directors for the year	Seven (7)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Manuel B. Villar Jr.	NED	n/a	Fine Properties Inc.	06/18/2012	06/30/2014	2014 ASM	2
Jerry M. Navarrete	ED	n/a	Fine Properties Inc.	10/29/2004	06/30/2014	2014 ASM	10
Benjamarie Therese N. Serrano	ED	n/a	Fine Properties Inc.	06/30/2014	06/30/2014	2014 ASM	1
Manuel Paolo A. Villar	NED	n/a	Fine Properties Inc.	05/07/2007	06/30/2014	2014 ASM	7
Adisorn Thananun-Narapool	NED	n/a	Land and Houses Public Co. Ltd.	06/24/2013	06/30/2014	2014 ASM	2
Joel L. Bodegon	ID	n/a	Editha Dolon (not related to the ID)	10/04/2010	06/30/2014 – 2 yr	2014 ASM	4
Raul N. Serrano	ID	n/a	Editha Dolon (not related to the ID)	06/30/2014	06/30/2014 – 1 yr	2014 ASM	1

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors, in adopting its Revised Manual on Corporate Governance, institutionalized its policy on good corporate governance that would govern the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders.

In particular, the Board of Directors has adopted a policy ensuring that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.

It is likewise an adopted policy of the Company to protect the minority stockholders' interests as minority stockholders are granted the right to propose the holding of a meeting, right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose and right to have access to any and all information relating to the matters for which the Management of the Corporation is accountable.

With respect to the rights of the other stakeholders, the Board of Directors has a clear policy that values and respects the rights of other stakeholders, particularly its suppliers, customers, creditors, as well as the community, environment and other key stakeholder group.

In relation to the Company's disclosure duties, the Board of Directors has adopted policy on public and timely disclosure of all material information about the Company which could adversely affect its viability or the interests of the stockholders.

[1] Reckoned from the election immediately following January 2, 2012.

Lastly, on the matter of board responsibilities, the Corporation has established a well-structured and functioning Board of Directors which is primarily responsible for the governance and oversight of the Company's adherence to superior corporate governance practices.

(c) How often does the Board review and approve the vision and mission?

The Board reviews and approves the vision and mission annually.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jerry M. Navarrete	Masterpiece Asia Properties Inc. Manuela Corporation Brittany Estates Corp.	ED , Chairman ED, Chairman ED, Chairman
Benjamarie Therese N. Serrano	Masterpiece Asia Properties Inc. Manuela Corporation Brittany Estates Corp.	ED ED ED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Manuel Paolo A. Villar	Vista Land and Lifescapes, Inc.	ED

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jerry M. Navarrete	Fine Properties Inc.	President
Manuel Paolo A. Villar	Fine Properties Inc.	Treasurer
Manuel B. Villar Jr.	Fine Properties Inc.	Shareholder

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

NO. The Company has not set a limit on the number of directorships that the members of its Board of Directors and CEO can hold in other companies (publicly listed, ordinary and companies with secondary license). The Company shall adopt, in the next meeting of the Board of Directors, its policy on multiple board seats.

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

YES. None of the Company directors holds more than five (5) seats in other publicly listed companies.

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel B. Villar Jr.	0	553,900,022	6.5737%
Jerry M. Navarrete	25,000	0	0.0003%
Benjamarie Therese N. Serrano	1,000	0	0.0000%
Manuel Paolo A. Villar	1,000	361,944,243	4.2956%
Adisorn Thananun Narapool	0	1,000	0.0000%
Joel L. Bodegon	1,000	0	0.0000%
Raul Juan N. Esteban	0	1,000	0.0000%
TOTAL	**28,000**	**915,846,265**	**10.8696%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ✓ No

Identify the Chair and CEO:

Chairman of the Board	Manuel B. Villar Jr.
CEO/President	Jerry M. Navarrete

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensures that the meetings of the Board are held in accordance with the Amended By-Laws or as the Chair may deem necessary	Exercises general supervision of the affairs of the Corporation
Accountabilities	Maintains qualitative and timely lines of communication and information between the Board and the Management	Shall see that the resolutions of the Board of Directors are duly executed and carried out
Deliverables	Supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors	(i) Shall sign and countersign all certificates, and as authorized by the Board of Directors, all contracts and other instruments of the Company, and (ii) Shall make reports to the Directors and Stockholders

3) **Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

   The adoption of management succession plan will be included in the agenda for the next meeting of the Board of Directors.

4) **Other Executive, Non-Executive and Independent Directors**

   Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

   YES. The Nomination Committee reviews and evaluates all persons nominated and elected to the Board of Director in accordance with the qualifications, as provided by the Board of Directors, which promotes diversity of experience, background and competencies.

   Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

   YES. At least one non-executive director of the Company, namely Manuel B. Villar, Jr. has immense knowledge and experience in real estate industry to which the Company belongs.

   Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Performs work related to the operation of the Company	Actively participates in the formulation of Company's strategic objectives and policies and periodically monitors and evaluates the implementation of such policies and strategies	Contributes independent judgment to the formulation of sound corporate strategies and policies
Accountabilities	Devote time and attention necessary to properly discharge his duties and responsibilities	Devote time and attention necessary to properly discharge his duties and responsibilities	To promote transparency, at least one independent director must be present in all meetings of the Board of Directors
Deliverables	Participates in the selection and appointment of qualified and competent management officers		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the plain meaning of "independence" as state of mind in which a person acts free from control or influence of others[3]. In compliance with this definition and in relation to the Company's firm commitment to the principles of good corporate governance, the Company has two (2) independent directors who can add value and contribute independent and unbiased judgment to the formulation of sound corporate policies and strategies.

[3] Leo James English, Dictionary, 1997.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

YES. In compliance with SEC Memorandum Circular No. 9 Series of 2011, the Company's independent directors can serve as such for five (5) consecutive years.

NO. Also in keeping with the aforesaid Circular, an independent director of the Company who has been re-elected as such after the "cooling off" period of two (2) years can serve for another five (5) consecutive years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Frances Rosalie T. Coloma	**Director**	**30 June 2014**	**Not nominated for re-election**
Carolina C. Mejias	**Independent Director**	**30 June 2014**	**Resignation**

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

<table>
<tr><th>Procedure</th><th>Process Adopted</th><th>Criteria</th></tr>
<tr><td colspan="3">a. Selection/Appointment</td></tr>
<tr><td>(i) Executive Directors</td><td rowspan="3">In accordance with the Company's Revised Manual on Corporate Governance and Amended By-Laws, all nominations for election of director by the stockholder shall be submitted in writing to the Nominations Committee. The said Committee pre-screens the qualifications of the nominees, and prepares the final list of candidates. Such final list is made available to the stockholders through sending out the Information Statement, pursuant to SRC Rule 20. Only nominees in the final list will be eligible for election. The election of directors is held on the last Monday of June and at each annual meeting thereafter.</td><td rowspan="2">Pursuant to the Revised Manual on Corporate Governance of the Company, directors must have the following qualifications:
1. Holder of at least one (1) share of stock of the Company;
2. He shall be at least college graduate or have sufficient experience in managing the business to substitute for such formal education;
3. At least 21 years old;
4. Proven to possess integrity and probity, and
5. He shall be assiduous</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td><td>The independent directors shall have all the qualifications and none of the disqualifications set forth in Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations</td></tr>
</table>

b. Re-appointment		
(i) Executive Directors	For re-appointment of a director who held office for a year following the date of his election, the same process of nomination and election, as set forth for selection and appointment of director, is adopted. Provided further that, for the independent director, the re-appointment shall not be violative of the term limit provided for in SEC Memorandum Circular No. 9 Series of 2011	To be eligible for re-appointment, the director must possess the same qualifications set forth by the Company's Revised Manual on Corporate Governance for the selection and appointment of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors must have all the qualifications and none of the disqualifications set forth in Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations
c. Permanent Disqualification		
(i) Executive Directors	The Nomination Committee put in place screening policies and parameters to enable it to eliminate nominees suffering from permanent disqualification from its final list of candidates. Should an incumbent director suffer from permanent disqualification/s, a mere declaration by the Board of such disqualification shall be sufficient to remove him from office (SEC Opinion, 6 October 1994)	The Company's Revised Manual on Corporate Governance provided for the grounds for the permanent disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors must have none of the permanent disqualifications set forth in Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations and such other permanent disqualifications which the Company's Revised Manual of Corporate Governance provides.
d. Temporary Disqualification		
(i) Executive Directors	The Nomination Committee put in place screening policies and parameters to enable it to eliminate nominees suffering from temporary disqualification/s from its final list of candidates. Should an incumbent director suffer from temporary disqualification/s, a mere declaration by the Board of such disqualification shall be sufficient to remove him from office. As provided under the Company's Revised Manual on Good Governance, a temporarily disqualified director shall, within sixty (60)	The Company's Revised Manual on Corporate Governance provided for the grounds for the temporary disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		The independent directors must have none of the temporary disqualifications set forth under Rule 38 of the Securities Regulation Code and its Implementing Rules and Regulations and such other temporary disqualifications which the Company's Revised Manual on Corporate Governance provides.

	business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	
e. Removal		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	In accordance with Section 28 of the Corporation Code, a director may be removed by a vote of the stockholders representing or holding 2/3 of the outstanding capital stock, provided that such removal shall take place either at a regular or special meeting and in either case, after previous notice to stockholders of the intention to propose such removal	Section 28 of the Corporation Code does not specify cases for removal of a director nor even require that removal shall be for sufficient cause or reason. The Company, however, complies with the limitation set forth therein that a director shall not be removed without a cause if the effect of such removal is to deprive minority stockholders of the latter's right to representation to which they may be entitled under Section 24 of the Corporation Code
f. Re-instatement		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	A declaration by the Board of such re-instatement shall be sufficient to restore to office a previously disqualified director	A temporarily disqualified director shall be re-instated as soon as the disqualification has been lifted
g. Suspension		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The manner and the cause for suspension of Company directors will be included in the agenda for the next meeting of the Board of Directors	

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Manuel B. Villar, Jr.	10,735,730,556
Jerry M. Navarrete	10,735,730,556
Manuel Paolo A. Villar	10,735,730,556
Adisorn Thananun-Narapool	10,735,730,556
Benjamarie Therese N. Serrano[4]	10,735,730,556
Atty. Joel L. Bodegon	10,735,730,556
Raul N. Esteban[5]	

[4] Elected as director during the Annual Stockholders Meeting held last 30 June 2014
[5] Mr. Raul N. Esteban was elected director at the organizational meeting of the Board held immediately after the annual meeting of stockholders to replace Ms. Carolina C. Mejias, who resigned after her election at the annual meeting of stockholders.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

In compliance with the Company's Revised Manual on Corporate Governance, a director shall, before assuming as such, is required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

(b) State any in-house training and external courses attended by Directors and Senior Management[6] for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Manuel B. Villar, Jr.	11/26/2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Jerry M. Navarrete	12/15/2010	Corporate Governance & Anti-Money Laundering Act	Philippine Securities Consultancy Corporation
	11/26/2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Manuel Paolo A. Villar	11/26/2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Joel L. Bodegon	11/26/2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Raul N. Esteban	11/26/2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation
Frances Rosalie T. Coloma	02/27/2012	Corporate Governance & Anti-Money Laundering Act	Philippine Securities Consultancy Corporation
	11/26/2014	Corporate Governance Seminar	Philippine Securities Consultancy Corporation

[6] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

The Company directors have attended the Corporate Governance Seminar held last 26 November 2014 conducted by training providers that are duly accredited by the Commission.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

<table>
<tr><th>Business Conduct & Ethics</th><th>Directors</th><th>Senior Management</th><th>Employees</th></tr>
<tr><td>(a) Conflict of Interest</td><td colspan="3">The Company's Code of Discipline provides that conflict of interest exists in a condition where a transaction of a director, officer or employee, in any dealings with others, customers and/or suppliers, is in conflict with the interest of the Company.

For avoidance of doubt, a conflict exists when the subject transaction was entered, dealt, participated and/or instructed by the employee, his relatives by affinity or consanguinity or by any person over which the employee is presumed to have reasonable control and authority.

Any director, officer or employee who, at any time, finds himself/herself in a conflict-of-interest situation must immediately disclose the same to the Management

For violation of this policy, the penalty to be imposed is dependent on the gravity and nature of the transaction involved which shall rest solely upon the discretion of the Company.</td></tr>
<tr><td>(b) Conduct of Business and Fair Dealings</td><td colspan="3">Every director, officer or employee of the Company, in conducting business with clients, customers, competitors and other stakeholders, must strictly adhere to the highest ethical standards of integrity, honesty and fair dealing.</td></tr>
<tr><td>(c) Receipt of gifts from third parties</td><td colspan="3">Any director, officer, employee is prohibited from receiving or accepting any monetary and non cash gifts from third parties in connection with the performance of his duties or by reason of his position or office</td></tr>
<tr><td>(d) Compliance with Laws & Regulations</td><td colspan="3">Every director, officer and employee is expected to know, understand, and observe the provisions of the Company's Code of Discipline and other relevant laws and regulations.</td></tr>
<tr><td>(e) Respect for Trade Secrets/Use of Non-public Information</td><td colspan="3">Directors, officers and employees should keep secure and confidential all non-public information they may acquire or learn in the performance of their duties.

Leaking out or revealing confidential or classified information, technique, method and company secret to unauthorized person or employee is an act of dishonesty deemed to be an offense against the Company's interest.</td></tr>
<tr><td>(f) Use of Company Funds, Assets and Information</td><td colspan="3">All directors, officers and employees shall be accountable for the proper use of Company funds, assets and information. It is an offense against Company property to tamper, damage, or destroy either intentionally or thru negligence any company property, held in trust or custody and to use or allow the use of Company equipment, facilities and materials, and/or vehicles for private and personal interests.

Malversation of Company funds, on the other hand, is an act of dishonesty considered to be an offense against Company's interest.</td></tr>
</table>

(g) Employment & Labor Laws & Policies	The Company's Code of Discipline shall be construed in accordance with the pertinent provisions of the Labor Code and its implementing rules and regulations
(h) Disciplinary action	Any infraction of the Company rules and regulations shall give rise to appropriate disciplinary action taken in any of the following forms: A. Principal Penalty 1. A formal letter informing and warning the employee of his violation/s 2. Final written warning is given in the case the concerned employee continuously commits the same offense 3. Suspension is imposed for serious offenses that require stricter disciplinary action 4. Dismissal is imposed where the offense committed is grave/serious in nature B. Accessory Penalty 1. Disqualification from promotion for one or more merit rating period 2. Suspension of employee's privilege to avail of facilities 3. Other reasonable forms of disciplinary action as may be appropriate
(i) Whistle Blower	It is the duty of every director, officer and employee to immediately and fully report and disclose to the Management any information about violation of company policies, rules and regulations which has been, is being, or is about to be committed. The procedures and penalties to be meted out to those who fail to report shall be discussed in the next meeting of the Board of Directors.
(j) Conflict Resolution	In resolving conflict between and among the directors, officers, employees, the Management conducts mediation for peaceful and amicable settlement of such conflict. The procedure for conflict resolution shall be subject to discussion in the next meeting of the Board of Directors.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. The Company conducts orientation for the directors, senior management and employees informing and enjoining them to comply with the Code of Discipline adopted by the Company. Copies thereof are likewise disseminated to them for reference and guidance in the performance of their duties.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company has developed a comprehensive compliance program covering adherence to the Code of Discipline. This program includes appropriate trainings that aim to instill awareness in order to facilitate understanding, acceptance and compliance with the Code of Discipline. Furthermore, the Company has adopted clear and stringent policies and procedures on curbing and penalizing violations of said Code.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

All significant RPTs, between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board, are presented to the Board of Directors for review and approval. In approving these RPTs, the Board ensures that these transactions to and from related parties are made on arm's length basis and at current market prices at the time of transaction. Furthermore, the Company maintains transparency and integrity in monitoring, recording and reporting its RPTs as a summary of such transaction is published in the Company's Annual Report.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

As disclosed in the Company's Annual Report, the Company, in its ordinary course of business, engaged in significant commercial transactions with certain companies controlled by the family of the Company directors, i.e. Manuel B. Villar, Jr. and Manuel Paolo A. Villar, and its subsidiaries. The Company had entered into a memorandum of agreement with subsidiaries of Vista Land and Lifescapes, Inc., by virtue of which the Company has been granted a right of first refusal and right of first offer with respect to commercial properties owned by such Vista Land subsidiaries. The Company likewise executed a property management agreement with the subsidiaries of Vista Land, whereby the Company was held responsible for the property and financial management of commercial development projects within Metro Manila and key provinces owned by Vista Land subsidiaries.

Apart from the foregoing, the Company has entered into lease agreement with its significant shareholder, i.e. Fine Properties Inc., involving properties located in Molino, Bacoor, Cavite.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Directors, officers and significant shareholders, who find themselves in any conflict-of-interest situation involving any transaction with the Company and/or its group, are enjoined to immediately disclose the same to the Management for review and resolution. Apart from such voluntary disclosure, the Company and/or the Group itself conduct an extensive background check in its business dealings and transactions for purposes of determining the existence of potential conflict-of-interest situation with the Company's directors, officers and significant shareholders.

Apart from the foregoing and in keeping with the provisions of the Corporation Code, a contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all the following conditions are present:

a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
b. The vote of such director was not necessary for the approval of the contract;
c. The contract is fair and reasonable under the circumstances;
d. In case of an officer, the contract has been previously approved by the Board of Directors

Where any of the first two conditions set forth above is absent, such contract may be ratified by the vote of the stockholders representing at least 2/3 of the members in a meeting called for the purpose: Provided that full disclosure of the adverse interest of the directors involved is made at such meeting: Provided, however, that the contract is fair and reasonable under the circumstances.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[7] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Manuel B. Villar Jr. Manuel Paolo A. Villar Jr. Mark A. Villar	Family	Manuel B. Villar is the father of Manuel Paolo A. Villar Jr. and Mark A. Villar
Fine Properties, Inc. Althorp Holdings Inc.	Shareholder	Fine Properties Inc. is a shareholder of Althorp Holdings Inc.
Fine Properties, Inc. Manuel B. Villar Jr. Jerry M. Navarrete Manuel Paolo A. Villar	Shareholder	Manuel B. Villar Jr., Jerry M. Navarrete and Manuel Paolo A. Villar are shareholders of Fine Properties, Inc.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Fine Properties, Inc.	Lessee	Fine Properties, Inc. and the Company executed a Lease Agreement involving properties located in Molino, Bacoor, Cavite

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The matter on adoption of alternative dispute resolution system for settling conflicts between the Company and its stockholders, and the Company and third parties, including regulatory authorities shall be included in the agenda for the next meeting of the Board of Directors.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Board of Directors' meetings are scheduled at the beginning of the year.

[7] Family relationship up to the fourth civil degree either by consanguinity or affinity.

2) **Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year[8]	No. of Meetings Attended	%
Chairman	Manuel B. Villar Jr.	06/30/2014	5	4	80%
Member	Jerry M. Navarrete	06/30/2014	5	4	80%
Member	Benjamarie Therese N. Serrano	06/30/2014	5	3	60%
Member	Manuel Paolo A. Villar	06/30/2014	5	5	100%
Member	Adisorn Thananan-Narapool	06/30/2014	5	1	20%
Independent	Joel L. Bodegon	06/30/2014	5	5	100%
Independent	Raul N. Esteban[9]	06/30/2014	5	3	60%

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

None.

4) **Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

No. A majority of the directors duly assembled shall constitute a quorum for the transaction of any business, as provided in the Company's Amended By-Laws.

5) **Access to Information**

(a) **How many days in advance are board papers[10] for board of directors meetings provided to the board?**

Board papers, as defined, are served to each director at least two (2) days prior to the meeting.

(b) **Do board members have independent access to Management and the Corporate Secretary?**

YES. In furtherance of their duties and responsibilities, directors are given independent access to the Management and the Corporate Secretary.

(c) **State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?**

The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company. The Corporate Secretary likewise assists the Chairman in preparing the board agenda, facilitates training of directors, and keeps directors updated regarding any statutory and regulatory changes, etc.

(d) **Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.**

YES. The Corporate Secretary has intensive experience in legal practice as she is at the same time the Company's Chief Legal Counsel.

[8] For the year 2014

[9] Mr. Raul N. Esteban was elected director at the organizational meeting of the Board held immediately after the annual meeting of stockholders to replace Ms. Carolina C. Mejias, who resigned after her election at the annual meeting of stockholders.

[10] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(e) **Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [✓] No [ ]

To enable the members of the committees to properly fulfill their duties and responsibilities, each member is provided with complete, adequate and timely information about the matters to be taken in the meetings.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details.

None. The matter on how Company directors may seek external advice to assist them in the discharge of their function shall be discussed in the next meeting of the Board of Directors.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

None.

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

The Compensation and Remuneration Committee, in determining the remuneration and bonus of the CEO and the four (4) most highly compensated management officers, ensure that their remuneration is consistent with the Corporation's culture, strategy and the business environment in which it operates. The aforesaid Committee designates the amount of remuneration of the CEO and the four (4) most highly compensated management officers in sufficient level to attract and retain them as they are needed for the successful operation of the Corporation.

There are no stock options held by the Company's CEO and the four (4) most highly compensated management officers. There are also no per diem and other arrangements pursuant to which they are compensated.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The Compensation and Remuneration Committee, in fixing the compensation package for executive and non-executive directors, ensures that their remuneration is consistent with the Corporation's culture, strategy and the business environment in which it operates.

The Definitive Information Statement discloses the total annual compensation paid to executive directors which includes the basic pay, the mid-year and 13^{th} month bonus. The non-executive directors, on the other hand, receives a reasonable per diem of Php50,000.00 for every meeting.

The Compensation and Remuneration Committee designates the amount of compensation of executive and non-executive directors based on their qualifications, experience and competencies.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

No.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php9.1M	n/a	n/a
(b) Variable Remuneration	n/a	n/a	n/a
(c) Per diem Allowance	n/a	P50,000 per non-executive director per meeting	P50,000 per independent director per meeting
Bonuses	Php1.0M	n/a	n/a
(d) Stock Options and/or other financial instruments	n/a	n/a	n/a
(e) Others (Specify)	n/a	n/a	n/a
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	n/a	n/a	n/a
2) Credit granted	n/a	n/a	n/a
3) Pension Plan/s Contributions	n/a	n/a	n/a
(d) Pension Plans, Obligations incurred	n/a	n/a	n/a
(e) Life Insurance Premium	n/a	n/a	n/a
(f) Hospitalization Plan	n/a	n/a	n/a
(g) Car Plan	n/a	n/a	n/a
(h) Others (Specify)	n/a	n/a	n/a
Total			

As disclosed in the Definitive Information Statement and Annual Report of the Company, there are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated during 2013 for any service provided as a director.

4) **Stock Rights, Options and Warrants**

(a) **Board of Directors**

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

There are no stock rights, options or warrants over the Corporation's shares held by any member of the Corporation's Board of Directors.

(b) **Amendments of Incentive Programs**

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

None.

5) **Remuneration of Management**

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Joselito G. Orense – Mall Operations	Php4.3M
Florence R. Bernardo – Mall Operations	
Sheila Joy L. Sanchez – BPO Operations	
Ma. Nalen SJ Rosero-Galang – Compliance Officer and Corporate Secretary	

E. BOARD COMMITTEES

1) **Number of Members, Functions and Responsibilities**

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	2		None	Only to the extent allowed by law, acts on specific matters within the competence of the Board, as may be delegated to it in the Company's Amended By-Laws or on majority vote of the board	Discusses in details the Company's plan of action and strategies and reports all its adopted resolution to the Board	Exercises the powers of the Board of Directors to the extent allowed by law, as provided under the Corporation Code
Audit	2		1	Yes	Assist the Board in the	Provides oversight over the	Reviewing power over the

					performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations	Company's activities in managing credit, market, liquidity, operational, legal and other risks to the Company and provides oversight function over the Company's external and internal auditors	reports submitted by internal and external auditors, annual internal audit plan and the quarterly and annual financial statements before their submission to the Board of Directors
Nomination	2		1	None	Reviews and evaluates the qualifications of nominees to the Board	Assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors	Pre-screens and shortlists all candidates nominated for membership to the Board of Director
Remuneration	2		1	None	Establishes a formal and transparent process for developing policy relative to executive remuneration and for fixing the remuneration packages for corporate officers and directors	Provides oversight over remuneration of senior management and key personnel	Vested with power to designate the amount of remuneration of directors and officers
Others (specify)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jerry M. Navarrete	06/30/2014	12	12	100%	10
Member (ED)	Benjamarie Therese N. Serrano	06/30/2014	12	12	100%	1
Member (NED)	Frances Rosalie T. Coloma	06/30/2014	12	12	100%	3
Member (NED)	Manuel Paolo A. Villar	06/30/2014	12	12	100%	7
Member	Sheila Joy L. Sanchez	06/30/2014	12	12	100%	2
Member	Florence R. Bernardo	06/30/2014	12	12	100%	2

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Raul N. Esteban	06/30/2014	6	6	100%	1
Member (ED)	Benjamarie Therese N. Serrano	06/30/2014	6	6	100%	1
Member (NED)						
Member (ID)	Joel L. Bodegon	06/30/2014	6	6	100%	4
Member						

Disclose the profile or qualifications of the Audit Committee members.

RAUL N. ESTEBAN, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc.

JOEL L. BODEGON, Independent Director, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since 2010.

BENJAMARIE THERESE N. SERRANO, graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of MBV Holdings Corp. and AllHome Corporation. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee performs oversight function over the Company's external auditor as it reviews the reports submitted by said auditor. Furthermore, it ensures that the external auditor acts independently from the internal auditor and that it is given unrestricted access to the all records, properties and personnel necessary in the performance of its independent audit functions.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel B. Villar Jr.	06/30/2014	1	1	100%	2
Member (ED)	Jerry M. Navarrete	06/30/2014	1	1	100%	2
Member (NED)						

Member (ID)	Joel L. Bodegon	06/30/2014	1	1	100%	4
Member						

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jerry M. Navarrete	06/30/2014	1	1	100%	4
Member (ED)						
Member (NED)	Manuel Paolo A. Villar	06/30/2014	1	1	100%	3
Member (ID)	Joel L. Bodegon	06/30/2014	1	1	100%	4
Member						

(e) Others (Specify)

None.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

There had been no changes in committee membership during the year.

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Received reports on the operations of the Company and approved capital expenditures	Approved capital expenditures on the basis of the requirement of the Company and laid down strategic plans and actions for the operation of the Company
Audit	Reviewed the annual and quarterly financial reports of the Company	In reviewing the financial reports of the Company, the Committee determined whether said reports are compliant with accounting standards as well as with tax, legal and regulatory requirements.
Nomination	Reviewed the qualifications of all persons nominated for membership to the Board for the year 2013.	In preparing the final shortlist of nominees for directorship, the Committee made sure that each nominee possesses all of the qualifications and none of the disqualifications, as provided in the Company's Revised Manual on Good Governance and Amended By-Laws
Remuneration	Designated the amount of remuneration for corporate directors and officers	In fixing the remuneration packages of corporate directors and officers, the Committee ascertained that the same is in sufficient level to attract and retain competent and qualified directors and officers
Others (specify)	n/a	n/a

5) **Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

NONE. Committee Programs will be included in the agenda for the next meeting of each committee.

F. RISK MANAGEMENT SYSTEM

1) **Disclose the following:**

(a) **Overall risk management philosophy of the company**

The Company's risk management philosophy is based on the following principles: comprehensiveness, independence, accountability, defined risk tolerance and transparency.

An effective risk management system continues to be in place for the Company, deeply imbedded in its organizational and procedural internal control mechanism, to enable the Company to anticipate, prepare and mitigate possible or actual threat/s to its operational and financial viability.

(b) **A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof**

The Company's CEO/President and Chief Financial Officer attest in writing that a risk management system is in place and is working effectively.

(c) **Period covered by the review**

The review covers 2013

(d) **How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and**

The assessment on risk management system is done annually. The directors assess the internal control system based on internationally-recognized framework, i.e. COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

(e) **Where no review was conducted during the year, an explanation why not.**
n/a

2) **Risk Policy**

(a) **Company**

Give a general description of the Company's and Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk

Risk Exposure	Risk Management Policy	Objective
Financial Risks, i.e. credit risk, interest rate risk, liquidity risk, other market price risk	The Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures	To monitor and manage financial exposures relating to the Company's operation and investing activities
Competition	The Company shall continue to compete through project concept,	To manage competitive pressures among the industry players

	quality of projects, affordability of products, location of projects and value enhancement through project management and financing	
Business risk	Risk Management Policy for decision making on management and operation	To facilitate good governance through accountable management of the Company's risk management framework.
Product safety risks	Project Review Policies and Guidelines CCTV Policies and Procedures	This policy covers the criteria set and the procedures involved in the review and evaluation of proposed projects. Security measures for protection and safety of customers, tenants and employees
Risk of inappropriate contact	Supplier Accreditation Policy	Ensures that all vendors who wish to provide supplies are capable of providing quality goods or services, and have technical, commercial, and financial ability, adequate equipment and facilities, good service performance, or any other measures that will ensure quality and reliability in every purchase made.

(b) Group

Give a general description of the Company's and Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk

Risk Exposure	Risk Management Policy	Objective
Financial Risks, i.e. credit risk, interest rate risk, liquidity risk, other market prices risk	The Group shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures	To monitor and manage financial exposures relating to the Group's operation and investing activities
Competition	The Group shall continue to compete through project concept, quality of projects, affordability of products, location of projects and value enhancement through project management and financing	To manage competitive pressures among industry players
Purchase risk	Purchasing policy setting forth the bidding and procurement procedure	Provide a systematic method of accumulating, recording and processing of purchasing or bidding transactions
Information management risks	Information Management System Policy	Ensure safety against un-authorized access

Financial misconduct risks	Fraud and Corruption Policy	Prevent and minimize incidents of fraud and corruption involving Company funds

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

There is no principal risk of the exercise of controlling shareholders' voting power as the Company has adopted an effective shareholder voting mechanism such as supermajority or "majority of the minority" requirements to protect minority shareholder against action of controlling shareholders. For instance, minority shareholders may cumulate their votes and give one candidate as many votes as the numbers of directors to be elected multiplied by the number of their shares shall equal. Hence, this cumulative voting for one candidate assures minority stockholders of representation in the board of directors.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Risk of counterparties defaulting on its contractual obligation resulting in financial loss to the Company	Risk may be controlled by: 1. application of credit approvals, limits and monitoring procedures 2. transactions with diversity of creditworthy parties to mitigate any significant concentration of credit risk, and 3. sale of products only to customers with appropriate credit history with internal mechanism to monitor the granting of credit and management of credit exposures.
Interest rate risk	Exposure to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates.	All other financial assets and liabilities have fixed rates in 2012 and 2011
Liquidity Risk	Management of liquidity needs by carefully monitoring scheduled debt servicing payments for short-term financial liabilities as well as cash outflows due in a day-to-day business.	Maintains cash and obtains financing to meet its liquidity requirements for up to 30-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured if needed
Other market price risk	Market price risk arises from AFS financial asset which is carried at fair value.	Management of risk arising from changes in market price is done by monitoring the changes in the market price of the investment.

Competition	Increased competition from other retail shopping malls for tenants and customers may adversely affect income from the businesses of the Company	The Company shall continue to compete through project concept, quality of projects, affordability of products, location of projects and value enhancement through project management and financing
Business risk regarding decision making on management and operation	Monthly operations review	Consultation throughout the company Awareness of business objectives Reliable business information Implementation of effective budgeting and business planning
Product safety risks	Semi-annual review of tenant safety audit	Implementation of Tenant Safety Audit checklist Creation of Emergency Response Team (ERT)
Risk of inappropriate contact	Review of supplier accreditation process	Management reviews and approves list of accredited suppliers

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Risk of counterparties defaulting on its contractual obligation resulting in financial loss to the Company	Risk may be controlled by: 1. application of credit approvals, limits and monitoring procedures 2. transactions with diversity of creditworthy parties to mitigate any significant concentration of credit risk, and 3. sale of products only to customers with appropriate credit history with internal mechanism to monitor the granting of credit and management of credit exposures.
Interest rate risk	Exposure to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates.	All other financial assets and liabilities have fixed rates in 2012 and 2011
Liquidity Risk	Management of liquidity needs by carefully monitoring scheduled debt servicing payments for short-term financial liabilities as well as cash outflows due in a day-to-day	Maintains cash and obtains financing to meet its liquidity requirements for up to 30-day period. Excess cash are invested in time deposits or short-term marketable securities. Funding

	business.	for long-term liquidity needs is additionally secured if needed
Other market price risk	Market price risk arises from AFS financial asset which is carried at fair value.	Management of risk arising from changes in market price is done by monitoring the changes in the market price of the investment.
Competition	Increased competition may adversely affect income from the businesses of the Company	The Group shall continue to compete through project concept, quality of projects, affordability of products, location of projects and value enhancement through project management and financing
Purchase	Monthly review of procurement records	Installation of adequate internal controls over procurement and bidding process
Information management risks	Review of back-up system and security	Identify, capture, store and manage the disposition of business records Apply security to control access to sensitive information. Creation of multiple data storage
Financial misconduct risks	Monthly review of Financial records	Strengthening of fundamental controls on handling of Company funds.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Internal Auditor serves as Risk Management Officer	The Internal Auditor directly reports to the Audit Committee	Conducts independent risk and control assessment, examines the Company's operational and control environment and conducts audit designed to cover all major risk categories.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control is defined as a process, effected by the Company's Board of Directors, management , and other personnel, designed to provide reasonable assurance regarding achievement of objectives in the following categories: a) Effectiveness and efficiency of operations; b) Reliability of financial reporting; and c) Compliance with laws and regulations.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether

they consider them effective and adequate;

The Company's CEO/President and Chief Financial Officer attest in writing that a sound internal control system is in place and is working effectively.

(c) Period covered by the review;

The review covers Year 2013.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The assessment on internal controls is done annually or when there are significant changes that would entail revision or enhancement of existing controls. The criterion for assessment of internal control system is based on internationally-recognized framework, i.e. COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization achieve its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.	As provided in the duly approved Internal Audit Charter: The scope of work of the Internal Audit is to determine whether the organization's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that: Risks are appropriately identified and managed; Significant financial, managerial, and operating information is accurate, reliable and timely; Employee's actions are in	In-House	Joselito A. Rivamonte	The Internal Audit Group, reports functionally to the Audit Committee and administratively to the Management, Its activities are guided and performed in accordance with the revised 'Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing

	compliance with policies, standards, procedures, and applicable laws and regulations; Resources are acquired economically, used efficiently, and adequately protected Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately; and Interaction with various governance groups occurs as needed Opportunities for improving management control, profitability, and the organization's image which are identified during audits shall be communicated to the management.			standards as may be adopted by the Internal Audit.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES. The Company's Revised Manual on Corporate Governance provides that the Audit Committee can consider the appointment of internal auditor and the terms and conditions of its engagement and removal.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Pursuant to the Audit Committee Charter, the internal auditor has a direct reporting line to the Audit Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally report directly to the Audit Committee. Unrestricted access to all records, properties and personnel is accorded to the internal auditor by the Company's Revised Manual on Corporate Governance to enable said internal auditor to perform its audit function.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
JEFF MENDOZA-AUDIT OFFICER	Transferred to Systems Department for professional and career growth
JEFFERSON NAVALES-INTERNAL	Resigned

AUDITOR	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The progress of Annual Internal Audit Plan vs Actual is being monitored on a semi-annual basis and is reported to the Audit Committee and Management
Issues[11]	Issues are discussed with the Audit Committee during closing or exit meetings and its responses are incorporated in the Internal Audit Engagement Report
Findings[12]	Findings are reported to the Management and Audit Committee through the Internal Audit Engagement Report
Examination Trends	As a holding company, the examinations are being done mostly on the subsidiaries and investments of the company.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) **Preparation of an audit plan inclusive of a timeline and milestones;**

   The internal audit plan covers the planning and managing of internal audit activity consisting of familiarization and understanding of the business and control environment as well as assessment of risks. Work schedule, staffing and budgets are likewise set forth in the audit plan.

2) **Conduct of examination based on the plan;**

   The conduct of examination based on the plan consists of (i) identifying and gathering of data, (ii) analyzing/evaluating data/information, and (iii) documenting/recording data/information.

3) **Evaluation of the progress in the implementation of the plan;**

   The progress in the implementation of the plan is being monitored on a regular basis and the result of the Annual Internal Audit Performance vs. the Annual Internal Audit Plan is submitted to the Audit Committee and to the Management Representative (MR) under the Integrated Management System (IMS) for evaluation.

4) **Documentation of issues and findings as a result of the examination;**

   Documentation of the audit engagement, including issues and findings, is done thru the auditor's work papers. These work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit, conclusions and reasons thereof, and disposition of each audit finding identified during the audit and its related corrective action. The work papers are prepared in compliance with the Standards for the Professional Practice of Internal Auditing (SPPIA).

   Furthermore, the findings, issues and other relevant information in the audit engagement are

[11] "Issues" are compliance matters that arise from adopting different interpretations.
[12] "Findings" are those with concrete basis under the company's policies and rules.

further documented in the minutes of the closing meeting and the final internal audit engagement report.

5) **Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**

   Though the follow up and monitoring process, the status of the audit findings and issues are tracked for the Audit Committee's committed implementation plans.

6) **Conduct of the foregoing procedures on a regular basis.**

   The internal control review is conducted on a yearly basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal Controls for Revenue and Collections 1. The Company's billing system is designed and maintained such that the wrong person or account is not billed, that incorrect amounts are not billed and that the billing is recorded correctly ensuring reliable data for financial reporting. 2. The Company shall design, implement and maintain safeguards such that cash receipts shall be deposited to company's account promptly and that the cash amount is not recorded incorrectly whether it is to the wrong account, the wrong amount or the wrong period.	Implemented
Internal Controls for Purchasing and Accounts Payable 1. The Company's purchasing and accounts payable system should be designed and maintained such that the wrong person or account is not paid (vendor and invoice paid match goods delivered), that incorrect amounts are not paid and that the purchasing and accounts payable activity is recorded correctly ensuring reliable data for financial reporting. 2. Company shall design, implement and maintain safeguards such that all purchases are properly recorded and paid timely after verification that the goods or service have been supplied. Additional safeguards shall be in place to ensure that all transactions are accurate and complete.	Implemented

Internal Controls for General Ledger The Company's general ledger system should be designed and maintained such that activity is accurate and complete ensuring reliable data for financial reporting. The general ledger accounts shall be reconciled monthly and match the subsidiary systems.	Implemented
Internal Controls for Payroll 1. The Company's payroll system should be designed and maintained such that the wrong person is not paid nor paid the wrong amount; that terminated employees are not paid and that changes to the system are properly authorized. Payroll activity should be recorded correctly to ensure reliable data for financial reporting. 2. The Company shall design, implement and maintain safeguards such that all payroll expenditures are properly (authorization, budget, match time sheet, company personnel policy, etc.) recorded and paid timely. Additional safeguards shall be in place to ensure that all transactions are accurate and complete.	Implemented
Internal Controls for Personnel 1. All applicants will complete a Company application, which will be checked for completeness and reasonableness. 2. All positions will have a job description. 3. A background check will be completed on all potential employees along with a professional license as necessitated by the position. 4. The Company will only hire qualified applicants who have demonstrated evidence of integrity and ethical behavior. 5. Job descriptions should be designed such that areas of responsibilities and authority are clearly defined and understood. 6. The Company shall provide employees with ongoing and relevant training. 7. The Company will take appropriate disciplinary action for deviating from policies. 8. The Company has a zero tolerance for unethical or dishonest behavior. 9. There will be equal treatment for all employees regardless of position or title.	Implemented
Internal Controls for Information Technology (IT) 1. IT will ensure that the content is appropriate and needed information is available to users. 2. IT will ensure that the information is timely and available when requested. 3. IT will ensure that information is current and	Implemented

the latest available. 4. IT will ensure that information is accessible and easily obtained by appropriate parties.	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
1. For the internal auditor, a direct reporting line to the Audit Committee is established. The Audit Committee likewise ensures that, in the performance of the work of the Internal Auditor, the latter is free from interference from outside parties.	none	none	none
1. For the external auditor, the Audit Committee disallows any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's Annual Report			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

As provided under the Company's Revised Manual on Good Governance and as disclosed in the Annual Report of the Company for the year ended 2012, the Corporate Secretary, duly designated as Acting Corporate Governance Compliance Officer, is mandated to issue a certification every January 30th of the year on Company's full compliance with the SEC Code of Corporate Governance for the completed year. The Corporate Secretary will further attest that all directors, officers and employees of the Company are properly apprised of their respective duties under the Code and that internal self-rating system has been established for evaluating and monitoring adherence thereto.

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	The Company policy accord paramount consideration to tenant and customer safety	The Company conducts safety and first-aid seminars for tenants, fire protection facilities and fire drills. Furthermore, walkway provisions for handicapped are provided
Supplier/contractor selection practice	The Company policy mandates that supplies are procured from competitive suppliers, while construction works are contracted out only to qualified and accredited contractors.	Competitive accreditation and bidding are conducted which take into consideration supplier's/contractor's experience, financial capability, resources and track record of adhering to its commitments.
Environmentally friendly value-chain	It is the policy of the company to use sustainable materials, whenever appropriate	Use of environmentally friendly construction materials and promotes use of biodegradable packaging materials for products sold in the Company's malls
Community interaction	The Company strives to support community engagement initiatives which aim to foster positive relation between the Company and the community	The Company's malls are organized as event venue where various community engagement activities are held
Anti-corruption programmes and procedures	The Company policy proscribes the direct or indirect solicitation or receipt of any monetary or non cash gifts for personal benefit, from any person in consideration of any help given or to be given in connection with any contract or transaction with the Company	The Company conducted awareness initiatives through orientations and seminars to facilitate understanding, acceptance and compliance with this policy
Safeguarding creditors' rights	It is the stringent policy of the Company to honor its contractual obligations to its creditors	The Company's financial documents are made available for inspection and review by its creditors to enable the latter to assess the Company's financial and credit standing

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

NONE. The matter on separate corporate responsibility report or sustainability report will be included in the agenda for the next Board of Directors' meeting.

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company values its employees and has paramount concern for their safety, health and welfare.

(b) Show data relating to health, safety and welfare of its employees.

The Company offers optimal training programs for its employees providing opportunities for professional development. Apart from this, the Company provides and maintains facilities in the work premises that ensure the safety and welfare of its employees as they are engaged in the daily performance of their duties. Emergency and evacuation plans are likewise in placed to safeguard employees in emergency cases and fortuitous events.

(c) State the company's training and development programmes for its employees. Show the data.

The Company provides its employees with on-the-job-training and other development programs that assist them in effectively carrying out their jobs and prepare them for career advancement. The Company continuously strives to position itself as an employer of choice in the Philippine real estate industry.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

Competitive salary and attractive compensation packages are offered which allows the Company to compete in the job market for quality employees.

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Every employee bears the responsibility of reporting to the management any suspected or observed illegal and unethical behavior. Upon receipt of such information, the Management shall conduct an investigation in order to validate the same. To encourage such reporting from concerned employees, the Management accords protection to the reporting employee against retaliation in the event that the reported illegal and unethical conduct was not proven.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Fine Properties, Inc.	Common 2,573,507,156 (D) Common 491,569,605 (I) Preferred 2,350,000,000 (D)	30.54% 5.83% 100.00%	Record Owner is also beneficial Owner
Manuela Corp.	Common 1,223,102,790 (I)	14.52%	Record Owner is also beneficial Owner
Althorp Holdings Corp.[13]	Common 14,909,708 (D) Common 2,183,723,726 (I)	0.18% 25.92%	Record Owner is also beneficial Owner
Land & Houses Public Company Limited	Common 808,431,465 (D)	9.60%	Record Owner is also beneficial Owner
Manuel B. Villar Jr.	Common 553,900,022 (I)	6.57%	Record Owner is also beneficial Owner

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel Paolo A. Villar	1,000	361,944,243	4.2956%
Jerry M. Navarrete	25,000	0	.00030%
TOTAL	**26,000**	**361,944,243**	**4.2959%**

[13] The Securities and Exchange Commission approved the merger of Althorp Holdings Corp and Hero Holdings Corporation on 21 December 2012 with Althorp Holdings Corp as the surviving entity.

2) **Does the Annual Report disclose the following:**

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	NO
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo	Php 2.98M	N/A

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

Updated information about the Company may be found in its official website: www.starmallsinc.com.ph

5) **Date of release of audited financial report:**

In compliance with the implementing Rules and Regulations of the Securities Regulation Code, the Company releases its audited annual financial report (SEC Form 17-A) within 105 days after the end of the year, and its quarterly financial reports (SEC Form 17-Q) within 45 days after the end of each of the first three (3) quarters of each year.

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	No
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes

Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The Company does not provide briefings to analysts and media.

7) **Disclosure of RPT**

As disclosed in the Company's Annual Report for the year ended 31 December 2013, the Company remains to be substantially controlled by Fine Properties, Inc. ("Fine"). The Company entered into transactions with associates and related parties, in its regular course of business, consisting mainly of advances, lease of properties and purchase and sale of real estate properties.

These transactions to and from related parties are made on arm's length basis and at current market prices at the time of transactions.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

In order to safeguard the interest of the Company and its minority shareholders and other stakeholders, related party transactions are presented to the Board of Directors for review and approval. Moreover, no related party transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, nominee for election as director, or any member of its immediate family was involved or had a direct or indirect material interest.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of all the subscribed and outstanding stock of the Corporation, as represented in person or by proxy, shall be necessary to constitute a quorum

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Through regular annual meetings.
Description	During said regular annual meetings, the stockholders ratify corporate acts that require their approval.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Right to vote on all matters that require their	Right of the minority stockholder to propose the

consent or approval, right to inspect corporate books and record, right to information, right to dividend, appraisal right	holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes

Dividends

Declaration Date	Record Date	Payment Date
20 November 2007	5 December 2007	28 December 2007

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

   To promote stockholders' participation in the 2014 ASM, notice and agenda thereof were sent out to the stockholders fifteen (15) business days prior to the scheduled date of the meeting. The stockholders were encouraged to personally attend such meeting. If they cannot attend, they were likewise apprised ahead of time of their right to appoint a proxy. During the meeting, stockholders were encouraged to actively participate in the meeting by raising their questions directly to the Chairman, individual directors or board committees. Questions proffered by other interested parties were entertained by the Board after the meeting was adjourned.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
   a. **Amendments to the company's constitution**

      As provided under the Corporation Code, the Company may, by majority vote of its Board of Directors, amend any matter or provision in its Articles of Incorporation, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose.

   b. **Authorization of additional shares**
      As provided under the Corporation Code, the Company may increase its capital stock by majority vote of the Board of Directors and by vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock.

   c. **Transfer of all or substantially all assets, which in effect results in the sale of the company.**
      As provided under the Corporation Code, the Company may transfer all or substantially all of its assets by majority vote of the Board of Directors and by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

   NO. The Company provides and distributes notice and agenda of annual stockholders' meeting at least fifteen (15) business days prior to the scheduled date of said meeting in compliance with the mandate of the Securities and Exchange Commission.

   Date of sending out notices: 5 June 2014
   a. **Date of the Annual/Special Stockholders' Meeting**: 30 June 2014

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

NONE.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Adoption and approval of the President's Report and the Annual Report of the Company for the year ended 31 December 2013	10,735,730,556	0	0
Approval of the Audited Consolidated Financial Statements of the Company for the period ended 31 December 2013	10,735,730,556	0	0
Appointment of External Auditor	10,735,730,556	0	0
Ratification/Approval of the Acts of the Board of Directors and Management for the year 2013	10,735,730,556	0	0
Ratification/Approval of the Proposed Amendment of the By-Laws	10,735,730,556	0	0
Ratification/Approval of the Proposed Amendment of the Second Article of the Articles of Incorporation	10,735,730,556	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the votes taken during the 30 June 2014 ASM for all resolutions are uploaded in the Company's official website immediately after the said meeting.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

NONE.

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Manuel B. Villar, Jr. Jerry M. Navarrete Benjamarie Therese N. Serrano Manuel Paolo A. Villar Atty. Joel L. Bodegon Raul N. Esteban Frances Rosalie T. Coloma	30 June 2014	Show of hands	.00032%	99.62%	99.62%
Special	n/a	n/a	n/a	n/a	n/a	n/a

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

YES. The Company appointed Securities Transfer and Services, Inc. to count and/or validate the votes at the 2014 ASM.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

YES, each common share of stock of the Company is entitled to one vote.

The Company has two (2) classes of shares, i.e. common and preferred. Both common and preferred share of stock have voting rights, as provided in the Company's Amended Articles of Incorporation.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The Company's Amended By-Laws states that any stockholder entitled to vote may be represented at any regular or special meeting of the stockholders by proxy duly given in writing and signed by the stockholder
Notary	The Company's Amended By-Laws does not require the proxy to be notarized
Submission of Proxy	Proxy must be presented to the Corporate Secretary for inspection and record at or prior to the opening of said meeting.
Several Proxies	Where the same stockholder gives two (2) or more proxies, the latest one given is deemed to revoke all former proxies.
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Consulate or Consular Office
Invalidated Proxy	Any dispute that may arise from the validation or invalidation of proxies shall be resolved by the SEC upon formal complaint by the aggrieved party.
Validation of Proxy	In the validation of proxies, the Securities Transfer and Services Inc. are designated to determine the validity of proxies.
Violation of Proxy	Violation of SRC Rule on Proxy shall be subjected to the administrative sanction provided for under Section 144 of the Corporation Code and Section 54 of the SRC, and shall render the proceedings null and void

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

The Company provides and distributes notice and agenda of annual stockholders' meeting at least fifteen (15) business days prior to the scheduled date of said meeting in compliance with the mandate of the Securities and Exchange Commission.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	446
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	5 June 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	5 June 2014
State whether CD format or hard copies were distributed	Hard copies were provided
If yes, indicate whether requesting stockholders were provided hard copies	Hard copies were provided to stockholders

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Company maintains policies affording protection to the interests of the minority stockholders. As provided under the Company's Revised Manual on Corporate Governance, the minority stockholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose. Furthermore, minority stockholders are ensured of access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting being within the definition of "legitimate purpose".

(b) Do minority stockholders have a right to nominate candidates for board of directors?

YES.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company's external and internal communication policies mandate timely, accurate and effective dissemination of pertinent information. The Executive Committee regularly reviews and approves major company announcements before the same are released to the media and investors.

2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
(1) Objectives	Investor Relations Program aims to reach out to the Company's stockholders, other stakeholders and the public in general by maintaining good and robust line of communication with them
(2) Principles	Investor Relations Program is committed to the highest standard of transparency, openness, fairness and clarity in disclosing and disseminating material information about the Company
(3) Modes of Communications	Material information about the Company, which are of utmost importance to the investing public, are posted in the Company's official website
(4) Investors Relations Officer	Jo L. Ilijay - Investor Relations Officer UGF Worldwide Corporate Center Shaw Boulevard 1552 Mandaluyong City Philippines Tel: +63 2 532 0650 email: investor.relations@starmalls.com.ph

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

The Company, in adhering to the pertinent provision of the Corporation Code, may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by majority of its Board of Directors and ratified by its stockholders representing at least 2/3 of the outstanding capital stock at a stockholder's meeting duly called for that purpose. Written notice of the proposed investment and the time and place of the meeting shall be addressed to each stockholder at his place of residence as shown on the books of the Company and deposited to the addressee in the post office with postage prepaid, or served personally: Provided that any dissenting stockholders shall have appraisal right: Provided further that where the investment by the Company is reasonably necessary to accomplish its primary purpose as stated in the Articles of Incorporation, the approval of the stockholders shall not be necessary.

On the matter of merger and sale of substantial corporate assets, the Company may, by majority vote of its Board of Directors, transfer all or substantially all of its assets or enter into merger with other corporations, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

NONE.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

The Company has not undertaken or proposed to undertake any corporate social responsibility initiatives. However, this matter shall be included in the agenda that will be discussed for the next Board of Directors' meeting.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

The Company has designated the Corporate Secretary as Acting Corporate Governance Compliance Officer whose duties include the monitoring and assessing the annual performance of the Board, its committees, individual directors, CEO/President with respect to their compliance with the Company's Revised Manual on Corporate Governance.

The Company has adopted a corporate governance performance evaluation and self-rating system as approved by the Board of Directors, by which the Acting Corporate Governance Compliance Officer, in coordination with other officers of the Company, measures or determines the level of compliance by the Company, its Board of Directors, committees, individual directors and CEO/President.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, management and employees in case of violation of any provision of the Revised Manual on Corporate Governance:

Violations	Sanctions
First Violation	Subject person shall be reprimanded
Second Violation	Suspension from office. The duration of suspension will depend on the gravity of the violation
Third Violation	Maximum penalty of removal from office shall be imposed

The Board shall nevertheless have the discretion either to impose additional penalties or lessen the above penalties based on the presence of aggravating or mitigating circumstances accompanying the violation of the Company's Revised Manual on Corporate Governance.

The Compliance officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

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

REPUBLIC OF THE PHILIPPINES)
CITY OF MANDALUYONG) S.S.

SECRETARY'S CERTIFICATE

I, **MA. NALEN SJ ROSERO-GALANG,** of legal age, Filipino citizen, with office address at Upper Ground Floor, Worldwide Corporate Center, Shaw Blvd., Mandaluyong City, after having been sworn to in accordance with law, hereby depose and state:

1. I am the duly elected and qualified Corporate Secretary of **STARMALLS, INC.**, (the "Company") a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office address at 3rd Floor, Starmall, CV Starr Avenue, Phil-Am Life Village, Pamplona, Las Pinas City.

2. The following updates and changes in the Company's Annual Corporate Governance Report (ACGR) for the year 2014 are supported by the Minutes of the 30 June 2014 Annual Stockholder's Meeting (ASM):

a. **Stockholders' Attendance**

The Corporate Secretary certified that the stockholders owning 10,735,730,556 shares representing 99.62% percent of the total issued and outstanding capital stock were present in the meeting.

b. **Election of Directors**

All the seven (7) individuals nominated to the Board of Directors of the Company for the year 2014 were elected as members of the Board of Directors. They are as follows:

(1) Manuel B. Villar, Jr.
(2) Jerry M. Navarrete
(3) Manuel Paolo A. Villar
(4) Adisorn Thananun-Narapool
(5) Benjamarie Therese N. Serrano
(6) Atty. Joel L. Bodegon
(7) Raul N. Esteban

Mr. Raul N. Esteban was elected director at the organizational meeting of the Board held immediately after the annual meeting of stockholders to replace Ms. Carolina C. Mejias, who resigned after her election at the annual meeting of stockholders.

c. <u>Resolutions Approved in the ASM</u>

c.1 Approval of the President's Report

The stockholders received and adopted President's Report and the Annual Report of the Company for the year ended December 31, 2013.

c.2 Approval of the Audited Financial Statement of the Company as at 31 December 2014

The stockholders approved the Audited Financial Statements of the Company as at 31 December 2013.

c.3 Approval of the Acts of the Board of Directors and Management for the year 2013 until 31 May 2014

The stockholders confirmed and ratified all acts done or caused to be done by the Board of Directors and Management for the year 2013 until 31 May 2014.

c.4 Appointment of External Auditors

Punongbayan & Araullo was declared re-appointed as the external auditors of the Company.

c.5 Ratification/Approval of the Proposed Amendment of the Second Article of the Articles of Incorporation of the Company

The amendment of the 2nd Article of the Articles of Incorporation of the Company to be stated as "To invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, develop or otherwise, dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidence of indebtedness and other securities or obligation of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, and to grant loans and/or assume or undertake or guarantee or secure whether as solidary obligor, surety, guarantor or any other capacity either on its general credit or on the mortgage, pledge, deed of trust, assignment and/or other security arrangement of any or all of its property, the whole or any part of the liabilities and obligations of its parent company, subsidiaries, investee companies, affiliates, or any third party, without engaging in the business of financing company or lending investor." was confirmed and ratified.

c.6 Ratification/Approval of the Proposed Amendment of the By-Laws of the Company

The amendment of the title of the Company's By-Laws to be "The Amended By-Laws of Starmalls, Inc. (Formerly, Polar Property Holdings Corp.)" was ratified and confirmed.

DA

3. This Certification is being issued in compliance with the requirements of the Securities and Exchange Commission Memorandum Circular No. 12, Series of 2014.

IN WITNESS WHEREOF, I have hereunto affixed my signature this JAN 12 2015 at MANDALUYONG CITY.

MA. NALEN S.J. ROSERO-GALANG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 12 2015, affiant exhibiting to me her Passport NoEB2116785 expiring on 17 March 2017.

Doc. No. 11;
Page No. 4;
Book No. I;
Series of 2015.

ATTY. JO MARIE C. LAZARO-LIM
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
ROLL NO. 48438
IBP No. 0981979 / 05 Jan. '2015 / RSM
PTR No. 2264432 / 05 Jan. '2015 / Mandaluyong City
MCLE Compliance No. IV-00[illegible]805, Issued dated 27 Dec. 2012
Notarial Commission Appointment No. 0254-15
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

COVER SHEET

C	S	0	0	0	0	3	9	5	8	7

S.E.C. Registration Number

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

(Company's Full Name)

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

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

Jo L. Ilijay	571-5948 / 871-4001
Contact Person	Company Telephone Number

1 2	3 1	17-Q		
Month	*Day*	FORM TYPE	*Month*	*Day*
Calendar Year			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, 2015

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	**8,425,981,155 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 [ ]

TABLE OF CONTENTS

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014
(In Thousand Pesos)

	Unaudited 03/31/2015	*Audited* 2014
A S S E T S		
CURRENT ASSETS		
Cash	647,935	1,960,277
Trade and other receivables - net	652,858	608,167
Due from related parties	816,879	860,675
Real estate properties for sale - net	324,327	323,441
Available-for-sale financial assets	370,657	340,657
Prepayments and other current assets	1,863,881	1,372,957
Total Current Assets	4,676,537	5,466,173
NON-CURRENT ASSETS		
Due from related parties	3,511,787	3,189,816
Available-for-sale financial assets	3,204	3,204
Investment properties	20,446,265	19,445,196
Property and equipment - net	32,873	210,668
Other non-current assets - net	160,121	150,036
Total Non-current Assets	24,154,251	22,998,919
TOTAL ASSETS	28,830,787	28,465,093
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Liability for land acquisition	157,002	246,757
Interest-bearing loans and borrowings	1,393,946	1,383,864
Trade and other payables	1,060,390	1,507,428
Due to related parties	26,715	25,936
Income tax payable	12,919	55,870
Other current liabilities	275	275
Total Current Liabilities	2,651,248	3,220,129
NON-CURRENT LIABILITIES		
Liability for land acquisition	23,473	23,473
Interest-bearing loans and borrowings	4,316,538	3,518,035
Retirement benefit obligation	50,819	50,819
Due to related parties	154,919	154,919
Deferred tax liabilities - net	85,365	71,894
Other noncurrent liabilities	565,669	548,300
Total Non-current Liabilities	5,196,783	4,367,441
Total Liabilities	7,848,032	7,587,571
EQUITY		
Equity attributable to parent company's shareholders		
Capital Stock	8,449,481	8,449,481
Additional paid-in capital	976,059	976,059
Treasury shares	(1,578,228)	(1,578,228)
Revaluation reserves	6,987	2,001
Retained earnings	12,869,377	12,770,742
Total equity attributable to parent company's shareholders	20,723,675	20,620,056
Non-controlling interest	259,080	257,467
Total Equity	20,982,756	20,877,522
TOTAL LIABILITIES AND EQUITY	28,830,787	28,465,093

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(In Thousand Pesos)

	Unaudited *Jan - Mar* Q1 - 2015	*Unaudited* *Jan - Mar* 2015	*Unaudited* *Jan - Mar* Q1 - 2014	*Unaudited* *Jan - Mar* 2014
REVENUES				
Rent revenue	373,643	373,643	334,113	334,113
Common usage and service area charges	70,511	70,511	61,001	61,001
Parking fees	10,711	10,711	9,724	9,724
Real estate sales	-	-	32,460	32,460
Other operating income	17,792	17,792	16,582	16,582
	472,656	472,656	453,881	453,881
COSTS AND EXPENSES				
Depreciation & Amortization	169,907	169,907	145,448	145,448
Occupancy expenses	36,439	36,439	40,549	40,549
Outside services	50,309	50,309	39,858	39,858
Repairs and maintenance	11,782	11,782	10,683	10,683
Advertising and promotions	4,719	4,719	4,618	4,618
Salaries and employee benefits	31,872	31,872	24,122	24,122
Taxes and licenses	14,907	14,907	13,250	13,250
Cost of real estate sales	-	-	16,992	16,992
Others	19,974	19,974	14,206	14,206
	339,909	339,909	309,727	309,727
OPERATING PROFIT	132,748	132,748	144,154	144,154
OTHER INCOME (CHARGES)				
Finance income	6,194	6,194	5,434	5,434
Finance costs - net	(19,861)	(19,861)	(9,419)	(9,419)
	(13,666)	(13,666)	(3,985)	(3,985)
PROFIT BEFORE TAX	119,081	119,081	140,169	140,169
TAX EXPENSE -	(39,148)	(39,148)	(38,185)	(38,185)
NET INCOME	79,933	79,933	101,984	101,984
OTHER COMPREHENSIVE INCOME (LOSS)				
Preacquisition income of subsidiary				
Fair value gain (loss) on Available for Sale Financial Assets	-	-	-	-
TOTAL COMPREHENSIVE INCOME	79,933	79,933	101,984	101,984
Attributable to:				
Parent company's shareholders	78,319	78,319	99,324	99,324
Minority interest	1,614	1,614	2,661	2,661
	79,933	79,933	101,984	101,984
Earnings per Share	P 0.009	P 0.009	P 0.012	P 0.012

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(In Thousand Pesos)

	Unaudited Jan - Mar Q1 - 2015	*Unaudited Jan - Mar* 2015	*Unaudited Jan - Mar* Q1 - 2014	*Unaudited Jan - Mar* 2014
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
Issuance of shares	-	-	-	-
Treasury shares	(1,578,228)	(1,578,228)	(1,578,228)	(1,578,228)
Balance at end of period	6,847,753	6,847,753	6,847,753	6,847,753
PREFERRED STOCK				
Balance at beginning of period	23,500	23,500	23,500	23,500
Treasury shares	-	-	-	-
Balance at end of period	23,500	23,500	23,500	23,500
ADDITIONAL PAID-IN CAPITAL	976,059	976,059	976,059	976,059
REVALUATION RESERVES				
Balance at beginning of period	6,987	6,987	(56,381)	(56,381)
Fair value gains (losses)	-	-	-	-
Balance at end of period	6,987	6,987	(56,381)	(56,381)
RETAINED EARNINGS				
Balance at beginning of period	12,791,058	12,791,058	12,424,336	12,424,336
Net income	78,319	78,319	99,324	99,324
Balance at end of period	12,869,377	12,869,377	12,523,660	12,523,660
MINORITY INTEREST				
Balance at beginning of period	257,467	257,467	246,451	246,451
Share in net income	1,614	1,614	2,661	2,661
MINORITY INTEREST	259,080	259,080	249,112	249,112
TOTAL EQUITY	20,982,756	20,982,756	20,563,703	20,563,703

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(In Thousand Pesos)

	Unaudited *Jan - Mar* Q1 - 2015	*Unaudited* *Jan - Mar* 2015	*Unaudited* *Jan - Mar* Q1 - 2014	*Unaudited* *Jan - Mar* 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax	119,081	119,081	140,169	140,169
Adjustments for:				
Equity in net earnings of an associate	-	-	-	-
Finance costs	19,861	19,861	9,419	9,419
Gain on sale of investment	-	-	-	-
Realized gross profit on real estate sales	-	-	-	-
Depreciation and amortization	169,907	169,907	145,448	145,448
Interest income	(6,194)	(6,194)	(5,434)	(5,434)
Operating income before changes in operating assets and liabilities	302,655	302,655	289,601	289,601
Decrease (increase) in:				
Trade and other receivables	49,180	49,180	(86,792)	(86,792)
Real estate properties for sale	(886)	(886)	8,006	8,006
Prepayments and other current assets	(490,924)	(490,924)	(32,155)	(32,155)
Other non-current assets	(10,085)	(10,085)	(52,993)	(52,993)
Increase (decrease) in:				
Trade and other payables	(447,037)	(447,037)	9,796	9,796
Liability for land acquisition	(89,756)	(89,756)	-	-
Other current liabilities	-	-	6,999	6,999
Deferred tax liabilities	13,471	13,471	(6,918)	(6,918)
Income tax payable	(42,950)	(42,950)	32,090	32,090
Deferred gross profit on real estate sales	-	-	-	-
Other non-current liabilities	17,368	17,368	(13,360)	(13,360)
Cash from (used in) operations	(698,964)	(698,964)	154,274	154,274
Payment of taxes	(39,148)	(39,148)	(38,185)	(38,185)
Interest received	6,194	6,194	5,434	5,434
Interest paid	(19,861)	(19,861)	(9,419)	(9,419)
Net Cash from (Used in) Operating Activities	(751,779)	(751,779)	112,104	112,104
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in amounts due from related parties	(366,663)	(366,663)	-	-
Increase in investment properties and property and equipment	(993,182)	(993,182)	(355,667)	(355,667)
Acquisitions of property and equipment	-	-	-	-
Net Cash Provided by (Used in) Investing Activities	(1,359,845)	(1,359,845)	(355,667)	(355,667)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in amounts due to related parties	779	779	-	-
Proceeds from bank loans	873,266	873,266	236,250	236,250
Payment of loans	(74,763)	(74,763)	(68,609)	(68,609)
Net Cash From Financing Activities	799,282	799,282	167,641	167,641
NET INCREASE IN CASH	(1,312,342)	(1,312,342)	(75,921)	(75,921)
CASH AT BEGINNING OF PERIOD	1,960,277	1,960,277	1,124,306	1,124,306
CASH AT END OF PERIOD	647,935	647,935	1,048,385	1,048,385

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

The Company is owned by Fine Properties, Inc. or FPI (48.8%), PCD Nominee Corporation or PCDNC (50.9%), and other entities and individuals (0.3%) (see also Note 22). The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

As of March 31, 2015 and 2014, the Company has ownership interests in the following entities (the Company and subsidiaries are collectively referred herein as the Group):

Subsidiaries	Percentage of Ownership	
	2015	2014
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (Manuela)	**98.4%**	98.4%
Brittany Estates Corporation (BEC)	**-**	100.0%

On December 29, 2014, the Company disposed its 100% ownership interest in BEC. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

Certain accounts in the 2013 and 2012 consolidated statements of financial position were reclassified to conform with the consolidated financial statement classification and presentation in 2014; hence, a third consolidated statement of financial position is presented. The reclassifications did not result to any adjustments in the 2013 and 2012 consolidated statements of comprehensive income.

(c) Functional and Presentation Currency

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

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

2.2 *Adoption of Amended PFRS and Interpretation*

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interest in Other Entities And Separate Financial Statements – Exemption from Consolidation for Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding pages are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of PAS 32, the amendment had no material effect on the Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the consolidated financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the recoverable amounts of the Group's non-financial assets where impairment losses have been recognized were determined based on value-in-use which have been adequately disclosed in accordance with PAS 36 (see Note 10).

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

(iv) PFRS 10, 12 and PAS 27 (Amendments), *Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements – Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39 or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have an effect on the Group's consolidated financial statements as all of the subsidiaries are included in the consolidation.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the consolidated financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the consolidated financial statements. Accordingly, it clarifies that materiality applies to the whole consolidated financial statements and an entity shall not reduce the understandability of the consolidated financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the consolidated financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). This amendment confirms that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its interest in all its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarifies that if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services that are related to the investment activities of the investment entity parent, the latter shall consolidate that subsidiary.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes.
In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) PFRS 11 (Amendment), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

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

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

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

(viii) PFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18, *Revenue* and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programs,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.

(ix) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the amendments in the succeeding pages are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements.

Annual Improvements to PFRS (2010 - 2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment.* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

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

(c) PFRS 3 (Amendment), *Business Combinations.* This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments.* This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

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

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations.* It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under
PFRS 11 in the consolidated financial statements of the joint arrangement itself.

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

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

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

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(c) PAS 34 (Amendment), *Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"*. The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when: (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets of the subsidiaries acquired, in the case of a bargain purchase, the difference is recognized directly as income in profit or loss (see Notes 2.9 and 12).

(b) Investment in an Associate

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings of an Associate account in the statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

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

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

(c) Transactions with Non-controlling Interests

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

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

2.4 Financial Assets

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

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

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

(a) Loans and Receivables

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

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

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

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

(b) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-Sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include equity securities, corporate bonds, and bank notes.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

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

All income and expenses, including impairment losses, relating to financial assets are recognized in profit or loss section and are presented as part of Finance Income or Finance Costs account of the consolidated statement of comprehensive income.

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all the risks and rewards of ownership have been substantially transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 *Real Estate Properties for Sale*

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

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

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

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

2.6 *Property and Equipment*

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

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

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

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

Fully depreciated and amortized assets are retained in the account until these are no longer in use. No further charge of depreciation and amortization is made in respect of those assets.

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

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

2.7 Investment Property

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

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

Depreciation and amortization of investment property under building and improvements are computed using the straight-line method over the estimated useful lives ranging from 10 to 40 years. The estimated useful life of the asset is reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

2.8 Prepayments and Other Assets

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

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

2.9 Business Combinations

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

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

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

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

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

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

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

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

2.10 Financial Liabilities

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

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

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

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

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

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

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Provisions and Contingencies

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

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

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

2.13 Revenue and Expense Recognition

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

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

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

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

(c) *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.

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

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

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

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

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

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

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

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

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

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

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

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

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

2.15 Employee Benefits

The Group provides post-employment defined benefits to employees through a defined benefit plan which are recognized as follows:

(a) Defined benefit plan

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

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

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

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

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

(b) Compensated Absences and Other Employee Benefits

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

2.16 Borrowing Costs

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

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

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

2.17 Impairment of Non-financial Assets

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

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

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

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

2.18 Income Taxes

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

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

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

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

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

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

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

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

2.19 Related Party Transactions and Relationships

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

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

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

2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 24, which represent the main products and services provided by the Group.

Presently, the Group's only significant operating segment is related to its leasing operations; hence, no segment reporting is presented.

2.21 Equity

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

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

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

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

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

2.22 Earnings per Share

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

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

2.23 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Revenue Recognition Criteria on Real Estate Sales

The Group recognizes revenues from real estate sales under the full accrual method. Under this method, critical judgment is made by management in determining whether the collectability of the sales price is reasonably assured. Management considers the collectibility of real estate sales as reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion of the contract price, at least 20%, is received, and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

(b) Impairment of AFS Financial Assets

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

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

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

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

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

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

(d) Distinction Between Operating and Finance Leases

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

(e) Recognition of Provisions and Contingencies

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

3.2 Key Sources of Estimation Uncertainty

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

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

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers and counterparties, the customers' and counterparties' credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

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

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

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

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

The Group estimates the useful lives of certain property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Based on management's assessment as at March 31. 2015 and December 31, 2014, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Fair Value Measurement for Investment Property*

Investment property is measured using the cost model. The fair value disclosed in Note 9 is determined by the Company based on the appraisal report prepared by professional and independent appraisers. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect the prices and the value of the assets. As of March 31, 2015 and December 31, 2014 and 2013, the Company determined that there were no significant circumstances that may affect the fair value determination of investment property.

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

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

(f) *Impairment of Non-financial Assets*

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

There were no impairment losses recognized on property and equipment and investments in an associate based on management's evaluation for the quarter ended March 31, 2015 and the years ended December 31, 2014, and 2013.

(g) *Estimated Liability on Property Development Costs*

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

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

The determination of the Group's obligation and cost of post-employment defined benefit obligation is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

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

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

The carrying value of the Group's AFS financial assets and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 7.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31, 2015 and December 31, 2014:

	31 Mar 2015	31 Dec 2014
Cash on hand and in banks	**P 643,483,697**	P 1,955,825,670
Short-term placements	**4,450,962**	4,450,962
	P 647,934,659	P1,1960,276,632

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

Short-term placements are made for varying periods of between 30 to 90 days and earn effective interests ranging from 0.4% to 2.3%. Interest income from cash in banks and short-term placements is recognized as part of Finance Income under the Other Income (Charges) account in the consolidated statements of comprehensive income. The Group's cash and cash equivalents do not include restricted cash amounting to P72.2 million as of March 31, 2015 and December 31, 2014, which is presented as part of Prepayments and Other Assets account in the consolidated statements of financial position.

5. TRADE RECEIVABLES

The balance of this account is composed of the following as of March 31, 2015 and December 31, 2014:

	31 Mar 2015	31 Dec 2014
Trade receivables from tenants:		
Third party	**P 604,431,260**	P 515,960,408
Related parties under common ownership	**48,027,414**	92,206,511
	P 652,858,304	P 608,166,919

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2013, certain receivables from tenants, contractors, suppliers, brokers, and others were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. There was no additional impairment loss required to be recognized in 2014 and 2015. 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, 2015 and December 31, 2014 are stated at cost, the details of which are shown below.

	31 Mar 2015	31 Dec 2014
Residential units for sale	**P 157,859,762**	P 157,357,423
Land for future development	**166,467,236**	166,083,953
	P 324,326,998	P 323,441,376

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 2015	31 Dec 2014
Current:		
Debt securities	**P 198,786,854**	P 198,786,854
Bank notes	**100,000,000**	100,000,000
Equity securities	**71,869,689**	41,869,689
	370,656,543	340,656,543
Non-current –		
Equity securities	**3,204,170**	3,204,170
	P 373,860,713	P 343,860,713

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, 2015 and December 31, 2014:

	31 Mar 2015	31 Dec 2014
Current:		
Advances to contractors, brokers and others	**P 1,077,464,266**	P 605,338,800
Input VAT	**570,426,171**	592,917,116
Reserve fund	**72,185,021**	72,185,021
Prepayments	**56,092,644**	31,068,666
Advances to officers and employees	**25,382,375**	25,382,375
Advances to suppliers	**14,880,995**	13,743,363
Short-term installment contracts receivable	**-**	9,645,634
Creditable withholding taxes	**11,409,783**	7,927,322
Others	**36,039,499**	14,748,312
	1,863,880,754	1,372,956,610

Non-current:		
Refundable deposits	**102,688,639**	92,603,284
Long-term installment contracts receivable	**56,984,250**	56,984,250
Others	**448,359**	448,359
	160,121,248	150,035,893
	P 2,024,002,002	P 1,522,992,503

Reserve fund represents the fund established by MAPI in 2013 in accordance with a loan agreement with a local bank. The fund earns effective interest ranging from 0.3% to 2.5% in 2015 and 2014.

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.

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 P368.6 million and P1,408.1 million for the period ended March 31, 2015 and December 31, 2014, 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 2015	31 Dec 2014
Land	**P 9,329,122,464**	P 9,329,122,464
Building and improvements, net of accumulated depreciation	**8,475,472,427**	8,370,054,385
Commercial building under construction	**2,641,670,494**	1,746,019,274
	P 20,446,265,385	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

9.1 Investment Property Owned by the Parent Company

The Parent Company's investment property has a carrying amount of P5.1 million as of March 31, 2015 and December 31, 2014. 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.

The fair value of the remaining investment property in Valenzuela as of December 31, 2014 amounted to P41.5 million as determined by an independent firm of appraisers.

9.2 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 and commercial buildings under construction which are owned primarily to earn rental income in the future.

In 2014, MAPI acquired certain parcels of land in several locations at a cost of P700.5 million, for future establishment of commercial properties.

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounted to P2.9 billion as of March 31, 2015. The parcel of land is currently being developed by the Group as a commercial center that will be available for lease in the future.

The land located in San Jose del Monte, Bulacan amounting to P52.5 million, which represents its purchase price, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership [see Notes 13 and 21.4(a)]. 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 P786.4 million and P56.4 million representing the completion of Phase 1 and Phase 2 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, 2015.

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 was also completed during the latter part of the year. Accordingly, the Company reclassified portion of commercial buildings under construction to building and improvements totaling P1.0 billion which represents all the completed malls and commercial buildings for 2014.

9.3 Investment Property Owned by Manuela

The investment property of Manuela, includes several parcels of land and buildings and improvements located in Mandaluyong City [Starmall EDSA – Shaw and Worldwide Corporate Center (WCC)], 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 P1.1 million in 2014. These properties are owned and held primarily to earn rental income. The capitalization rate used was 5.75% in 2014.

9.4 Fair Value of Investment Property

In 2014, 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, 2014. 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, 2014.

		Land		Buildings and Improvements		Total
Company –						
Land in Valenzuela City	P	41,521,500	P	-	P	41,521,500
MAPI:						
Sta. Rosa Laguna		1,166,000,000		451,447,000		1,617,447,000
Imus, Cavite		218,489,734		-		218,489,734
Land in Bacoor, Cavite		4,471,177,000		803,740,000		5,274,917,000
Starmall San Jose del Monte		204,800,000		956,085,000		1,160,885,000
Mandaluyong City		221,000,000		419,782,000		640,782,000
Manuela:						
Starmall Alabang		2,813,000,000		3,534,428,000		6,347,428,000
Starmall EDSA-Shaw		2,925,000,000		1,186,495,000		4,111,495,000
Starmall Las Piñas		289,400,000		523,107,000		812,507,000
Starmall Las Piñas-Annex		117,600,000		99,728,000		217,328,000
WCC		-		1,983,252,000		1,983,252,000
	P	**12,467,988,234**	**P**	**9,958,064,000**	**P**	**22,426,052,234**

10. GOODWILL

The Company's acquisitions of equity interests in its subsidiaries gave rise to negative goodwill. The deficiency of the acquisition costs over the Company's share in the fair value of the identifiable net assets for Manuela amounting to P9.3 billion was recognized directly in profit or loss in the consolidated statement of comprehensive income; while for MAPI and BEC totaling P24.9 million, this was treated as adjustment to the subsidiaries' undivided land deemed to be overvalued at the date of acquisition in 2004 for both subsidiaries.

The negative goodwill arising from the acquisition of BEC was accordingly eliminated in its deconsolidation from the Group in 2014.

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

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

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

11. LIABILITY FOR LAND ACQUISITION

Liability for land acquisition represents the outstanding payable as of March 31, 2015 and December 31, 2014 relating to the Group's acquisition of certain parcels of land.

In 2011, the Group entered into a Contract to Sell (CTS) with HDC to purchase a parcel of land located in San Jose, Bulacan to be developed by the Group as commercial property (see Note 8). Total contract price amounted to P52.5 million, out of which P5.3 million was paid upon execution of the CTS and the balance payable in quarterly payments over a period of five years commencing on January 15, 2012. The liability for land acquisition is noninterest-bearing and measured at amortized cost using the effective interest rate method. The discount rate of 5.70% was determined by reference to prevailing interest rates on similar borrowings. As of December 31, 2013, the Group has paid 25% of the total purchase price and the title to the land has already been transferred to the Group. Additions in 2014 pertains to land purchases in various locations from individual third parties amounting to P700.5 million to be held as future commercial building construction sites. From these purchases, the Group had outstanding liability of P217.6 million, payable in the next 12 months, and P14.3 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, of the consolidated statement of financial position.

12. TRADE AND OTHER PAYABLES

This account consists of:

	31 Mar 2015	31 Dec 2014
Trade payables	**P 245,842,038**	P 573,958,565
Accrued rentals	**248,956,775**	252,107,294
Construction payable	**-**	174,269,234
Deferred output VAT	**36,741,512**	139,633,119
Retention payable	**299,572,735**	264,273,577
Estimated liability on property development cost	**-**	4,831,199
Accrued expenses	**169,225,233**	75,019,755
Other payables	**60,052,143**	23,335,067
	P 1,060,390,436	P 1,507,427,810

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

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

13. EQUITY

13.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	31 Mar **2015**	31 Dec 2014	31 Mar **2015**	31 Dec 2014
Preferred – voting, cumulative, non-participating, non- convertible, non-redeemable – P0.01 par value				
Authorized	**10,000,000,000**	10,000,000,000	**P 100,000,000**	P 100,000,000
Issued and outstanding:				
Balance at beginning of year	**2,350,000,000**	2,350,000,000	**P 23,500,000**	P 23,500,000
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**2,350,000,000**	2,350,000,000	**P 23,500,000**	P 23,500,000
Common shares – P1.00 par value				
Authorized	**16,900,000,000**	16,900,000,000	**P 16,900,000,000**	P 16,900,000,000
Issued and outstanding:				
Balance at beginning of year	**8,425,981,155**	8,425,981,155	**P 8,425,981,155**	P 8,425,981,155
Issuance during the year	**-**	-	**-**	-
Balance at end of year	**8,425,981,155**	8,425,981,155	**P 8,425,981,155**	P 8,425,981,155
			P 8,449,481,155	P 8,449,481,155

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

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

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

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

	Number of Shares Issued	Percentage Ownership
FPI	2,573,507,156	30.5%
PCDNC	5,831,436,554	69.2%
Others	21,037,446	0.3%
	8,425,981,156	100%

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

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

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

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

As of March 31, 2015 and December 31, 2014, 7.7 billion shares are listed in the PSE and closed at P7.35 and P7.20 per share, respectively.

13.2 Retained Earnings

The Company's BOD approved the declaration of cash dividends of P0.20 per share (or a total of P978,482,232) on November 20, 2007, payable on December 28, 2007, to stockholders of record as of December 5, 2007. As of March 31, 2014 and December 31, 2013, unpaid portion of these dividends amounting to P0.3 million is presented as Dividends Payable in the consolidated statements of financial position. There were no dividends declared for the period ended March 31, 2015 and the years ended December 31, 2013 and 2012.

14. EARNINGS PER SHARE

Earnings per share were computed as follows:

	31 Mar 2015	31 Mar 2014
Net profit attributable to parent company's shareholders	**P 78,318,991**	P 99,323,625
Divided by weighted outstanding common shares	**8,425,981,155**	8,425,981,155
Earnings per share	**P 0.01**	P 0.01

Diluted earnings per share was not determined since the Group does not have potential dilutive shares as of March 31, 2015 and 2014.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering three months ended March 31, 2015 vs. three months ended March 31, 2014

Revenues

Rental Revenue
Rental revenue increased by 12% from ₱334.1 billion in the quarter ended March 31, 2014 to ₱373.6 million in the quarter ended March 31, 2015 due to the increase in occupancy of existing malls and corporate building and opening of Starmall Prima Daang Hari Phase 1.

Common Usage and Service Area Charges
Common usage and service area (CUSA) charges increased by 16% from ₱61.0 million in the three months ended March 31, 2014 to ₱70.5 million in the period ended March 31, 2015, due to improvement in occupancy of the seven malls and one corporate office building.

Parking Fees
Parking fee revenue increased from ₱9.7 million in the quarter ended March 31, 2014 to ₱10.7 million in the quarter ended March 31, 2015. The 10% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

Real Estate Sales
Real estate sales declined by 100% from ₱32.5 million in the three months ended March 31, 2014 to nil in the same period in 2015 because of the deconsolidation of BEC.

Other Operating Income
Other operating income increased from ₱16.6 million in the three months ended March 30, 2014 to ₱17.8 million in the period ended March 31, 2015. The 7% increase was due to increase in other operating income such as sale of ancillary services and penalties charged to tenants.

Finance Income
Finance income increased by from ₱5.4 million in the three months ended March 31, 2014 to ₱6.2 million in the period ended March 31, 2015. The 14% 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 ₱309.8 million in the three months ended March 31, 2014 to ₱339.9 million in the period ended March 31, 2015. The increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 17% from ₱145.4 million in the three months ended March 31, 2014 to ₱170.0 million in the period ended March 31, 2015 due to the additional depreciation from new or refurbished mall equipments and new malls.

- Decrease in occupancy expenses by 10% from ₱40.5 million in the period ended March 31, 2014 to ₱36.4 million in the three months ended March 31, 2015 due to the decrease in utilities expense for the 1st Quarter 2015.

- Increase in outside services by 26% from ₱39.9 million in the period ended March 31, 2014 to ₱50.3 million in the three months ended March 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office building.

- Increase in advertising and promotion by 2% from ₱4.6 million in the three months ended March 31, 2014 to ₱4.7 million in the period ended March 31, 2015 due to increase in marketing, activities for the promotions for the malls.

- Increase in salaries and employee benefits by 32% from ₱24.1 million in the three months ended March 31, 2014 to ₱31.9 million in the period ended March 31, 2015 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

- Increase in taxes and licenses by 13% from ₱13.3 million in the quarter ended March 31, 2014 to ₱14.9 million in the period ended March 31, 2015 due to increase in real property taxes paid for the existing and new projects and additional properties of the Group.

- Cost of real estate sales decreased by 100% from ₱17.0 million in the period ended March 31, 2014 to nil in the three months ended March 31, 2015 to due to the deconsolidation of BEC in December 2014.

- Increase in other operating expenses by 41% from ₱14.2 million in the three months ended March 31, 2014 to ₱19.9 million in the period ended March 31, 2015 due to the increase in communication, transportation and other operating expenses.

Interest and financing charges increased by 111% from ₱9.4 million in the quarter ended March 31, 2014 to ₱19.9 million in the period ended March 31, 2015. This was due to additional interest–bearing loans obtained in the 2nd Semester 2014 and in the 1st Quarter 2015.

Provision for tax increased by 3% from ₱38.2 million in the quarter ended March 31, 2014 to ₱39.1 million in the period ended March 31, 2015. This was due to higher operating revenues in the 1st quarter 2015.

Comprehensive Income

As a result of the foregoing, the Company's comprehensive income decreased from ₱101.9 million in the three months ended March 31, 2014 to ₱81.2 million in the three months ended March 31, 2015.

For the three months ended March 31, 2015, 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, 2015 vs. December 31, 2014

Total assets were ₱28.8 billion as of March 31, 2015 and ₱28.5 billion as of December 31, 2014. The 1% increase is due to the following:

- Cash and cash equivalents posted a decrease of 67% from ₱1.9 billion as of December 31, 2014 to ₱648.0 million as of March 31, 2015 due to payments made for the construction and development of new commercial buildings in Taguig City, EDSA Mandaluyong City, Talisay City in Cebu, Bacoor and Imus in Cavite, Sta. Rosa in Laguna and Balanga in Bataan.

- Trade and other receivables posted an increase of 7% from ₱608.2 million as of December 31, 2014 to ₱652.9 million as of March 31, 2015 due to additional mall and corporate building tenants.

- Due from related parties increased by 7% from ₱4.0 billion as of December 31, 2014 to ₱4.3 billion as of March 31, 2015 due to advances give the affiliates in the 1st Quarter 2015.

- Available for sale financial assets increased by 9% from ₱343.7 million as of December 31, 2014 to ₱373.9 million as of March 31, 2015 due to increase in the company's debt and equity security investments.

- Prepayments and other current assets increased by 7% from ₱1.37 billion as of December 31, 2014 to ₱1.86 million as of March 31, 2015 due to prepayments and other receivables in the 1st Quarter 2015.

- Investment properties increased by 5% from ₱19.4 billion as of December 31, 2014 to ₱20.5 billion as of March 31, 2015 due to the construction and development of new projects.

- Property and equipment decreased by 84% from ₱210.7 million as of December 31, 2014 to ₱32.9 million as of March 31, 2015 due to the depreciation charges during the period.

- Other non-current assets increased by 7% from ₱150.0 million as of December 31, 2014 to ₱160.1 million as of March 31, 2015 due to increase in refundable deposits to utilities provider of the malls and office buildings.

Total Liabilities as of March 31, 2015 were ₱7.8 billion compared to ₱7.6 billion as of December 31, 2014, or a 3% increase. This was due to the following:

- Trade and other payables decreased by 30% from ₱1.5 billion as of December 31, 2014 to ₱1.1 billion as of March 31, 2015 due to payments made to contractors, suppliers and consultants in the 1st Quarter 2015.

- Income tax payable decreased by 77% from ₱55.9 million as of December 31, 2014 to ₱12.9 million as of March 31, 2015 due to payments made for income taxes due for the year ended December 31, 2014.

- Liabilities for land acquisition decreased by 33% from ₱270.2 million as of December 31, 2014 to ₱180.5 million as of March 31, 2015 due to payments made to property owners in the 1st Quarter 2015.

- Interest-bearing loans and borrowings increased by 16% from ₱4.9 billion as of December 31, 2014 to ₱5.7 billion as of March 31, 2015 due to loans availed in the 1st Quarter 2015.

- Deferred tax liabilities increased by 19% from ₱71.9 million as of December 31, 2014 to ₱85.4 million as of March 31, 2015 due to recognition of tax liabilities in the 1st Quarter 2015.

- Other non-current liabilities increased by 3% from ₱548.3 million as of December 31, 2014 to ₱565.7 million as of March 31, 2015 due to receipt of deposits from various mall and BPO building tenants.

Total stockholder's equity increased by 1% from ₱20.88 billion as of December 31, 2014 to ₱20.98 billion as of March 31, 2015 due to the net profit realized for the three months ended March 31, 2015.

Top Five(5) Key Performance Indicators

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

Key Performance Indicators	03/31/2015	03/31/2014
Current ratio [a]	1.8	3.2
Debt-to-equity ratio [b]	0.37	0.19
Interest coverage ratio [c]	7	15
EBITDA margin [d]	64%	64%
Return on equity [e]	0.4%	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, 2015 decreased from that of March 31, 2014 due to the increase in current liabilities arising from bank loans.

The increase in debt-to-equity ratio as of March 31, 2015 was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the quarter ended March 31, 2015 decreased because additional borrowings made in the 2nd half of 2014 and 1st quarter 2015.

EBITDA margin remained at 64% with the rationalization of operating costs of the existing malls and corporate building.

Return on equity is decreased as a result of higher equity in the 1st Quarter 2015 and the non-recurrence of real estate revenues with the deconsolidation of BEC in December 2014.

Material Changes to the Company's Statement of Financial Position as of March 31, 2015 compared to December 31, 2014 (increase/decrease of 5% or more)

Cash and cash equivalents posted a decrease of 67% from ₱1.9 billion as of December 31, 2014 to ₱648.0 million as of March 31, 2015 due to payments made for the construction and development of new commercial buildings in Taguig City, EDSA Mandaluyong City, Talisay City in Cebu, Bacoor and Imus in Cavite, Sta. Rosa in Laguna and Balanga in Bataan.

Trade and other receivables posted an increase of 7% from ₱608.2 million as of December 31, 2014 to ₱652.9 million as of March 31, 2015 due to additional mall and corporate building tenants.

Due from related parties increased by 7% from ₱4.0 billion as of December 31, 2014 to ₱4.3 billion as of March 31, 2015 due to advances give the affiliates in the 1st Quarter 2015.

Available for sale financial assets increased by 9% from ₱343.7 million as of December 31, 2014 to ₱373.9 million as of March 31, 2015 due to increase in the company's debt and equity security investments.

Prepayments and other current assets increased by 7% from ₱1.37 billion as of December 31, 2014 to ₱1.86 million as of March 31, 2015 due to prepayments and other receivables in the 1st Quarter 2015.

Investment properties increased by 5% from ₱19.4 billion as of December 31, 2014 to ₱20.5 billion as of March 31, 2015 due to the construction and development of new projects.

Property and equipment decreased by 84% from ₱210.7 million as of December 31, 2014 to ₱32.9 million as of March 31, 2015 due to the depreciation charges during the period.

Other non-current assets increased by 7% from ₱150.0 million as of December 31, 2014 to ₱160.1 million as of March 31, 2015 due to increase in refundable deposits to utilities provider of the malls and office buildings.

Trade and other payables decreased by 30% from ₱1.5 billion as of December 31, 2014 to ₱1.1 billion as of March 31, 2015 due to payments made to contractors, suppliers and consultants in the 1st Quarter 2015.

Income tax payable decreased by 77% from ₱55.9 million as of December 31, 2014 to ₱12.9 million as of March 31, 2015 due to payments made for income taxes due for the year ended December 31, 2014.

Liabilities for land acquisition decreased by 33% from ₱270.2 million as of December 31, 2014 to ₱180.5 million as of March 31, 2015 due to payments made to property owners in the 1st Quarter 2015.

Interest-bearing loans and borrowings increased by 16% from ₱4.9 billion as of December 31, 2014 to ₱5.7 billion as of March 31, 2015 due to loans availed in the 1st Quarter 2015.

Deferred tax liabilities increased by 19% from ₱71.9 million as of December 31, 2014 to ₱85.4 million as of March 31, 2015 due to recognition of tax liabilities in the 1st Quarter 2015.

Material Changes to the Company's Statement of Comprehensive Income for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 (increase/decrease of 5% or more)

Rental revenue increased by 12% from ₱334.1 billion in the quarter ended March 31, 2014 to ₱373.6 million in the quarter ended March 31, 2015 due to the increase in occupancy of existing malls and corporate building and opening of Starmall Prima Daang Hari Phase 1.

Common usage and service area (CUSA) charges increased by 16% from ₱61.0 million in the three months ended March 31, 2014 to ₱70.5 million in the period ended March 31, 2015, due to improvement in occupancy of the seven malls and one corporate office building.

Parking fee revenue increased from ₱9.7 million in the quarter ended March 31, 2014 to ₱10.7 million in the quarter ended March 31, 2015. The 10% increase was due to the increase in parking rates, improvement of parking system and increase occupancy in the existing malls and corporate office building.

Real estate sales declined by 100% from ₱32.5 million in the three months ended March 31, 2014 to nil in the same period in 2015 because of the deconsolidation of BEC.

Other operating income increased from ₱16.6 million in the three months ended March 30, 2014 to ₱17.8 million in the period ended March 31, 2015. The 7% increase was due to increase in other operating income such as sale of ancillary services and penalties charged to tenants.

Finance income increased by from ₱5.4 million in the three months ended March 31, 2014 to ₱6.2 million in the period ended March 31, 2015. The 14% 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 ₱145.4 million in the three months ended March 31, 2014 to ₱170.0 million in the period ended March 31, 2015 due to the additional depreciation from new or refurbished mall equipments and new malls.

Decrease in occupancy expenses by 10% from ₱40.5 million in the period ended March 31, 2014 to ₱36.4 million in the three months ended March 31, 2015 due to the decrease in utilities expense for the 1st Quarter 2015.

Increase in outside services by 26% from ₱39.9 million in the period ended March 31, 2014 to ₱50.3 million in the three months ended March 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office building.

Increase in salaries and employee benefits by 32% from ₱24.1 million in the three months ended March 31, 2014 to ₱31.9 million in the period ended March 31, 2015 due to the increase in manpower for the operations and management of the existing malls and office building and the construction and development of new projects of the Group.

Increase in taxes and licenses by 13% from ₱13.3 million in the quarter ended March 31, 2014 to ₱14.9 million in the period ended March 31, 2015 due to increase in real property taxes paid for the existing and new projects and additional properties of the Group.

Cost of real estate sales decreased by 100% from ₱17.0 million in the period ended March 31, 2014 to nil in the three months ended March 31, 2015 to due to the deconsolidation of BEC in December 2014.

Increase in other operating expenses by 41% from ₱14.2 million in the three months ended March 31, 2014 to ₱19.9 million in the period ended March 31, 2015 due to the increase in communication, transportation and other operating expenses.

Interest and financing charges increased by 111% from ₱9.4 million in the quarter ended March 31, 2014 to ₱19.9 million in the period ended March 31, 2015. This was due to additional interest–bearing loans obtained in the 2nd Semester 2014 and in the 1st Quarter 2015.

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 2014 Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligation (including contingent obligations), or other relationships of the Company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 1st 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 the 1st Quarter 2015, the Group started opened Starmall Prima Daang Hari Phase 1 located in Molino, City of Bacoor, Cavite.

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.**

None.

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

None.

Item 4. Other Notes as of the 1st Quarter 2015 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, 2015, 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, 2015 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 14, 2015