

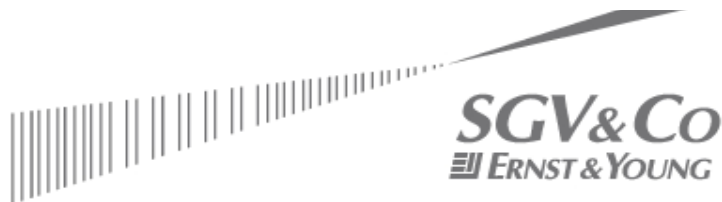
**Century Properties Group, Inc. (Formerly East Asia
Power Resources Corporation) and Subsidiaries**

Consolidated Financial Statements
October 31, 2011 and 2010
and December 31, 2010
and Ten Months Ended October 31, 2011 and 2010

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.



SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Century Properties Group, Inc. and Subsidiaries
21st Floor Pacific Star Building
Sen. Gil Puyat corner Makati Avenue,
Makati City

We have audited the accompanying consolidated financial statements of Century Properties Group, Inc. (formerly East Asia Power Resources Corporation) and Subsidiaries which comprise the consolidated statements of financial position as at October 31, 2011 and 2010 and December 31, 2010, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the ten months ended October 31, 2011 and 2010, 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 and 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.





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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Century Properties Group, Inc. (formerly East Asia Power Resources Corporation) and Subsidiaries, as at October 31, 2011 and 2010 and December 31, 2010, and their financial performance and cash flows for the ten months ended October 31, 2011 and 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

A handwritten signature in black ink that reads "Jessie D. Cabaluna".

Jessie D. Cabaluna
Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-2

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174583, January 2, 2012, Makati City

January 11, 2012



CENTURY PROPERTIES GROUP, INC.
(Formerly East Asia Power Resources Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2011 AND 2010 AND DECEMBER 31, 2010

	October 31, 2011*	December 31, 2010*	October 31, 2010*
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 28)	₱865,877,707	₱282,715,479	₱620,245,591
Receivables - net (Notes 5 and 28)	896,847,490	469,963,115	242,711,807
Real estate inventories (Note 6)	1,904,362,382	1,615,449,019	1,194,390,020
Land held for future development (Note 7)	1,306,154,808	360,559,842	360,559,842
Due from related parties (Notes 25 and 28)	166,951,441	713,833,346	342,478,698
Prepayments and other current assets (Note 8)	2,456,141,178	1,198,511,194	1,968,052,631
Total Current Assets	7,596,335,006	4,641,031,995	4,728,438,589
Noncurrent Assets			
Noncurrent real estate receivables (Notes 5 and 28)	1,035,904,489	194,138,362	77,990,819
Available-for-sale financial assets (Notes 9 and 28)	10,821,043	10,268,120	11,747,507
Investment properties (Note 10)	1,101,658,251	2,419,665,214	2,394,969,549
Property and equipment (Note 11)	159,655,649	68,813,834	69,292,303
Intangible assets (Note 12)	2,726,523	2,970,063	3,092,247
Deferred tax assets - net (Note 24)	176,994,977	211,354,326	113,338,898
Other noncurrent assets (Note 13)	14,101,781	6,989,905	5,998,768
Total Noncurrent Assets	2,501,862,713	2,914,199,824	2,676,430,091
	₱10,098,197,719	₱7,555,231,819	₱7,404,868,680
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 14 and 28)	₱899,097,968	₱599,767,954	₱689,220,582
Customers' advances and deposits (Note 15)	2,419,719,992	1,810,864,359	1,900,203,210
Short-term debt (Notes 16 and 28)	21,414,954	109,001,885	81,849,028
Current portion of long-term debt (Notes 16 and 27)	322,237,070	695,256,796	94,509,012
Due to related parties (Notes 25 and 28)	352,142,989	215,987,984	231,195,083
Current portion of liability from purchased land (Notes 7 and 28)	18,761,470	43,836,849	54,805,191
Income tax payable (Note 24)	97,449,232	37,512,615	10,795,603
Current portion of obligation under finance lease	510,795	-	1,304,060
Total Current Liabilities	4,131,334,470	3,512,228,442	3,063,881,769
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 16 and 27)	865,377,936	421,799,543	1,099,537,483
Liability from purchased land - net of current portion (Notes 7 and 28)	71,658,652	101,388,465	90,420,122
Pension liabilities (Note 26)	23,164,277	18,742,807	21,089,721
Obligations under finance lease (Note 16)	1,845,569	-	2,104,268
Deferred tax liabilities - net (Note 24)	757,670,291	551,215,910	513,529,009
Total Noncurrent Liabilities	1,719,716,725	1,093,146,725	1,726,680,603
Total Liabilities	5,851,051,195	4,605,375,167	4,790,562,372

(Forward)



	October 31, 2011*	December 31, 2010*	October 31, 2010*
Equity			
Capital stock (Note 17)	₱4,010,187,241	₱3,554,720,004	₱3,554,720,004
Additional paid-in capital (Note 17)	3,235,454	2,770,172,070	2,770,172,070
Retained earnings (Note 17)	236,155,508	1,304,468,457	1,236,256,252
Equity reserve (Note 17)	-	(4,622,854,809)	(4,923,670,506)
Unrealized loss on available-for-sale financial assets (Note 9)	(3,852,035)	(4,404,958)	(2,925,572)
Total equity attributable to Parent Company	4,245,726,168	3,002,100,764	2,634,552,248
Non-controlling interests	1,420,356	(52,244,112)	(20,245,940)
Total Equity	4,247,146,524	2,949,856,652	2,614,306,308
	₱10,098,197,719	₱7,555,231,819	₱7,404,868,680

**These consolidated financial statements represent continuation of the financial statements of the CPI subsidiaries, except for its capital structure (see Note 2).*

See accompanying Notes to Consolidated Financial Statements.



CENTURY PROPERTIES GROUP, INC.
(Formerly East Asia Power Resources Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE TEN MONTHS ENDED OCTOBER 31, 2011 AND 2010

	For the Ten Months Ended October 31	
	2011*	2010*
REVENUE		
Real estate sales	₱3,222,420,467	₱1,728,157,627
Property management fee and other services (Note 19)	160,204,384	138,739,335
Interest and other income (Note 20)	637,219,499	95,498,250
Gain from change in fair value of investment properties (Note 10)	–	123,478,334
	4,019,844,350	2,085,873,546
COSTS AND EXPENSES		
Cost of real estate sales (Note 6)	2,098,872,434	1,176,253,298
Cost of services (Note 21)	119,385,137	98,280,807
General, administrative and selling expenses (Note 22)	608,174,109	476,500,555
Interest and other financing charges (Note 23)	68,437,919	58,252,143
	2,894,869,599	1,809,286,803
INCOME BEFORE INCOME TAX	1,124,974,751	276,586,743
PROVISION FOR INCOME TAX (Note 24)	344,069,467	133,227,463
NET INCOME	780,905,284	143,359,280
OTHER COMPREHENSIVE INCOME		
Unrealized gain on available-for-sale financial assets (Note 9)	552,923	2,008,847
TOTAL COMPREHENSIVE INCOME	₱781,458,207	₱145,368,127
Net income (loss) attributable to:		
Equity holders of Century Properties Group, Inc..	₱779,648,826	₱156,658,508
Non-controlling interests	1,256,458	(13,299,228)
	₱780,905,284	₱143,359,280
Total comprehensive income (loss) attributable to:		
Equity holders of Century Properties Group, Inc.	₱780,201,749	₱158,667,355
Non-controlling interests	1,256,458	(13,299,228)
	₱781,458,207	₱145,368,127
Basic/diluted earnings per share (Note 18)	₱0.202	₱0.039

*These consolidated financial statements represent continuation of the financial statements of the CPI subsidiaries, except for its capital structure (see Note 2).

See accompanying Notes to Consolidated Financial Statements.



CENTURY PROPERTIES GROUP, INC. (Formerly East Asia Power Resources Corporation) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE TEN MONTHS ENDED OCTOBER 31, 2011 AND 2010

	Equity attributable to Parent Company						Total	Non-controlling Interests	Total
	Capital Stock (Note 17)	Additional paid-in capital (Note 17)	Retained Earnings (Note 17)	Equity Reserve (Note 17)	Unrealized Loss on AFS Financial Assets (Note 9)				
At January 1, 2011*	₱3,554,720,004	₱2,770,172,070	₱1,304,468,457	(₱4,622,854,809)	(₱4,404,958)	₱3,002,100,764	(₱52,244,112)	₱2,949,856,652	
Net income	-	-	779,648,826	-	-	779,648,826	1,256,458	780,905,284	
Dividends declared (Note 17)	-	-	(6,400,000)	-	-	(6,400,000)	(1,600,000)	(8,000,000)	
Other comprehensive income	-	-	-	-	552,923	552,923	-	552,923	
Issuance of shares by the subsidiaries (Note 17)	-	-	-	522,079,997	-	522,079,997	-	522,079,997	
Debt condonation (Note 17)	-	105,591,554	-	(105,591,554)	-	-	-	-	
Acquisition of non-controlling interest (Note 1)	-	-	-	(54,008,010)	-	(54,008,010)	54,008,010	-	
Share swap (Notes 1 and 17)									
Issuance of shares	4,011,671,023	-	-	-	-	4,011,671,023	-	4,011,671,023	
Elimination of net assets of subsidiaries	-	-	(1,841,561,775)	(2,170,109,248)	-	(4,011,671,023)	-	(4,011,671,023)	
Recognition of the net assets of the Parent Company as of shares swap date	-	-	(6,428,731,956)	6,430,483,624	-	1,751,668	-	1,751,668	
Quasi-reorganization (Note 17)									
Decrease in par value	(3,556,203,786)	3,556,203,786	-	-	-	-	-	-	
Application of surplus against retained earnings	-	(6,428,731,956)	6,428,731,956	-	-	-	-	-	
At October 31, 2011*	₱4,010,187,241	₱3,235,454	₱236,155,508	₱-	(₱3,852,035)	₱4,245,726,168	₱1,420,356	₱4,247,146,524	
At January 1, 2010*	₱3,554,720,004	₱2,770,172,070	₱1,083,597,744	(₱4,933,446,004)	(₱4,934,419)	₱2,470,109,395	(₱5,946,712)	₱2,464,162,683	
Net income (loss)	-	-	156,658,508	-	-	156,658,508	(13,299,228)	143,359,280	
Dividends declared	-	-	(4,000,000)	-	-	(4,000,000)	(1,000,000)	(5,000,000)	
Other comprehensive income	-	-	-	-	2,008,847	2,008,847	-	2,008,847	
Increase in equity reserve	-	-	-	9,775,498	-	9,775,498	-	9,775,498	
At October 31, 2010*	₱3,554,720,004	₱2,770,172,070	₱1,236,256,252	(₱4,923,670,506)	(₱2,925,572)	₱2,634,552,248	(₱20,245,940)	₱2,614,306,308	

*These consolidated financial statements represent continuation of the financial statements of the CPI subsidiaries, except for its capital structure (see Note 2).

See accompanying Notes to Consolidated Financial Statements.



CENTURY PROPERTIES GROUP, INC.
(Formerly East Asia Power Resources Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Ten Months Ended October 31	
	2011*	2010*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,124,974,751	₱276,586,743
Adjustments for:		
Interest income (Note 20)	(395,211,405)	(48,543,842)
Interest and other financing charges (Note 23)	54,685,373	30,706,288
Depreciation and amortization (Notes 11, 12 and 22)	44,275,325	21,313,308
Provision for impairment losses (Note 5)	10,940,148	3,062,563
Increase in pension liabilities (Note 26)	4,421,470	4,429,451
Gain on change in fair value of investment properties (Note 10)	–	(123,478,334)
Operating income before working capital changes	844,085,662	164,076,177
Decrease (increase) in:		
Receivables	(900,920,720)	(150,937,659)
Real estate inventories	315,706,482	638,382,475
Other current assets	(1,257,629,353)	(1,482,820,050)
Increase in:		
Accounts and other payables	299,840,809	55,327,961
Customers' advances and deposits	608,855,633	119,990,462
Cash used in operations	(90,061,487)	(655,980,634)
Interest received	16,541,475	4,163,120
Interest paid	(246,057,104)	(30,706,288)
Income tax paid	(43,319,120)	(44,383,114)
Net cash used in operating activities	(362,896,236)	(726,906,916)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Note 11)	(134,603,389)	(9,900,412)
Investment property (Note 10)	(40,836,117)	–
Intangibles (Note 12)	(270,842)	(40,672)
Additional due from related parties	546,881,905	280,605,380
Increase in noncurrent assets	(7,111,876)	(4,331,247)
Proceeds from sale of AFS financial assets	–	235,100
Net cash provided by investing activities	364,059,681	266,568,149

(Forward)



	For the Ten Months Ended October 31	
	2011*	2010*
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional financing from related parties	₱659,986,670	₱37,915,725
Availments of short-term and long-term debt	–	1,002,843,358
Repayments of:		
Liability from purchased land	(54,805,192)	(91,194,067)
Short-term and long-term debt	(15,182,695)	–
Payment of cash dividends	(8,000,000)	(5,000,000)
Net cash provided by financing activities	581,998,783	944,565,016
NET INCREASE IN CASH AND CASH EQUIVALENTS	583,162,228	484,226,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	282,715,479	136,019,342
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱865,877,707	₱620,245,591

**These consolidated financial statements represent continuation of the financial statements of the CPI subsidiaries, except for its capital structure (see Note 2).*

See accompanying Notes to Consolidated Financial Statements.



CENTURY PROPERTIES GROUP, INC. (Formerly East Asia Power Resources Corporation) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Century Properties Group, Inc. (formerly East Asia Power Resources Corp.) (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 6, 1975. The Parent Company and its subsidiaries were primarily engaged in power generation.

The Parent Company was a majority-owned subsidiary of EPHE Philippines Energy Corporation (EPHE). EPHE was a wholly-owned subsidiary of El Paso Philippines Energy Company, Inc. (EPPECI). EPPECI owned 1.9% of the Parent Company.

The Parent Company is a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which among others, defines a public corporation as any corporation with assets of at least ₱50.00 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As of December 31, 2010, the Parent Company has 501 shareholders, 488 of which are holding at least 100 shares each of the Parent Company's common shares.

The Parent Company, through its subsidiaries namely East Asia Diesel Power Corporation (EADPC) and Duracom Mobile Power Corporation (DMPC), owned four (4) power plant barges in Navotas, Metro Manila. As of December 31, 2010, EADPC's and DMPC's power plant barges remained shut down due to the inability to recover all of their operating costs. The Parent Company also owned, directly and indirectly, several inactive companies, namely, Sunrise Power Company, Inc., East Asia Global Management Limited, East Asia Power Services, Inc., East Asia Transmission and Distribution Corporation and First Engineering Utilities Service Corporation.

Prior to the acquisition of the Parent Company by CPI as discussed in the next section, the Parent Company executed a restructuring plan wherein it sold substantially all of its assets. As of July 11, 2011, the Parent Company is merely a shell company with assets consisting of cash and pension assets from various funds.

Acquisition of EPHE and the Parent Company by Century Properties, Inc. (CPI)

CPI is a Philippine Company involved in the real estate industry. CPI develops and manages various real estate projects through its subsidiaries (CPI subs) as follows:

	Percentage Ownership	
	2011	2010
Century Limitless Corporation (CLC)	100%	80%
Century Properties Management, Inc. (CPMI)	80%	80%
Century Communities Corporation (CCC)	100%	100%
Century City Development Corporation (CCDC)	100%	100%
Century City Development Corporation II	100%	100%

(Forward)



	Percentage Ownership	
	2011	2010
Centuria Medical Development Corporation	100%	100%
Century City Development Corporation VIII	100%	100%
Century City Development Corporation X	100%	100%
Century City Development Corporation XI	100%	100%
Century City Development Corporation XII	100%	100%
Century City Development Corporation XIV	100%	100%
Century City Development Corporation XV	100%	100%
Century City Development Corporation XVI	100%	100%
Century City Development Corporation XVII	100%	100%
Century City Development Corporation XVIII	100%	100%

On July 11, 2011, EPPECI assigned to CPI all of its rights, title and interests in: (1) 284,250,000 issued and outstanding fully-paid common and preferred shares of stock in EPHE representing 100% ownership for ₱124.85 million and; (2) 67,096,092 issued and outstanding fully-paid common shares of stock in the Parent Company representing 1.9% ownership for ₱2.57 million.

The transaction resulted in CPI owning 100% of the outstanding common and preferred shares of EPHE and 93.6% of the outstanding shares of the Parent Company.

On August 17, 2011, EPHE's Board of Directors (BOD) approved the merger of EPHE and CPI, with CPI as the surviving entity in order for CPI to obtain direct ownership of the Parent Company.

Share swap between the Parent Company and CPI

On August 17, 2011, the Parent Company's BOD approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into 6,000,000,000 shares to ₱10,000.00 million divided into 10,000,000,000 shares with par value of ₱1.00 per share. CPI subscribed to the additional shares issued by the Parent Company by assigning its ownership interest in CPMI, CCC, CLC and CCDC.

On October 10, 2011 prior to the reorganization, the Parent Company acquired additional 20% of CLC through deeds of assignment to obtain 100% ownership of CLC.

Accounting for the share swap between the Parent Company and CPI

On October 27, 2011, the share swap with the Parent Company was accounted for as an acquisition of group of assets because the Parent Company do not constitute a business as defined under PFRS 3, *Business Combinations*. The consolidated financial statements of the Parent Company is merely a continuation of the consolidated financial statements of the CPI subs. The comparative information presented in these consolidated financial statements is that of the CPI subs, not that originally presented in the previous financial statements of the Parent Company, and also retroactively adjusted to reflect the legal capital of the Parent Company.

Changes in the Articles of Incorporation

On August 17, 2011, the BOD approved the change of the name of the Parent Company from East Asia Power Resources Corporation to Century Properties Group, Inc. Along with this, the Parent Company changed its primary purpose to be a property developer engaged mainly in the development and construction of residential and commercial real estate projects. The change was approved by the SEC on October 27, 2011.



The registered office address of the Parent Company is located at 21st Floor Pacific Star Building, Sen. Gil Puyat corner Makati Avenue, Makati City.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on January 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (the Group).

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for investment properties and available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Group's functional currency. All values are rounded to the nearest peso except when otherwise indicated.

These consolidated financial statements have been prepared solely for inclusion in the offering circular prepared by the Group for the offering of the Parent Company's common shares by CPI, and for no other purpose.

For statutory reporting purposes, the Parent Company prepares consolidated financial statements every 31st of December.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the ten-month periods then ended October 31, 2011 and 2010.

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

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from total equity attributable to owners of the Parent Company.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.



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

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

Reverse acquisition involving a non-trading shell company

The share swap between CPI and the Parent Company has been accounted for similar to a reverse acquisition of a non-trading shell company. Such transaction was accounted for in the consolidated financial statements of the CPGI, legal parent, as a continuation of the financial statements of the private entity (the legal subsidiary).

In accounting for such transaction, the comparative information presented in these consolidated financial statements is therefore that of the CPI subgroup ("CPI Subs"), not that originally presented in the previous financial statements of the legal parent (accounting acquiree, which in this case is CPGI), and also is retroactively adjusted to reflect the legal capital of CPGI.

Because these consolidated financial statements represent a continuation of the financial statements of the CPI Subsidiaries, except for its capital structure, the consolidated financial statements reflect:

- a) the assets and liabilities of CPI Subs recognized and measured at their pre-share swap carrying amounts;
- b) the retained earnings and other equity balances of the CPI Subs pre-share swap (i.e., not those of CPGI);
- c) the total equity is that of the CPI Subs but the legal capital (common shares and APIC) would be that of CPGI;
- d) any difference between (1) net assets of CPI Subs and (2) the sum of the legal capital of CPGI and the combined retained earnings of the CPI Subs, shall be accounted for as equity reserve; and
- e) the income statement for the prior periods reflects that of the CPI Subs while the income statement for the current period reflects that of CPI Subs for the full period together with the post-share swap results of the Parent Company.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations which were adopted beginning January 1, 2011. Adoption of these changes in PFRS did not have any significant effect on the consolidated financial statements.



- PAS 24, *Related Party Disclosures* (Amendment)
The Amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.
- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*
It amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.
- PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Disclosures-Transfers of Financial Assets*
The Amendments will allow users of the consolidated financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- Philippine Interpretation IFRIC 14 - *Prepayments of a Minimum Funding Requirement* (Amendment)
The Amendment provides guidance on assessing the recoverable amount of a net pension asset. The Amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
The Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS

Improvements to PFRS are omnibus of amendments to PFRS. The amendments listed below, are expected not to have an impact on the Group's financial position or performance.

- PFRS 3 (Revised), *Business Combination*
This Amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured



either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The Amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- *PFRS 7, Financial Instruments: Disclosures*
This Amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:
 - a. Clarification that only financial assets whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
 - b. Requirement for all financial assets to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
 - c. Removal of the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
 - d. Removal of the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
 - e. Clarification that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.
- *PAS 1, Presentation of Financial Statements*
This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.
- *PAS 27, Consolidated and Separate Financial Statements*
This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.
- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.



New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to October 31, 2011

The Group will adopt the following standards and interpretations when these become effective. The Group does not expect the adoption of these new and amended PFRS and Interpretations to have significant impact on its consolidated financial statements.

Effective in 2012

- PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The Amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.
- PFRS 7, *Financial Instruments: Disclosures- Transfers of Financial Assets (Amendment)*
The Amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These Amendments are applied prospectively and are applicable for annual periods beginning on or after July 1, 2011.

Effective in 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- PFRS 10, *Consolidated Financial Statements*
This Standard establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. The new standard is effective on annual periods beginning on or after January 1, 2013 with retrospective application unless this is impracticable.
- PFRS 11, *Joint Arrangements*
This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.
- PFRS 12, *Disclosures of Interests in Other Entities*
This Standard provides disclosures related to consolidated financial statements, joint arrangements and investments in associates. A number of new disclosures also will be required. One of the most significant new disclosures is that an entity will be required to disclose the judgments made to determine whether it controls another entity.



PFRS 10, 11 and 12 are effective for annual periods beginning on or after January 1, 2013. These new standards may be early adopted but must be adopted as a package, that is, all as of the same date. The standards shall be applied on a modified retrospective basis.

- *PFRS 13, Fair Value Measurement*
This Standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.
- *Revised PAS 27, Separate Financial Statements*
This Standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised Standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with *PFRS 9*. This Standard is issued concurrently with *PFRS 10* and together, the two PFRSs will supersede *PAS 27* (as amended in 2008). Revised *PAS 27* is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that *PFRS 10, 11, 12 and PAS 28* (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.
- *Revised PAS 28, Investment in Associates and Joint Ventures*
This Standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised Standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This Standard supersedes *PAS 28* (as revised in 2003). Revised *PAS 27* is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that *PFRS 10, 11, 12 and PAS 28* (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets and liabilities are initially recognized at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs.



The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets and loans and receivable. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its investment at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of October 31, 2011 and 2010, the Group's financial instruments are of the nature of loans and receivables, AFS financial assets and other financial liabilities.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has been no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Day 1 difference

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

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables" and "Due from related parties, except for "Receivable from employees."

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in profit or loss.

The losses arising from impairment of loans and receivables are recognized in profit or loss under "Miscellaneous expenses" in "General, administrative and selling expenses" account.



AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are recognized as other comprehensive income in the consolidated statement of comprehensive income and are reported as "Unrealized gain or loss on AFS financial assets" in the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized under "Unrealized gain or loss on AFS financial assets" is recognized in profit or loss under "Other income" account or "Miscellaneous expenses" account. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. The losses arising from impairment of such investments are recognized in profit or loss under the "Miscellaneous expenses" account.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group's "Accounts and other payables", "Due to related parties", "Short-term debt", "Long-term debt", "Liability from purchased land" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Impairment of Financial Assets

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



Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

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

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from the consolidated statement of changes in equity and recognized in the consolidated statement of income in the "Miscellaneous expense" account. Impairment losses on equity investments are not reversed through the consolidated statement of income.



Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a. the right to receive cash flows from the asset has expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- c. the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

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

Financial liability

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories

Real estate inventories are carried at the lower of cost or net realizable value (NRV).

Cost includes those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale such as commissions.

Land Held for Future Development

Land held for future development consists of properties for future development that are carried at the lower of cost or NRV. Cost includes those costs incurred for development and improvement of the properties while NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Upon commencement of development, the subject land is transferred under “Real estate inventories”.



Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Interest in Joint Venture

Interest in joint venture is limited to jointly controlled operations entered into by the Group to various landowners for the development of the relevant real estate properties. A jointly controlled operation involves the use of assets and other resources of the Group and such landowners rather than the establishment of a corporation, partnership or other entity. The Group and such third parties recognize in their financial statements the assets that it controls and the liabilities that it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture. Accordingly, the Group recognized in the consolidated financial statements the relevant assets and liabilities to the extent of its contribution to the joint venture.

Investment Properties

Initially, investment properties are measured at cost including certain transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Group's investment properties. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.



For a transfer from investment property to inventories, the change in use is evidenced by commencement of development with a view to sale. When the Group decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation and amortization, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are put into operational use and is computed on a straight-line basis over the estimated useful life (EUL) of the property and equipment as follows:

	Years
Office equipment	5
Computer equipment	5
Furniture and fixtures	5
Transportation equipment	5
Construction equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the asset's EUL of five (5) years, whichever is shorter.

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

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

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



Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the expense category of profit or loss consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

As of October 31, 2011 and 2010, the Group's intangible assets consist of software costs and trademarks.

Software cost

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and accumulated impairment, if any. Otherwise, such costs are recognized as expense as incurred.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software. System development costs, recognized as assets, are amortized using the straight-line method over their useful lives, but not exceeding a period of 5 years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Trademarks

Licenses for use of intellectual property have been granted for a period of ten (10) years by the relevant government agency. The trademarks provide the option of renewal at little or no cost to the Group. Accordingly, these licenses are assessed as having indefinite useful life.



Impairment of Nonfinancial Assets

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

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

Equity

Capital stock

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings

Retained earnings represent accumulated earnings of the Group less any dividends declared, if any.

Equity reserve

Equity reserve represents any difference between (1) net assets of CPI Subs and (2) the sum of the legal capital of CPGI and the combined retained earnings of the CPI Subs as a result of the accounting for reverse acquisition involving a non-trading shell company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:



Real estate sales

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' advances and deposits" account in the "Liabilities" section of the consolidated statement of financial position.

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

The SEC has posted a notice to the public to further defer the adoption of IFRIC 15 after giving due consideration to the Position Paper submitted by various real estate industry associations in the Philippines and the on-going deliberation on the Revenue Recognition standard by the International Accounting Standard Board (IASB). The further deferral is made until the Revenue Recognition standard is issued by the IASB and after an evaluation on the requirements and guidance in the said standard in relation to the practices and regulations in the Philippine real estate industry is completed. Currently, the Revenue Recognition standard, which is expected to address some of the issues relevant to the adoption of IFRIC 15, is exposed for comments by the IASB and is expected to be made effective by 2015.

Property management fee and other services

Revenue from property management and other services is recognized when the related services are rendered. Property management fee and other services consist of revenue arising from management contracts, auction services and technical services.



Interest income

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Commission income

Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

Income from cancelled sales

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

Other income

Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

Cost and Expense Recognition

Cost of real estate sales

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

Commission and other selling expenses

Selling expenses such as commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. These are recorded as "Deferred selling expenses" under "Prepayments and other current assets" account. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

General and administrative expenses

General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Pension Cost

Retirement cost is computed using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with an option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses, past service cost and the effect of any curtailment or settlement.

The liability recognized by the Group in respect of the unfunded defined benefit pension plan is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by



discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the defined benefit plan at the end of the previous reporting year exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These actuarial gains or losses are recognized over the expected average remaining working lives of the employees participating in the defined benefit plan.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if the right is not explicitly specified in an arrangement.

Income Tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.



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

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

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

Foreign Currency Transactions

Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited or charged against current operations.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 29 to the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.



For purposes of the share swap transaction, the weighted average number of common shares outstanding (the denominator of the earnings per share calculation) is:

- a. the number of common shares outstanding from the beginning of the year to the transaction date shall be computed on the basis of the weighted average number of common shares of the CPI subs outstanding during the period multiplied by the exchange ratio established in the share swap agreement; and
- b. the number of common shares outstanding from the acquisition date to the reporting period shall be the actual number of ordinary shares of the Parent Company outstanding during that period.

The basic earnings per share for each comparative period before the share swap date presented in the consolidated financial statements following the share swap shall be calculated by dividing the profit or loss of CPI subs attributable to common shareholders in each of those periods by CPI subs's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the share swap agreement.

As of October 31, 2011 and 2010, the Parent Company and CPI subs have no dilutive potential common shares.

Contingencies

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

Events After the Reporting Date

Post year-end events up to the date of auditors' report that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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



Judgments

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

Revenue and cost recognition

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

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

Operating lease commitments - Group as lessee

The Group has entered into contracts of lease with La Costa Development Corporation (formerly Penta Pacific Realty Corporation) and other unit owners of the Pacific Star Building for its administrative office location and model units for ongoing projects. The Group has determined that these are operating leases since it does not bear substantially all the significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

Distinction between investment properties and land held for future development

The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land held for future development comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.



Management's Use of Estimates and Assumptions

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

Revenue and cost recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of real estate sales and receivables. Carrying value of the real estate receivables amounted to ₱1,704.53 million, ₱192.99 million and ₱547.54 million as of October 31, 2011 and 2010 and December 31, 2010, respectively (see Note 5).

Collectibility of the sales price

In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 15% would demonstrate the buyer's commitment to pay.

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data available for such properties. Gain on changes in fair value of investment properties amounted to nil and ₱123.48 million as of October 31, 2011 and 2010, respectively. Carrying value of the investment properties amounted to ₱1,101.66 million, ₱2,394.97 million and ₱2,419.67 million as of October 31, 2011 and 2010 and December 31, 2010, respectively (see Note 10).

Impairment losses on receivables and due from related parties

The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past-due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate.



Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of October 31, 2011 and 2010 and December 31, 2010, the allowance for impairment losses on receivables of the Group amounted to ₱10.94 million, ₱3.06 million and ₱3.05 million, respectively (see Note 5).

The carrying values of these assets are as follows:

	October 31, 2011	December 31, 2010	October 31, 2010
Receivables (Note 5)	₱1,932,751,979	₱664,101,477	₱320,702,626
Due from related parties (Note 25)	166,951,441	713,833,346	342,478,698

Estimating NRV of real estate inventories and land held for future development

The Group reviews the NRV of real estate inventories and land held for future development and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate inventories and land held for future development are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories and land held for future development is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions.

NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of these assets are as follows:

	October 31, 2011	December 31, 2010	October 31, 2010
Real estate inventories (Note 6)	₱1,904,362,382	₱1,615,449,019	₱1,194,390,020
Land held for future development (Note 7)	1,306,154,808	360,559,842	360,559,842

Impairment of nonfinancial assets

The Group assesses impairment on its nonfinancial assets (e.g., property and equipment and intangible assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

The Group's intangible assets with indefinite life are tested for impairment annually.



If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets follow:

	October 31, 2011	December 31, 2010	October 31, 2010
Property and equipment (Note 11)	₱159,655,649	₱68,813,834	₱69,292,303
Intangible assets (Note 12)	2,726,523	2,970,063	3,092,247

No impairment was recognized for the Group's nonfinancial assets as of October 31, 2011 and 2010 and December 31, 2010.

Estimating EUL of property and equipment and intangible assets

The Group estimates the useful lives of its property and equipment and intangible assets other than those with indefinite lives based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation and amortization expense and decrease noncurrent assets. Property and equipment amounted to ₱159.66 million, ₱69.29 million and ₱68.81 million as of October 31, 2011 and 2010 and December 31, 2010, respectively (see Note 11).

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income. As of October 31, 2011 and 2010 and December 31, 2010, carrying values of these assets are ₱176.99 million, ₱113.34 million and ₱211.35 million, respectively.

The Group has an unrecognized deferred tax asset amounting to ₱102.57 million and ₱141.97 million in 2011 and 2010, respectively (see Note 24).

Estimating pension obligation

The determination of the Group's pension obligations and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 to the consolidated financial statements and include among others, discount rates, rate of expected return on plan assets, and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.



The Group's net pension liabilities amounted to ₱23.16 million, ₱21.09 million and ₱18.74 million as of October 31, 2011 and 2010 and December 31, 2010, respectively (see Note 26).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. See Note 28 for the related fair value disclosures.

4. Cash and Cash Equivalents

This account consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Cash on hand and in banks	₱274,410,917	₱169,793,962	₱155,034,119
Cash equivalents	591,466,790	112,921,517	465,211,472
	₱865,877,707	₱282,715,479	₱620,245,591

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term rates ranging from 3.1% to 4.1% and 1.5% to 3.5% in 2011 and 2010, respectively.

Interest income on cash and cash equivalents amounted to ₱16.54 million and ₱4.16 million, in October 31, 2011 and 2010 respectively (see Note 20).

5. Receivables

This account consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Trade receivables			
Real estate	₱1,704,529,912	₱547,539,735	₱192,993,541
Management fee	35,190,664	30,359,706	30,665,282
Auction fee and commissions	2,511,102	2,952,021	2,560,574
Receivable from employees	160,349,969	40,267,077	81,255,544
Advances to customers	7,729,405	33,816,491	8,646,486
Others	33,381,075	12,219,146	7,643,762
	1,943,692,127	667,154,176	323,765,189
Allowance for impairment losses	(10,940,148)	(3,052,699)	(3,062,563)
	1,932,751,979	664,101,477	320,702,626
Noncurrent portion of real estate receivables	(1,035,904,489)	(194,138,362)	(77,990,819)
	₱896,847,490	₱469,963,115	₱242,711,807



Real estate receivables pertain to receivables from the sale of real estate properties including residential condominium units and subdivision house and lots. These are collectible in monthly installments over a period of one to five years and bear no interest. Titles to real estate properties are not transferred to the buyer until full payment has been done.

Management fees are revenues arising from property management contracts. These fees are collectible on a 15- to 30-day basis depending on the terms of the service agreement.

Auction fees and commissions are revenues earned by the Group in facilitating auction of properties and in marketing real estate properties developed by third parties and affiliates. Receivable from auction fees and commissions are due within 30 days upon billing.

Advances to customers pertain to expenses paid by the Group in behalf of the customers for the taxes and other costs incurred in securing the title in the name of the customers. These receivable are billed separately to the respective buyers and are expected to be collected within one (1) year.

Receivable from employees pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses. This account also pertains to salary and other loans granted to the employees and are recoverable through salary deductions. Other receivables are due and demandable and bear no interest.

Movements in the Group's allowance for impairment losses follow:

October 31, 2011				
	Management fee	Auction fee	Receivable from employees	Total
At January 1	₱2,550,449	₱502,250	₱-	₱3,052,699
Provision	-	-	7,887,449	7,887,449
At October 31	₱2,550,449	₱502,250	₱7,887,449	₱10,940,148
Individually impaired	₱2,550,449	₱-	₱-	₱2,550,449
Collectively impaired	-	502,250	7,887,449	8,389,699
Total	₱2,550,449	₱502,250	₱7,887,449	₱10,940,148

December 31, 2010				
	Management fee	Auction fee	Receivable from employees	Total
At January 1	₱640,305	₱579,492	₱-	₱1,219,797
Provisions	1,910,144	-	-	1,910,144
Recoveries	-	(77,242)	-	(77,242)
At October 31	₱2,550,449	₱502,250	₱-	₱3,052,699
Individually impaired	₱2,550,449	₱-	₱-	₱2,550,449
Collectively impaired	-	502,250	-	502,250
Total	₱2,550,449	₱502,250	₱-	₱3,052,699



	October 31, 2010			
	Management fee	Auction fee	Receivable from employees	Total
At January 1	₱640,305	₱579,492	₱-	₱1,219,797
Provisions	1,910,144	-	-	1,910,144
Recoveries	-	(67,378)	-	(67,378)
At October 31	₱2,550,449	₱512,114	₱-	₱3,062,563
Individually impaired	₱2,550,449	₱-	₱-	₱2,550,449
Collectively impaired	-	512,114	-	512,114
Total	₱2,550,449	₱ 512,114	₱-	₱3,062,563

Unamortized discount

As of October 31, 2011 and 2010 and December 31, 2010, installment contracts receivable with a nominal amount of ₱2,050.14 million, ₱264.02 million and ₱595.03 million were recorded at amortized cost of ₱1,704.53 million, ₱192.99 million and ₱547.54 million, respectively. These receivables are noninterest-bearing and are due to be collected within one to five-year time. The fair value upon initial recognition is derived using the discounted cash flow model using discount rates ranging from 1.41% to 7.33% and 3.79% to 8.07% in 2011 and 2010, respectively.

Movements in the unamortized discount on installment contracts receivables follow:

	October 31, 2011	December 31, 2010	October 31, 2010
At January 1	₱47,488,861	₱28,820,280	₱28,820,280
Additions	676,792,287	87,074,305	86,589,339
Accretion for the year (Note 20)	(378,669,930)	(68,405,724)	(44,380,722)
	₱345,611,218	₱47,488,861	₱71,028,897

Receivable financing

In 2011 and 2010, the Group entered into various agreements with a local bank whereby the Group sold its real estate receivables at average interest rates of 7.5% to 12.00%. The purchase agreements provide that the Group will substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The Group still retains the sold receivables in the receivables account and records the proceeds from these sales as long-term debt (see Note 16). The gross amount of real estate receivables used as collateral amounted to ₱1,179.48 million, ₱1,430.08 million and ₱1,281.09 million as of October 31, 2011 and 2010 and December 31, 2010, respectively.

6. Real Estate Inventories

This account represents the real estate projects for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. Details of this account follow:

	October 31, 2011	December 31, 2010	October 31, 2010
Condominium units	₱1,797,323,206	₱1,415,232,087	₱1,036,450,761
Residential house and lot	107,039,176	200,216,932	157,939,259
	₱1,904,362,382	₱1,615,449,019	₱1,194,390,020



The rollforward of this account follows:

	October 31, 2011	December 31, 2010	October 31, 2010
At January 1	₱1,615,449,019	₱1,325,025,177	₱1,325,025,177
Construction costs incurred	1,783,165,952	1,404,879,367	481,659,881
Borrowing cost capitalized	191,371,731	65,246,534	56,210,942
Transfers (Notes 7 and 10)	413,248,114	507,747,319	507,747,318
Cost of real estate sales	(2,098,872,434)	(1,687,449,378)	(1,176,253,298)
At October 31	₱1,904,362,382	₱1,615,449,019	₱1,194,390,020

General borrowings were used to finance the Group's ongoing real estate projects. The related borrowing costs were capitalized as part of real estate inventories. The capitalization rate used to determine the borrowings eligible for capitalization ranges from 8.20% to 9.49% and 12.16% to 13.45% in 2011 and 2010, respectively.

Real estate inventories recognized as "Cost of real estate sales" amounted to ₱2,098.87 million and ₱1,176.25 million for the ten-month periods October 31, 2011 and 2010, respectively. Such cost of sales is derived based on the standard cost for the current reporting period.

7. Land Held for Future Development

Land held for future development consists of parcels of lot acquired by the Group for future real estate development.

This account consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Land held by CCDC	₱1,065,345,052	₱45,559,842	₱45,559,842
Land held by CLC	240,809,756	315,000,000	315,000,000
	₱1,306,154,808	₱360,559,842	₱360,559,842

Land held by CCDC

On June 14, 2006, the CPI, together with Picar Holdings, Inc. (Picar), entered into a Deed of Conditional Sale with the Philippine Government for the acquisition of four parcels of land collectively referred as "International School Manila, Inc. (ISMI) properties", with a total area of 48,832 square meters, located in Makati City. The property was acquired on account at a cost of ₱1,399.62 million, net of discount.

Through a Compromise Agreement and thereafter under a Declaration of Trust (DOT) executed between both parties, the property was subdivided, with CPI owning 72.5% of the property and the remaining 27.5% to be owned by Picar (see Note 30). Under the terms of the DOT, CPI shall advance Picar's proportionate share of the purchase price.

On May 11, 2007, all of the CPI's interest over the said properties was transferred to CCDC (see Note 25). In light of the absolute assignment of rights, the Philippine Government, acting through its trustee, consequently executed the Deed of Absolute Sale with CCDC and Picar. CPI and Picar took effect the transfer of the ISMI properties in their joint names pending the execution of the partition.



The Deed of Partition was subsequently executed on November 24, 2007, wherein 30,718 square meters of the properties were allocated, transferred and registered in the names of CCDC and two of its subsidiaries, CCDC II and CCDC III while 11,652 square meters of the properties were transferred and registered to Picar. The road lot with an aggregate land area of 4,462 square meters were transferred and registered in the joint names of Picar, to the extent of 27.5% and each of the subsidiaries of CCDC, other than CCDC II and CCDC III, to the extent of 72.5%.

An additional lot with an aggregate area of 2,000 square meters was also transferred and registered in the same way as the road lot. Such lot was agreed by all parties to be donated to the City Government of Makati in proportion to their respective interests. However, this lot was subsequently assigned proportionately by CCDC to all of its subsidiaries in exchange for the subscription on the respective capital stock of the said entities. As of October 31, 2011, the said donation has yet to be formalized.

In 2011, investment properties of CCDC amounting to ₱1,019.79 million was transferred to land held for future development.

In accordance with CCDC's business development plan, the ISMI properties were subdivided into 10 lots. On the basis of business intent, certain lots, whose development plan consists of building commercial and retail centers were classified as investment properties. Total land area of the lots classified as investment properties is 18,877 square meters with corresponding cost of ₱593.13 million (see Note 10). The remaining lots pertain to the land areas that are intended for the future residential developments of CCDC.

As of October 31, 2011, the Group has commenced the development of the remaining portion of the ISMI properties classified under land held for future development.

On May 11, 2007, CCDC incorporated twelve (12) subsidiaries as special purpose corporations created for the purpose of developing the ISMI properties and taking an assignment of its rights previously acquired from CPI. CCDC and its subsidiaries deemed it necessary and beneficial to streamline the operations of the said companies by transferring to the subsidiaries a portion of the rights, interests and ownership of CCDC in the ISMI properties with an aggregate area of 1,450 square meters and value of ₱45.56 million. Accordingly, although intended to be donated to the Government of Makati, CCDC and its subsidiaries executed a Deed of Absolute Assignment (DAA) wherein CCDC assigned and transferred a portion of its rights and interest over the ISMI properties in exchange for subscription to additional shares of stock in each of the subsidiaries.

Subsequently, the DAA had undergone a number of amendments to revise the details of the assignment and subscription.

The land was valued at ₱220.00 million, of which ₱6.44 million were exchanged for the subsidiaries' capital stock. Pursuant to the relevant business development plans, two lots covering 7,764 square meters and costs ₱166.67 million were classified as investment properties from the total land value transferred (see Note 10).

In 2010, land held for future development of CCDC amounting to ₱79.87 million was transferred to real estate inventories, respectively.

Land held by CLC

On October 29, 2008, CLC entered into a contact to sell (CTS) with the United Coconut Planters Bank (UCPB) to purchase 24,837 square meters of industrial lot situated in Mandaluyong City.



The Group plans to subdivide the properties into three lots in accordance with the subdivision plans, each with separate land titles, and shall have a fair value based on the valuation as determined by the seller.

In September 2008, a case was filed against CLC before the Regional Trial Court of Makati City questioning the Memorandum of Agreement and CTS entered into by and between CLC and UCPB on the basis of a claim of part ownership of the property. CLC filed a motion to dismiss the case, which the trial court denied. On February 26, 2010, the Court of Appeals granted the petition of CLC and dismissed the case.

Outstanding balance of the liability from purchased land as presented in the consolidated statements of financial position amounted to ₱90.42 million, ₱145.23 million and ₱145.23 million as of October 31, 2011 and 2010 and December 31, 2010, respectively. Interest accruing since February 2009 has been waived until August 2010 as a result of the status of the case.

In 2011, land held for future development of CLC amounting to ₱74.19 million was transferred to real estate inventories.

8. Prepayments and Other Current Assets

This account consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Advances to suppliers and contractors (Note 25)	₱1,627,929,535	₱844,478,340	₱1,253,501,680
Input taxes	430,283,563	80,877,830	202,278,651
Deferred selling expenses	277,407,902	181,612,449	405,905,932
Advances to land owners (Note 30)	87,186,939	66,699,669	80,214,529
Tax credit certificates	11,997,207	11,997,207	12,984,913
Creditable withholding taxes	4,324,088	10,194,181	11,210,402
Prepaid expenses	1,936,924	1,882,208	1,882,564
Others	15,075,020	769,310	73,960
	₱2,456,141,178	₱1,198,511,194	₱1,968,052,631

Advances to suppliers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

Deferred selling expenses pertain to costs incurred in selling real estate projects prior to its development. These capitalized costs shall be charged to expense in the period in which the construction begins and the related revenue is recognized.

Advances to land owners represent the minimum share of the lot property owners in relation to the joint venture projects of the Group. In accordance with the respective joint venture agreements, CCC and CLC advanced these shares in significant installments throughout the term of the project. The advances shall be deducted from the proceeds of the sales and collection of the land owners' units. Management has assessed that the settlement of these advances is within one year based on the pre-selling and development activities that are currently in progress. In addition, this includes the expenses shouldered by CLC that are attributable to the land owners in accordance with the joint venture agreement, which shall also be applied to the subsequent remittance on the land owners' share in the joint venture project (see Note 30).



Tax credit certificates pertain to the Group's claims granted by the Bureau of Internal Revenue in relation to income and value added tax refunds.

Creditable withholding taxes are attributable to taxes withheld by third parties arising from property management fees.

Input taxes are fully realizable and will be applied against output VAT. Tax credit certificates and creditable withholding taxes will be applied against income tax payable.

Prepaid expenses mostly pertain to prepayments of insurance premiums which will be applied throughout the remaining term of the related contracts.

9. Available-for-sale Financial Assets

The Group's AFS financial assets consist of quoted equity securities which the Group intends to hold for cash management purposes. The cost of the AFS financial assets totaled ₱14.67 million as of October 31, 2011 and 2010 and December 31, 2010. Net unrealized loss on AFS financial assets amounted to ₱3.85 million, ₱2.93 million and ₱4.40 million as of October 31, 2011 and 2010 and December 31, 2010, respectively.

Movements in the net unrealized loss on AFS financial assets follow:

	October 31, 2011	December 31, 2010	October 31, 2010
At January 1	₱4,404,958	₱4,934,419	₱4,934,419
Fair value gain transferred to income	-	(27,000)	-
Fair value changes during the year	(552,923)	(502,461)	(2,008,847)
At December 31	₱3,852,035	₱4,404,958	₱2,925,572

10. Investment Properties

Movements in this account follow:

	October 31, 2011	December 31, 2010	October 31, 2010
At January 1	₱2,419,665,214	₱2,699,367,414	₱2,699,367,414
Improvements	40,836,117		-
Net gain from fair value adjustment	-	148,174,000	123,478,334
Transfers to land held for future development	(1,019,785,216)		-
Transfers to real estate inventories (Note 6)	(339,057,864)	(427,876,200)	(427,876,199)
At October 31	₱1,101,658,251	₱2,419,665,214	₱2,394,969,549

The investment properties with an original cost of ₱1,010.74 million represent the portions of the ISMI property that are intended to be developed for commercial and retail purposes and to be subsequently leased out to third parties (see Note 7).



Investment properties are stated at fair value, which has been determined based on valuations performed by Cuervo Appraisers, Inc., an accredited independent valuer, as of October 31, 2011 and 2010. Cuervo Appraisers, Inc. is an industry specialist in valuing these types of investment properties. The value of the land was estimated by using the Sales Comparison Approach, an approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

In 2010, the Group implemented a change in the business plan for one of the lots of the ISMI properties previously intended for leasing purposes. The property shall now be utilized for the development of a medical arts building and will be named “Centuria Medical Towers”, wherein the relevant units will be for sale. Accordingly, such property was reclassified under “Real estate inventories” with the latest fair value of the lot as its deemed cost (see Note 6).

Except for the change in the fair value investment properties, the Group did not earn any revenue from the use of the said real properties or incurred any direct operating expenses in relation to these investment properties in 2011 and 2010.



11. Property and Equipment

The composition and movements of this account are as follows:

	October 31, 2011						Total
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Construction Equipment	
Cost							
At January 1	₱8,360,084	₱9,076,968	₱8,175,576	₱25,268,551	₱14,392,098	₱70,110,466	₱135,383,743
Additions	107,305	1,314,313	1,277,669	8,201,363	485,000	123,217,739	134,603,389
Disposals	–	–	(4,267)	(802,248)	–	–	(806,515)
At October 31	8,467,389	10,391,281	9,448,978	32,667,666	14,877,098	193,328,205	269,180,617
Accumulated Depreciation and Amortization							
At January 1	4,228,428	6,748,770	7,486,000	16,082,768	5,946,121	26,077,822	66,569,909
Depreciation and amortization (Note 22)	313,449	1,188,218	1,765,230	3,947,802	2,424,403	34,121,841	43,760,943
Disposals	–	–	(3,636)	(802,248)	–	–	(805,884)
At October 31	4,541,877	7,936,988	9,247,594	19,228,322	8,370,524	60,199,663	109,524,968
Net Book Value at October 31	₱3,925,512	₱2,454,293	₱201,384	₱13,439,344	₱6,506,574	₱133,128,542	₱159,655,649

	October and December 31, 2010						Total
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Construction Equipment	
Cost							
At January 1	₱7,113,578	₱8,600,095	₱6,206,685	₱21,745,686	₱8,117,087	₱70,110,466	₱121,893,597
Additions	201,751	394,669	1,968,891	2,296,258	5,038,843	–	9,900,412
Disposals	–	–	–	–	(297,787)	–	(297,787)
At October 31	7,315,329	8,994,764	8,175,576	24,041,944	12,858,143	70,110,466	131,496,222
Additions	1,044,755	82,204	–	1,226,607	1,533,955	–	3,887,521
Disposals	–	–	–	–	–	–	–
At December 31	8,360,084	9,076,968	8,175,576	25,268,551	14,392,098	70,110,466	135,383,743

(Forward)



	October and December 31, 2010						
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Construction Equipment	Total
Accumulated Depreciation and Amortization							
At January 1	2,902,915	5,196,285	5,855,058	11,589,543	4,200,444	12,056,382	41,800,627
Depreciation and amortization (Note 22)	414,705	1,312,333	1,495,206	3,837,047	1,685,238	11,956,550	20,701,079
Disposals	-	-	-	-	(297,787)	-	(297,787)
At October 31	3,317,620	6,508,618	7,350,264	15,426,590	5,587,895	24,012,932	62,203,919
Depreciation and amortization (Note 22)	910,808	240,152	135,736	656,178	358,226	2,064,890	4,365,990
At December 31	4,228,428	6,748,770	7,486,000	16,082,768	5,946,121	26,077,822	66,569,909
Net Book Value at October 31	₱3,997,709	₱2,486,146	₱825,312	₱8,615,354	₱7,270,248	₱46,097,534	₱69,292,303
Net Book Value at December 31	₱4,131,656	₱2,328,198	₱689,576	₱9,185,783	₱8,445,977	₱44,032,646	₱68,813,834



The depreciation and amortization from property and equipment are recognized as:

	October 31, 2011 (Ten Months)	October 31, 2010 (Ten Months)
Real estate inventories	₱22,781,152	₱11,950,203
General, administrative and selling expenses (Note 22)	20,979,791	8,750,876
	₱43,760,943	₱20,701,079

12. Intangible Assets

The composition and movements of this account are as follows:

<u>October 31, 2011</u>			
	Software Cost	Trademarks	Total
Cost			
At January 1	₱3,699,985	₱1,514,771	₱5,214,756
Additions	202,208	68,634	270,842
At October 31	3,902,193	1,583,405	5,485,598
Accumulated Amortization			
At January 1	2,244,693	–	2,244,693
Amortization (Note 22)	514,382	–	514,382
At October 31	2,759,075	–	2,759,075
Net Book Value at October 31	₱1,143,118	₱1,583,405	₱2,726,523

<u>October and December 31, 2010</u>			
	Software Cost	Trademarks	Total
Cost			
At January 1	₱3,707,588	₱1,474,099	₱5,181,687
Additions	–	40,672	40,672
Impairment	(7,603)	–	(7,603)
At October 31	3,699,985	1,514,771	5,214,756
Additions	–	–	–
Impairment	–	–	–
At December 31	3,699,985	1,514,771	5,214,756
Accumulated Amortization			
At January 1	1,517,883	–	1,517,883
Amortization (Note 22)	612,229	–	612,229
Impairment	(7,603)	–	(7,603)
At October 31	2,122,509	–	2,122,509
Amortization (Note 22)	122,184	–	122,184
Impairment	–	–	–
At December 31	2,244,693	–	2,244,693
Net Book Value at October 31	₱1,577,476	₱1,514,771	₱3,092,247
Net Book Value at December 31	₱1,455,292	₱1,514,771	₱2,970,063

Software cost includes application software and intellectual property licenses owned by the Group.



Trademarks are licenses acquired separately by the Group. These licenses arising from the Group's marketing activities have been granted for a minimum of 10 years by the relevant government agency with the option to renew at the end of the period at little or no cost to the Group. Previous licenses acquired have been renewed and enabled the Group to determine that these assets have an indefinite useful life. As of October 31, 2011 and 2010 and December 31, 2010, no impairment has been assessed on these assets.

13. Other Noncurrent Assets

This account consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Miscellaneous deposits	₱7,908,237	₱3,855,500	₱2,864,363
Rental deposits	5,055,674	1,996,535	1,996,535
Others	1,137,870	1,137,870	1,137,870
	₱14,101,781	₱6,989,905	₱5,998,768

Rental deposits mostly pertain to security deposits held and applied in relation to the Group's lease contracts for their administrative and sales offices. The deposits are noninterest-bearing and are recoverable through application of rentals at the end of the lease term.

Miscellaneous deposits pertain primarily to utility deposits related to the construction activities of the Group.

Others pertain to the Group's deposit to San Miguel Village Association (SMVA), a homeowners' organization of San Miguel Village located near Century City. Such bond will be applied to any contingent damages that may occur in relation to the Group's project development.

14. Accounts and Other Payables

This account consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Accounts payable	₱499,150,251	₱444,813,021	₱382,931,571
Accrued expenses	338,035,222	59,458,822	169,697,314
Payable to Manila Jockey Club, Inc. (MJCI) (Note 30)	25,281,573	56,346,988	99,295,177
Retention payables	26,836,251	27,572,949	27,687,315
Other payables	9,794,671	11,576,174	9,609,205
	₱899,097,968	₱599,767,954	₱689,220,582

Accounts payable are attributable to the construction costs incurred by the Group. These are noninterest-bearing and are normally settled on 15-to 60-day terms. Accrued expenses consist mainly of utilities, marketing costs, professional fees, communication, transportation and travel, security, insurance, representation and taxes payable.



Payable to MJCI pertains to the unremitted share of MJCI on the sales of a joint venture project with CCC. The respective payables on MJCI's share over the sold units are expected to be settled upon turn-over of the units to the buyers within the year (see Note 30).

Retention payables are noninterest-bearing and are normally settled on a 30-day term upon completion of the relevant contracts.

Other payables consist mainly of payments received by the Group in behalf of Penta Pacific Realty Corporation (Penta Pacific) for the sales management transaction between CPMI and Penta Pacific. As of October 31, 2011 and 2010 and December 31, 2010, it amounted to ₱8.18 million, ₱7.44 million and ₱10.24 million, respectively.

Accrued expenses and other payables are noninterest-bearing and are normally settled within one year.

15. Customers' Advances and Deposits

The Group requires buyers of residential units to pay a minimum percentage of the total selling price as deposit before a sale transaction is recognized. In relation to this, the customers' advances and deposits represent payments from buyers which have not reached the minimum required percentage. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and down payments will be applied against the related installment contracts receivable.

The account also includes the excess of collections over the recognized receivables based on percentage of completion. As of October 31, 2011 and 2010 and December 31, 2010, customers' advances and deposits amounted to ₱2,419.72 million, ₱1,900.20 million and ₱1,810.86 million, respectively.

16. Short-term and Long-term Debt

Short-term Debt

Short-term debt consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Trust receipts	₱11,249,874	₱99,001,885	₱71,849,028
Bank loans - Philippine Peso	10,165,080	10,000,000	10,000,000
	₱21,414,954	₱109,001,885	₱81,849,028

Trust receipts (TRs) are obtained for the purchase of construction materials for CCDC's projects with fixed interest rate of 8.5% per annum payable monthly in arrears and full payment of principal balance is at maturity of one year with option to prepay.

Bank loans, consisting of two (2) short-term promissory notes (PN) amounting to ₱5.00 million each, were obtained in 2009 from a local bank for CPMI's additional working capital requirements. These were renewed by CPMI in 2011 and 2010 for the same terms and rates of interest. Each PN has a term of one (1) year, the full payment of which is to be made at maturity date at a fixed interest rate of 6.74% p.a. each.



Long-term Debt

Long-term debt consists of:

	October 31, 2011	December 31, 2010	October 31, 2010
Payable under CTS financing	₱1,037,263,334	₱962,816,936	₱1,041,266,237
Bank loans - Philippine Peso	150,000,000	150,000,000	150,000,000
Carl loan financing	351,672	4,239,403	2,780,258
Total Long-term debt	1,187,615,006	1,117,056,339	1,194,046,495
Current portion	322,237,070	695,256,796	94,509,012
	₱865,377,936	₱421,799,543	₱1,099,537,483

Payable under CTS financing

In 2008 and 2009, CCDC entered into various purchase agreements through facilities obtained from financial institutions whereby CCDC assigns, with recourse, its receivables from buyers covered by CTS (see Note 5). CCDC retains the assigned receivables in the “Trade receivables” account and records the proceeds from these sales as “Long-term debt”. The purchase of CTS financing facilities, which were approved on October 5, 2009 and September 8, 2008, amounted to ₱500.00 million and ₱100.00 million, respectively. These bear an interest rate of 4% plus PDSTF and 12% per annum. The loans are payable based on equal monthly installments over a period of eight (8) to fifty-three (53) months depending on the remaining terms of the installment contracts receivables. In addition to the customers’ post-dated checks, securities held by the bank for the related loans include a parcel of land held by CCDC having a carrying value of ₱133.35 million and fair value of ₱597.98 million as of October 31, 2010.

In 2010 and 2009, CCDC obtained various loans from a local bank through credit line facilities via receivable financing as follows:

	October 31, 2011	December 31, 2010	October 31, 2010
Line 4	₱400,000,000	₱400,000,000	₱400,000,000
Line 3	200,000,000	200,000,000	200,000,000
	₱600,000,000	₱600,000,000	₱600,000,000

The proceeds of the loans were used in the construction of its real estate projects. The facility, which was approved on April 30, 2008, is revolving, subject to 12% rate per annum payable monthly in arrears, with principal repayment made through post-dated checks of the projects’ buyers. The related promissory notes have terms ranging from thirty-six (36) to forty-eight (48) months and are secured by the buyer’s post-dated checks, the corresponding CTS, and parcels of land held by the Company.

On March 3, 2011, CCDC issued a Notice of Loan Repayment with the local bank stating their intention to pay all the outstanding availment on the above lines of credit by March and April 2011. The outstanding balance of the loan as of October 31, 2010 amounted to ₱596.25 million.

Bank loans

In 2010 and 2009, CCDC obtained a peso-denominated loan from a local bank amounting to ₱95.00 million and ₱55.00 million, respectively, with a term of forty-eight (48) months at a fixed interest rate of 8.5% per annum. Principal repayment is scheduled until the end of the third year, with the remaining balance to be paid in full upon maturity. The loan is secured by a parcel of land held by the Group having a carrying value of ₱137.87 million and fair value of ₱696.81 million as of October 31, 2010.



In 2011 and 2010, the Group, through CCDC and CPMI, entered into bank financing agreement for installment payments of its transportation equipments amounting to ₱4.69 million and ₱6.21 million, respectively. The said assets were acquired under a joint financing plan between the Group and its managerial level employees and are capitalized and depreciated over their EUL of five years. The same transportation equipments are held on chattel mortgage by the bank as security. The loan, which bears interest ranging from 12.21% to 12.88% and payable within (5) years, amounted to ₱3.08 million and ₱4.24 million as of October 31, 2011 and 2010, respectively.

These loans contain negative covenant that the Group's payment of dividend is subject to certain financial ratios.

In 2010, CLC obtained a car loan from a local bank amounting to ₱0.85 million and bears interest at 17.30% per annum payable in (2) years, to finance the acquired transportation equipment. As of October 31, 2011 and 2010 and December 31, 2010, outstanding balance of this loan amounted to ₱0.50 million, ₱0.85 million and ₱0.77 million, respectively.

Interest Expense

Interest expense recognized in 2011 and 2010 for the short-term and long-term debts amounted to ₱40.94 million and ₱29.95 million, respectively (see Note 23).

17. Equity

Capital Stock

The details of the Company's common shares follow

	October 31, 2011	December 31, 2010	October 31, 2010
Authorized shares	10,000,000,000	6,000,000,000	6,000,000,000
Par value per share	₱0.53	₱1.00	₱1.00
Issued and subscribed shares	7,566,391,027	3,554,720,004	3,554,720,004

On August 17, 2011, the Parent Company's BOD approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into 6,000,000,000 shares to 10,000.00 million divided into 10,000,000,000 shares with par value of ₱1.00 per share.

On October 27, 2011, the Parent Company's application for increase in authorized common stock was approved by the SEC.

On the same date, CPI subscribed to 4,011,671,023 shares of CPGI at a subscription price of ₱1.00 per share for a total of ₱4,011,671,023 equivalent to the aggregate book value as of July 31, 2011 of CPI's shares in CPI subs.

Additional paid-in capital

On May 24, 2011, EPHE and EPPECI agreed to condone, release and waive all claims against the Parent Company. The condoned payable to stockholders amounting to a total of ₱105.59 million was recognized as additional paid-in capital.



Retained earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱236.16 million, ₱1,236.26 million and ₱1,304.47 million as of October 31, 2011 and 2010 and December 31, 2010, respectively

The BOD of CPMI approved the declaration and payment of cash dividend of ₱8.00 million and ₱5.00 million in 2011 and 2010, respectively. These dividends are reflected in the consolidated statements of changes in equity as dividends earned by the common shareholders of the Group.

Quasi-reorganization

On August 17, 2011, the Parent Company's BOD approved the equity restructuring of the Parent Company as follows:

- a) the balance of additional paid-in capital amounting to ₱2,875.76 million to be applied against the Parent Company's deficit balance;
- b) decrease in the par value of the Parent Company's common shares from ₱1.00 per share to ₱0.53 per share; and;
- c) the resulting additional paid-in capital from the reduction in the par value of the common shares to be applied against the Parent Company's deficit balance.

On October 28, 2011, the SEC approved the Parent Company's capital restructuring. The table below summarizes the effects of the equity restructuring in the stand alone financial statements of the Parent Company:

	Before the restructuring	Adjustments			After the restructuring
		(a)	(b)	(c)	
Capital stock	₱3,554,720,004	₱4,011,671,023	(₱3,556,203,786)	₱-	₱4,010,187,241
Additional paid-in capital	2,875,763,624	-	3,556,203,786	(6,428,731,956)	3,235,454
Deficit	(6,428,731,956)	-	-	6,428,731,956	-
	₱1,751,672	₱4,011,671,023	₱-	₱-	₱4,013,422,695

(a) Subscription of 4,011,671,023 common shares by CPI.

(b) Decrease in the par value of the Parent Company's common shares from ₱1.00 per share to ₱0.53 per share.

(c) Application of the additional paid-in capital against the Parent Company's deficit balance.

Equity reserve

Equity reserve amounting to ₱4,923.67 million and ₱4,622.85 million as of October and December 31, 2010, respectively, is the difference of the combination of the net assets of the subsidiaries of CPI and legal capital of the Parent Company measured at their pre-share swap carrying amounts.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding equity reserve and loss on AFS financial assets amounting to a total of ₱4,249.58 million, ₱7,561.15 million and ₱7,629.36 million as of October 31, 2011 and 2010 and December 31, 2010, respectively. No changes were made in the objectives, policies or processes during 2011 and 2010.



18. Earnings Per Share

Basic/diluted earnings per share amounts attributable to equity holders of the Parent Company for 2011 and 2010 follow:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Net income attributable to the equity holders of Century Properties Group, Inc.	₱779,648,826	₱156,658,508
Weighted average number of shares	3,857,245,109	3,993,664,058
Basic/diluted earnings per share	₱0.202	₱0.039

19. Property Management Fee and Other Services

This account consists of:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Property management fee	₱158,889,886	₱138,260,236
Technical services	894,272	98,178
Auction services	420,226	380,921
	₱160,204,384	₱138,739,335

Property management fee pertains mostly to facilities management and consultancy fees of condominium corporations, corporate facilities and prior projects of the Group, which have been turned over to the respective buyers.

Auction services are fees earned by the Group in facilitating auction of foreclosed real estate projects, which normally consist of a percentage for each sale made while technical services pertains to various services such as plan evaluation, consultation and project management.

20. Interest and Other Income

This account consists of:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Interest income (Notes 4 and 5)		
Cash and cash equivalents	₱16,541,475	₱4,163,120
Accretion of unamortized discount	378,669,930	44,380,722
Income from cancelled sales	226,870,731	34,453,809
Unrealized foreign exchange gain	234,358	317,562
Other income	14,903,005	12,183,037
	₱637,219,499	₱95,498,250



Interest income pertains to interest from cash and cash equivalents and the accretion of unamortized discount on noninterest-bearing installment contracts receivable.

Income from cancelled sales includes both reservation fees that have prescribed from the allowable period of completing the requirements for such reservation as well as forfeited collections from defaulted contracts receivables that have been assessed by the Group's management as no longer refundable.

Other income mainly consists of the penalties and other surcharges billed against defaulted installment contracts receivable. Real estate buyers are normally charged a penalty of 3% of the monthly installment for every month in arrears from the time the specific installment becomes due and payable.

21. Cost of Services

This account consists of:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Salaries, wages and employee benefits (Note 26)	₱108,501,137	₱82,054,646
Outside services	10,344,000	10,368,625
Professional fees	540,000	1,926,304
Others	-	3,931,232
	₱119,385,137	₱98,280,807

22. General, Administrative and Selling Expenses

This account consists of:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Salaries, wages and employee benefits (Note 26)	₱200,177,076	₱183,277,590
Commissions	159,395,709	84,976,292
Marketing and promotions	75,971,087	50,417,590
Professional fees	30,828,435	20,835,262
Entertainment, amusement and recreation	25,955,479	28,136,858
Taxes and licenses	25,318,415	52,423,701
Depreciation and amortization (Notes 11 and 12)	21,494,173	9,363,105
Communication	12,752,501	7,317,083
Rent (Note 27)	9,303,645	6,832,903
Outside services	6,334,043	8,098,286
Supplies	5,121,152	3,299,817
Transportation and travel	4,649,512	2,899,892
Utilities	643,330	3,347,622
Miscellaneous	30,229,552	15,274,554
	₱608,174,109	₱476,500,555

Miscellaneous expenses pertain mostly to repairs and maintenance and insurance.



23. Interest and Other Financing Charges

Details of this account follow:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Interest expense		
Short-term and long-term debt (Note 16)	₱40,935,335	₱29,948,121
Liability from purchased land (Note 7)	13,750,038	758,167
	54,685,373	30,706,288
Other financing charges	13,752,546	27,545,855
	₱68,437,919	₱58,252,143

Interest expense on liability from purchased land relates to the land held for future development by CLC (see Note 7).

Other financing charges mostly include charges from interbank transfers and other banking service fees.

24. Income Tax

The provision for income tax consists of:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Current		
RCIT/MCIT	₱100,688,477	₱9,820,340
Final	3,308,295	416,312
	103,996,772	10,236,652
Deferred	240,072,695	122,990,811
	₱344,069,467	₱133,227,463

Current tax

Provision for current tax pertains to final tax and RCIT/MCIT.

Income taxes include corporate income tax and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from debt instruments and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to 42% of interest income subjected to final tax starting November 1, 2005 until December 31, 2008. Starting January 1, 2009, interest allowed as deductible expense shall be reduced by 33%.

The NIRC of 1997 also provides for rules on the imposition of a 2% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.



In addition, the NIRC of 1997 allows the Group to deduct from its taxable income for the current year its accumulated NOLCO from the immediately preceding three (3) consecutive taxable years.

As of October 31, 2011, carryover NOLCO that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2008	₱216,204,156	(₱216,204,156)	₱-	2011
2009	58,310,814	(58,288,414)	22,400	2012
2010	103,253,205	-	103,253,205	2013
2011	465,267,817	-	465,267,817	2014
	₱843,035,992	(₱274,492,570)	₱568,543,422	

Deferred tax

The components of deferred taxes as of October 31, 2011 and 2010 and December 31, 2010 are as follows:

Net deferred tax assets:

	October 31, 2011	December 31, 2010	October 31, 2010
Deferred tax assets on:			
Allowance for probable losses	₱915,810	₱915,810	₱918,769
Difference between tax and book basis of accounting for real estate transactions	138,372,247	176,853,570	99,249,890
NOLCO	70,787,053	29,068,564	54,324,457
Retirement benefits	6,949,283	5,622,842	6,326,916
Unamortized discount	-	647,398	584,733
Unrealized foreign exchange loss	8,243	12,031	9,254
MCIT	-	-	2,112,931
	217,032,636	213,120,215	163,526,950
Deferred tax liabilities on:			
Prepayments	36,454,152	-	48,907,085
Capitalized borrowing costs	3,583,507	1,765,889	1,280,967
	40,037,659	1,765,889	50,188,052
Net deferred tax assets	₱176,994,977	₱211,354,326	₱113,338,898



Net deferred tax liabilities:

	October 31, 2011	December 31, 2010	October 31, 2010
Deferred tax assets on:			
Allowance for probable losses	₱2,366,235	₱-	₱-
Difference between tax and book basis of accounting for real estate transactions	-	115,509,474	203,629,721
Unamortized discount	-	13,599,261	9,281,669
Unrealized foreign exchange loss	6,151	-	-
NOLCO	70,426,680	1,725,783	564,153
MCIT	-	-	7,694,423
	72,799,066	130,834,518	221,169,966
Deferred tax liabilities on:			
Difference between tax and book basis of accounting for real estate transactions	₱87,875,366	₱-	₱-
Change in fair value of investment property	674,598,747	676,324,529	668,915,830
Capitalized borrowing costs	60,478,378	5,632,825	65,665,292
Unrealized foreign exchange gain	-	93,074	-
Prepayments	6,775,831	-	-
Others	741,035	-	117,853
	830,469,357	682,050,428	734,698,975
Net deferred tax liabilities	₱757,670,291	₱551,215,910	₱513,529,009

Unrecognized deferred tax assets

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Previously unrecognized deferred tax asset will be recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

	2011	2010
NOLCO	₱97,830,976	₱141,822,575
MCIT	4,740,864	143,723
	₱102,571,840	₱141,966,298

Board of Investments (BOI) incentives

On January 6, 2010, the BOI issued in favor of the Group a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Azure Urban Residences in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday for a period of four (4) years from December 2012 or the actual start of commercial operations or selling, whichever is earlier and importation of capital equipment, spare parts and accessories at zero percent duty from date of registration up to June 16, 2011. As of October 31, 2011, the Group opted not to avail of the incentives.



Statutory reconciliation

The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in the consolidated statement of income follows:

	October 31, 2011 (Ten months)	October 31, 2010 (Ten months)
Provision for income tax computed at statutory rate	₱337,492,425	₱82,976,023
Adjustments for:		
Change in unrecognized deferred tax assets	5,189,086	41,791,618
Nondeductible interest and other expenses	2,729,994	8,639,426
Interest income subjected to final tax	(1,342,038)	(179,604)
	₱344,069,467	₱133,227,463

25. Related Party Transactions

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements. Outstanding balances at year-end are unsecured and noninterest-bearing. There have been no guarantees provided or received for any related party receivables or payables. As of October 31, 2011 and 2010, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The effects of the foregoing transactions are shown under the following accounts in the consolidated financial statements:

	October 31, 2011	December 31, 2010	October 31, 2010
Due from related parties:			
Stockholders	₱156,085,591	₱666,053,503	₱341,320,637
Entities under common control	10,865,850	47,779,843	1,158,061
	₱166,951,441	₱713,833,346	₱342,478,698
Due to related parties:			
Stockholders	₱348,262,471	₱193,764,272	₱179,693,061
Entities under common control	3,880,518	22,223,712	51,502,022
	₱352,142,989	₱215,987,984	₱231,195,083

Entities under common control are entities that are owned and controlled by the some of the BOD of the Parent Company and neither a subsidiary or associate of the Parent Company. These entities are in effect sister companies of the Parent Company by virtue of ownership.

The Group has contracted Century Properties Management Construction Corporation (CPMCC) as the project manager that will handle the construction activities of the Group. CPMCC is owned by one of the key management personnel of the Group. As of October 31, 2011 and 2010, advances made to CPMCC recognized under the "Advances to contractors and suppliers" account amount to 16.55 million and ₱1.00 million, respectively.

Outstanding balances with related parties are expected to be settled within one year after the reporting date.



Significant transactions of the Group with related parties are described below:

Assignment of rights over ISMI properties

On May 11, 2007, CPI and CCDC entered into a Deed of Absolute Assignment (DAA I) wherein CPI absolutely assigned, transferred and conveyed to CCDC its interests in the ISMI properties in exchange for CCDC's shares of stock for an aggregate subscription price of ₱1,014.72 million (see Note 7).

On the same date, CCDC incorporated twelve subsidiaries as special purpose corporations created for the purpose of developing the ISMI properties and taking an assignment of its rights previously acquired from CPI. CCDC and its subsidiaries deemed it necessary and beneficial to streamline the operations of the said companies by transferring to the subsidiaries a portion of the rights, interests and ownership of CCDC in the ISMI properties with an aggregate area of 1,450 square meters and value of ₱45.56 million. Accordingly, CCDC and its subsidiaries executed a Deed of Absolute Assignment (DAA II) wherein CCDC assigned and transferred a portion of its rights and interest over the ISMI properties in exchange for subscription to additional shares of stock in each of the subsidiaries.

On June 5, 2007, the DAA I was amended (1st Amendment) where the aggregate amount was changed to ₱1,014.72 million in consideration of the prepayment discount given by PMO. Under the 1st Amendment entered into by CPI and CCDC, CCDC shall issue an aggregate of 101.47 million common shares with a par value of ₱1 at issuance price of approximately ₱10 per share resulting in an aggregate issuance price of ₱1,014.72 million and additional paid-in capital of ₱913.25 million in relation to the assignment of the CPI's rights and interests in the ISMI properties.

Similarly, the DAA II was amended on the same date, taking into account such prepayment discount.

The application for issuance of shares of CCDC in favor of CPI was approved by Securities and Exchange Commission (SEC) on May 8, 2008.

On July 16, 2008, CCDC filed a petition for amendment of its initial application for issuance of additional shares in favor of CPI to reflect that instead of recording the ₱913.25 million as additional paid-in capital in favor of the CPI, it should be ₱909.26 million, net of ₱3.99 million scrap sale, as advances in favor of CPI, or any of its assignees. In connection with this petition, CCDC amended the 1st Amendment (2nd Amendment) to reflect the true and correct will of the parties. The amended application for issuance of shares of CCDC in favor of CPI was approved by SEC on December 24, 2008.

As of October 31, 2011 and 2010, ISMI properties distributed to CCDC and its subsidiaries are recorded under "Real estate inventories", "Land held for future development" and "Investment properties".

Allocation of Expenses

In the normal course of business, CPI shoulders and pays certain operating expenses on behalf of the Group such as rent, salaries and selling expenses. Total operating expenses allocated to the Group amounted to ₱252.17 million and ₱161.58 million for the ten months ended October 31, 2011 and 2010, respectively.



Key management compensation

The key management personnel of the Group include all directors, executive, and senior management. The details of compensation and benefits of key management personnel in 2011 and 2010 follow:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten months)
Short-term employee benefits	₱23,478,250	₱14,496,047
Post-employment benefits (Note 26)	2,079,362	1,283,849
	₱25,557,612	₱15,779,896

26. Pension Cost

The Group has an unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days pay per year service in accordance with Republic Act 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the retirement benefit obligation.

The components of retirement benefits expense included under “Salaries, wages and employee benefits” under general, administrative and selling expenses follow:

	October 31, 2011	October 31, 2010
	(Ten months)	(Ten Months)
Current service cost	₱2,495,900	₱2,919,718
Interest cost on benefit obligation	1,925,570	1,509,733
Retirement expense	₱4,421,470	₱4,429,451

The amounts recognized in the consolidated statements of financial position for the pension plan are as follows:

	October 31, 2011	December 31, 2010	October 31, 2010
Defined benefit obligation	₱33,161,323	₱28,739,853	₱21,065,630
Unrecognized actuarial gains (losses)	(9,997,046)	(9,997,046)	24,091
Liability recognized in the statements of financial position	₱23,164,277	₱18,742,807	₱21,089,721

Changes in the present value of the defined benefit obligation are as follow:

	October 31, 2011	December 31, 2010	October 31, 2010
Balance at January 1	₱28,739,853	₱16,636,179	₱16,636,179
Current service cost	2,495,900	2,995,080	2,919,718
Interest cost	1,925,570	1,811,680	1,509,733
Benefits paid	-	(2,724,223)	-
Actuarial losses	-	10,021,137	-
Balance at October 31	₱33,161,323	₱28,739,853	₱21,065,630



The assumptions used to determine retirement benefits for the Group are as follows:

	October 31, 2011	December 31, 2010	October 31, 2010
Discount rate	8.04%	8.04%	10.89%
Salary increase rate	7.00%	7.00%	7.00%

The amount of unfunded status and experience adjustments for the current and the previous periods follow:

	October 31, 2011	December 31, 2010	October 31, 2010
Defined benefit obligation	₱33,161,323	₱28,739,853	₱21,065,630
Experience adjustments on plan			
Liabilities	2,018,230	2,018,230	(1,089,306)

27. Operating Lease Agreements

The Group is a lessee under operating leases covering the sales and administrative offices including the model units for prospective buyers. The leases have terms ranging from two to three years, with renewal options. Monthly rent payment is computed using a fix rate per square meter. Rental expense charged to operations amounted to ₱9.30 million and ₱6.83 million for the ten months ended October 31, 2011 and 2010, respectively (see Note 22).

Future minimum rentals payable under operating leases follow:

	October 31, 2011	December 31, 2010	October 31, 2010
Within one year	₱39,886,321	₱18,992,862	₱29,932,904
After one year but not more than five years	75,077,640	18,536,471	73,236,680
	₱114,963,961	₱37,529,333	₱103,169,584



28. Financial Instruments

Fair Value Information

The table below presents the carrying amounts and fair value of the Group's financial assets and liabilities are as follows:

	October 31, 2011		December 31, 2010		October 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and receivables						
Cash and cash equivalents	₱865,877,707	₱865,877,707	₱282,715,479	₱282,715,479	₱620,245,591	₱620,245,591
Receivables						
Trade receivables						
Real estate	1,704,529,912	2,251,241,406	547,539,735	703,790,711	192,993,541	250,434,350
Management fee	35,190,664	35,190,664	27,809,257	27,809,257	30,665,282	30,665,282
Auction fee and commissions	2,511,102	2,511,102	2,449,771	2,449,771	2,560,574	2,560,574
Advances to customers	7,729,405	7,729,405	33,816,491	33,816,491	8,646,486	8,646,486
Other receivables	33,381,075	33,381,075	12,219,146	12,219,146	7,643,762	7,643,762
Due from related parties	166,951,441	166,951,441	713,833,346	713,833,346	342,478,698	342,478,698
	2,816,171,306	3,362,882,800	1,620,383,225	1,776,634,201	1,205,233,934	1,262,674,743
AFS financial assets	10,821,043	10,821,043	10,268,120	10,268,120	11,747,507	11,747,507
Total Financial Assets	₱2,826,992,349	₱3,373,703,843	₱1,630,651,345	₱1,786,902,321	₱1,216,981,441	₱1,274,422,250
Other financial liabilities						
Accounts and other payables						
Accounts payable	₱499,150,251	₱499,150,251	₱444,813,021	₱444,813,021	₱382,931,571	₱382,931,571
Accrued expenses	338,035,222	338,035,222	59,458,822	59,458,822	169,697,314	169,697,314
Payable to MJCI	25,281,573	25,281,573	56,346,988	56,346,988	99,295,177	99,295,177
Retention payable	26,836,251	26,836,251	27,572,949	27,572,949	27,687,315	27,687,315
Other payables	9,794,671	9,794,671	11,576,174	11,576,174	9,609,205	9,609,205
Short-term debt	21,414,954	20,508,983	109,001,885	109,001,885	81,849,028	78,386,362
Due to related parties	352,142,989	352,142,989	215,987,984	215,987,984	231,195,082	231,195,082
Long-term debt	1,187,615,006	1,083,270,554	1,117,056,339	1,097,875,455	1,194,046,495	1,063,141,677
Liability from purchased land	90,420,122	87,056,442	145,225,314	128,285,402	145,225,313	131,527,019
Total Financial Liabilities	₱2,550,691,039	₱2,442,076,936	₱2,187,039,476	₱2,150,918,680	₱2,341,536,500	₱2,193,470,722



Fair Value of Financial Instruments

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Financial assets

Cash and cash equivalents, receivables (excluding real estate receivables with more than one year tenor) and due from related parties - Carrying amounts approximate fair values due to the short-term maturities of these instruments.

Noncurrent real estate receivables - Fair value is based on undiscounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used for the estimation ranged from 3.20% to 8.00% and 2.51% to 5.41% in 2011 and 2010, respectively.

AFS quoted equity securities - Fair values are based on quoted prices published in the market.

Other financial liabilities

The fair values of accounts and other payables, due to related parties, short-term debt and funds held in trust approximate the carrying amount due to the short-term maturities of these instruments.

The fair value of long-term debt and liability from purchased land are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used for long-term debt ranged from 2.50% to 4.44% and 4.81% to 6.08% as of October 31, 2011 and 2010 and December 31, 2010, respectively. The discount rates used for the liability from purchased land ranged from 3.83% to 5.37% and 1.41% to 5.20% as of October 31, 2011 and 2010 and December 31, 2010, respectively.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of October 31, 2011 and 2010 and December 31, 2010, the Group held AFS financial assets comprising of quoted equity securities which are measured at fair value. Accordingly, such investments are classified under Level 1. The Group has no financial instruments measured under Level 2 and 3.

In 2011 and 2010, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives

The Group has various financial assets and liabilities such as cash, receivables, accounts and other payables and due to related parties, which arise directly from its operations. The Group has availed short-term and long-term debt for financing purposes.



Exposure to credit, interest rate and liquidity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

Credit risk

The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for real estate receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group has no significant concentrations of credit risk.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position.

	October 31, 2011	December 31, 2010	October 31, 2010
Cash and cash equivalents*	₱865,771,566	₱282,625,515	₱620,155,627
Receivables			
Trade receivables			
Real estate	1,704,529,912	547,539,735	192,993,541
Management fee	32,640,215	27,809,257	28,114,833
Auction fee and commissions	2,008,852	2,449,771	2,048,460
Advances to customers	7,729,405	33,816,491	8,646,486
Other receivables	33,381,075	12,219,146	7,643,762
Due from related parties	166,951,441	713,833,346	342,478,698
AFS financial assets	10,821,043	10,268,120	11,747,507
Total credit risk exposure	₱2,823,833,509	₱1,630,561,381	₱1,213,828,914

*Excludes cash on hand



The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements. The subject real estate units are held as collateral for all installment contracts receivable.

The table below shows the credit quality of the Group's financial assets:

October 31, 2011

	Neither past due nor impaired			Past due but not		Total
	High grade	Medium Grade	Low Grade	Impaired	Impaired	
Cash and cash equivalent	₱865,771,566	₱-	₱-	₱-	₱-	₱865,771,566
Receivables						
Trade						
Real estate	1,666,990,648	-	-	37,539,264	-	1,704,529,912
Management fee	32,640,215	-	-	-	2,550,449	35,190,664
Auction fee and commissions	2,008,852	-	-	-	502,250	2,511,102
Advances to customers	196,979	-	-	7,532,426	-	7,729,405
Others	33,381,075	-	-	-	-	33,381,075
Due from related parties	166,951,441	-	-	-	-	166,951,441
	2,767,940,776	-	-	45,071,690	3,052,699	2,816,065,165
AFS financial assets	10,821,043	-	-	-	-	10,821,043
Total	₱2,778,761,819	₱-	₱-	₱45,071,690	₱3,052,699	₱2,826,886,208

December 31, 2010

	Neither past due nor impaired			Past due but not		Total
	High grade	Medium Grade	Low Grade	Impaired	Impaired	
Cash and cash equivalent	₱282,625,515	₱-	₱-	₱-	₱-	₱282,625,515
Receivables						
Trade						
Real estate	496,824,287	-	-	50,715,448	-	547,539,735
Management fee	27,809,257	-	-	-	-	27,809,257
Auction fee and commissions	2,449,771	-	-	-	-	2,449,771
Advances to customers	-	-	-	33,816,491	-	33,816,491
Others	9,980,076	-	-	2,239,070	-	12,219,146
Due from related parties	6,854,847	-	-	706,978,499	-	713,833,346
	826,543,753	-	-	793,749,508	-	1,620,293,261
AFS financial assets	10,268,120	-	-	-	-	10,268,120
Total	₱836,811,873	₱-	₱-	₱793,749,508	₱-	₱1,630,561,381

October 31, 2010

	Neither past due nor impaired			Past due but not		Total
	High grade	Medium Grade	Low Grade	Impaired	Impaired	
Cash and cash equivalent	₱620,155,627	₱-	₱-	₱-	₱-	₱620,155,627
Receivables						
Trade						
Real estate	189,247,971	-	-	3,745,570	-	192,993,541
Management fee	28,114,833	-	-	-	2,550,449	30,665,282
Auction fee and commissions	2,048,460	-	-	-	512,114	2,560,574
Advances to customers	15,800	-	-	8,630,686	-	8,646,486
Others	7,643,762	-	-	-	-	7,643,762
Due from related parties	342,478,698	-	-	-	-	342,478,698
	1,189,705,151	-	-	12,376,256	3,062,563	1,205,143,970
AFS financial assets	11,747,507	-	-	-	-	11,747,507
Total	₱1,201,452,658	₱-	₱-	₱12,376,256	₱3,062,563	₱1,216,891,477



The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payments; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

AFS financial assets, which are assessed by management as high grade, are investments in equity instruments in companies with good financial capacity.

As of October 31, 2011 and 2010 and December 31, 2010, the aging analysis of the Group's receivables presented per class is as follows:

October 31, 2011

	Neither Past Due nor Impaired	Past due but not impaired				Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	90-120 days		
Receivables							
Trade receivables							
Real estate	₱1,666,990,648	₱17,016,475	₱5,150,135	₱15,372,654	₱-	₱-	₱1,704,529,91
Management fee	32,640,215	-	-	-	-	2,550,449	35,190,66
Auction fee and commissions	2,008,852	-	-	-	-	502,250	2,511,10
Advances to customers	196,979	125,906	172,917	2,798,378	4,435,225	-	7,729,40
Other receivables	33,381,075	-	-	-	-	-	33,381,07
Due from related parties	166,951,441	-	-	-	-	-	166,951,44
Total	₱1,902,169,210	₱17,142,381	₱5,323,052	₱18,171,032	₱4,435,225	₱3,052,699	₱1,950,293,59

December 31, 2010

	Neither Past Due nor Impaired	Past due but not impaired				Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	90-120 days		
Receivables							
Trade receivables							
Real estate	₱496,824,287	₱22,282,854	₱4,869,493	₱6,512,341	₱17,050,761	₱-	₱547,539,736
Management fee	27,809,257	-	-	-	-	2,550,449	30,359,706
Auction fee and commissions	2,449,771	-	-	-	-	502,250	2,952,021
Advances to customers	-	202,384	-	-	33,614,107	-	33,816,491
Other receivables	9,980,077	-	-	-	2,239,070	-	12,219,147
Due from related parties	6,854,847	-	-	501,113,372	205,865,127	-	713,833,346
Total	₱543,918,239	₱22,485,238	₱4,869,493	₱507,625,713	₱258,769,065	₱3,052,699	₱1,340,720,447



October 31, 2010

	Neither Past Due nor Impaired <30 days	Past due but not impaired				Impaired Financial Assets	Total
		30-60 days	60-90 days	90-120 days	>120 days		
Receivables							
Trade receivables							
Real estate	₱189,247,971	₱2,686,176	₱275,856	₱51,924	₱731,615	₱-	₱192,993,541
Management fee	28,114,833	-	-	-	-	2,550,449	30,665,282
Auction fee and commissions	2,048,460	-	-	-	-	512,114	2,560,574
Advances to customers	15,800	-	80,374	2,140,981	6,409,330	-	8,646,486
Other receivables	7,643,762	-	-	-	-	-	7,643,762
Due from related parties	342,478,698	-	-	-	-	-	342,478,698
Total	₱569,549,524	₱2,686,176	₱356,230	₱2,192,905	₱7,140,945	₱3,062,563	₱584,988,343

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

	2011			Total - Gross
	Within 1 Year	1-5 years	More than 5 years	
Financial assets				
Cash and cash equivalent	₱865,771,566	₱-	₱-	₱865,771,566
Receivables				
Trade receivables				
Real estate	668,625,423	1,035,904,489	-	1,704,529,912
Management fee	35,190,664	-	-	35,190,664
Auction fee and commissions	2,511,102	-	-	2,511,102
Advances to customers	7,729,405	-	-	7,729,405
Other receivables	33,381,075	-	-	33,381,075
Due from related parties	166,951,441	-	-	166,951,441
	₱1,780,160,676	₱1,035,904,489	₱-	₱2,816,065,165
Financial liabilities				
Accounts and other payables	₱899,608,763	₱-	₱-	₱899,608,763
Due to related parties	352,142,989	-	-	352,142,989
Short-term debt	21,414,954	-	-	21,414,954
Long-term debt	322,237,070	865,377,936	-	1,187,615,006
Liability from purchased land	18,761,470	71,658,652	-	90,420,122
	₱1,614,165,246	₱937,036,588	₱-	₱2,551,201,834



	2010			Total – Gross
	Within 1 Year	1-5 years	More than 5 years	
Financial assets				
Cash and cash equivalent	₱620,155,627	₱–	₱–	₱620,155,627
Receivables				
Trade receivables				
Real estate	115,002,722	77,990,819	–	192,993,541
Management fee	30,665,282	–	–	30,665,282
Auction fee and commissions	2,560,574	–	–	2,560,574
Advances to customers	8,646,486	–	–	8,646,486
Other receivables	7,643,762	–	–	7,643,762
Due from related parties	342,478,698	–	–	342,478,698
	₱1,127,153,151	₱77,990,819	₱–	₱1,205,143,970
Financial liabilities				
Accounts and other payables	₱690,524,642	₱–	₱–	₱690,524,642
Due to related parties	231,195,082	–	–	231,195,082
Short-term debt	81,849,028	–	–	81,849,028
Long-term debt	94,509,012	1,099,537,483	–	1,194,046,495
Liability from purchased land	54,805,191	90,420,122	–	145,225,313
	₱1,152,882,955	₱1,189,957,605	₱–	₱2,342,840,560

	October 31, 2010			Total – Gross
	Within 1 Year	1-5 years	More than 5 years	
Financial assets				
Cash and cash equivalent	₱620,155,627	₱–	₱–	₱620,155,627
Receivables				
Trade receivables				
Real estate	115,002,722	77,990,819	–	192,993,541
Management fee	28,114,833	–	–	28,114,833
Auction fee and commissions	2,048,460	–	–	2,048,460
Advances to customers	8,646,486	–	–	8,646,486
Other receivables	7,643,762	–	–	7,643,762
Due from related parties	342,478,698	–	–	342,478,698
	₱1,124,090,588	₱77,990,819	₱–	₱1,202,081,407
Financial liabilities				
Accounts and other payables	₱689,220,582	₱–	₱–	₱689,220,582
Due to related parties	231,195,082	–	–	231,195,082
Short-term debt	81,849,028	–	–	81,849,028
Long-term debt	132,569,244	1,061,477,251	–	1,194,046,495
Liability from purchased land	54,844,851	90,380,462	–	145,225,313
	₱1,189,678,787	₱1,151,857,713	₱–	₱2,341,536,500

Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. There are only minimal placements in foreign currencies and the Group does not have any foreign currency-denominated debt. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and their peso equivalents as of October 31, 2011 and 2010 and December 31, 2010:

	October 31, 2011		December 31, 2010		October 31, 2010	
	Original currency	Peso Equivalent	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Assets						
Cash and cash equivalents						
US Dollar	\$320,050	₱13,640,536	\$391,430	₱17,160,312	\$410,929	₱17,674,046
Euro	€3,992	243,752	€7,549	438,068	€20,719	1,246,248
<i>Total foreign currency denominated assets</i>		₱13,884,288		₱17,598,380		₱18,920,294

The spot exchange rates used were ₱42.62 to US\$1 and ₱61.06 to €1 in 2011; ₱43.01 to US\$1 and ₱60.15 to €1 in 2010



	October 31, 2011 (Ten months)		October 31, 2010 (Ten months)	
	Increase/decrease in foreign exchange rates	Effect on profit before tax	Increase/decrease in foreign exchange rates	Effect on profit before tax
Dollar	₱0.006 (0.006)	₱1,920 (1,920)	₱0.016 (0.016)	₱6,575 (6,575)
Euro	₱0.131 (0.131)	₱523 (523)	₱0.005 (0.005)	₱104 (104)

There is no other impact on the Group's total comprehensive income other than those already affecting the net income.

29. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:

- Real estate development - sale of high-end, upper middle-income and affordable residential lots and units and lease of residential developments under partnership agreements
- Property management - facilities management of the residential and corporate developments of the Group and other third party projects, including provision of technical and related consultancy services.



Details of the Group's operating segments as of October 31, 2011 and 2010 are as follows:

2011

	Real Estate Development	Property Management	Consolidated
Revenue			
Real estate sales and property management fee and other services customers	₱3,222,420,467	₱160,204,384	₱3,382,624,851
Costs and expenses			
Cost of real estate sales and services	2,098,872,434	119,385,137	2,218,257,571
General, administrative and selling expenses	577,191,062	30,983,047	608,174,109
Operating income	546,356,971	9,836,200	556,193,171
Other income (expenses)			
Gain from change in fair value of investment properties	-	-	-
Interest and other income	636,912,662	306,837	637,219,499
Interest and other financing charges	(67,678,935)	(758,984)	(68,437,919)
Income before income tax	1,115,590,698	9,384,053	1,124,974,751
Provision for income tax	340,967,702	3,101,765	344,069,467
Net income	₱774,622,996	₱6,282,288	₱780,905,284
Net income attributable to:			
Equity holders of Century Properties Group, Inc.	₱774,622,996	₱5,025,830	₱779,648,826
Non-controlling interests	-	1,256,458	1,256,458
	₱774,622,996	₱6,282,288	₱780,905,284
Other information			
Segment assets	₱10,005,058,964	₱93,138,755	₱10,098,197,719
Segment liabilities	₱5,765,014,219	₱86,036,976	₱5,851,051,195

2010

	Real Estate Development	Property Management	Consolidated
Revenue			
Real estate sales and property management fee and other services customers	₱1,728,157,627	₱138,739,335	₱1,866,896,962
Costs and expenses			
Cost of real estate sales and services	1,176,253,298	98,280,807	1,274,534,105
General, administrative and selling expenses	435,391,400	41,109,155	476,500,555
Operating income (loss)	116,512,929	(650,627)	115,862,302
Other income (expenses)			
Gain from change in fair value of investment properties	123,478,334	-	123,478,334
Interest and other income	94,854,310	643,940	95,498,250
Interest and other financing charges	(57,448,102)	(804,041)	(58,252,143)
Income (loss) before income tax	277,397,471	(810,728)	276,586,743
Provision for income tax	132,944,031	283,432	133,227,463
Net income	₱144,453,440	(₱1,094,160)	₱143,359,280
Net income attributable to:			
Equity holders of Century Properties Group, Inc.	₱157,533,837	(₱875,329)	₱156,658,508
Non-controlling interests	(13,080,396)	(218,832)	(13,299,228)
	₱144,453,441	(₱1,094,161)	₱143,359,280
Other information			
Segment assets	₱7,322,017,668	₱82,851,012	₱7,404,868,680
Segment liabilities	₱4,713,829,417	₱76,732,955	₱4,790,562,372



30. Real Estate Development Projects

Owner-Developer Projects

The owner-developer projects of the Group comprise of the developments on the ISMI properties (see Note 7), pursuant to the master plan over all these parcels of lots, which collectively will be named as “Century City”.

As of October 31, 2011, the Group, through CCDC and some of its subsidiaries, has four (4) projects launched and in progress based on such master plan. The details of the respective project completion and expected turnover of these projects are as follows:

	Project Completion			Expected Turn-over
	October 31, 2011	December 31, 2010	October 31, 2010	
Gramercy Residences	83.06%	61.54%	44.10%	2012
Knightsbridge Residences	42.37%	16.54%	14.79%	2013
Milano Residences	2.02%	0.00%	0.00%	2015
Centuria Medical Tower (Note 7)	0.71%	0.00%	0.00%	2014

Projects Under Partnership Agreements

The Canyon Ranch

On February 24, 2004, CCC entered into a Joint Venture Agreement (JVA I) with MJCI to develop a 17.09 hectare property owned by MJCI which is located at Brgy. Lantic, Carmona, Cavite, into an exclusive residential subdivision known as “The Canyon Ranch” project.

Under the JVA I, CCC shall develop the property at its own expense. MJCI, in turn, agrees to compensate CCC by sharing 50% of the sales proceeds pertaining to the residential and commercial lots. CCC, however, is entitled to the entire sales proceeds pertaining to the housing units to be constructed by CCC on MJCI’s property. CCC shall collect the payments for the house-and-lot units sold and shall remit to MJCI the latter’s share in the proceeds.

As of October 31, 2011 and 2010 and December 31, 2010, CCC has outstanding payable to MJCI pertaining to unremitted share of MJCI in the sales proceeds amounting to ₱25.28 million, ₱99.30 million and ₱56.35 million shown under “Accounts and other payables” in the consolidated statement of financial position (see Note 14).

The average percentage of completion of the project per phase as of October 31, 2011 are as follow:

	Land Development	Housing
Phase 1	100.00%	99.03%
Phase 2	99.00%	94.31%

Moderno at The Canyon Ranch

Incidental to the planned expansion of “The Canyon Ranch”, CCC entered into additional Joint Venture Agreements (JVAs) with certain individuals on November 28, 2006. The JVAs cover the development plan on parcels of land situated within the site of the initial project.



Under the JVAs, CCC shall develop the said properties at its own expense. The joint venture partners (JV partners), in turn, agree to compensate CCC by sharing 60% and 78%, respectively, of the net sales proceeds pertaining to the residential lots. CCC, however, is entitled to the entire sales proceeds pertaining to the housing units to be constructed by CCC on such properties. CCC shall collect the payments for the house-and-lot units sold and shall remit to the joint venture partners' share in the proceeds.

As of October 31, 2011 and 2010 and December 31, 2010, CCC has outstanding receivable included under the "Advances to land owners" account amounting to ₱7.11 million, ₱6.10 million and ₱6.10 million, respectively, from the JV partners of Moderno arising from such prepayment of assumed share of the JV partners and shall be applied upon remittance of actual collections generated in units attributable to the JV partners (see Note 8).

The average percentage of completion of the project per phase as of October 31, 2011 are as follow:

	Land Development	Housing
Moderno A	85.00%	8.42%
Moderno B	0.00%	0.00%

The Azure Urban Resort Residences

On February 18, 2010, CLC entered into a Joint Venture Agreement (JVA II) with Columbian Motors Corporation, Columbian Autocars Corporation and Asian Carmakers Corporation (collectively called the "Columbian Group"), to develop a 60,485 square meter property located at Bicutan, Parañaque City, into a multi-storey residential and /or mixed-use condominium project to be named as the "Azure" project.

Under JVA II, CLC is committed to complete, at its sole expense, the project within a period of twelve years from Day 1 as stipulated in the contract with Columbian Group, depending on the market feasibility and other conditions outlined in the agreement. The parties agree that Columbian Group shall be entitled to 12% of the total units and parking slots and shall receive 15% of this share in actual units. As further provided in JVA II, Columbian Group is guaranteed to receive significant payments over the duration of the agreement amounting to ₱400.00 million and any amount over and above such minimum amount depending on the sales and collection that will ultimately be generated from Columbian Group's unit at the completion of the condominium project.

In 2010, CLC commenced the construction of its project and has two (2) of the nine (9) planned buildings of the Azure Residences as in progress at the end of the year. Project completion of the two (2) buildings is 34.10% and 23.87% for "Rio" and "Santorini," respectively, as of October 31, 2011. CLC launched the the third and fourth buildings of the Azure Residences in 2011 and are still under the predevelopment stage as of October 31, 2011.

As of October 31, 2011 and 2010 and December 31, 2010, CLC has outstanding receivable included under the "Advances to land owners" account amounting to ₱80.07 million, ₱74.11 million and ₱60.60 million, respectively, from Columbian Group arising from such prepayment of assumed share of the Columbian Group and shall be applied upon remittance of actual collections generated in units attributable to Columbian Group (see Note 8).



31. Contingencies

The Group is contingently liable for lawsuits or claims filed by third parties (substantially civil cases that are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable). In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments. No provisions were made during the year.

32. Note to Consolidated Statements of Cash Flows

Below are the non-cash investing and financing transactions for the ten months ended October 31, 2011 and 2010 and year ended December 31, 2010:

- a. Accretion of unamortized discount for noninterest-bearing contracts receivable amounting to ₱378.67 million, ₱44.38 million and ₱68.41 million for the ten months ended October 31, 2011 and 2010 and year ended December 31, 2010, respectively (see Note 5).
- b. Capitalization of borrowing costs amounting to ₱191.37 million, ₱56.21 million and ₱65.25 million for the ten months ended October 31, 2011 and 2010 and year ended December 31, 2010, respectively (see Note 6).
- c. Transfer of ₱339.06 million and ₱427.88 million worth of investment properties to real estate inventories for 2011 and 2010, respectively (see Notes 6 and 10).
- d. Revaluation of investment properties amounting to ₱123.48 million, nil and ₱148.17 million for the ten months ended October 31, 2011 and 2010 and year ended December 31, 2010, respectively (see Note 10).
- e. Transfer of ₱1,019.79 million worth of investment properties to land held for future development in 2011 (see Note 7).
- f. Transfer of ₱74.19 million and ₱79.87 million worth of land held for future development to real estate inventories in 2011 and 2010, respectively (see Note 6 and 7).
- g. On October 18, 2010, the Group purchased transportation equipment amounting to ₱0.85 million through a car loan obtained from a local bank, of which ₱0.77 million remain outstanding as of December 31, 2010.



33. Events After the Reporting Date

In January 2011, CPI issued a ₪1.6 billion convertible bond due 2016 to APG Strategic Real Estate Pool N.V., a public limited liability company incorporated under the laws of the Netherlands. The convertible bond is secured by receivables from CPI subs at a ratio of 1.35 of receivables for every 1.00 of principal. The proceeds of the convertible bond were used to fund the Group's existing and new projects and for general working capital purposes.

On January 27, 2012, CPI's BOD approved the Purchase Agreement with APG which provides that upon the closing of the secondary shares offering of the Parent Company, CPI will sell a fixed number of commons shares to APG in exchange for the convertible bond, whereupon CPI will cancel the convertible bond and the security will be released.

