Alsons Consolidated Resources, Inc. and Subsidiaries

Consolidated Financial Statements
First Quarter Ended March 31, 2010 with
Comparative Figures as of March 31, 2009 and the
Year Ended December 31, 2009

and

Management Discussion and Analysis of Results of
Operations and Financial Condition

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	UNAUDITED THREE MONTHS ENDED MARCH 31,		AUDITED
	2010	2009	December 31, 2009
ASSETS			
Current Assets			
Cash and cash equivalents	**401,872,744**	1,273,666,798	662,008,558
Short-term cash investments	**1,351,064,493**	1,003,490,534	1,201,786,445
Trade and other receivables	**4,419,412,603**	4,957,617,245	4,412,842,872
Inventories - net	**146,364,425**	166,789,106	145,792,296
Real estate held for sale	**1,293,719,853**	1,554,958,701	1,320,664,410
Prepaid expenses and other current assets	**191,818,419**	130,091,496	165,245,771
Total Current Assets	**7,804,252,538**	9,086,613,881	7,908,340,352
Noncurrent Assets			
Noncurrent portion of installment receivable	**7,658,636**	8,864,982	7,658,636
Investments in real estate	**1,276,221,367**	1,317,379,972	1,276,221,367
Investments in associates	**37,075,522**	36,018,495	37,075,522
Property and Equipment - net	**3,353,222,475**	3,883,497,885	3,506,182,092
Goodwill	**1,019,358,241**	1,090,325,532	1,033,625,947
Other Assets	**708,866,011**	241,198,492	708,577,497
Total Noncurrent Assets	**6,402,402,253**	6,577,285,358	6,569,341,061
	14,206,654,791	15,663,899,239	14,477,681,413
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	**501,150,722**	776,317,728	750,921,265
Dividends payable	**519,753,000**	-	62,915,000
Loans payable	**37,109,000**	40,000,000	37,109,000
Income tax payable	**66,023,801**	355,693,992	63,553,825
Current portion of long term debt	**239,692,567**	122,059,713	274,017,955
Debts under negotiation	**426,250,000**	793,884,907	639,199,743
Total Current Liabilities	**1,789,979,091**	2,087,956,340	1,827,716,788
Noncurrent Liabilities			
Long-term Debt	**1,068,870,649**	688,748,391	919,292,530
Deferred tax liabilities	**546,204,453**	483,151,515	554,611,165
Accrued pension costs	**15,430,819**	21,688,929	1,874,355
Customers' Deposits	**79,418,113**	65,583,597	37,206,628
Asset retirement obligation	**58,177,825**	87,579,048	57,079,800
Unrearned lease income	**6,957,398**	8,264,319	16,262,304
Total Noncurrent Liabilities	**1,775,059,258**	1,355,015,801	1,586,326,782
Equity			
Capital stock	**6,291,500,000**	6,291,500,000	6,291,500,000
Net actuarial losses	**(3,313,821)**	-	(3,313,821)
Unrealized gain on AFS financial assets	**12,878,575**	10,742,826	12,878,575
Retained earnings (deficit)	**504,576,586**	348,881,738	506,677,806
	6,805,641,340	6,651,124,564	6,807,742,560
Minority Interest	**1,607,974,305**	2,536,623,845	1,901,364,434
Cumulative translation adjustment	**2,228,000,797**	3,033,178,689	2,354,530,849
Total Equity	**10,641,616,443**	12,220,927,098	11,063,637,843
	14,206,654,791	15,663,899,239	14,477,681,413
Book Value Per Share	**1.44**	1.54	1.46

(Please refer to the December 31, 2009 audited financial statements' Notes to Financial Statements for the disclosures on the treatment/classification of accounts)

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	(UNAUDITED) Three Months Ended March 31, 2010	2009	December 31, 2009 Audited
REVENUES			
Energy fees	**498,315,216**	473,818,536	1,894,813,208
Power sales and service income	**121,975,363**	83,403,346	474,440,542
Sale of real estate	**4,381,486**	2,571,501	67,529,475
Management fees	**7,280,449**	5,010,565	22,956,572
Rental income	**4,877,290**	2,855,608	16,501,935
	636,829,803	567,659,557	2,476,241,732
INCOME (EXPENSES)			
Cost of goods sold and services	**(321,334,284)**	(304,987,047)	(1,378,449,091)
General and administrative expenses	**(60,683,296)**	(57,456,286)	(324,905,440)
Finance charges - net	**885,665**	(1,040,422)	4,089,413
Other income - net	**32,295,522**	27,740,416	129,446,586
	(348,836,394)	(335,743,339)	(1,569,818,532)
INCOME BEFORE TAX	**287,993,410**	231,916,218	906,423,200
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	**68,756,602**	88,902,057	266,640,850
Deferred	**(5,024,844)**	(11,478,899)	(202,767,657)
	63,731,758	77,423,158	63,873,193
NET INCOME	**224,261,651**	154,493,060	842,550,007
ATTRIBUTABLE:			
Equity holders of the parent	**60,813,780**	57,699,049	278,410,116
Minority interest	**163,447,872**	96,794,012	564,139,891
	224,261,651	154,493,060	842,550,007
Basic Earnings (Loss) Per Share attributable to Equity Holders of the Parent Company	**0.010**	0.009	0.044

Income (Loss) per share : Net income (loss)divided by the average number of shares outstanding of 6,291,500,000.

(Please refer to the December 31, 2009 audited financial statements' Notes to Financial Statements for the disclosure on the treatment/classification of accounts)

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent							
	Capital Stock	Actuarial Gains (Losses)	Unrealized Gain on AFS Financial Assets	Retained Earnings	Total	Minority Interest	Cumulative Translation Adjustments	Total
Balance at January 1, 2010	**6,291,500,000**	**(3,313,821)**	**12,878,575**	**506,677,806**	**6,807,742,560**	**1,901,364,434**	**2,354,530,849**	**11,063,637,843**
Net income				**60,813,780**	**60,813,780**	**163,447,872**		**224,261,651**
Other comprehensive income					**-**		**(126,530,052)**	**(126,530,052)**
Total comprehensive income	**-**	**-**	**-**	**60,813,780**	**60,813,780**	**163,447,872**	**(126,530,052)**	**97;731,599**
Dividends				**(62,915,000)**	**(62,915,000)**	**(456,838,000)**		**(519,753,000)**
Balance at March 31, 2010	**6,291,500,000**	**(3,313,821)**	**12,878,575**	**504,576,586**	**6,805,641,340**	**1,607,974,306**	**2,228,000,797**	**10,641,616,442**
Balance at January 1, 2009	6,291,500,000	5,898,449	4,844,377	291,182,690	6,593,425,516	2,489,127,418	2,511,644,900	11,594,197,834
Net income				278,410,116	278,410,116	564,139,891		842,550,007
Other comprehensive income		(9,212,270)	8,034,198		(1,178,072)	(11,292,274)	(157,114,051)	(169,584,397)
Total comprehensive income	-	(9,212,270)	8,034,198	278,410,116	277,232,044	552,847,617	(157,114,051)	672,965,610
Acquisition of minority interest					-	(157,438,730)		(157,438,730)
Reduction as a result of dissolution of a subsidiary					-	(341,534,232)		(341,534,232)
Dividends				(62,915,000)	(62,915,000)	(641,637,639)		(704,552,639)
	-	-	-	(62,915,000)	(62,915,000)	(1,140,610,601)	-	(1,203,525,601)
Balance as of December 31, 2009	6,291,500,000	(3,313,821)	12,878,575	506,677,806	6,807,742,560	1,901,364,434	2,354,530,849	11,063,637,843

(Please refer to the December 31, 2009 audited financial statements' Notes to Financial Statements for the disclosures on the treatment/classification of accounts)

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(UNAUDITED) Thre Months Ended March 31		For the Year Ended December 31, 2009
	2010	2009	AUDITED
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax	**287,993,410**	231,916,218	906,423,200
Adjustments for:			
Depreciation, depletion and amortization	**145,137,880**	197,958,355	796,910,379
Impairment loss on AFS investment	-	-	100,000
Pension cost		-	10,831,618
Interest expense	**11,983,826**	11,057,568	71,768,911
Interest income	**(12,869,491)**	(10,017,146)	(75,858,324)
Unrealized foreign exchange loss (gain)	**(3,039)**	(59,384,045)	(3,405,167)
Bad debts written off			
Loss (gain) on dacion en pago	-	-	69,253,929
Loss on fire destruction	-	-	23,569,569
Equity in net losses (earnings) of associates	-	-	(1,087,027)
Impairment loss on deferred project cost			727,525
Loss (gain) on sale of property and equipment	-		433,863
Operating income before working capital changes	**432,242,586**	371,530,949	1,799,668,476
Decrease (increase) in:			
Trade and other receivables	**(6,569,731)**	7,623,403	269,013,215
Inventories	**(572,129)**	(10,843,125)	11,153,685
Real estate held for sale and investment in real estate	**26,944,556**	2,856,132	167,896,494
Prepaid expenses and other current assets	**(26,572,648)**	22,409,935	(12,744,340)
Noncurrent portion of installment receivable			1,206,346
Increase (decrease) in:			
Accounts payable and accrued expenses	**(249,770,543)**	7,741,296	105,965,650
Customers' deposits	**42,211,485**	31,726,359	3,349,390
Rent received	**(9,304,906)**	-	-
Net cash flow from operations	**208,608,670**	433,044,950	2,345,508,916
Retirement contribution	**13,556,464**	(19,202,213)	(76,205,246)
Income tax paid	**2,469,976**	(88,902,057)	(458,561,670)
Net cash provided by operating activities	**224,635,111**	324,940,680	1,810,742,000

(Forward)

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(UNAUDITED) For the Three Months Ended March 31		For the Year Ended December 31, 2009
	2010	2009	AUDITED
CASH FLOWS FROM INVESTING ACTIVITIES			
Reductions in (additions to):			
Short-term cash investments	**(149,278,048)**	(117,929,615)	(312,820,359)
Other noncurrent assets	**(288,514)**	(11,163,149)	(478,642,154)
Investment in real estate		-	41,158,605
Due from related parties	**(51,130,693)**	148,734,895	165,241,443
Interest received	**12,869,491**	10,017,146	76,101,827
Additions to property and equipment	**(90,940,871)**	(14,646,188)	(402,554,772)
Net cash used in investing activities	**(278,768,636)**	15,013,089	(903,517,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loan	-	-	393,098,985
Payments of:			
Loans	-	(9,259,852)	(7,139,970)
Interest	**(11,983,826)**	(11,057,568)	(195,389,727)
Dividends paid to minority	-	-	(641,637,639)
Debts	**(652,308,177)**	-	(174,541,620)
Increase (decrease) in dividends payable	**456,838,000**	-	62,915,000
Net cash used in financing activities	**(207,454,003)**	(20,317,420)	(562,694,971)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(261,587,528)	319,636,350	344,529,604
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,451,714**	117,929,615	(518,621,879)
CASH AND CASH EQUIVALENTS AT BEGINNING	**662,008,558**	836,100,833	836,100,833
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**401,872,743**	1,273,666,798	662,008,558

(Please refer to the December 31, 2009 audited financial statements' Notes to Financial Statements for the disclosures on the treatment/classification of accounts)

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

1. No disclosure or accompanying footnotes were presented in the interim financial information since we presumed that users of the interim financial information have read or have access to our latest audited financial statements and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context.

2. The financial statements are fairly presented in conformity with accounting principles generally accepted in the Philippines.

3. There have been no :

   a) changes in accounting policies and methods of computations applied in the preparation of financial statements;

   b) seasonal aspects that had material effect on the financial statements or results of operations during the reporting period;

   c) unusual transactions or items that may affect the assets, liabilities, equity, net income or cash flows for the reporting period;

   d) major changes in estimates of amounts reported in prior interim periods of the current financial year and in prior financial years;

   e) issuance, repurchase, and repayment of debt and equity securities made during the reporting period;

   f) dividends paid by the Parent Company during the period;

   g) changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

4. There are no other liabilities or gain or loss on contingencies that are required to be accrued or disclosed.

5. No events have occurred subsequent to the balance sheet date that would require adjustment to or disclosure in the financial statements.

6. There are no material commitments for capital expenditures that need to be disclosed nor recorded in the financial statements as of the reporting period.

7. There have been no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales/revenues/income for continuing operations, except as indicated in the other information of this report.

8. The income or losses of the Company are results of its continuing operations.

Key Performance Indicators

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition for the three months ended March 31, 2010 and 2009.

Financial KPI	Definition	As of March 31 2010	As of March 31 2009
Profitability			
EBITDA Margin	EBITDA / Net Sales	68%	76%
Return on Equity	Net Income / Total Average Stockholders' Equity	2%	1%
Efficiency			
Operating Expense Ratio	Operating Expenses / Gross Operating Income	24%	28%
Liquidity			
Net Debt Coverage	Cash Flow from Operating Activities / Net Financial Debt	15%	117%
Current Ratio	Current Assets / Current Liabilities	4.36:1	4.35:1

Profitability

Earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the Company decreased to 68% from 76% in 2009. The increase in revenues during the period from ₱568 million to ₱637 million was higher than the increase in EBITDA from ₱ 431 million to ₱432 million this year. Return on equity (ROE) however, increased to 2% from 1% in 2009 because of higher income this year.

Efficiency

Operating expense ratio improved to 24% from 28% year-on-year. The higher revenues this year contributed to a higher operating income and the lower operating expense ratio.

Liquidity

With lower cash and cash equivalents this year, ACR's net debt coverage ratio decreased to 15% from 117% in 2009. However, ACR's current ratio remained strong at 4.36:1 as of March 31, 2010 compared to last year's 4.35:1.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS

ACR's financial performance improved significantly for the three-months ended March 31, 2010 compared to the same period last year. Total revenues posted 12% growth to ₱637 million, up from last year's ₱568 million. Consolidated net income rose by 45% from ₱154 million to ₱224 million, while income attributable to equity holders of the Parent Company increased 5% from ₱58 million last year to ₱61 million this year.

Energy and management fees from the Company's Energy and Power business which formed 79% of total revenues, increased 6% from ₱479 million to ₱506 million. The higher tariff rates and dispatch levels cushioned the impact of lower foreign exchange rates and the derated capacity fee of WMPC during the year. Likewise, revenues from the Property Development business increased 48% to ₱131 million. Aside from higher sales of real estate properties coming mostly from Eagle Ridge lots this year, power and water sales and other service income from Lima Utilities Corporation and Lima Water Corporation increased from ₱83 million to ₱121 million. This is due largely to higher power consumption by LTC locators this year. Rental income of ₱5 million augmented revenues from this business unit this year.

Cost of goods sold was reported at ₱321 million, 5% higher than the ₱305 million reported in 2009. The increase was due to higher costs of the power companies' expenses on oil, lubricants and spare parts from higher energy dispatch levels, and recognized impairment loss on real estate properties. But due to higher revenues, gross profit margin this year increased 50% from 46% last year.

General and administrative expenses amounted to ₱61 million, 5% higher than last year's ₱57 million. The increase could be attributable to the adjustment of salaries and related benefits implemented by the Power Companies.

Interest income this year was higher at ₱13 million from ₱10 million in 2009 due to higher temporary placements, this resulted to a turnaround to an income in 2010 from a finance expense in 2009.

Other income amounted to ₱32 million, up 16% from the ₱28 million reported in the same period last year due to lower foreign exchange losses.

With higher gross profit, ACR's net income before tax stood at ₱288 million, 24% higher than the ₱232 million in 2009. Income tax this year dropped to ₱64 million from ₱ 77 million due to the adoption of optional standard deduction by the power companies in 2010, and was further reduced by deferred taxes resulting from forex adjustment. Hence, net income improved 45% this year to ₱224 million from ₱154 million.

The improved bottom line resulted to a higher income attributable to the equity holders of the Parent, increasing by 5% from ₱58 million to ₱61 million this year.

REVIEW OF FINANCIAL POSITION

ACR and Subsidiaries posted total assets of ₱14.206 billion. The Company's total current assets decreased 14% from ₱9.087 billion to ₱7.804 billion coming largely from lower receivables and cash and cash equivalents. Sale of industrial and residential lots accounted for the decrease in real estate held for sale from ₱1.555 billion to ₱1.294 billion.

Non-current assets decreased 9% from ₱6.577.billion to ₱6.402 billion. This was due largely to the 14% decrease in property and equipment from ₱3.883 billion to ₱3.353 billion resulting from regular depreciation.

Total liabilities amounted to ₱3.396 billion, 2% higher than the ₱3.332 billion reported in the same period last year. Drawdown from a loan by a power company this year resulted to a 47% increase in long-term debt from ₱703 million to ₱1.032 billion.

As of March 31, 2010, ACR's current ratio further strengthened to 4.36:1 from 4.35:1, while its debt to equity ratio remained strong at 0.34:1.

ACR's consolidated statement of cash flows showed that cash from operating activities were used for payment of maturing loans, other financing costs, and additional capital expenditures, and largely in short-term placements. The Company's consolidated cash and cash equivalents as of March 31, 2010 stood at ₱402 million.

i. Causes of the material changes (5% or more) in balances of relevant accounts as of March 31, 2010 compared to March 31, 2009 and December 31, 2009 in this order, are as follows:

   a) **Cash and Cash Equivalents** – Decreased 68% and 39%.

      The decrease in cash was due largely to the additional short-term investment made during the period and debt settlement.

   b) **Short-term Cash Investments** – Increased 35% and 12%.
      The increases were due to additional placements made by the power companies during the current period.

   c) **Trade and Other Receivables** – Decreased 11% and 0%.
      The decrease was due to collections made during the year.

   d) **Inventories** – Decreased 11% and 0%.
      The decrease was due to spare parts usage by the Power Companies.

   e) **Real Estate Held for Sale** – Decreased 17% and 2%.
      The decreases were due to recognized cost of real estate sold during the period.

   f) **Prepaid Expenses and Other Current Assets** –Increase 47% and 16%.
      The increases for both periods were due to additional input and creditable taxes.

g) **Property and Equipment** –Decreased 14% and 4%.
The decreases were due to recognition of depreciation expenses during the period.

h) **Goodwill** –Decreased 7% and 1%.
The decreases were due to lower foreign exchange rates during the period.

i) **Other Assets** – Increased 194% and 0%.
The increases were due largely to the project development incurred in 2009.

j) **Accounts Payable and Accrued Expenses** – Decreased 35% and 33%.
The decreases were due largely to the settlement of nontrade payable to minority shareholders of a dissolved subsidiary.

k) **Dividends Payable** – Increased 100% and 726%.
The increases were due to unsettled dividends declared by the Parent Company of ₱62.9 million and Power Group payable to minority shareholders amounting to ₱456.8 million.

l) **Loans Payable** – Decreased 7% and 0%.
Payment of maturing loans accounted for the decreases.

m) **Income Tax Payable** – Decreased 81% and 4%.
The decreases were due to lower provisions for income tax attributable largely to the adoption of optional standard deduction.

n) **Debts Under Negotiation** – Decreased 46% and 33%.
The decreases were due to the settlement and successful restructuring of a loan by the Parent Company in late 2009.

o) **Long-term Debt** – Increased 55% and 16%.
The availment of a loan by a power company in 2009 and the re-structuring of a debt by the Parent Company accounted for the increases in long-term debt in both periods.

p) **Deferred Tax Liabilities** – Increased 13% and decreased 2%.
The forex translation differences in the non-monetary assets of the power companies accounted for the changes in deferred tax liabilities.

q) **Accrued Retirement Cost** – Decreased 29% and increased 723%.
The decrease was due to funding of accrued retirement costs by the Energy and Power business while the increase was due additional accrual made during the period.

r) **Customers' Deposit** – Increased 21% and 113%.
The changes came from customers deposits related to installment sales of lots and housing units in Campo Verde and Summer Hills projects of the Property Development companies.

s) **Asset Retirement Obligation** – Decreased 51% and Increased 2%.
The decrease was due to the recalculation of the estimated liability for the dismantlement of the power plant complex.

t) **Unearned Lease Income** – Decreased 16% and 57.
Recognition of revenues during the period accounted for the decrease in this account.

u) **Cumulative Translation Adjustment** – Decreased 27% and 5%.
The decreases were due to foreign currency translations of the financial statements of the two power companies.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of obligation.

Some of the subsidiaries or affiliates of the Company are from time to time involved in routine litigation and various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of the legal matters in which its subsidiaries or affiliates are involved have material effect on the Company's financial condition and results of operations.

iii. Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company has no other material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not reported in the financial statements.