



**Alsons Consolidated Resources, Inc.**  
(Listed in the Philippine Stock Exchange Trading Symbol "ACR")  
2nd Floor, Alsons Building  
2286 Chino Roces Ext., (formerly P. Tamo Ext.,) Makati City  
1231 Metro Manila Philippines  
Tel. Nos.: (632) 982-3000 Fax Nos.: (632) 982-3077  
Website: [www.acr.com.ph](http://www.acr.com.ph)

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June 18, 2013

The Philippine Stock Exchange, Inc.  
Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention : Ms. Janet A. Encarnacion  
Head, Disclosure Department

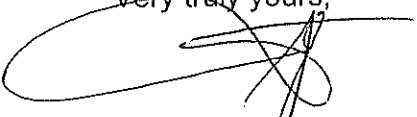

Subject : Alsons Consolidated Resources, Inc. Amended 2012 SEC Form 17-A

Dear Madam:

We are furnishing the Exchange with a copy of the Amended SEC Form 17-A of Alsons Consolidated Resources, Inc. for the year ended December 31, 2012 in compliance with the attached comments of the Securities and Exchange Commission.

We trust that you will find the above in order.

Very truly yours,

  
LUIS R. YMSON, JR.  
Chief Financial Officer &  
Corporate Information Officer 

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Luis R. Ymson, Jr.
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(Contract Person)

982-3000
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(Company Telephone Number)

1	2		3	1
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Month Day  
(Fiscal Year)

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(Form Type)

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Month Day  
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

495
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Total No. of Stockholders

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Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

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File Number

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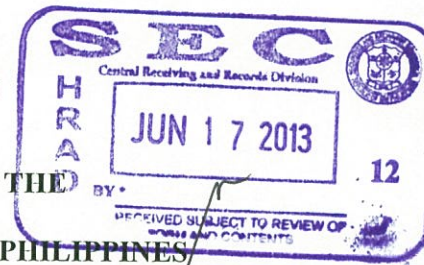
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cc: Philippine Stock Exchange

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A**

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



1. For the fiscal year ended 31 December 2012
2. SEC Identification Number 59366      3. BIR Tax Identification No. 001-748-412
4. ALSONS CONSOLIDATED RESOURCES, INC.  
Exact name of registrant as specified in its charter
5. Philippines      6. (SEC Use Only)   
Province, country or other jurisdiction of incorporation      Industry Classification Code:
7. Alsons Building., 2286 Chino Roces Avenue, Makati City, Philippines      1231  
Address of principal office      Postal Code
8. (632) 982-3000  
Registrant's telephone number, including area code
9. (Not applicable)  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common Stock ₱1.00 par value</b>	<b>6,291,500,000 Shares</b>
11. Are any or all of these securities listed on the Philippine Stock Exchange ?  
Yes [X]      No [ ]
12. Check whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 there under or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes [X]      No [ ]
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes [X]      No [ ]
13. Aggregate market value of the voting stock held by non-affiliates of the registrant:  
₱ 1,738,595,616.48  
Assumption: Based on Closing Price of ₱ 1.38 as of 27 March 2013 and on 1,259,851,896 shares.



**Alsons Consolidated Resources, Inc.**

(Listed in the Philippine Stock Exchange Trading Symbol "ACR")

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Website: www.acr.com.ph

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June 10, 2013

ATTY. JUSTINA F. CALLANGAN  
Acting Director  
SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA Greenhills  
Mandaluyong City


Dear Atty. Callangan,

We refer to your letter dated May 16, 2013 with your comments to our SEC Form 17-A for the year ended December 31, 2012, which we received on June 6, 2013. In reply, we submit the following:

- a. List of SEC comments to our the report with our response
- b. Amended SEC Form 17-A for the year 2012.

We hope you will find the above in order.

Very truly yours,

  
LUIS R. YMSON, JR.  
Chief Financial Officer

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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. BUSINESS**

Alsons Consolidated Resources, Inc. ("ACR" or the "Company") was incorporated on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. (Tegre) in March 1995.

In 1994, the Alcantara Group, through Alsons Power Holdings Corporation (APHC), acquired a 55.80% interest in Tegre through a swap of APHC's 50.78% stake in Northern Mindanao Power Corporation (NMPC). The SEC formally approved the stock swap on March 4, 1995 together with the increase in the Company's authorized capital stock from ₱1 billion to ₱3 billion.

The corporate name was changed to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary purpose was subsequently changed to that of an investment holding company, and oil exploration was relegated to a secondary purpose.

On October 10, 1996, the Company completed its reorganization through a series of stock swaps. As a result of this reorganization, some of the Alcantara Group's established businesses became majority or minority owned subsidiaries of ACR and the Company's authorized capital was further increased from ₱3 billion to ₱12 billion.

ACR's core businesses, conducted through its various subsidiaries and associates, can be grouped into the following main categories: a) Energy and Power, b) Property Development, and c) Other Investments. A description of the general nature and scope of these businesses is presented below:

ACR's investment in the Energy and Power business is through two holding firms namely, Conal Holdings Corporation (Conal) and Alsing Power Holdings, Inc. (Alsing). The sale of 40% of Conal to Electricity Generating Public Co. Ltd. (EGCO) of Thailand on September 5, 2000 brought down ACR's ownership in Conal to 60%. Conal owns all of ACR's Philippine power generation businesses, namely: (i) Alsing Power Holdings, Inc. at 80% and (ii) Alto Power Management Corporation at 60%. Alsing in turn owns 55% of: (a) Western Mindanao Power Corporation; and (b) Southern Philippines Power Corporation. Further, ACR directly owns 20% of Alsing.

ACR also has a wholly owned subsidiary, Alsons Power International Limited (APIL), which handles the development of the power plant projects of ACR outside the country.

The two (2) power generation companies, Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC) are both located in Mindanao.

WMPC operates a 100 megawatt (MW) diesel-fired electricity generating facility in Zamboanga City under an 18-year "Build-Operate-Own (BOO)" arrangement with National Power Corporation (NPC) until December 2015. SPPC, on the other hand, operates a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 15 kilometers east of the city proper of General Santos, also under a BOO arrangement with NPC for 18 years until May 2016.

The Mindanao Grid, where the two power plants of ACR's Energy and Power business operate, is dominated by power generated by the Agus Hydroelectric System. However, when the water of Lake Lanao is at a critical level, the Agus System cannot service the full demand of the Mindanao Grid. The SPPC and WMPC plants are therefore called for dispatch to supply this deficit. As the demand for power in Mindanao is expected to grow rapidly over the next few years, these power plants will play an important role in providing adequate power for Mindanao.

Expected to play a prominent role in assuring adequate and economic power supply to the Mindanao Grid is the 210MW Coal-Fired Power Station Project (SM200) in Maasim, Sarangani, which ACR is presently developing through its subsidiary, Sarangani Energy Corporation (SEC). On December 10, 2012, ACR entered into a Shareholders Agreement with Toyota Tsusho (TTC) of Japan, wherein TTC agreed to subscribe 25% of the total equity of SEC. The notice to proceed with the construction was issued on December 28, 2012 to Daelim Industrial Co., Ltd. of Korea and Daelim Phils., Inc. Commercial operations are expected to commence in 2015. The SM200-Phase 2 will follow a year later. In addition, ACR is also developing through a subsidiary, San Ramon Power Corporation (SRPI), a 105MW Coal-Fired Power Station Project (ZAM100) in Zamboanga City. ZAM100 will supply power to Zamboanga City and other parts of the Zamboanga Peninsula. SRPI obtained its Environmental Compliance Certificate (ECC) on March 20, 2012.

ACR, through its subsidiary Mapalad Power Corporation (MPC) is also working to operate and acquire from the Iligan City government the 102MW Bunker-Fired Iligan Diesel Power Plants I and II (IDPP) formerly owned and operated by NMPC. The Deed of Sale of the IDPP with Iligan City Government was signed on February 27, 2013. MPC is already in the process of rehabilitating the plant and expects to operate beginning May 2013 as “merchant” power plants.

ACR, through subsidiaries, is likewise conducting feasibility studies on renewable energy projects. Currently under development are the Siguil 17MW Hydro Power Project in Maasim Sarangani and the Bago 40MW in Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed.

### **Property Development**

ACR is also engaged in the Property Development business through its subsidiary, Alsons Land Corporation or ALC. Established on November 25, 1994, ALC is primarily involved in two major enterprises, the first is a 72-hole golf course development with a residential component called the “Eagle Ridge Golf & Residential Estate” and the second is a 440-hectare industrial estate, otherwise known as the “LiMA Technology Center” (LTC).

The Eagle Ridge Golf & Residential Estate (Eagle Ridge) is a joint venture between ALC and Sta. Lucia Realty Development, Inc. The sale of its golf shares and residential lots is primarily handled by the Fil-Estate Group of Companies. Eagle Ridge is a 700-hectare project located in Gen. Trias, Cavite. The only Golf Club in the Philippines with four completed signature golf courses and three fully operational clubhouses, Eagle Ridge has superior facilities that cater not only to golfers but also to their families and guests.

To maximize the use of its remaining land holdings, ALC is now engaged in the development of other types of housing products in areas adjacent to its existing projects both in Cavite and Batangas. Re-packaging its properties to better suit emerging market niches in the property sector, ALC launched “Campo Verde”, a joint venture project with Sunfields Realty Development, Inc. The 11-hectare property is located inside LTC and an hour away from Makati via the South Luzon Expressway and the Southern Tagalog Arterial Road Tollway. Campo Verde offers three (3) distinct Spanish themed homes that are ideal for young to growing families. The model house choices range from: Condesa with a lot area of 90 square meters and floor area of 36 square meters; Duquesa with a lot size of 100 square meters and a floor area of 50 square meters; and, Reina with 120 square meter-lot and a floor area of 80 square meters. As of December 31, 2012, the remaining ALC inventory of Campo Verde was down to twenty eight (28) units and the proponents will launch the 3.5-hectare expansion within the 2nd quarter of year 2013.

LTC is a Philippine Economic Zone Authority (PEZA) accredited, light-industry technology park located between the City of Lipa and the Municipality of Malvar in the Province of Batangas. The

techno-park is a joint-venture between ALC and the Marubeni Corporation of Japan under a corporation known as Lima Land, Inc. (LLI). Considered as one of the premiere industrial estates in the country, LTC offers superior infrastructure, utilities and a professional estate management organization. The property is marketed mainly to both foreign and local export-oriented companies. Domestic or non-export companies are also invited to locate in the said estate.

To ensure the reliability of power, quality and availability of water supply and wastewater treatment at LTC, LLI organized Lima Utilities Corporation (LUC) and Lima Water Corporation (LWC). LUC distributes power to all locators, industrial, commercial and residential areas of LTC from its 34.5 kV sub-station. If the Open Access rule is implemented, LUC may also supply electricity to qualified customers outside LTC. On the other hand, LWC draws its water supply from deep wells and distributes potable water not only within LTC but also to the Metro Lipa Water District to supply the neighboring barangays. LWC also uses its wastewater treatment plant to process the effluents from the locators. The laboratory services provided by LWC to LTC locators and other customers are in compliance with the Laguna Lake and Development Authority (LLDA) and the Department of Environment and Natural Resources' (DENR) specifications and standards.

To complete the LTC integrated township concept, LLI also launched "Summerhills" in 2006, a residential project with a total area of 19 hectares, in a joint venture with Landmark Communities Inc. The project is made up of three distinct developments: "Sunnyvale", an open lot subdivision in cuts ranging from 100 to 200 square meters; "Palmdale", a low cost housing subdivision with floor areas from 42 to 60 square meters; and, "Rosewood", a socialized row-house subdivision with floor areas from 25 to 38 square meters. With the successful sales performance of the project, the proponents are now ready to launch an additional 14-hectare development to be called "Summerhills 2".

Through subsidiary Kamanga Agro-Industrial Economic Development Corporation, ACR is also developing the Kamanga Agro-Industrial Economic Zone, which will host SM200 in the Municipality of Maasim, Province of Sarangani, and be accredited with the PEZA as an agricultural and light-industry zone. Enterprises will be encouraged to set up their businesses in, or relocate to, this "Ecozone" to enjoy incentives prescribed by law through the PEZA.

### **Other Investments**

To pursue projects in the mining sector, ACR organized ACR Mining Corporation (ACRMC), formerly known as ACR Management Corporation. Its initial activity involved the acquisition of Alsons Development & Investment Corporation's interest in a mining claim, referred to as the Manat Mining Claims. Covered by Mineral Production Sharing Agreement (MPSA) Serial No. 094-97-XL for 25 years up to year 2022, the mining claim has a total area of 1,547.32 hectares. It is located in the Municipality of Nabunturan, Province of Compostela Valley and in the Municipality of Maco, Province of Davao del Norte. Previous exploration work at the project area identified three sub-parallel NW trending mineralized structures: Pagtulian, Katungbuan/Taglayag, and Magas. Detailed work on the Magas Vein Zone (MVZ) so far revealed an estimated resource of 2.7 million tons containing: 2.8 g/t gold, 26 g/t silver, 0.09% copper, 0.85% lead, and 1.58% zinc.

ACR also has investments in RCP Holdings, Inc. and in Market Developers, Inc. (MADE) which handles the Company's Product Distribution business. RCP Holdings, Inc. owns 31.24% of Refractories Corporation of the Philippines (RCP), a company engaged in the manufacture of refractories and monolithics. RCP is under rehabilitation, and the Company's product distribution activities had been substantially scaled down until better opportunities can justify resumption of its trading operations.



To further expand its interest in the energy sector, the Company is presently considering several investment opportunities also in Mindanao. The Company has decided to discontinue its Bioethanol Project in Cagayan De Oro.

**Status of publicly-announced new projects**

1. Conal Holdings Corporation has signed the Deed of Sale of the IDPP with Iligan City Government on February 27, 2013 wherein Mapalad Power Corporation (MPC) will undertake to rehabilitate and operate the 102MW Bunker-Fired Iligan Diesel Power Plants I and II (IDPP) formerly owned and operated by NMPC. MPC is already in the process of rehabilitating the plant starting March 2013. The Company started operating the plant on ramp up basis in April 2013 and began producing at least 10 MW. The plant would produce at least 40MW of electricity in June 2013. The plant will complete delivery of its 98MW capacity by September 2013. The total acquisition and rehabilitation costs of the plant is estimated at ₱ 1.3 billion consisting of ₱ 400 million internal funds and debt of ₱ 900 million.
2. The engineering and construction of the first 105MW phase of the 210 MW Sarangani Energy Corporation began in 2012 with the issuance of notice to proceed to the plant's engineering and procurement and construction (EPC) contractor, Dealim Industrial Co., Ltd. of South Korea.

Construction kicked into high gear in 2013 with the site currently undergoing preparation for setting up of the plant's structural framework. First phase of the SEC plant is expected to begin operations in 2015.

The total project cost of ₱13.5 billion of which ₱4.2 billion is in the form of equity and ₱9.3 billion through a syndicated term loan from local banks.

3. The 105MW San Ramon Power Inc. (SRPI) plant in Zamboanga City has received its environmental compliance certificate from the Department of Environment and Natural Resources in March 2012. Daelim Industrial Co., Ltd. of South Korea is also its EPC contractor. The SRPI plant is expected to begin construction later in 2013 and is scheduled to commence operation by 2016. The total project cost is estimated at ₱13.5 billion. The Company is still in the process of negotiation with various banks to finance the project.

**The company has no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.**

**(i) Business segments contribution to revenues**

Table I - The contribution of each segment of the business to the consolidated revenues of the Company are as follows:

	Amounts in Thousand Pesos					
	2012	2011	2010	2012	2011	2010
Energy and Power	₱2,100,706	₱2,090,067	₱2,064,215	68%	72%	77%
Property Development	972,344	821,979	623,964	32%	28%	23%
	₱3,073,050	₱2,912,046	₱2,688,179	100%	100%	100%

Income from foreign sources amounting to ₱23 million in 2012, ₱21 million in 2011 and ₱20 million in 2010 represents fees from technical advisory services related to the operation and maintenance of a power plant in Indonesia.

**(ii) Competition**

Aside from the numerous housing developments competing in the region, a shift in the market forces has prompted a slowdown in sales for the Eagle Ridge Golf and Residential Estates. Economic and affordable housing developments of Filinvest, Camella Homes, and Amaia have gained a foothold in the region.

Lima Technology Center (LTC) continued to have a positive performance in 2012 albeit strong competition from First Philippine Industrial Park (FPIP) and Light Industry and Science Park 3 (LSIP 3). LTC welcomed two new Japanese locators namely Bandai Philippines and Furukawa Automotive Systems. Littelfuse Philippines, a longtime LTC locator, also acquired additional property within the economic zone for its planned expansion of operations.

Before year-end 2012, numerous prospects have been lined up to acquire the remaining inventory of LTC. Supply chain manufacturers of prominent printer and inkjet brands, Canon and Brother, comprise the target market for industrial estate lots in the coming year.

**(iii) Sources and Availability of Raw Materials and Supplies**

Materials and supplies used by the local power companies (SPPC and WMPC) for power generation include fuel and lube oils. While fuel oil is sourced from the National Power Corporation (NPC), lube oil is supplied by the three local oil companies, namely; Chevron (Philippines), Inc., Petron Corporation and Pilipinas Shell Petroleum Corporation. On the other hand, Wartsila Corporation of Finland, supplies the engine parts and major maintenance services needed by the plants.

**(iv) Dependence on a Single or a Few Customers**

The power companies' sole customer is NPC through BOO arrangements. Alto Power Management Corp. (APMC), a subsidiary of ACR, provides the plant and operation management services to SPPC and WMPC. Also, APMC International Ltd., a wholly owned subsidiary of APMC, provides Operations and Maintenance management services to PT Makassar Power Indonesia.

The Property Development and other businesses of ACR are not dependent on a single or few customers and the loss of one or a few customers will have no material adverse effect on the Company and its subsidiaries.

**(v) Effect of Existing or Probable Governmental Regulations on the Business**

Republic Act No. 9136, the Electric Power Reform Act (EPIRA), and its Implementing Rules and Regulations (IRR), provide for significant changes in the Power Sector which includes among others:

- a. The unbundling of the generation, transmission, distribution and supply of power and other disposal assets, including its contract with IPP and electricity rates;
- b. Creation of a Wholesale Electricity Spot Market (WESM) within one year; and,
- c. Open and nondiscriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity of the EPIRA. It provides: (i) cross ownership restrictions between transmission and generation companies and between transmission and distribution companies; and, (ii) a cap of 50% on the demand of a distribution utility sourced from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA; and (iii) specifically relating to generation companies, a cap on the

concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR.

**(vi) Research and Development**

ACR and its subsidiaries do not allocate specific amounts or a fixed percentage for research and development. All research, if any, are done by its subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

**(vii) Employees**

As of December 31, 2012, ACR and its 50% or more directly or indirectly-owned subsidiaries had a manpower complement of 243 employees, broken down as follows: 6 executives, 22 managers, 50 supervisors and 165 associates. The Company believes that changes in manpower complement will be minimal for the next twelve months. The employees of the Company and its subsidiaries are not unionized.

**(viii) Bankruptcy Proceedings**

The Company has not contemplated any plan for bankruptcy, receivership or similar proceedings. Neither is there any material reclassification, merger, consolidation nor sale of any significant amount of assets in the ordinary course of business.

**(ix) Cost and Effect of Compliance with Environmental Laws**

As a holding company, ACR engages only in projects and activities that comply with environmental laws. Its power subsidiaries follow the regulations embodied in the EPIRA. All its plants meet the exhaust emission standards set by DENR. Compliance with existing environmental laws has corresponding costs which include expenditures for the following: 1) renewal fees for the DENR permit/license to operate; 2) exhaust emission tests and monitoring (costs covered by the environmental guarantee fund), 3) environmental monitoring fund (SPPC ₱500,000 and WMPC ₱586,000), and 4) environmental guaranty fund (SPPC ₱500,000 and WMPC ₱598,000). WMPC and SPPC have spent for desulfurization facilities amounting to ₱- and ₱213,179, respectively. The Company meets all governmental, environment, health and safety requirements. The Company's operating units are regularly inspected and have not experienced significant governmental, environment, health or safety problems. For the past three years, the total amounts spent in complying with environmental laws by the subsidiaries are as follows: (i) ₱2,021,131 in 2012, (ii) ₱1,744,588 in 2011, and (iii) ₱1,403,219 in 2010.

**(x) Investment Acquisition**

On December 23, 2010, the Parent Company purchased 29,149,000 shares of Indophil Resources, NL (Indophil) in the amount of ₱1,316 million. Indophil shares are listed in the Australian Stock Exchange. The Parent Company previously accounted its investment in Indophil as available-for-sale financial statements and it recognized an unrealized gain on change in fair value of ₱45 million (net of tax of ₱19 million) recorded under "Other comprehensive income. On December 11, 2011, Alsons Power Holdings Corporation (APHC or the Subscriber), also a company under the Alcantara Group, entered into a placement agreement (the Agreement) with Indophil. On December 26, 2011, APHC incorporated Alsons Prime Investments Corporation (APIC) as a wholly owned subsidiary. On December 29, 2011, APIC completed the tranche 1 placement. Accordingly, APIC was issued with 66,666,667 shares representing 6.28% of Indophil's issued shares of stock, bringing the effective ownership of the Alcantara Group to 9.37%. On the same date, Mr. Nicasio Alcantara, a Director of

Alsons Development & Investment Corporation, (parent of APHC), APIC and Alsons Corporation (AC), was appointed to Indophil's board of directors (BOD) as a nonexecutive director (Indophil has five nonexecutive directors out of seven directors). On December 30, 2011, APIC, AC and ACR entered into an agreement that defined the basic principles, policies, terms and conditions which shall govern their conduct and relationship as shareholders of Indophil.

## Item 2. PROPERTIES

### DESCRIPTION OF PROPERTIES

The Company's energy and power operations are located in two different sites. WMPC's own power plant is in a 9-hectare property in Sitio Malasugat, Sangali, Zamboanga City. SPPC's operations are situated in a 16-hectare property located in Alabel, Sarangani Province, and 13 kilometers east of the city proper of General Santos. The WMPC and SPPC properties are fully owned by the above-mentioned subsidiaries of ACR. The power plants of these companies were used as collateral for the loans obtained to finance the construction of the said plants.

ALC, the Company's property development company, initially owned a 700-hectare property in General Trias, Cavite. ALC also has properties in Batangas, Cabuyao in Laguna, and along Don Chino Roces Avenue (formerly Pasong Tamo Extension), Makati City. Its Batangas property currently has residential developments. Lima Land, Inc., the 60%-owned subsidiary of ALC, likewise launched a residential component to complement its industrial estate.

The Company maintains its corporate headquarters at the Alsons Building, Makati City, which is owned by ALC.

All of these properties are in good condition.

**Table II – Property, Plant and Equipment (consolidated)**

<i>(Amounts in Thousand Pesos)</i>	December 31, 2012	December 31, 2011
Main Engine of Power Plant	₱5,176,266	₱5,146,178
Land, Buildings and Leasehold Improvements	656,416	595,966
Plant Mechanical, Switchyard and Desulfurization Equipment	3,502,552	3,502,552
Plant Structures and Others	2,499,346	2,499,346
Machinery and Other equipment	818,217	761,066
Construction in Progress	168,998	41,919
Cumulative Translation Adjustments	(3,134,318)	(2,614,046)
Total	9,687,477	9,932,981
Less: Accumulated Depreciation and Amortization	(7,044,679)	(6,995,102)
Net Book Value	₱2,642,798	₱2,937,879

## Item 3. RISKS

Through prudent management and cautious investment decisions, ACR constantly strives to minimize risks that can weaken its financial position. However, certain risks it is involved in are inherent to specific industries and are not within the direct control of the company.

Some of the risks that the company and its subsidiaries may be exposed to are the following:

**(a) Foreign Exchange Rate Fluctuations**

The Company's exposure is primarily associated with fluctuations in the value of the peso against the U.S. Dollar and other foreign currencies. The loan obligations of its power companies are predominantly denominated in US Dollars and their operating costs include spare parts and insurance which are likewise denominated in foreign currency. However, the power companies have a natural hedge against foreign exchange fluctuations since its revenues are also denominated in US Dollars. Likewise, the Company keeps a portion of its short-term investments in foreign currency.

**(b) Interest Rate Risks**

The Company's interest rate risk management policy centers on reducing overall interest expense and on minimizing other costs of borrowing. Changes in market interest rates would have material impact on the company's interest-bearing obligations, specifically on those with floating interest rates.

ACR and its subsidiaries manage their interest rate risks by leveraging its debt portfolio and by optimizing a mix of fixed and variable interest rates. Other measures which were employed to avert risk include pre-payment of debts and re-financing of loans. Moreover, utilization of existing credit facilities has been kept to a minimum.

**d) Liquidity Risks**

The Company and its subsidiaries carefully manage their liquidity position to be able to finance their working capital, debt service and capital expenditure requirements. Sufficient levels of cash and short-term money market placements are maintained to meet maturing obligations. Management regularly monitors and forecasts its cash commitments, matches debt payments with cash generated from the assets being financed, and negotiates with creditors on possible restructuring or re-financing of existing loans to avail of better terms and conditions.

**e) Credit Risks**

ACR and subsidiaries transact only with companies and institutions which are in sound financial position and have demonstrated good credit standing. The power companies' receivables are largely from the National Power Corporation, and collection of which has been current and up to-date. On the other hand, receivables of the property companies come from installment sales of industrial/residential lots and housing units. Receivable balances are monitored regularly and allowance provisions are reviewed to ensure limited exposure to bad debts.

Further discussion on the Company's financial risk management objectives and policies is contained in Note 33 of the Consolidated Financial Statements.

**Item 4. LEGAL PROCEEDINGS**

Some of the subsidiaries or affiliates of the Company are from time to time involved in routine litigation as well as various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of these legal matters in which its subsidiaries or affiliates are involved, will be material to the Company's financial condition and results of operations. Refer to Note 35 and 36 of the Consolidated Notes to Financial Statements attached to this report for detailed description.

**Item 5. SUBMISSION of MATTERS to a VOTE of SECURITY HOLDERS**

During the calendar year covered by this report, no business matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

**PART II - OPERATIONAL AND FINANCIAL INFORMATION**

**Item 6. MARKET FOR REGISTRANT'S COMMON EQUITY and RELATED STOCKHOLDER MATTERS**

**(1) Market Information**

All the common shares of the company are listed in the Philippine Stock Exchange.

The following are the high and low market prices of the Company's shares for the past three years:

**Table III – Market Price of ACR Shares**

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013	High Low	₱1.50 1.27			
2012	High Low	1.58 1.22	₱1.45 1.25	₱1.51 1.31	₱1.44 1.25
2011	High Low	1.51 1.32	1.53 1.33	1.62 1.10	1.27 1.10
2010	High Low	1.25 0.85	0.98 0.78	1.31 0.69	1.64 1.24

Stock Price as of March 27, 2013 was at ₱1.38 per share.

**(2) Stockholders**

As of December 31, 2012, ACR has 6,291,500,000 shares outstanding held by 495 stockholders, inclusive of the two (2) accounts under PCD Nominee Corporation. The list of the top twenty stockholders of the Company as recorded by Prime Stock Transfer Services, Inc., the Company's stock transfer agent, are as follows:

**Table IV – Top Twenty (20) Stockholders**

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1.	Alsons Corporation	2,592,524,072	41.21%
2.	Alsons Power Holdings Corp.	1,249,999,600	19.87%
3.	Alsons Development and Investment Corp.	1,188,524,026	18.89%
4.	PCD Nominee Corporation (Filipino)	1,131,341,577	17.98%
5.	PCD Nominee Corporation (Non-Filipino)	85,033,000	1.35%
6.	Felicitismo I. Alcantara	6,027,574	0.09%
7.	Rennie C. Tan	5,000,000	0.08%
8.	SEC Account No. 2 fao: Various Customers of Guoco Securities	2,090,000	0.03%
9.	All Asia Capital Trust & Investment Division A/C		

95-001	1,830,000	0.03%
10. EBC Securities Corporation	1,030,000	0.02%
11. Felipe A. Cruz, Jr.	1,000,000	0.02%
11. Nora T. Go	1,000,000	0.02%
12. First Integrated Capital Securities, Inc. (555300)	900,000	0.01%
13. First Integrated Capital Securities, Inc. (555200)	795,000	0.01%
14. Ansaldo, Godinez & Co., Inc.	755,000	0.01%
15. George Go	750,010	0.01%
16. AACTC FAO Trinity Investment	680,000	0.01%
17. Generoso F. Balmeo	600,000	0.01%
17. Esteban Yau	600,000	0.01%
18. S. J. Roxas & Co., Inc.	507,000	0.01%
19. Antonio Co	500,000	0.01%
19. Mendoza, Martinez &/or Alberto Mendoza	500,000	0.01%
19. Quiambao, Antonio S.	500,000	0.01%
19. Roqueza, Ricardo S.	500,000	0.01%
19. San Jose, Roberto V.	500,000	0.01%
19. Vega, Luis &/or Eliseo C. Ocampo, Jr.	500,000	0.01%
20. Mendoza, Alberto G. &/or Jeanie C. Mendoza	450,000	0.01%
<b>Total shares of top 20</b>	<b>6,274,436,859</b>	<b>99.74%</b>

### (3) Dividends

Declaration of dividend is subject to approval by the Board of Directors. In its Board meeting held on March 21, 2013, the Board approved the payment of cash dividends of ₱0.016 per share on June 14, 2013 to stockholders of records on May 24, 2013.

The historical dividend declarations are follows:

Year	Date of Declaration	Per Share	Amount	Date of Declaration	Date of Record	Date of Payment
2012	May 4, 2012	₱0.010	₱62,915,000	May 4, 2012	May 18, 2012	June 14, 2012
2011	May 20, 2011	0.011	69,206,500	May 20, 2011	June 6, 2011	June 13, 2011
2010	May 26, 2010	0.010	62,915,000	May 26, 2010	April 20, 2010	May 17, 2010
2009	December 18, 2009	0.010	62,915,000	December 18, 2009	January 11, 2010	January 29, 2010

Management continuously endeavors to increase ACR's share value thru its new projects and project expansion programs while at the same time providing yearly dividends to its shareholders. On June 8, 2011, the Board of Directors approved the adoption of the following dividend policy: Regular dividends will be declared from 20% of the previous year's unappropriated retained earnings.

### (4) Sales of Unregistered Securities Within the Last Two (2) Years

There are no other securities sold for cash by the Company within the last two (2) years that were not registered under the Securities Regulation Code.

## **Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

### **REVIEW OF CURRENT YEAR 2012 OPERATIONS**

Highlights of the Company's financial performance are as follows:

#### **a) Revenues and Profitability**

ACR and Subsidiaries posted consolidated revenues of ₱3.073 billion in 2012, 6% higher than the ₱2.912 billion reported in 2011. Energy and management fees from the Company's Energy and Power business remain stable, generating revenues of ₱2.100 billion in 2012 from ₱2.090 billion in 2011. The two power generating plants continue to dispatch 66% of their available capacities.

Likewise, revenues from the Property Development business increased 18% from ₱822 million to ₱972 million. Revenues from power sales and service income increased 16% from ₱704 million to ₱815 million resulting from higher consumption of electricity and water by locators in the Lima Technology Center and other users. Income from real estate reported in 2012 is likewise higher due mainly to the sale of 4.5 hectares of industrial lots during the year.

Cost of services and real estate sold was reported at ₱1.672 billion, 9% higher than the ₱1.532 billion in 2011 due to the higher cost of purchased power and utilities by Lima Land's wholly-owned subsidiaries. Gross profit improved to ₱1.401 billion in 2012 from ₱1.380 billion in 2011.

General and administrative expenses increased from ₱343 million to ₱419 million. The management fees paid to other associates in 2012 and the provision for impairment in trade and other receivables resulted to the increase in general administrative expenses this year. Operating profit margin in 2012 dropped to 32% from 35% reported in previous year.

Finance charges – net of finance income presented a loss of ₱35 million in 2012 from a gain of ₱39 million in 2011 due to higher interest expense as a result of additional project loan availed during the year.

Other income increased from last year's ₱375 million to ₱389 million in 2012. The nonrecurring income recognized in 2012 of ₱236 million represents compensation of the Parent Company as the sole project proponent for the risk, time and resources in developing Sarangani Energy that was paid by the new partner in the project.

Slight improvement in revenues and other income was negated by the higher cost of services and general and administrative expenses. The Company's net income before tax decrease to ₱1.335 billion from previous year's ₱1.451 billion. EBITDA was at ₱1.993 billion, a margin representing 65% of total revenues. The provision for income tax this year was ₱257 million, higher than the ₱235 million in previous year.

With the above performance, ACR's net income attributable to equity holders of the Company improved 12% from last year's ₱456 million to ₱509 million this year. Basic earning was likewise better at ₱0.081 per share from ₱0.072 per share in 2011.

#### **b) Financial Position**

As of December 31, 2012, total assets of ACR and Subsidiaries stood at ₱14.024 billion, slightly higher than the ₱13.992 billion reported in 2011. Current assets increased 5% from ₱5.244 billion to ₱5.482 billion. The increase came largely from the increase in short-term cash investments and prepaid expenses of the power companies. Depreciation recognized during the year caused the 2% decreased in noncurrent assets. These changes have no overall impact to the total assets of the Company which remain strong at ₱14 billion level.



The additional loan availed during the year and the recognition of a derivative liability arising from the convertible option embedded to the loan obtained by the Parent Company accounted for the 40% increase in current liabilities. The noncurrent portion of the loan and the additional accrued retirement cost also resulted to the 34% increase in the Company's non-current liabilities.

With the above financial position, ACR's current ratio remained strong at 5.22:1 in 2012 from 7.01:1 in 2011, while its debt to equity ratio increased to 0.21:1 from 0.14:1.

ACR's consolidated statement of cash flows showed that cash from operating activities was lower at ₱1.740 billion, providing cash for investing activities in the amount of ₱979 million and for the Company's financing requirements in the amount of ₱942 million. Supplemented by its beginning cash balance, ACR and subsidiaries ended the year with a cash balance of ₱277 million.

### Key Performance Indicators (KPI)

The Company's financial KPI for the year ended December 31, 2012 showed significant improvement compared to 2011 as follows: (Amounts in million pesos, except ratios)

Financial KPI	Definition	CALENDAR YEAR	
		2012	2011
<u>Profitability</u>			
<b>REVENUES</b>		₱3,073	₱2,912
<b>EBITDA</b>		₱1,993	₱2,022
EBITDA Margin	$\frac{\text{EBITDA}}{\text{Net Sales}}$	65%	69%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Average Stockholders' Equity}}$	10%	10%
<b>NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>		₱509	₱456
<u>Efficiency</u>			
Operating Expense Ratio	$\frac{\text{Operating Expenses}}{\text{Gross Operating Income}}$	43%	33%
<u>Liquidity</u>			
Net Debt Coverage	$\frac{\text{Cash Flow from Operating Activities}}{\text{Net Financial Debt}}$	124%	313%
<b>DEBT-TO-EQUITY RATIO</b>		0.21:1	0.14:1
<b>CURRENT RATIO</b>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	5.22:1	7.01:1

### Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the Company decreased from 69% in 2011 to 65% in 2012 due to increased cost of services resulting from higher purchased power and utilities supplied to LTC locators as well as spare parts used during the year. Net income was lower in 2012 in spite of the reimbursement of development fee on SEC project recognized by the Company. The return on equity (ROE) remains at 10% for both years.

Equity holders of the parent in 2012, however was 12% better at ₱509 million from ₱456 million in 2011.

#### Efficiency

The Company's operating expense ratio was higher at 43% in 2012 from 33% in 2011. The operating income this year decreased due to higher cost of purchased power and utilities supplied to LTC locators and cost of real estate sold during the year.

#### Liquidity

As a result of additional loan drawdowns in 2012, financial debt increased 1.4x consequently, net debt coverage decreased to 124% from last year's 313%. Current ratio also decreased to 5.22:1 from last year's 7.01:1.

### **DESCRIPTION OF KEY PERFORMANCE INDICATORS:**

1. **REVENUES.** Revenue is the amount of money that the company subsidiaries receive arising from their business activities and is presented in the top line of the consolidated statements of income. The present revenue drivers of the Company are i) Energy and power ii) Utilities and iii) Real estate. Revenue growth is one of the most important factors management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making a sound investment decision.
2. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
3. **NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT.** Net income attributable to shareholders is one more step down from net income on the consolidated statements of income. The net income of a company is just all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.
4. **DEBT-TO-EQUITY RATIO.** This measures the company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
5. **CURRENT RATIO.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

### **Significant Disclosures**

Please refer to **Annex D** of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Annex D and the disclosures made by the Company in its Audited Consolidated Financial Statements, it is not aware of the following:

1. Unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows because of their nature, size or incidence;
2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period;
3. Issuance and repurchase of equity securities;
4. Segment revenues and segment results for business segments and geographical segments;
5. Changes in contingent liabilities or contingent assets since the annual balance sheet date;
6. Existence of material contingencies and other transaction events that are material to an understanding of the current period;
7. Known trends, commitments, events and uncertainties that will result in or likely to decrease its liquidity in a material way. ACR does not anticipate having, within the next twelve (12) months, any cash flow or liquidity problem nor does it anticipate any default or breach of any of its existing notes, loans, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, ACR expects to meet all financial loan covenants for the next interim period;
8. Events that will trigger direct or contingent material financial obligations to the Company;
9. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year;
10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations;
11. Significant elements of income or loss that did not arise from the Company's continuing operations;
12. Material events subsequent to the end of the reporting period that have not been reflected in the consolidated financial statements;
13. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations;

### **Notes to Financial Statements**

#### *Accounting Policies and Principles*

The consolidated financial statements of ACR and its Subsidiaries for the years ended December 31, 2012 and 2011 are presented in accordance with Philippine Financial Reporting Standards applied on a consistent basis.

#### *Seasonality Aspects of the Business*

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicity.

*Material Changes in Balance Sheet Accounts 5% or More*

Cash and cash equivalents, 39% Decrease

Cash generated from operations during the year was ₱1.740 billion, 6% lower than previous year. Cash from operations were used to acquire additional assets, pay-off dividends and settle maturing debts, thus bringing down the cash and cash equivalents to ₱277 million as of December 31, 2012 from ₱453 million as of December 31, 2011.

Short-term cash investments, 38% Increase

The equity infusion into Sarangani Energy Corporation was invested into short-term cash investment resulting to the increase in this account as of the end of the year.

Spare parts and supplies, 13% decrease

Lower spare parts inventories as a result of higher maintenance costs of the two power companies in 2012. Higher energy dispatched levels means higher running hours and the maintenance costs will correspondingly increase.

Real estate inventories, 6% Increase

The increase is largely due to the additional development costs incurred during the year.

Prepaid expenses and other current assets, 87% Increase

Higher prepayments in 2012 resulting from the advance payment of mortgage and registration fees related to the project loan availed by Sarangani Energy Corp. towards the end of the year.

Noncurrent portion of installments receivables, 14% Increase

The increase is due to additional sales in 2012 collectible over a period of 3 to 5 years.

Property, plant and equipment, 10% Decrease

The decline is due mainly to depreciation and amortization recognized during the year.

Goodwill, 6% Decrease

The decrease is due mainly to the foreign exchange rate adjustments during the year. US\$ to PhP rate in 2011 was at ₱43.84 against ₱41.05 in 2012.

AFS Financial Assets, 39% Increase

The improvements of the market values of these AFS financial assets caused the increase of this account.

Retirement Plan Assets, 12% Decrease

The decrease was mainly due to the restatement of the retirement assets of the power companies during the year.

Other noncurrent assets, 22% increase

The increase was mainly due to additional deferred power project costs incurred during the year.

Accounts payable and other current liabilities, 11% Increase

The increase in output tax payable and accrued interests resulted to the increase in accounts payable and other current liabilities.

Income tax payable, 8% Increase

The recognition of the tax due on the development fee collected at the end of the year caused the increase in income tax payable.

Loans payable, 100% Decrease

The loans payable was fully settled in 2012.

Current and Long-term debt, 62% Increase

The increase was due mainly to additional loan drawdown by Western Mindanao Power Corp in February 2012 amounting to US\$16 million and the Parent Company from APHC amounting to US\$7 million during the first half of the year.

Derivative liability, 100% Increase

The loan availed by the Parent Company in 2012 include options. The salient features were discussed in Note 18 of the Notes to Consolidated Financial Statements. The derivative liability was a result of re-measurement of the options resulted to the recognition of mark-to-market loss and the corresponding liability was also booked.

Retirement payable, 64% Increase

The increase was due mainly to the recognition of additional accrual of retirement payable as computed by third-party actuary during the year.

Customers' deposits, 15% Increase

The deposit of additional locators in the Lima Technology Center for the supply of electricity caused the increase in this account. Customer's deposit are non-interest bearing to secure payment of monthly bills of electricity consumption and are equivalent to the estimated bill for one month of service.

Asset retirement obligation, 12% Increase

The increase was due to the recalculation of the estimated liability for the dismantlement of the power plant complex.

Other noncurrent liabilities, 64% Increase

Additional recognition of deferred lease income during the year accounted for the increase in this account. Deferred lease income is recognize as income on a straight line basis over the term of the lease.

## REVIEW OF YEAR 2011 OPERATIONS

Highlights of the Company's financial performance are as follows:

### b) Revenues and Profitability

ACR and Subsidiaries posted consolidated revenues of ₱2.912 billion in 2011, 8% higher than the ₱2.688 billion reported in 2010. Energy and management fees from the Company's Energy and Power business increased 1% from ₱2.064 billion to ₱2.090 billion. Tariff rate adjustments on energy, operation and maintenance fees negated the impact of the lower energy delivered during the year.

Likewise, revenues from the Property Development business increased 32% from ₱624 million to ₱822 million. Revenues from power sales and service income increased 29% from ₱546 million to ₱704 million as a result of higher consumption of electricity and water by locators in the Lima Technology Center and other users. Income from real estate reported in 2011 was better due mainly to the sale of 4.8 hectares of an industrial lot during the year.

Cost of services and real estate sold was reported at ₱1.532 billion, 12% higher than the ₱1.364 billion in 2010 due to the higher spare parts used due to scheduled preventive maintenance by the power companies and the increased cost of purchased power and utilities. Gross profit improved to ₱1.380 billion in 2011 from ₱1.324 billion in 2010.

General and administrative expenses slightly increased from ₱342 million to ₱343 million. The increase in personnel costs in 2011 was offset by the decline in the provision for doubtful accounts. Operating profit margin in 2011 slightly dropped to 36% from 37% reported in previous year.

Finance charges – net of interest income presented a gain of ₱39 million in 2011 from a loss of ₱8 million in 2010 due to higher interest income during the year as a result of higher placements and lower interest expense due to the continued loan amortizations and settlements.

Other income decreased from last year's ₱406 million to ₱375 million in 2011. The nonrecurring income recognized in 2010 resulting from gain on a debt-buyback amounting to ₱35 million was the reason of this decline.

On account of higher revenues and finance income, our Company's net income before tax rose to ₱1.451 billion surpassing previous year's ₱1.381 billion. EBITDA was at ₱2.022 billion, a margin representing 69% of total revenues. The provision for income tax this year is ₱235 million, lower than the ₱239 million in previous year. The higher non-taxable income enhanced the Company's income performance, from ₱1.142 billion in 2010 to ₱1.216 billion in 2011.

With the above performance, ACR's net income attributable to equity holders of the Company improved 21% from last year's ₱378 million to ₱456 million this year. Basic earning was likewise better at ₱0.072 per share from ₱0.060 per share in 2010.

### b) Financial Position

As of December 31, 2011, total assets of ACR and Subsidiaries stood at ₱13.922 billion, slightly lower than the ₱14.020 billion reported in 2010. Current assets dropped 19% from ₱6.511 billion to ₱5.244 billion. The decrease came largely from the acquisition of the right to own and develop the 21.27 hectares and 3 hectares of foreshore leased area of Lanang Landholdings of C. Alcantara and Sons, Inc. as payment of Alsons Development and Investment Corporation's payable to ACR. As a result of the above arrangement, the investment in real estate correspondingly increased 92% from ₱

1.237 billion in 2010 to ₱2.374 billion in 2011. Property plant and equipment continue to decline as a result of recognition of regular depreciation. Deferred project costs incurred in 2011 also caused the increased in other noncurrent assets from ₱423 million to ₱743 million. These changes resulted to the 16% increase in total noncurrent assets.

Payment of maturing obligations and the successful restructuring of a debt under negotiation accounted for the 38% reduction in current liabilities, the decline in deferred tax liabilities resulting from translation of nonmonetary assets as well as the reduction on capitalized borrowing cost during the year also contributed to the 13% decrease in the Company's non-current liabilities.

With the above financial position, ACR's current ratio remained strong at 7.01:1 in 2011 from 5.38:1 in the previous year, while its debt to equity ratio improved to 0.14:1 from 0.21:1.

ACR's consolidated statement of cash flows showed that cash from operating activities was higher at ₱1.856 billion, providing cash for investing activities in the amount of ₱909 million and for the Company's financing requirements in the amount of ₱1,054 million. Supplemented by its beginning cash balance, ACR and subsidiaries ended the year with a cash balance of ₱453 million.

### Key Performance Indicators (KPI)

The Company's financial KPI for the year ended December 31, 2011 showed significant improvement compared to 2010 as follows: (Amounts in million pesos, except ratios)

Financial KPI	Definition	CALENDAR YEAR	
		2011	2010
<u>Profitability</u>			
<b>REVENUES</b>		<b>₱2,912</b>	<b>₱2,688</b>
<b>EBITDA</b>		<b>2,021</b>	<b>2,012</b>
EBITDA Margin	<u>EBITDA</u> Net Sales	69%	74%
Return on Equity	<u>Net Income</u> Total Average Stockholders' Equity	10%	10%
<b>NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>456</b>	<b>378</b>
<u>Efficiency</u>			
Operating Expense Ratio	<u>Operating Expenses</u> Gross Operating Income	33%	35%
<u>Liquidity</u>			
Net Debt Coverage	<u>Cash Flow from Operating Activities</u> Net Financial Debt	313%	138%
<b>DEBT-TO-EQUITY RATIO</b>		<b>0.14:1</b>	<b>0.21:1</b>
<b>CURRENT RATIO</b>	<u>Current Assets</u> Current Liabilities	<b>7.01:1</b>	<b>5.38:1</b>

### Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the Company decreased from 75% in 2010 to 69% in 2011 due to increased cost of real estate sold and services resulting from higher purchased power and utilities supplied to LTC locators as well as spare parts used during the year. Although net income improved, return on equity (ROE) remains the same at 10% in 2011 and 2010.

### Efficiency

The Company's operating expense ratio was better at 33% in 2011 from 35% in 2010. The operating income this year increased due to higher revenues due to tariff adjustments by the two power companies as well as higher power sales and service income from Lima Land Inc.'s utility companies and further boosted by a sale of 4.8 hectares of industrial lot during the year.

### Liquidity

As a result of lower financial debt, the Company's net debt coverage ratio improved at 313% in 2011 from 138% in 2010, while current ratio further strengthened at 7.01:1 as of December 31, 2011 from 5.38:1 as of December 31, 2010.

### **Significant Disclosures**

Please refer to **Annex D** of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Annex D and the disclosures made by the Company in its Audited Financial Statements, it is not aware of the following:

1. Unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows because of their nature, size or incidence;
2. Changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts in prior financial years that have a material effect in the current period;
3. Issuance and repurchase of equity securities;
4. Segment revenues and segment results for business segments and geographical segments;
5. Changes in contingent liabilities or contingent assets since the annual balance sheet date;
6. Existence of material contingencies and other transaction events that are material to an understanding of the current period;
7. Known trends, commitments, events and uncertainties that will result in or likely to decrease its liquidity in a material way. ACR does not anticipate having, within the next twelve (12) months, any cash flow or liquidity problem nor does it anticipate any default or breach of any of its existing notes, loans, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, ACR expects to meet all financial loan covenants for the next interim period;
8. Events that will trigger direct or contingent material financial obligations to the Company;
9. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year;



10. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations;
11. Significant elements of income or loss that did not arise from the Company's continuing operations;
12. Material events subsequent to the end of the reporting period that have not been reflected in the consolidated financial statements;
13. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations;

### **Notes to Financial Statements**

#### *Accounting Policies and Principles*

The consolidated financial statements of ACR for the years ended December 31, 2011 and 2010 are presented in accordance with generally accepted accounting principles applied on a consistent basis.

#### *Seasonality Aspects of the Business*

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicity.

#### *Material Changes in Balance Sheet Accounts 5% or More*

##### Cash and cash equivalents, 19% Decrease

Cash generated from operations during the year was ₱1.856 billion, 40% higher than previous year. Cash from operations were used to acquire additional assets and settle maturing debts, thus bringing down the cash and cash equivalents to ₱453 million as of December 31, 2011 from ₱558 million as of December 31, 2010.

##### Short-term cash investments, 16% Decrease

The retirement of short-term cash investment used to settle maturing obligations and payment of cash dividend declared by the power companies contributed to the decrease in this account.

##### Trade and other receivables, 22% decrease

As earlier discussed, the decrease came largely from the acquisition of the right to own the Lanang Landholdings of C. Alcantara and Sons, Inc. as payment of Alsons Development and Investment Corporation's payable to ACR. As a result of the above arrangement, the investment in real estate correspondingly increased 92% from ₱1.237 billion in 2010 to ₱2.374 billion this year

##### Real estate inventories, 18% Decrease

The decline is largely due to the sale of real estate and settlement of debts.

##### Prepaid expenses and other current assets, 5% Increase

Higher creditable tax and prepayments in 2011 resulted to the 5% increase in prepaid expenses.

Noncurrent portion of installments receivables, 18% Increase

The increase is due to additional sales in 2011 collectible over a period of 3 to 5 years.

Investment in Real Estate, 92% Increase

The increase was due to the acquisition of the Lanang Landholdings of C. Alcantara and Sons, Inc. as payment of Alsons Development and Investment Corporation's payable to ACR.

Property, plant and equipment, 9% Decrease

The decline is due mainly to depreciation and amortization recognized during the year.

AFS Financial Assets, 9% Increase

The improvements of the market values of these AFS financial assets caused the increase of this account.

Retirement Plan Assets, 152% Increase

The increase was mainly to the funding of retirement costs during the year by the power companies.

Other Noncurrent Assets, 51% increase

The increase was mainly due to additional deferred power project costs incurred during the year.

Accounts payable and other current liabilities, 30% Decrease

The decline in accrued interest resulting from debt restructuring and settlement was the reason of the 30% decrease.

Income tax payable, 33% Decrease

The decline is due mainly to the timing of income tax payments during the year.

Loans payable, 66% Decrease

Payment of maturing loan by ALC accounted for the decrease.

Debts under negotiation, 100% Decrease

The decrease is due to the settlement of debts as well as to the successful restructuring of a loan by the Parent Company.

Long-term debt, 23% Decrease

The decrease was due mainly to payment of maturing principal during the year.

Deferred tax liabilities, 4% Decrease

Differences in currency translation of the non-monetary assets of the power companies accounted for the decrease in deferred tax liabilities.

Retirement payable, 61% Increase

The increase was due mainly to the recognition of additional accrual of retirement payable during the year.

Customers' deposits, 8% Increase

The increase came from customers deposits related to installment sales of lots and housing units in Campo Verde and the Summer Hills projects of ALC and LLI, respectively.

Asset retirement obligation, 94% Increase

The increase was due to the recalculation of the estimated liability for the dismantlement of the power plant complex.

Other noncurrent liabilities, 51% Decrease

Recognition of revenues during the year deferred in 2010 accounted for the decrease in this account.

**Item 8. FINANCIAL STATEMENTS**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON  
ACCOUNTING AND FINANCIAL DISCLOSURE**

- (a) SyCip Gorres Velayo & Co. (SGV) is the Company's external auditors for the last three fiscal years. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.
- (b) In compliance with SEC Memorandum Circular No. 8, Series of 2003 on rotation of External Auditors, SGV's previous engagement partner was replaced in 2009.
- (c) Fees for the years ended December 31, 2012 and 2011 were ₱429,044 and ₱371,190 respectively. The above fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for 2012 and 2011. The fees and services were approved by the Audit Committee in compliance with the Code of Corporate Governance.

The other fee billed by SGV pertained to:

In 2012, SGV was engaged to conduct a tax advisory on the property to be received by way of liquidation of an associate. For this separate engagement, SGV billed the Company ₱341,600 as professional fee, inclusive of any applicable taxes.

- d) There have been no disagreements with SGV & Co. on accounting principles or practices, financial statements disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference thereto in its respective reports on the Company's financial statements for the abovementioned years.

### PART III - CONTROL AND COMPENSATION INFORMATION

#### Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

##### a) Board of Directors and Executive Officers

###### (1) The Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly or as often as required, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified.

The following are the directors and officers of the Company and their business experience for the last five years:

**Table V – Board of Directors**

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President and Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Director	Alejandro I. Alcantara	Filipino
Director	Ramon T. Diokno	Filipino
Director	Carlos G. Dominguez	Filipino
Director	Conrado C. Alcantara	Filipino
<b>Independent Director</b>	<b>Jacinto C. Gavino, Jr.</b>	<b>Filipino</b>
<b>Independent Director</b>	<b>Jose Ben R. Laraya</b>	<b>Filipino</b>
Director	Honorio A. Poblador III	Filipino
<b>Independent Director</b>	<b>Thomas G. Aquino</b>	<b>Filipino</b>

**Tomas I. Alcantara**, 66 Filipino, became the Chairman of the Board of Directors and the President of the Company in August 2001. He holds a Bachelor of Science degree in Economics from the Ateneo de Manila University and a Masters in Business Administration (MBA) from Columbia University, and he attended the Advanced Management Program of the Harvard Business School. He is presently the Chairman of the Board of Directors and President of Alsons Development & Investment Corporation and Sarangani Agricultural Company, Inc.; he is the President (since 1996) and the Chairman of the Board of Directors of Lima Land, Inc., and other companies in the Alcantara Group (since August 2001).

Mr. Alcantara is also the Chairman of the Alsons Aidx Information Systems, Inc. (since August 2001). He is a Trustee of the European IT Service Center Foundation (since August 2002) and of the Foundation for Revenue Enhancement (August 2004). He has been a Director of Holcim Philippines, Inc. since July 2003, Philweb Corporation (May 2002) and DBP-Daiwa Capital Markets Phils., Inc. (July 1995).

Mr. Alcantara served as Undersecretary for the Industry & Investment Group of the Department of Trade and Industry, the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995, and the Special Envoy of the Philippine President to Asia Pacific Economic Cooperation forum in 1996. He was also the Chairman of the Board of Directors and the President

of Holcim Manufacturing Corporation (formerly Alsons Cement Corporation) from May 1997 to July 2003 and has served as a Director of that company since 1997. He was a Member of the Advisory Board of Rizal Commercial Banking Corporation (RCBC) from April 1997 to June 2007. Mr. Alcantara served as a Director of Philippine Reclamation Authority (formerly Public Estate Authority) from 2003 to April 2006 and Chairman of the Manila Economic & Cultural Office from March 2001 to August 2010.

**Editha I. Alcantara**, 64, Filipino, has served as Director of the Company since March 8, 1995. She holds a Business Administration degree from Maryknoll College and an MBA from Boston College. Ms. Alcantara became the President of C. Alcantara and Sons, Inc. in 1992 after serving as the Treasurer of that company. Presently, she is a Director (since 1980) and the Treasurer (since October 2000) of other companies in the Alcantara Group.

She is also a Director of the Philippine Wood Producers Association (since May 16, 1980), and has served as a Trustee for the Philippine Business for the Environment, Inc. since July 1995 and as a Trustee of Miriam College since December 1998.

**Tirso G. Santillan Jr.**, 69, Filipino, became a Director of the Company in June 11, 1996. He has also been the Executive Vice-President since April 27, 1995. He holds a Bachelor of Arts degree in Engineering and a Masters in Business Management degree from the Ateneo de Manila University.

Presently, he heads the Business Development Group of the Alcantara Group. He has been the Executive Vice-President of Alto Power Management Corporation since January 1996, Conal Holdings Corporation since June 1997, Southern Philippines Power Corporation and Western Mindanao Power Corporation since March 1996. He is also a Director of Sarangani Agricultural Co., Inc. since May 2002, Clark Development Corporation since December 2004 and Lima Water Corporation and Lima Utilities Corporation since August 2007.

Additionally, he has been the Managing Partner of Private Capital of Asia Ltd. since June 1991. Mr. Santillan worked with the First Pacific Group from February 1987 to May 1991.

**Alejandro I. Alcantara**, 58, Filipino, has served as a Director of the Company since July 2003. He graduated from the Ateneo de Davao with a degree in Economics. Mr. Alcantara has been a Director and the President of Aquasur Resources Corporation since 1993 and has served in the same capacity with Finfish Hatcheries, Inc. since 1995. He has also served as the Executive Vice President & General Manager of Sarangani Agriculture Company, Inc. since 1986 and of Alsons Aquaculture Corporation since 1998. He also became a Director of other companies in the Alcantara Group in 1986. Mr. Alcantara also served as a Director and the Treasurer of the Federation of Cattle Raisers Association of the Philippines from 1997 to December 2009.

**Ramon T. Diokno**, 65, Filipino, rejoined the Company as a Director in March 18, 2009. Previously, he served the Company as a Director from June 19, 2002 to June 29, 2006 and as its Chief Financial Officer from January 16, 2001 to June 30, 2006. He holds an Economics and Accountancy degree from the De La Salle University and a Masters of Science in Management degree from the Massachusetts Institute of Technology.

Mr. Diokno became a Consultant of Alto Power Management Corporation in July 2006. He is also the Chief Financial Officer of Lepanto Consolidated Mining Co. He also served as a Director and/or a senior officer of various companies including Lepanto Investment Development Company and Philippine Fire & Marine Insurance Co. from July 1985 to December 1997.

**Carlos G. Dominguez**, 67, Filipino, has served as Director of the Company since March 8, 1995. He holds an Economics degree and an MBA from the Ateneo de Manila University. He also attended the Executive Program at the Stanford University. Currently, he is the President of Retail Specialist, Inc. (1991), Philippine Tobacco Flue-Curing and Redrying Corporation, Baesa Redevelopment Corporation, Halifax Capital Resources, Inc. (1992), C.G. Dominguez and Associates, Inc., Huntly Corporation (1993) and Linden Suites, Inc. (1997). He is also a Director of RCBC Capital Corporation (1994), the Chairman of Philippine Eagle Foundation (2001) and a member of the Board of Trustees of the Ninoy and Cory Aquino Foundation (1995).

Mr. Dominguez also serves as Director of United Paragon Mining Corporation (since 1993), Transnational Diversified Corporation (1999), Alip River Development and Export Corporation (2000) and Diamond Star Agro Products, Inc. (2007).

He served as the Minister of Natural Resources during the Corazon C. Aquino Administration from 1986 to 1987 and as Secretary of Agriculture from 1987 to 1989. He was Chairman of the Board of Directors of Republic Planters Bank from 1987 to 1992, Chairman of the Board of Directors and the President of Philippine Airlines from 1993 to 1995, Chairman of the Board of Directors of RCBC Capital Corporation from July 1994 to May 2002, Chairman of the Board of Directors and the President of the Philippine Associated Smelting and Refining Corporation from 1999 to 2002, a Director of the Manila Electric Company from 2001 to July 2003, a Director of Roxas Holdings, Inc. from 1997 to May 2009, a Director of iPVG Corporation from October 2004 to June 2008 and President of Lafayette Philippines, Inc. from January 2006 to April 2008.

**Conrado C. Alcantara**, 40, Filipino, has served as Director of the Company since November 2010. He graduated from the Boston University with a degree in Political Science and attended a Post Baccalaureate Program in Management at Harvard University. He presently serves as a Director and President of Infinicor, Inc. He also became a Director of C. Alcantara & Sons, Inc. in July 2006, and of Lima Land, Inc., Lima Utilities Corporation and Lima Water Corporation in August 2007 and of Alsons Land Corporation in July 2009.

**Jacinto C. Gavino, Jr.**, 63, Filipino, has served as Director of the Company since May 2005. He has been a full-time Faculty of the Asian Institute of Management (AIM) since 1990 and he presently holds the Fr. James F. Donelan, SJ, Professorial Chair in Business Ethics. He is on the core faculty of the Washington SyCip Graduate School of Business (WSGSB). He was also the Associate Dean of the Master in Management Program from 1993 to 1995, and Associate Dean for Research from 1995 to 1999.

He is currently a Director of Productronica Holdings, Inc. (2003), Aurotech Corporation (2000), Green Chemicals Corporation (2006), RNuable Energy Corporation (2011) and Sarangani Agricultural Co., Inc. (2005). He also serves as a Trustee of Fundacion Santiago (2002) and the Center for Family Ministries at the Loyola School of Theology (2006). He also does consultancy work for various businesses and non-profit organizations.

Professor Gavino holds a Bachelor of Science degree in Electrical Engineering from the University of the Philippines (1971), a Master in Business Administration degree from the Ateneo de Manila University (1984), and a Doctorate in Public Administration from the University of the Philippines (1993). He also taught in the Ateneo de Manila University, Maryknoll College, and the University of the Philippines.

**Jose Ben R. Laraya**, 73, Filipino, has served as a Director of the Company since March 1995. He holds a Commerce degree from De La Salle College and an MBA from the University of the Philippines. He also attended the Advanced Management Program at Harvard Business School. Currently, he serves as Chairman of the Board of Directors of Ultrex Management & Investments Corporation (1992) and Laraya Holdings, Inc. (2007). He also serves as President of Trully Natural Food Corporation (2004), and a Director of La Frutera, Inc. (1997).

Previously, he served as Vice-Chairman of Philcom Corporation from October 1996 to February 1999, President of National Steel Corporation from September 1980 to February 1989, Dole Asia from February 1989 to June 1992, and APC Group, Inc. from September 1995 to February 1999.

**Honorio A. Poblador III**, 67, Filipino, has served as a Director of the Company since March 8, 1995. He holds a Political Science degree from the Ateneo de Manila University. Currently, he serves as Chairman of the Board of Directors of Asuncion Realty Corporation (since 1995), Chairman of the Board of Directors and President of Asmaco, Inc. and President of Asian Aesthetic Excellence, Inc. and Mayriad Human Resources and Services, Inc.

He is also a Director of Philippine Communications Satellite Corporation, Philippine Overseas Telecommunications Corporation, and Elnor Investment Corp. (since 1983), Northern Mindanao Power Corporation (1994), Philcomsat Holdings Corporation (1998), the Philodrill Corporation (1997), F & C Realty Corporation and POB Corporation (2003).

**Dr. Thomas G. Aquino**, 64, Filipino, became a director of the Company in May 20, 2011. He has professional expertise in several fields namely business strategy, trade, investments and technology promotions, industrial policy and trade negotiations.

He is a Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific. He specializes in economic policy related to reinvigorating manufacturing for regional and global competition.

He is the Chairman of Information Capital Technology Ventures Inc., a firm engaged in telecommunications, media and technology; an Independent Director of the Company and of A Brown Company Inc., a diversified firm in property and related fields, all publicly-listed companies in the Philippine Stock Exchange. He is elected Director of Philippine National Construction Corporation, and Vice-Chairman of Knowledge Professionals Service Cooperative Inc., a cooperative among knowledge professionals committed to advance Philippine IT competencies in various fields of endeavour.

Dr. Aquino was formerly Senior Undersecretary of the Philippine Department of Trade and Industry. He managed international trade promotions by assisting exporters to the country's trade partners and led the country's trade negotiations work in the World Trade Organization and Asean Free Trade Area including representation in Asia Pacific Economic Cooperation. He was lead negotiator for the Philippines-Japan Economic Partnership Agreement, the first bilateral free trade agreement for the Philippines. He was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country at home and abroad by the President of the Republic of the Philippines.

He obtained a Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

(2) The Executive Officers

None of the officers own more than 2% of ACR. The Company's executive officers are set out below:

**Table VI – Executive Officers**

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President,	Tirso G. Santillan, Jr.	Filipino
Chief Financial Officer	Luis R. Ymson, Jr.	Filipino
Corporate Secretary	Roberto V. San Jose	Filipino
Assistant Corporate Secretary	Angel M. Esguerra III	Filipino

**Luis R. Ymson, Jr.**, 59, Filipino, has been the Chief Financial Officer of the Company since June 30, 2006. He is also Chief Financial Officer of the Alcantara Group since June 5, 2006 and became a Director of Lima Water Corporation since August 28, 2007. He holds a Bachelor of Science degree in Industrial Management Engineering minor in Mechanical Engineering from the De La Salle University, and pursued an MBA degree from the same university.

He has extensive investment banking experience from his previous employment with Allied Banking Corporation and UBP Capital Corporation from 1992 to 1996 and First Metro Investment Corporation and Metropolitan Bank & Trust Co. from 1996 to 2001. He previously served as Chief Finance Officer of The Philippine Daily Inquirer and Director/President of its affiliate, Newspaper Paraphernalia, Inc. until 2004.

**Roberto V. San Jose**, 71, Filipino, has been the Corporate Secretary of the Company since June 1991. He received his Bachelor of Arts degree from De La Salle University and his law degree from the University of the Philippines. He is a member of the Philippine Bar and a Consultant of the Castillo Laman Tan Pantaleon and San Jose Law Offices. In addition to serving as Corporate Secretary for the Company, he serves as Director, Officer and/or Corporate Secretary of Anglo Philippine Holdings Corp., CP Equities Corporation, Atlas Resources Management Group, MAA Consultants, Inc. and several other companies. He is also the Corporate Secretary of Premiere Horizon Alliance Corporation, Marc Ventures Holdings, Inc., Solid Group Inc., United Paragon Mining Corporation, FMF Development Corporation, Beneficial Life Insurance Co., Inc., The Metropolitan Club, Inc., and other client corporations of the Castillo Laman Tan Pantaleon and San Jose Law Firm.

**Angel M. Esguerra III**, 51, Filipino, was appointed as the Assistant Corporate Secretary of the Company on August 10, 2010. He is a member of the Philippine bar and obtained his Bachelor of Arts degree in Economics and his Law degree from the University of the Philippines. Mr. Esguerra practiced with several firms then joined a trans-national energy company with power plants in the Asia-Pacific Region as internal counsel, and served as the Corporate Secretary of its Philippine subsidiaries such as Batangas Power Corp. and Subic Power Corporation. In June of 2010, he joined the Alcantara Group as head of its Legal Services department and now serves as the Corporate Secretary of the group's other companies.



**b) Family Relationship of Directors and Officers**

Mr. Tomas I. Alcantara, Mr. Alejandro I. Alcantara and Ms. Editha I. Alcantara are siblings, while Mr. Conrado C. Alcantara is their nephew.

**c) Independent Directors**

The following are the Company's independent directors. They are neither officers nor substantial shareholders of ACR:

1. Jacinto C. Gavino, Jr.
2. Jose Ben R. Laraya
3. Thomas G. Aquino

**d) Warrants and Options Outstanding**

There are no warrants or options granted by the Company to any of its Directors or executive Officers.

**e) Pending Legal Proceedings**

None of the directors and officers was involved in any bankruptcy proceedings as of March 25, 2013 and during the past five years. Neither have they been convicted by final judgment in any criminal proceedings or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law.

**f) Significant employees**

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

**g) Legal Proceedings where Property is the Subject**

There are no material pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

**Item 11. EXECUTIVE COMPENSATION**

A director's compensation represents a per diem of ₱30,000 for every Board of Directors' meeting and ₱15,000 for every Executive Committee meeting and Audit Committee meeting.

Sections 9 and 10 of the Amended By-laws which pertain to compensation and other arrangements with the Directors read:

Section 9. Compensation of Directors. Each director shall receive, for his services as Director such amount as may be fixed by the stockholders for each regular or special meeting of the Board actually attended by him provided, that nothing herein contained shall be construed to preclude any director from serving the company in any other capacity and receiving such compensation therefore as may be fixed from time to time by the Board of Directors.

Section 10. Profit Sharing. The Board of Directors shall be authorized and empowered to pay or distribute to the members of the Board of Directors and the Executive Committee, and the officers of the Corporation, amounts of up to five percent (5%) of the net income before tax in each year, to be allocated at its discretion. If the income arises from the consolidation, or equity accounting of earnings of subsidiaries or affiliates, the computation of net income subject to profit sharing, shall be based on the cash or property dividends declared and actually received by the Company during the year.

The aggregate amounts paid by the Company to its directors and executive officers as a group were ₱2,460,000, ₱2,240,000 and ₱1,440,000 in 2012, 2011 and 2010, respectively. For 2013, the Company estimates that it will pay an aggregate amount of ₱2,880,000 as compensation to its directors and executive officers.

**Table VII - Summary of Compensation of Directors and Executive Officers**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (₱)</b>	<b>Bonus (₱)</b>	<b>Other Annual Compensation Income (₱)</b>
1. Tomas I. Alcantara Chairman and President	<b>2013est.</b>	₱ -	₱ -	<b>₱270,000</b>
	2012	-	-	195,000
	2011	-	-	230,000
	2010	-	-	130,000
2. Editha I. Alcantara Director & Treasurer	<b>2013est.</b>	-	-	<b>360,000</b>
	2012	-	-	300,000
	2011	-	-	180,000
	2010	-	-	140,000
3. Tirso G. Santillan, Jr. Director, EVP & COO	<b>2013est.</b>	-	-	<b>360,000</b>
	2012	-	-	270,000
	2011	-	-	240,000
	2010	-	-	160,000
4. Jose Ben R. Laraya Director	<b>2013est.</b>	-	-	<b>360,000</b>
	2012	-	-	300,000
	2011	-	-	250,000
	2010	-	-	160,000
5. Ramon T. Diokno Director	<b>2013est.</b>	-	-	<b>270,000</b>
	2012	-	-	245,000
	2011	-	-	190,000
	2010	-	-	160,000
All other Officers and Directors as a group unnamed	<b>2013est.</b>	-	-	<b>1,260,000</b>
	2012	-	-	1,150,000
	2011	-	-	1,150,000
	2010	-	-	690,000

Other Annual Compensation received from ACR represents per diems given for every attendance in a Board, an Executive Committee (Excom) meeting or an Audit Committee meeting. The disclosure on the compensation of Key Management Personnel is presented in Note 21 of the audited consolidated financial statements.

The Company and the executive officers are not involved in any of the following transactions:

- a. Standard arrangement and any material arrangements;

- b. Employment contract (between the registrant and named executive officers);
- c. Compensatory plan or arrangement;
- d. Outstanding warrants or options;
- e. Adjustments or amendments on the stock warrants or options.

The members of the Compensation Committee of the Company are as follows:

- 1. **Tomas I. Alcantara** - **Chairman**
- 2. **Honorio A. Poblador III** - **Member**
- 3. **Jose Ben R. Laraya** - **Member (Independent Director)**
- 4. **Tirso G. Santillan, Jr.** - **Member**

### **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

The above named executive officers of the company are not employees of ACR and are not covered by any existing employment contracts. They only receive per diem if they attend a Board meeting, an Executive Committee meeting, and/or an Audit Committee meeting.

### **Warrants and Options Outstanding: Repricing**

There are no outstanding warrants or options held by the directors or executive officers of the Company.

## **Item 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

### **(1) Security Ownership of Certain Record and Beneficial Owners**

As of December 31, 2012, Alsons Consolidated Resources, Inc. knows of no one who beneficially owns in excess of 5% of its common stock except as set forth in Table VIII below:

**Table VIII - Beneficial Owners of Voting Securities**

Title of Class	Name and address of Record Owner	Relationship with Issuer	Name of Beneficial Owner and Relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common	<b>Alsons Corporation<sup>1</sup> (AC)</b> Alsons Bldg., 2286 Chino Roces Avenue, Makati City	Affiliate	Alsons Corporation <sup>2</sup>	Filipino	2,592,524,072	41.21%
Common	<b>Alsons Power Holdings Corp<sup>1</sup>. (APHC)</b> Alsons Bldg., 2286 Chino Roces, Avenue Makati City	Affiliate	Alsons Power Holdings Corporation <sup>2</sup>	Filipino	1,249,999,600	19.87%
Common	<b>Alsons Development &amp; Investment Corp<sup>1</sup>. (ADIC)</b> 329 Bonifacio St., Davao City	Affiliate	Alsons Development and Investment Corporation <sup>2</sup>	Filipino	1,188,524,026	18.89%
Common	<b>PCD Nominee Corporation<sup>3</sup> (Fil)</b>	None	Various <sup>4</sup>	Filipino	1,131,341,577	17.98%

<sup>1</sup> The President and CEO of the Corporation, Tomas I. Alcantara, is the Chairman of the Board of Directors of the Company.

<sup>2</sup> The respective Boards of Directors of each of AC, APHC and ADIC has power to decide how the shares are to be voted.

<sup>3</sup> The PCD Nominee Corporation is not related to the Company.

<sup>4</sup> There are no holders of more than 5% of common stock under PCD. The clients of the various PCD participants have the power to decide how the Company's shares are to be voted.

	MSE Bldg., Ayala Ave., Makati City				
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**(2) Security Ownership of Management**

The table below shows the securities beneficially owned by all directors, nominees and executive officers of ACR as of December 31, 2012:

**Table IX - Security Ownership of Management**

**Directors:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Tomas I. Alcantara	1	Filipino	r	0.00%
Common	Editha I. Alcantara	100,000	Filipino	r	0.00%
Common	Alejandro I. Alcantara	1	Filipino	r	0.00%
Common	Jacinto C. Gavino, Jr.	1	Filipino	r	0.00%
Common	Ramon T. Diokno	1	Filipino	r	0.00%
Common	Carlos G. Dominguez	100	Filipino	r	0.00%
Common	Jose Ben R. Laraya	100	Filipino	r	0.00%
Common	Conrado C. Alcantara	1	Filipino	r	0.00%
Common	Honorio A. Poblador III	100	Filipino	r	0.00%
Common	Thomas G. Aquino	100	Filipino	r	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	r	0.00%
Total		100,406			0.00%

**Officers:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Tomas I. Alcantara	1	Filipino	r	0.00%
Common	Editha I. Alcantara	100,000	Filipino	r	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	r	0.00%
Common	Roberto V. San Jose	500,000	Filipino	r	0.00%
Total		600,002			0.00%

**(3) Voting Trust Holder of 5% or More**

No person holds five percent (5%) or more of the issued and outstanding shares of stock of the Company under voting trust or similar agreement.

**(4) Changes in Control**

There are no arrangements which may result in a change in control of the registrant.

**Item 13. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS**

During the last three (3) years, the Company was not a party in any transaction in which a Director or Executive Officer of the Company, any nominee for election as a Director, or any

security holder owning more than 5% of any class of the Company's issued and outstanding shares and/or his/her immediate family member had a material interest thereon.

In the normal conduct of business, the following are among the other transactions with its affiliates and related parties disclosed in the audited financial statements under Notes 17 (Loans Payable), 18(Long-term Debt) and 21 (Related Party):

- Lima Land, Inc. (LLI), a company 59.95% owned by Alsons Land Corporation (ALC), has a Marketing Agency Agreement with Marubeni Corporation and Alsons Properties Corporation, a stockholder and an affiliate, respectively. Under the agreement, LLI will pay a fee ranging from a minimum of 0.5% to maximum of 6% of contracted price of the industrial lot sales of LLI. The fee is due and payable upon receipt of 90% of the Contracted Price. The outstanding commission payable (included in "Accounts Payable and Other Current Liabilities") in the audited financial statements amounted to ₱15 million as of December 31, 2011 and nil in 2012.
- LLI provided a guarantee to a bank in favor of Lima Logistics Services, Inc., previously a wholly owned subsidiary of LLC, for an existing short-term credit facility of ₱15 million. The liability of LLI under the guarantee was limited to the lower of (i) ₱5 million plus interest and other charges accrued thereon under the credit facility or (ii) the sum equivalent to 35% of the total outstanding principal amount plus interest and other charges accrued thereon under the credit facility. In 2012, the loan was fully settled without any charges to LLI. Accordingly, LLI had been cleared from its obligation as guarantor.
- On December 23, 2010, Alsons Corporation, a major shareholder of ACR, transferred its 29,149,000 shares of Indophil Resources NL, an Australian publicly-listed company, valued at ₱1.3 billion (equivalent to AU\$1.03 per share), to ACR.
- On December 27, 2011, the Board of Directors approved the acquisition of 72% of the outstanding shares of C. Alcantara & Sons, Inc. (CASI) from Alsons Development & Investment Corporation (ADIC), the parent company of CASI, at a consideration of ₱1,226 million.

There were no transactions to which the Company was a party during the past two (2) fiscal years where a director, executive officer, nominee for director, or stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

The Company retains the law firm of Castillo Laman Pantaleon and San Jose Law Offices for legal services. During the last two fiscal years, ACR paid ₱1,523,200 in 2012 and ₱403,200 in 2011 to Castillo Laman Pantaleon and San Jose Law Offices, where Atty. Roberto V. San Jose is a Consultant. The Company believes that the legal fees are reasonable for the services rendered.

**List all parents of the registrant showing the basis of control and as to each parent, the percentage of voting securities owned or other basis of control by its immediate parent, if any.**

The Company has no parent company holding or controlling more than 50% of its outstanding capital stock. However, the following corporations separately own and control substantial shares in the Company: Alsons Corporation - 41.21%; Alsons Power Holdings Corporation - 19.87%; and Alsons Development & Investment Corporation - 18.89%.

## PART IV – CORPORATE GOVERNANCE

### Item 14. CORPORATE GOVERNANCE

#### *(1) Evaluation System to Measure Compliance with the Manual of Corporate Governance*

The Company has adopted and complies with a Securities Exchange Commission (SEC) mandated Self-Rating Assessment System to determine the level of compliance of the Company's Board of Directors and Executive Officers to its Manual of Corporate Governance. There has been no substantive deviation from the Manual since its adoption.

#### *(2) Measures Undertaken to Fully Comply with Leading Practices on Good Corporate Governance*

Aside from adopting a Manual of Corporate Governance and monitoring the Company's compliance with the same, the Company has created the audit, nomination and compensation committees and designated compliance officers for corporate governance matters. All of the Company's directors and executive officers have already attended an SEC-accredited seminar on Corporate Governance. The Company believes that constant monitoring of its compliance with the manual will improve the Company's corporate governance.

#### *(3) Plans to Improve Corporate Governance*

The Company belonged to the twenty (20) top-ranked companies in the *2007 Corporate Governance Scorecard Project for Publicly Listed Companies in the Philippines*. The ranking was undertaken by the Institute of Corporate Directors (ICD), in partnership with the Securities & Exchange Commission (SEC), The Philippine Stock Exchange (PSE), and the Ateneo de Manila Law School. Scoring in Quartile 1 of 138 respondents spoke highly of the Company's commitment to raise its standards of corporate governance and its continued efforts to comply with the provisions embodied in its Manual on Corporate Governance.

## PART V - EXHIBITS AND SCHEDULES

### Item 15. EXHIBITS AND REPORTS

#### 15.1 Consolidated Financial Statements

The Audited Consolidated Financial Statements for the years ended December 31, 2012 and 2011 are attached as Exhibit 1:

- Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Balance Sheets December 31, 2012 and 2011
- Consolidated Statements of Income for the three years ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Comprehensive Income for the three years ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Cash Flows for the three years ended December 31, 2012, 2011 and 2010.
- Notes to Consolidated Financial Statements

#### 15.2 Supplementary Schedules

Exhibit 2

Independent Auditors' Report on Supplementary Schedules

SRC Annex 68-E Schedules

- A. Financial Assets – (Cash equivalents, Short-term cash investments, and Available for Sale Financial Assets)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
- C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements
- D. Intangible Assets - Other Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock

Reconciliation of Retained Earnings for Dividend Declaration

Conglomerate Map

Tabular Schedule of All Effective Standards and Interpretations under the PFRS as at Reporting Period

15.3 Reports on SEC Form 17-C

- Report on SEC Form 17-C filed during the year ended December 31, 2012 is attached together with this report and presented in Exhibit 6:

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on JUN 17, 2013.

**ALSONS CONSOLIDATED RESOURCES, INC.**

Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the date indicated.

By:



Date: 06-17-2013

Tomas I. Alcantara  
Chairman and President



Date: 6/17/2013

Editha I. Alcantara  
Treasurer



Date: 06-17-2013

Tirso G. Santillan, Jr.  
Executive Vice-President



Date: 6/17/2013

Roberto V. San Jose  
Corporate Secretary



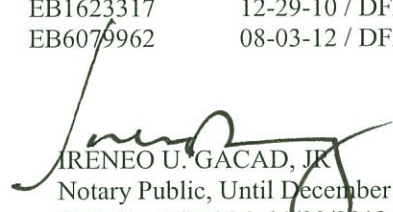
Date: 06-17-2013

Luis R. Ymson Jr.  
Chief Financial Officer

**SUBSCRIBED AND SWORN** to before me this JUN 17 day of 2013 affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO</u>	<u>DATE &amp; PLACE OF ISSUE</u>
Tomas I. Alcantara	XX2763093	01-08-09 / DFA Manila
Editha I. Alcantara	EB1982304	02-25-11 / DFA Manila
Tirso G. Santillan, Jr.	XX3178388	03-07-09 / DFA Manila
Luis R. Ymson Jr.	EB1623317	12-29-10 / DFA Manila
Roberto V. San Jose	EB6079962	08-03-12 / DFA Manila

Doc No. 40  
Page No. 9  
Book No. LVII  
Series of 2013

  
IRENEO U. GACAD, JR.  
Notary Public, Until December 31, 2013  
PTR No. 3677986; 01/09/2013; Makati City  
IBP No. 911197; 12/20/12; Manila I Chapter  
Roll No. 22596;  
Unit 304, Guadalupe Commercial Complex  
Guadalupe Nuevo, Makati City



ALSONS CONSOLIDATED RESOURCES, INC.  
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES  
FORM 17-A, Item 7

<u>No.</u>	<u>Exhibit</u>
<b>Consolidated Financial Statements</b>	<b>Exhibit 1</b>
Statement of Management's Responsibility	
Report of Independent Public Accountants	
Consolidated Balance Sheets as of December 31, 2012 and 2011	
Consolidated Statements of Income for the three years ended December 31, 2012, 2011 and 2010	
Consolidated Statements of Comprehensive Income for the three Years ended December 31, 2011, 2010 and 2009	
Consolidated Statements of Cash Flows for the three years ended December 31, 2011, 2010 and 2009	
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D. Intangible Assets - Other Assets	
E. Long-term Debt	
F. Indebtedness to Related Parties	
G. Guarantees of Securities of Other Issuers	*
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### Form 17-A

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Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
Instruments Defining the Rights of Security Holders, Including Indentures	**
Voting Trust Agreement	*
Material Contracts	**
Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
Letter re: Change in Certifying Accountant	*
Report Furnished to Security Holders	*
Published Report Regarding Matters Submitted to Vote of Security Holders	*
Consent of Experts and Independent Counsel	*
Power of Attorney	*

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\* These Exhibits are either not applicable to the Company or require no answer.

\*\* There were no changes or additions to those already provided in our SEC Form 11-A (1996) and in our succeeding filing on August 22, 1997 (As per Compliance Letter dtd 7/29/97).