COVER SHEET

MANILA WATER COMPANY INC

Atty. JHOEL P. RAQUEDAN

Contact Person

981-81-29

Company Telephone Number

SEC Form 17-A

STOCK

FORM TYPE

04

Any

Secondary License Type, If Applicable

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes
SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: December 31, 2010
2. SEC Identification Number: A 1996-11593
3. BIR Tax Identification Code: 005-038-428
4. Name of Registrant as specified in its charter:
   MANILA WATER COMPANY, INC.
5. Province, country or other jurisdiction of incorporation or organization:
   Republic of the Philippines
6. Address of principal office:
   MWSS Administration Bldg, 489 Katipunan Road
   Balara Quezon City, Metro Manila, Philippines 1105
7. Registrant’s telephone number: (02) 981-8129
8. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,032,826,476
   b. Debt Securities
      Fixed Rate Bonds – P4,000,000,000.00
Registrant has no other registered securities either in the form of shares, debt or otherwise.
9. Are any of Registrant’s securities listed in a Stock Exchange?
   Yes [x]     No [ ]

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1 2,009,902,966 Outstanding Common Shares
22,923,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the PSE
2,032,826,476
2,005,463,966 Common Shares, par value P1.00 per share, are listed in the Philippine Stock Exchange.

10. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of “affiliate” in “Annex B”).

As of April 11, 2011 the aggregate market value of the voting stock held by non-affiliates of the Company is P 27,062,695,345.

Please see attached discussion on the following:

PART I - BUSINESS AND GENERAL INFORMATION
PART II - OPERATIONAL AND FINANCIAL INFORMATION
PART III - CONTROL AND COMPENSATION INFORMATION
PART IV - CORPORATE GOVERNANCE
PART V - EXHIBITS AND SCHEDULES

Unless otherwise indicated and where the context so permits or requires, information provided herein is as of December 31, 2010.
PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Manila Water Company, Inc. (the “Company”), is a Philippine company established in 1997 with the primary purpose of providing water, sewerage and sanitation services. The Company is a concessionaire of the Metropolitan Waterworks and Sewerage System (MWSS). It currently serves a total estimated population of over six million people in the East Zone, the MWSS service area assigned to it, comprising a broad range of residential, commercial and industrial customers. For the year ended December 31, 2010, the Company registered ₱11.0 billion of revenues and ₱4.0 billion of net income. Of the Company’s revenues during this period, 80% or ₱8.9 billion was generated from water delivery services in the East Zone. The Company’s total assets as of December 31, 2010 stood at ₱48.6 billion and shareholders’ equity at ₱20.0 billion.

Under the terms of the Concession Agreement entered into on February 21, 1997 (the “CA”) with MWSS, the Company was granted exclusive rights to service the East Zone as an agent and contractor of MWSS. Under the CA, MWSS granted the Company the use of land and operational fixed assets and the exclusive right, as agent of MWSS, to produce and treat raw water, distribute and market water, and collect, transport, treat, dispose and eventually re-utilize wastewater, including reusable industrial effluent discharged by the sewerage system for the East Zone. The Company is entitled to recover over the 25-year concession period its operating, capital maintenance and investment expenditures, business taxes, and Concession Fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession. As the Company has the exclusive rights to service the East Zone, no other entity can provide water services within this area. Hence, the Company has no competitors within its service area. The East Zone encompasses parts of Manila, San Juan, Taguig, Pateros, Antipolo, Taytay, Jala-Jala, Baras, Angono, San Mateo, Rodriquez, Marikina, Pasig, Mandaluyong, Makati and most of Quezon City.

On October 19, 2009, the Company’s application for the 15-year renewal of the CA was acknowledged and approved by the Department of Finance (DOF) following the special authority granted by the Office of the President. With the renewal of the CA, the term of the concession was extended for 15 years or from the original period of 2008-2022 to 2008-2037. Under the terms of the renewal of the CA, the Company is entitled to recover the operating and capital expenditures, business taxes, and Concession Fee payments, and to earn a reasonable rate of return on these expenditures for the remaining term of the concession or until 2037.

Despite a challenging business environment, the Company sustained its volume of water sales for 2010. The volume of water delivered to customers in 2010 totaled 409.8 million cubic meters (“MCM”), reflecting a 3.5% growth year-on-year. The increase was brought about by additional new service connections that reached 93,811 for 2010, coming largely from the expansion areas in Rizal province. The Company served a total of 1,157,807 households through 813,942 water service connections as of December 31, 2010, as compared to last year’s level of 1,086,296 households and 736,305 water service connections.

From August 1, 1997, at the commencement of the CA, to December 31, 2010, the Company has increased the number of customers it serves by more than three million, most of whom belong to lower income communities in the East Zone. At the start of the concession, only 26% of customers enjoyed water supply 24 hours a day, compared to 99% who enjoyed 24-hour
availability as of December 31, 2010. The Company's Non-Revenue Water (NRW) level was significantly reduced from 63.0% at the date of commencement of operations to an average of 11.0% as of December 31, 2010.

Since August 1, 1997 to December 31, 2010, the Company spent over P42 billion on capital expenditures and on projects funded by MWSS loans (paid through concession fees by the Company). These capital expenditures were used for the improvement of water service, reduction of water losses, maintenance of water quality, implementation of sustainable development programs and expansion of the network in Rizal and Taguig. From 2011 to 2015, the Company expects to spend P66.4 billion on capital expenditures and concession fee payments. The Company plans to continue to develop new water sources, expand its water distribution network, rehabilitate its facilities to improve operational efficiency reliability, expand sanitation and sewerage services and intensify implementation sustainable development and environmental programs.

Manila Water has also expanded its services outside of the East Zone. In July 2008, the Company won a contract for leakage reduction in Ho Chi Minh City, Vietnam. In December 2009, the Company through Boracay Island Water Company (BIWC), entered into a Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (TIEZA) covering the provision of water and wastewater services in BIWC. In September 2009, the company acquired 70% of Laguna AAAWater Corporation (LAWC) which has an existing Concession Agreement with the Province of Laguna covering the provision of water services in certain areas of Laguna.


The Concession

The following are some of the key terms of the CA:

- **Term and Service Area of Concession.** The CA took effect on August 1, 1997 (“Commencement Date”) and will expire on May 6, 2037 or on an early termination date as provided therein. By virtue of the CA, MWSS transferred its service obligations (i.e., water supply, sewerage and sanitation, and customer service) in the East Zone to the Company.

- **Ownership of Assets.** While the Company has the right to manage, operate, repair, decommission and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to MWSS by the Company during the concession remains with the Company until the expiration date (or an early termination date), at which time, all rights, titles and interests in such assets will automatically vest in MWSS.

- **Ownership of the Company.** Under the CA, MWSS granted concessions for water distribution to private-sector corporations at least 60% of the outstanding capital stock of which is owned and controlled by Philippine nationals. In addition, the Company represents and warrants to MWSS that its outstanding voting capital is at least 60% owned by citizens of the Philippines or by corporations that are themselves at least 60% owned by citizens of the Philippines.
• **Sponsor Commitment.** Ayala, as local sponsor, and United Utilities PLC, as international operator, are each required to own, directly or through a subsidiary that is at least 51% owned or controlled, at least 20.0% of the outstanding capital stock of the Company for the first five years (through December 31, 2002), and thereafter at least 10% each.

• **Operations and Performance.** The Company has the right to bill and collect for water and sewerage services supplied in the East Zone. In return, the Company is responsible for the management, operation, repair and refurbishment of MWSS facilities in the East Zone and must provide service in accordance with specific operating and performance targets described in the CA.

• **Concession Fees.** The Company is required to pay MWSS the following:
  
  - Concession fees consisting of the peso equivalent of (i) 10% of the payments due under any MWSS loan that was disbursed prior to the Commencement Date; (ii) 10% of payments due under any MWSS loan designated for the Umiray-AngatTransbasin Project (UATP) that was not disbursed prior to the Commencement Date; (iii) 10% of the local component costs and cost overruns related to the UATP; (iv) 100% of the payments due under any MWSS designated loans for existing projects in the East Zone that were not disbursed prior to the Commencement Date and were awarded to third party bidders or elected by the Company for continuation; and (v) 100% of the local component costs and cost overruns related to existing projects in the East Zone; and

  - Share in the annual operating budget of MWSS amounting to P396 million each year subject to annual inflation adjustments

MWSS is required to provide the Company with a schedule of concession fees payable during any year by January 15 of that year and a written notice of amounts due no later than 14 days prior to the scheduled payment date of principal, interest, fees and other amounts due. Currently, MWSS gives monthly invoices to the Company for these fees.

• **Appropriate Discount Rate.** The Company is entitled to earn a rate of return equal to the Appropriate Discount Rate (“ADR”) on its expenditures prudently and efficiently incurred for the remaining term of the concession. The ADR is the real (net of inflation) weighted average cost of capital after taxes as determined by the MWSS Regulatory Office (MWSS-RO) based on conventionally and internationally accepted methods, using estimates of the cost of debt in domestic and international markets, the cost of equity for utility business in the Philippines and abroad with adjustments to reflect country risk, exchange rate risk and any other project risk. The Company’s ADR from 2003 to 2007 was 10.4%. Pursuant to MWSS Resolution No. 2007-278 dated December 14, 2007, the new ADR applicable for 2008 to 2012 is 9.3%.

• **Tariff Adjustments and Rate Regulation.** Water tariff rates are adjusted according to mechanisms that relate to inflation, extraordinary events, foreign currency differentials and Rate Rebasing exercises.

• **Early Termination.** MWSS has a right to terminate the concession under certain circumstances which include insolvency of the Company or failure to perform an obligation under the CA, which, in the reasonable opinion of the MWSS-RO, jeopardizes
the provision of essential water and sewerage supply services to all or any significant part of the East Zone. The Company also has the right to terminate the concession for the failure of MWSS to perform an obligation under the CA, which prevents the Company from carrying out its responsibilities or upon occurrence of certain events that would impair the rights of the Company.

- **Reversion.** On the expiration of the CA, all the rights, duties and powers of the Company automatically revert to MWSS or its successors or assigns. MWSS has the option to rebid the concession or renew the agreement with the express written consent of the government.

Under the CA, the Company and the concessionaire of the West Zone of Metro Manila, Maynilad Water Services, Inc. (“Maynilad”), were required to enter into a joint venture or other arrangement that identifies the responsibilities and liabilities of each with regard to the operation, maintenance, renewal and decommissioning of Common Purpose Facilities (CPF), as well as an interconnection agreement which governs such matters as water supply transfers between the East and West Zones and boundary definitions and identifies the responsibilities and liabilities of parties with regard to the management, operation and maintenance of certain interconnection facilities. Pursuant to this, the Concessionaires entered into the Common Purpose Facilities Agreement and the Interconnection Agreement in July 1997.

**The Regulatory Office of MWSS**

The CA also provided for the establishment of the MWSS Regulatory Office (MWSS –RO) under the jurisdiction of the MWSS Board of Trustees (MWSS-BOT), to oversee and monitor the operations of the Concessionaires. The MWSS-RO is composed of five members with five-year term and no member of the MWSS-RO may have any present or prior affiliation with MWSS, the Company or Maynilad. The MWSS-RO is funded by MWSS through the concession fee payments of the concessionaires. The CA provides that major disputes between the Company and the MWSS-RO be referred to an appeals panel consisting of two (2) members appointed by each of the MWSS-RO and the Company and a third member appointed by the Chairman of the International Chamber of Commerce. Under the CA, both parties waive their right to contest decisions of the appeals panel through the courts.

**Key Performance Indicators and Business Efficiency Measures**

The CA initially set service targets relating to the delivery of services by the Company. As part of the Rate Rebasing exercise that ended on December 31, 2002, the Company and MWSS mutually agreed to amend these targets based on the Company’s business and capital investment plan accepted by the MWSS-RO. In addition, the Company and MWSS adopted a new performance-based framework. This performance-based framework, designed to mimic the characteristics of a competitive market and help the MWSS-RO determine prudent and efficient expenditures, utilizes Key Performance Indicators (KPI) and Business Efficiency Measures (BEM) to monitor the implementation of the Company’s business plan and will be the basis for certain rewards and penalties on the 2008 Rate Rebasing exercise.

Fourteen KPIs, representing critical performance levels for the range of activities the Company is responsible for, relate to water service, sewerage and sanitation service and customer service. The BEMs are intended to enable the MWSS-RO to evaluate the efficiency of the management and operation of the concessions and gauge progress toward the efficient fulfillment of the concessionaires’ business plans. There are nine (9) BEMs relating to income, operating expenses,
capital expenditures and NRW. The BEMs are evaluated for trends and annual forecasts. For the past years, the Company has been consistently receiving commendation from the MWSS BOT for outperforming the target set by the regulators in terms of KPI and other service obligations.

Since 2003, the Company has consistently complied with its KPI and BEM targets, and has, exceeded some performance indicators.

Amendment to the Concession Agreement

The CA was amended under Amendment No. 1 to the Concession Agreement executed on October 26, 2001 (“Amendment No. 1”). Amendment No. 1 adjusted water tariffs to permit adjustment for foreign exchange losses and reversal of such losses, which under the original CA were recovered only when the concessionaire petitioned for an Extraordinary Price Adjustment (EPA).

Organization

The Company is organized into six functional groups: (i) Project Delivery (ii) Operations; (iii) East Zone Business Operations; (iv) Regulation and Corporate Development; (v) Corporate Resources; and (vi) Corporate Finance and Governance.

- The Project Delivery Group is charged with developing and executing the numerous infrastructure projects that are crucial for the Company to deliver its water and wastewater services. Aside from meeting business and regulatory commitments as stipulated in the CA, the delivery of projects is key in expanding services that improve people's lives and promote regional economic growth. The Project Delivery Group oversees the development, engineering, construction and commissioning of projects in fulfillment to the rate rebasing plans and company business targets. On the other hand, the Program Management Department is in charge of the development of projects which includes conduct of feasibility and optioneering studies, acquisition of necessary land, consensus building among stakeholders, preparation of tender documents preparation, and ensuring that the program overall meets regulatory and business targets. The Design Department is in charge of ensuring that all engineering design meets company requirements and standards. This includes validation of the design concept and cost estimates in feasibility studies, conduct of preliminary and detailed design as necessary, spearhead technical review during bidding, and evaluate technical submissions of contractors and consultants. Upon project award, the Project Delivery Department steps in to implement the contract and supervises the performance of contractors ensuring the highest level of quality and safety. Finally, the PDG Support Department provides performance monitoring, efficiency analysis, and administrative support. With this dynamic collaborative system in effect, the Project Delivery Group successfully delivers the key infrastructure committed by the Company.

- The Operations Group is responsible for the operations and maintenance of the facilities to ensure the delivery of water and sewerage services to customers. The group also handles the monitoring of water demand and NRW levels (against available water supply) and other service targets to ensure compliance with the standards of the Company, MWSS-RO and other regulatory institutions. The different departments under the Operations Group help support the overall operations of the Company by providing services and coordinating with other groups in order to make business projections and meet regulatory requirements. A team oversees compliance with regulatory and environmental standards. The Operational Risk Management team helps mitigate possible
hazards through on-site inspections and trainings they provide. On the other hand, the Common Purpose Facility team deals with its counterpart in MWSI and MWSS regarding projects, water distribution and management of Angat, La Mesa and Ipo dams. Facilities are backed-up by Maintenance, to make sure that machineries are efficiently operating and in good condition. Innovations Department allows the use of feasible approaches and technologies that enhance performance of facilities. Furthermore, Commissioning integrates existing assets with newly-acquired facilities in order to monitor available resources and maximize the usage of the Company’s assets. On the other hand, Standards Department defines and sets the benchmark for construction requirements, facilities, chemicals, instruments and other critical procedures, necessary for quality operation. The Safety Team creates safety regulations and implements policies to ensure a safety culture and environment among the Company as well as its contractors and business partners. Finally, the Operations Group and the Business Group also advise the Project Delivery Group on the infrastructure required to meet service targets.

- The East Zone Business Operations (EZBO) deals with the Company’s customers and is responsible in the operations of the business. It is composed of eight (8) business areas and the different support departments. The Business Areas are responsible in the delivery of water, wastewater and sanitation services to the customers geared towards customer satisfaction. On the other hand, the Support Group is composed of the following departments: Customer Affairs and Revenue Department, Collection Support Services Department, Key Accounts Management, Technical Support Services for Water Network, Technical Support Services for Wastewater and GIS Department. The Customer Affairs and Revenue Department develops through different programs, policies and monitoring tools to ensure the quality of the customers’ bills and drive customer satisfaction. The Collection Support Services ensures that there are adequate payment options and facilities to cater to the needs of the customers for payment convenience. In order to address the unique and varied needs of the commercial and industrial accounts a new team for Key Accounts Management was established to give focus to these accounts. The Technical Support Services Department for Water Network oversees the water network and ensures reliability by developing programs and conducting research on the latest technologies to reduce the water losses. The Technical Support Services Department for Wastewater, on the other hand, oversees the maintenance of the network for sewer lines and the implementation of the company’s desludging services. Lastly, the GIS Department conducts research and utilizes the latest GIS technologies to provide the visual representation of the network and asset conditions for better monitoring and analysis. All of the Business Areas and the Support Departments are aimed towards driving business growth, reducing water losses, and delivering quality customer service.

- The Regulation and Corporate Development Group interfaces with the MWSS-RO on all matters relating to the CA, including submitting reports and disclosures relating to compliance as well as handling negotiations with the MWSS-RO relating to the Company’s service targets. The Group also distills information from the Company’s other groups to produce and periodically update financial projections, which serve as the bases for petitions submitted to the MWSS-RO for quarterly, annual, and five-year tariff adjustments. In addition, the Group is responsible for the Company’s new business development initiatives including Company’s international expansion. On the other hand, the Sustainable Development Department develops and implements social and environmental programs that are consistent with corporate goals.
The Corporate Resources Group is composed of six departments: Human Resources Services (HRS), Leadership Development and Talent Management (LDTM), Corporate Services (CS), Corporate Communications (CC), Information and Communications Technology (ICT), Land Acquisitions and Right-of-Way. The HRS Department is responsible for the research and administration of compensation, rewards and benefits. The LDTM Department is responsible for the various change management programs, implementation of various innovative trainings programs, internal communications, employee relations activities and strategic staffing. The CS Department handles Labor Relations, Fleet Management, Property Management and Security Management. The Labor Relations section handles employee administrative cases and the preparations and actual negotiations for a new Collective Bargaining Agreement. It also conducts continuous education and trainings on labor relations. The Fleet Management section is responsible for the management and maintenance of company vehicles and equipments. It also provides assistance during incidents/emergencies and special events of the company. The Security Management section handles the development and implementation of the company’s overall control and physical security programs. It supervises security of the Company’s properties, plant, premises, shared facilities and other assets. A voluntary battalion of employees trained by the government, the 503rd Reserve Water Battalion, further secures the Company’s offices and operational facilities. The CC Department is responsible for executing the Company’s communication plan, and supporting the Company’s various projects and programs that address issues of public importance. The ICT Department is responsible for the delivery of hardware, software, and communication solutions that support the Company’s operations, programs, and projects. The Land Acquisitions and Right – of – Way Department is responsible in the acquisition of private properties and clearing and recovering of Right-of-Way owned by the Company and MWSS.

The Corporate Finance and Governance Group, which is headed by the Chief Finance Officer, performs basic financial services for the Company. The Group is composed of nine departments: Treasury and Investor Relations, Contracts and Vendor Management, Accounting, Tax Management, Financial Planning, Systems and Control (FPSCD), Internal Audit, Legal and Corporate Governance, Logistics and Enterprise Risk Management (ERM). The Treasury and Investor Relations Department is primarily responsible for managing the Company’s overall liquidity by efficiently managing the Company’s daily cash position, as well as ensuring that funding is available for the Company’s short-term and long-term cash requirements. It is also responsible for the management of investor communications and other investor-related concerns. The Contracts and Vendor Management Department ensures that external requirements of the Company from contractors, consultants and service providers are met in an efficient and cost effective manner without compromising integrity and transparency. The Contracts section handles the procurement of all asset expansion and reliability projects needed in order for the Company to meet its service obligations. The Accounting Department is responsible for managing the accounting records and preparing financial statements and reports for the Company. The Tax Management Department is responsible for the overall compliance with all tax rules and regulations and ensures completion and application of all tax benefit programs of the Company. The FPSCD handles budget preparation, ensures implementation of adequate financial systems and controls, and prepares management reports. The Internal Audit Activity oversees compliance by operating units.
with internal controls. Internal Audit reports functionally to the Audit and Governance Committee and administratively to the Chief Finance Officer. The Legal and Corporate Governance Department provides legal services, advice and support across the entire organization and is also responsible for the prosecution and defense of cases filed by and against the Company. It is also responsible for the compliance with the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation disclosure requirements. Furthermore, Legal and Corporate Governance Department also aids in the corporate secretariat work of the Company. Logistics Department is responsible for the provision of all supplies and materials needed for operations and projects to ensure continuity and support expansion of potable water supply and wastewater disposal services, in a cost efficient manner. It is also responsible for providing standard unit costs of materials, civil works and operating expenses to support the corporate goal on cost efficiency in projects implementation and operations. The ERM Department facilitates, supports, and integrates the Enterprise Risk Management processes of the Company.

To better address customer concerns, the Company follows a decentralized approach in the provision of water and wastewater services. Under this approach, the East Zone was divided into eight (8) business areas, each composed of several Demand Monitoring Zones (DMZs). Each DMZ is comprised of 1,500-3,000 accounts and is managed by a Territory Manager. In empowering the Territory Manager to oversee the technical, business and customer service aspects of the DMZ, the Company is able to ensure that the needs of customers are given the utmost attention and the highest quality of service.

**Water Operations**

The supply of water by the Company to its customers generally involves abstraction from water sources and the subsequent treatment and distribution to customers’ premises. In 2010, the Company supplied approximately 1,257 million liters per day (MLD) and billed 410 MCM of water compared to 1,301 MLD of water supplied and 396 MCM billed in 2009. The Company serves a total of 1,157,807 households through 813,942 water service connections as of December 31, 2010, as compared to December 31, 2009 where a total of 1,086,296 households were served through 736,305 water service connections.

**Water Resources**

Under the CA, MWSS is responsible for the supply of raw water, free of charge, to the Company’s distribution system and is required to supply a minimum quantity of water, currently pegged at 1,600 MLD. In case MWSS fail to supply the minimum quantity, the Company is required to distribute available water equitably.

The Company substantially receives all of its water from MWSS, which holds permits to the raw surface waters of the Angat and Umiray Rivers. The raw surface water which MWSS supplies to the Company comes from the Angat and Umiray Rivers, abstracted from the Angat Dam, and conveyed to the Ipo Dam through the Ipo River. The remainder of the Company’s water supply is ground-sourced through deep wells in various locations within the East Zone. As of December 31, 2010, the Company has twelve (12) operational deep wells with an average production of 16 MLD.
Water Treatment

Raw water is stored at the La Mesa reservoir located immediately downstream of the Novaliches portal interconnection prior to treatment in two (2) filter plants in Balara located seven (7) kilometers away. Aqueducts enable either intake from three (3) towers at La Mesa reservoir or by-pass flow direct from the portal interconnection to Balara.

The Balara treatment plants have a total design capacity of 1,600 MLD and consist of two (2) separate treatment systems: Balara 1, which was commissioned in 1935 and Balara 2 which was commissioned 1958. These treatment plants have common use of chemical preparation equipment and dosing facilities. The treatment process in these plants involves coagulation, flocculation, sedimentation, filtration and chlorination. The facilities consume higher quantities of chemicals during the rainy season when the turbidity of water increases, which leads to increased costs of operations.

Both plants are operating with an on-line monitoring system which enables real-time monitoring of water quality data which, in turn, provide an enhancement in chemical dosing efficiency. Currently, majority of the filter beds is being upgraded to improve efficiency. The beds were modified using a multi-block underdrain system that includes an air-scour wash system, a more efficient method of cleaning the media using less water. Bulk of the sludge management plant was constructed in 2010 and is expected to operate in 2011. Future upgrades will include the modification of the chemical dosing system.

The upgrade is expected to increase the total capacity of the plants by about 214 MLD this year.

Water Distribution

After treatment, water is distributed through the Company's network of pipelines, pumping stations and mini-boosters. As of December 31, 2010, the Company's network consisted of around 4,000 kms1 of total pipeline, comprising of primary, secondary and tertiary pipelines ranging in diameter from 50 to 2,200 mm. The pipes are made of steel, cast iron, asbestos cement pipe, polyvinyl chloride and other materials. Due to pipes' excessive tendency to leak, the Company is replacing all of its Asbestos Cement Pipes (ACP), which at the start were estimated to comprise approximately 25.5% of the total pipeline length. The Company has replaced a total of 561 km of ACP as of December 31, 2010. From the start of the concession in 1997 until the end of 2010, the Company has laid more than 3,000 km of pipeline through expansion or replacement.

Pumping stations also play a critical part in water distribution. Approximately 64.52% of the surface water supplied by the Company is pumped to ensure supply in high elevation areas. Currently, the Company operates twelve (12) major pumping stations with a combined maximum pumping capacity of 3200 MLD and an average plant output of 970 MLD. The Balara, San Juan, Pasig, Makati, Fort Bonifacio, Siruna and Lucban pumping stations have reservoirs with a combined capacity of 269 ML. New reservoirs expected to operate this year is the Maguey Reservoir and East Ridge Reservoir with a combined capacity of 30ML which will serve the higher areas of Antipolo.

1 Actual active mains as of today is 4,285 km. Total ACP is approximated at 2,200 km.
The Company operates fifteen (15) line boosters in order to reach the fringe areas, which are quite distant from the Central Distribution System. Line boosters typically are small facilities aimed at augmenting water supply for areas that are not sufficiently supplied during the regular pumping operations of the main boosters.

Two additional pumping stations are in the process of completion which will increase the total number to fifteen (15).

Non-Revenue Water

NRW refers to the volume of water lost in the Company’s distribution system due to leakage, pilferage, illegal connections and metering errors. As determined by the MWSS-RO, NRW is calculated as a percentage of the net volume of water supplied by the Company. The net volume of water supplied by the Company comprises the total volume of water supplied by the Company net of Cross Border Volume. Cross Border Volume is the volume of water transferred to the West Zone concessionaire less transfers received by the East Zone from the West Zone Concessionaire in the past. To date, the cross border flows have completely stopped.

The Company’s NRW levels have been significantly reduced from an average of 63% at the date of commencement of operations under the CA to an average of 11% for the year ended December 31, 2010. The significant improvement in the Company’s system losses was accomplished through effective management of water supply coupled with massive pipe replacement projects.

Water Quality

Since 1998, the Company’s water quality has consistently surpassed the Philippine National Standards for Drinking Water (PNSDW) set by the Department of Health (DOH) and based on World Health Organization (WHO) water quality guidelines. The Company’s rating is based on a series of tests conducted regularly at 860 (EO 2010) sampling points within the East Zone. The Company’s water samples scored an average bacteriological compliance of 100%, surpassing the threshold of 95% set in the PNSDW. In 1997, when the concession began, only 88% of water samples complied with these quality standards. The Company collects regular samples on a monthly basis for bacteriological examination of treated surface water and ground water sources as well as deep well water sources (Angat, Ipo, Bicti and La Mesa reservoirs).

Water quality at the Company’s treatment plants undergoes daily bacteriological and physical-chemical analysis. Across the distribution system within the coverage area, sampling is conducted jointly with the MWSS-RO, Local Government Units (LGUs) and DOH and each sample collected undergo monthly bacteriological and physical/chemical analyses.

The DOH, together with the MWSS-RO, confirmed that the Company’s water quality consistently exceeded the PNSDW. This record is further affirmed by an ISO/IEC 17025:2005 accreditation (meeting the principles of ISO 9001:2008 obtained by the Company’s laboratory for water/wastewater quality and testing in October 2006.

Sewerage Operations

The Company is responsible for the provision of sewerage and sanitation services through the operation of new and existing sewerage systems and a program of regular maintenance of household septic tanks in the East Zone.
Sewerage and Sanitation System

Since 1997, the Company has significantly improved and expanded the limited wastewater infrastructure originally operated and maintained by the MWSS. Sewerage services are provided in areas where treatment facilities are available. Sewered areas are currently located in Quezon City and Makati, but parts of Manila, Taguig, Cainta, Pasig and Mandaluyong are also connected to sewer networks.

The Company had few facilities for sewerage services in 1997. The Sewage Treatment Plant (STP) in Magallanes Village is the largest treatment facility in the country with a 40 MLD capacity. The STP in Magallanes provides sewerage services to the Makati central business district and some residential villages. Prior to privatization, this facility had poor treatment efficiency and did not meet effluent quality standards. The Karangalan Bio-module in Karangalan Village serves approximately 100 households but also produced substandard effluent quality before 1997. An imhoff tank in Phil-Am Village and thirty-one communal septic tanks (“CSTs”) in Quezon City were also turned-over in 1997. These facilities serve approximately 19,000 households. These facilities have been upgraded to secondary treatment and now meet effluent standards set by the DENR.

In 2001, the Company constructed two (2) pilot package to determine if they were feasible in terms of social, financial, and environmental aspects. These are located in Valle Verde Homes, Pasig that serves approximately 100 households and another serves some 400 households of the housing project in Makati together with approximately 4,000 students and employees in Rizal Elementary School.

With the success of the two (2) pilot STPs, the Company implemented the Manila Second Sewerage Project (MSSP) funded by World Bank. Under the MSSP, twenty-six (26) STPs were constructed. Sixteen (16) of these STPs were formerly CSTs and the rest are on-site STPs for medium and high rise housing establishments and for the UP campus. Takeover and upgrade of the STP in Diego Silang, Taguig was also part of the MSSP.

In 2007, the Company took over the operations and maintenance of the Bonifacio Water Sewage Treatment Plant in Fort Bonifacio Taguig City. This facility brought an additional 5MLD treatment capacity.

Sewer coverage by the end of 2010 has increased to 23% from just 3% coverage in 1997, totaling 102,835 households benefiting from this service. As of year-end 2010, the Company operates 34 Wastewater Facilities including two (2) STPs, with a total capacity of 135 MLD, compared to 40 MLD in 1997.

Customers who are not connected to the sewer network are provided with septic tank maintenance services through the “Sanitasyon Para Sa Barangay” (SPSB) program. Through cooperation with the barangays the program aims to desludge all septic tanks in a barangay without charge over a specified, set schedule.

As part of its commitment to expand this service, the Company constructed and subsequently operated in 2008 under the Manila Third Sewerage Project (MTSP) two (2) STPs aimed at managing septic tank materials siphoned from the East Concession customers. More than 40 trucks from its current fleet of 92 desludging trucks operate daily to ensure the desludging service is rendered to the entire East Zone population over the next five years. Since 1997, the Company has already provided such service to more than 455,000 households.
The Company implemented the World Bank-funded MTSP until 2012. The MTSP is a follow-up to the MSSP and has the ultimate objective of improving sewerage and sanitation conditions in the East Zone. It was developed as a means of achieving the Company’s sewerage and sanitation service targets. The remaining components of the MTSP include the construction of sewer networks and treatment plants in several locations in the East Zone including upgrading of existing communal septic tanks with secondary treatment levels.

The technical assistance component will focus on information and education campaigns on proper liquid waste disposal and environment preservation and the preparation of follow-up programs on sewerage and sanitation, with emphasis on low-cost sanitation systems.

In 2009, the Company pursued the implementation of the 3-River Master Plan that will provide 100% treatment to wastewater discharging to the Pasig River, San Juan River and Marikina River catchments within the East Zone. The 3-River Master Plan is envisioned to be a cornerstone of the regional effort to clean-up Manila Bay.

This P45 billion project is a massive expansion of the “catchment approach” piloted in Manila Water’s earlier projects. Comprehensive interceptor systems will capture hazardous wastewaters before they pollute waterways. Around twenty (20) STPs will be constructed to treat these pollutants before safely discharging them to rivers.

In December 2009, the Company began pre-qualification for the bidding of a 100 MLD STP in Bgy. Concepcion I, Marikina City and will be awarded in July 2011. The preparation for the bidding of a 40 MLD STP in Bgy. Hagonoy, Taguig City was also completed and was awarded in December 2010. With the completion of major Feasibility Studies for the 3-River Master Plan in 2009, the company is poised to complete the 3-River Master Plan by 2018.

Related Party Transactions

In the normal course of business, the Company has transactions with related parties. The sales and investments with related parties are entered into and/or executed at normal market prices. Furthermore, service agreements are based on rates agreed upon by the parties.

As of December 31, 2010, outstanding balances for related party transactions are unsecured and interest-free. There have been no guarantees provided or received for any related party receivables or payable and the Company has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The Company entered into a technical services agreement with United Utilities B.V., an affiliate of United Utilities Pacific Holdings B.V., for technical services necessary for the operation of the Company. The Company also contracted with Ayala for administrative, technical and support services in relation to human resources, treasury, accounting, capital works, corporate services and regulatory affairs and administrative management of the Company. There is also a Capital Works Program Agreement with Water Capital Works Inc. (“WCWI”), a company owned by Ayala for services relating to the capital works program of the Company. The above agreements are for a period of ten (10) years and are renewable for successive periods of five (5) years.
In August 2007, the board of directors approved and ratified the renewal of the Technical Services Agreement with United Utilities, Administrative and Support Services Agreement with Ayala and Capital Works Agreement with WCWI for another five (5) years up to 2012.

No other transaction was undertaken by the Company in which any director or executive officer was involved or had a direct or indirect material interest.

Environmental Compliance

The Company’s wastewater facilities must comply with Philippine environmental standards set by the Department of Environment and Natural Resources (DENR) on water, wastewater, hazardous, and solid wastes. In keeping with the Company’s commitment to sustainable development, all projects are assessed for their environmental impact and where applicable, must obtain an Environmental Compliance Certificate (ECC) from the DENR prior to construction or expansion. Subsequent to construction, effluent from facilities, such as sewage and septage treatment plants, are routinely sampled and tested against DENR standards using international quality sampling and testing procedures.

The Company has made efforts to meet and exceed all statutory and regulatory standards. The Company employs the appropriate treatment, disposal and monitoring procedures and communicates the need for conservation to its customers and employees. With technical assistance from United Utilities, the Company uses controlled work practices and preventive measures to minimize risk to the water supply, public health and the environment. The Company’s regular maintenance procedures involve regular disinfection of service reservoirs and mains and replacement of corroded pipes. The Company’s water and wastewater treatment processes meet the current standards of the DOH and DENR.

The Company has contingency plans in the event of unforeseen failures in the water and wastewater treatment or chemical leakage and accidental discharge of septage and sewage. The Company’s Customer Care Center is used to ensure that discharge problems are tracked, monitored and resolved.

The Company continues to undertake improvements in the way it recycles both treated wastewater and sewage sludge. The Company tests sludge for physio-chemical quality standards. Under the monitoring of the Fertilizer and Pesticide Authority (FPA) and the Sugar Regulatory Administration (SRA), trials are being conducted by the Company on the use of sludge as soil conditioner to reclaim fields damaged by volcanic debris in Pampanga. The FPA has awarded the Company a license to manufacture and distribute biosolids as soil conditioner.

To address the concern on climate change, a policy on climate change was formulated to define the Company’s commitment to develop and implement a Carbon Management Plan, improve efficiency in energy consumption, and consider the impact of climate change in the Company’s operations while putting in place mitigating measures.

Employees

As of December 31, 2010, the Company had 1,589 employees. Approximately 43% were non-management employees and 57% held management positions. Five (5) employees were seconded from Ayala.
The following table presents the number of employees as of the end of the periods indicated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Former MWSS</th>
<th>Direct Hires</th>
<th>Seconded from Ayala</th>
<th>Seconded from Bechtel and United Utilities</th>
<th>Consultants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,177</td>
<td>405</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>1,589</td>
</tr>
</tbody>
</table>

The following table presents the number of employees by function as of the December 31, 2010:

<table>
<thead>
<tr>
<th>Group</th>
<th>Management</th>
<th>Non-Management</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the President</td>
<td>7</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Corporate Finance &amp; Governance</td>
<td>93</td>
<td>26</td>
<td>119</td>
</tr>
<tr>
<td>Regulation and Corporate Development</td>
<td>58</td>
<td>3</td>
<td>61</td>
</tr>
<tr>
<td>Corporate Resources</td>
<td>71</td>
<td>29</td>
<td>100</td>
</tr>
<tr>
<td>East Zone Business Operations</td>
<td>393</td>
<td>442</td>
<td>835</td>
</tr>
<tr>
<td>Operations</td>
<td>194</td>
<td>149</td>
<td>343</td>
</tr>
<tr>
<td>Project Delivery</td>
<td>98</td>
<td>26</td>
<td>124</td>
</tr>
<tr>
<td></td>
<td>914</td>
<td>676</td>
<td>1,589</td>
</tr>
</tbody>
</table>

As of December 31, 2010, the headcount of CBU members was at 594.

Before privatization, the MWSS had 8.4 employees per 1,000 service connections. The Company has improved this ratio to 1.4 employees per 1,000 service connections as of December 31, 2010. This was done through improvements in productivity achieved through, among other things, value enhancement programs, improvements in work processes, employee coaching and mentoring, transformation of employees into knowledge workers, and various training programs. The Company’s organizational structure has been streamlined, reducing the number of non-management rank levels from 16 to six, and empowering employees through decentralized teams with responsibility for managing territories. In addition, the Company formed multi-functional working teams, called clusters, that are composed of members of the management team tasked with addressing corporate issues such as quality, risk and crisis management.

As of December 31, 2010, 594 or 38 percent of the employees of the Company belonged to the Manila Water Employees Union (MWEU). The Company and the MWEU concluded negotiations on a new Collective Bargaining Agreement (CBA) covering a three-year period from 2008 to 2011. The CBA provides for a grant over three years of P127.7 million in compensation and benefits to employees categorized as non-management collective bargaining unit (CBU) employees. The Company believes that its management maintains a strong relationship with union officials and members as it has not had any strikes since its inception. Grievances are handled in management-led labor councils. The CBA also provides for a mechanism for the settlement of grievances.

The Company provides training and development programs to its employees, with its long-term plans and programs translating into career development opportunities for them. It envisioned and adopted a Water and Wastewater Systems Leadership (WWSL) program to train new managers to adeptly run both its water and wastewater facilities. The WWSL molds leaders into technically-
equipped and humane individuals who can manage excellently and inspire people to deliver results.

The Company subsequently came up with a leadership development program to ensure and sustain its capacities and thus bring the company to par with world-class standards while boosting employee morale, motivation and dedication. Functional schools were set up with the primary purpose of equipping talents with skills required by their current roles in the organization. Each functional school has a specialized in-house curriculum wherein the trainers are recognized experts currently occupying the said role. These schools include the Business Zone Management School (BZM), the Project Delivery Management School, Program Management School, Finance Academy for Managerial Excellence (FAME), and Facilities Management School.

The Company’s wide-ranging reward system is also unique. It is the first company-wide reward system covering all levels and departments and is totally aligned with business goals. This is in recognition of the fact that the company’s success is the result of the effort of all the employees working as one team for one company. In 2005, the company extended an equal cash incentive to each employee under this reward system. In succeeding years, the company further improved the system by taking care of the gaps in the distribution system and aligning the reward system with the yearend goals of the company, anchored on the KPI/BEM targets.

Pursuant to the CA, the Company adopted an Employee Stock Option Plan (ESOP). The ESOP was instituted to allow employees to participate directly in the growth of the Company and enhance the employees’ commitment toward its long-term profitability. In 2005, the Company adopted an Employee Stock Ownership Plan (ESOWN) as part of its incentives and rewards system.

The CA also mandates that the Company institute a welfare fund to which it must contribute no less than 5% of the monthly basic salary of a member who has authorized the Company to contribute to do so. In 2005, the Company's Board of Directors approved the establishment of an enhanced retirement and welfare plan. The plan is being administered by a Retirement and Welfare Plan Committee, which also has the authority to make decisions on the investment parameters to be used by the trustee bank.

Over and above these benefit and reward schemes, the Company gives recognition for employees who best exemplify its culture of excellence through the Chairman’s Circle (C2) Awards for senior managers, the President’s Pride due to Performance (P3) honors for middle managers and the Huwarang Manggagawa (Model Employee) Awards for the rank-and-file. Eight of the Company’s model employee awardees were also awarded The Outstanding Workers of the Republic (TOWER) Award by the Rotary Club of Manila from 1999 to 2009, by far the most by any single company over that period.

For all its accomplishments over the past 13 years, the Company has been the recipient of numerous awards that include the following: the Global Grand Prize in the 2010 International Water Association Project Innovation Awards for the company’s creative approaches in reducing systems losses to benefit its customers, the “Water Efficiency Project of the Year” from Global Water Intelligence and Water Desalination Report for the “Manila Water NRW Strategy” that reduced systems losses significantly and improved customer satisfaction, the two (2) Best-Managed Company Awards from Asiamoney Magazine, the four (4) corporate governance awards from CorporateGovernance Asia, the Best-Managed Mid-Cap Company Award from FinanceAsia Magazine, five (5) Anvil awards in 2005 and one (1) each in 2003, 2004 and 2010 from the Public Relations Society of the Philippines, the Distinction Award for the Water Deal of
the Year from Global Water Intelligence, the Asia Water Management Excellence Award-Industry Category, the Intel-Asian Institute of Management (AIM) Corporate Responsibility Award (IACRA) in 2009, the Best in Corporate Governance in the last Corporate Governance Scorecard by the Institute of Corporate Directors, the Most Integrated into the Core Business Award from the Management Association of the Philippines and League of Corporate Foundations, and the 2002 Model Company Award and 2010 Hall of Fame Award from the Department of Trade and Industry, which singled out the Company’s “consistency and passion” in pursuing programs on labor and management cooperation, quality and productivity improvement, and family welfare and community relations.

These, of course, are topped off by the landmark recognition the Company earned as 2006 Employer of the Year from the People Management Association of the Philippines for providing a remarkable example of how a group of much-maligned government workers was turned into a thoroughly efficient organization that is now a leader in its industry.

**Risk Factors**

**Socio-political and Regulatory Risk**

The Company, being a water service provider operating a concession under the MWSS, operates in a highly-regulated business environment. The Company has to obtain all necessary regulatory approvals in order to implement its projects. Possible challenges by other government entities in new business initiatives have to be properly managed. Hence, failure of the Company to address regulatory uncertainty and recognize adverse conditions brought about by political and social forces within the areas it operates in may restrict market opportunities, hamper and devalue investments and negatively affect returns on existing assets.

The Company must ensure that all service obligations under the CA and that all rate rebasing targets are met. Failure to meet obligations, requirements and terms called for by the CA with MWSS may result to payment of fines/penalties, claw back in tariff rates, damage in reputation, and termination of the CA.

**Capital Investment Risk**

The Company is bound under the CA to comply with certain service obligations and is required to meet numerous performance and business efficiency targets. Hence, achieving these performance targets will require substantial capital investment in expansion and service improvement projects. In fact, failure to properly plan, manage, execute and monitor projects may lead to increase in project life cycle and project costs. Therefore, disbursements in connection with capital investment projects must not only yield acceptable returns, but must be aligned with the regulatory plan.

**Water Supply Risk**

Water distribution, which is the heart of Manila Water’s operations, is primarily dependent on the availability and sustainability of water supply. Failure to ensure adequacy and security of its water supply by developing alternative water sources and failure maintain the reliability water supply facilities will lead to water shortage and below standard water releases to the distribution network.
Incidents and Natural Events

Environmental disasters such as earthquakes, floods and typhoons could result in significant losses. Water, wastewater, offices and other facilities when severely damaged could lead to extended water service interruptions could resulting in significant losses to the Company. Natural events, such as prolonged drought, and other incidents affecting water supply facilities could result in water supply shortage, which would limit the ability of the Company to meet customer demand for potable water.

New Business Risk

The Company continues to expand to other top metros in the Philippines and to neighboring Asian countries. It now operates in new territories which have business environments totally different from that of the East Zone concession area. Opportunities for providing services other than its core competencies are now being explored more extensively. The Company must be able to establish appropriate structures that would allow for the effective integration of its new businesses. Failure to form synergistic alliances and to effectively manage relationship with partners may result in service failures and damage to the Company’s reputation.

Talent Management Risk

The expansion initiatives of the Company also translate to an increased demand for a competent workforce readily available for deployment to its prospective new businesses. Failure to create and implement a strategic and integrated talent management program that attracts, identifies, assesses, develops and retains key talents could adversely affect the Company’s ability to meet current and future business needs and expansion objectives.

The Company must also maintain the right mix and number of talents necessary to sustain its operations within and outside the East Zone. Failure to determine and maintain the right manpower size will decrease efficiency and productivity.

Management of Risks

Enterprise Risk Management

Manila Water has embarked on an ERM program to effectively manage risks through a standard and informed decision-making mechanism and by employing a common risk culture and language understood by every individual within the organization. The ERM Department headed by the Chief Risk Officer (CRO), acts as specialists and consultants on matters relating to ERM and is responsible for coordinating the various ERM initiatives across the organization.

As ERM is an enterprise-wide endeavor, a risk management oversight structure was formed which defined the place and role of each employee in the ERM process. The Board of Directors, supported by the Audit and Governance Committee, performs an oversight role of the ERM initiative. The Risk Management Executive Committee (RMEC) is at the forefront of this initiative and oversees the implementation of the ERM program. It is composed of the President, the CRO and the Group Directors for Corporate Resources, Finance, Project Delivery, Operations, and Regulatory Compliance as well as the Director for East Zone Business Operations. The President is the comprehensive risk executive and leads the process of managing the risks while the CRO champions the ERM framework across the entire organization.
The Company uses a risk-based approach to planning and has institutionalized a holistic and unified planning process. Top management first defines the overall business strategy and direction for the organization. The strategic plan is then broken down into specific, short term action and plans at the functional unit level. Detailed execution plans are then formulated and individual employee targets are set.

For 2011, the adequacy of the management of top corporate risks and the targeted adoption level of the ERM framework form part of the key result areas of the Company and the Business Groups.

Managing Top Corporate Risks

The Company ensures that all requirements of regulatory bodies are complied with. Internal compliance targets like water and wastewater effluent quality are purposely set higher than regulatory standards. These performance metrics are regularly monitored and reported to the RMEC and the Audit and Governance Committee of the Board of Directors.

To maintain the excellent relationship with its Regulators, the Company conducts regular huddles to update them on various company matters. The Company ensures that the Regulators are on a “first-to-know” basis with regard to significant corporate developments and supports the various advocacies which are consistent with Manila Water’s goals and objectives. The Company also ensures that they are educated on Company’s operations through regular site visits and invitations to events, workshops and capacity-enhancing local and international fora.

To ensure the timely and quality execution of projects, the Company strengthened its project management team with the hiring of additional project managers and the engagement of project management consultants. Management of big-ticket water and wastewater projects will be further enhanced with the designation of quality surveyors as site officers. These specialists are oriented and trained accordingly to enhance their roles as project owners and are made fully-accountable for the success of the projects assigned to them.

The Company continues to strengthen the project screening system to ensure the technical viability and profitability of every project. Project challenging guidelines have been developed to ensure that all projects are appropriately assessed and evaluated from a technical, financial, and regulatory perspective.

The Company continues to expand its pool of quality contractors to accommodate the additional project workload as mandated by the Regulator’s capital expenditure requirements. The Company has developed a comprehensive vendor management program with the end in view of developing sustainable partnership with the best contractors and vendors within and outside the Philippines.

Operational risks continue to be effectively addressed by the Company’s Business Continuity and Incident Management and Response Teams. Mobile treatment plants, additional water tankers and other such water distribution facilities in case of incidents and emergencies have been acquired and are strategically distributed within the concession area for ease of use and access when needed. Improvements in information and communication technology management and infrastructure have been made to mitigate the impact of incidents in the Company’s operations.

In addition to its strong Business Continuity Plan, the Company recognizes the impact of climate change in its current and future operations and has drawn-up a Climate Change Adaptation Plan.
This enhances the Company’s readiness to respond to possible effects of climate change and take advantage of the resulting opportunities.

Manila Water encounters challenges in water supply such as dry spells and changes in water flow patterns and quality. The Company has prepared for the El Niño phenomenon in 2010 with its Drought Management Plan to ensure continuous water service. Non-revenue water projects are being fast-tracked to curb physical and commercial losses and recover water which can be re-allocated to areas with higher demand. Supply and pressure management measures are also being undertaken in order to maintain the 24/7 water delivery service to its more than six million customers. To augment water supply, standby deep wells are being activated, supplementary water sources such as those in reservoirs are being identified and La Mesa Dam operations are being optimized. New water sources that will produce additional supply in the medium term (one to two years) are also currently being developed. This is part of the Water Supply Master Plan that the company has developed to ensure the reliability and adequacy of water supply and mitigate the risks brought about by climate change.

Manila Water has developed a new business master plan that provides a long-term growth roadmap. To support this masterplan, the company continues to enhance its business development capability with the formulation of a more comprehensive risk-based project viability screening criteria and scorecard. This becomes critical as Manila Water accelerates its business development efforts domestically and internationally.

The Company continues to strengthen its workforce by implementing an integrated talent management program to attract, develop and retain talents to meet current and future business needs and objectives. Training programs on areas such as general management, non-revenue reduction, finance, and project management have been developed in partnership with top business schools in the country and internationally-recognized experts and consultants.

Government Regulations

The Company has to comply with environmental laws primarily for its wastewater operations. Among these regulations are the following:

- DENR Administrative Order No. 35, Series of 1990 (Revised effluent regulations);
- Resolution No. 25, Series of 1996 (Implementation of the Environmental User Fee System in the Laguna de Bay Region);
- Resolution No. 33, Series of 1996 (Approving the Rules and Regulations implementing the Environmental User Fee System in the Laguna de Bay Region); and

- Philippine Clean Water Act of 2004 - Republic Act No. 9275
**Other Matters**

The Company has not been involved in any bankruptcy, receivership or similar proceeding as of December 31, 2010. Further, except as discussed above, the Company has not been involved in any material reclassification, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business. The Company is not engaged in sales to foreign markets.

The Company is not dependent on a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company.

**Item 2. Properties**

The CA grants the Company the right to manage, operate, repair, decommission, and refurbish the MWSS facilities in the East Zone, which include treatment plants, pumping stations, aqueducts and the business area office. However, legal title to these facilities remains with MWSS. The net book value of these facilities on Commencement Date based on MWSS’ closing audit report amounted to ₱4.6 billion, with a sound value, or the appraised value less observed depreciation, of ₱17.2 billion. These assets are not reflected in the financial statements of the Company.

Pursuant to the terms of the CA, new assets contributed to the MWSS system by the Company during the term of the CA are reflected in the Company’s financial statements and remain with the Company until the Expiration Date (as defined in the CA), at which time all right, title and interest in such assets automatically vest to MWSS. The CA allows the Company to mortgage or create security interests over its assets solely for the purpose of financing, or refinancing, the acquisition or construction of the said assets, provided that no such mortgage or security interest shall (i) extend beyond the Expiration Date of the CA, and (ii) be subject to foreclosure except following an event of termination as defined under the CA.

The Company assigned its interest and rights, but not obligations, over its present and future fixed assets to, among others, the Rizal Commercial Banking Corporation (RCBC), acting as trustee, for the benefit of certain Philippine banks and financial institutions, Deutsche Investitions-Und EntwicklungsgesellschaftMbhb (“DEG”) and IFC pursuant to certain loan agreements.

The Company’s corporate head office located in Balara, Quezon City is leased from MWSS and is subject to yearly renewal. In 2010, rent expense of the Company to MWSS amounted to ₱16.8 million.

For 2011, the Company expects to spend capital expenditures amounting to at least ₱10 billion. These capital expenditures are to be partially funded by proceeds of the Company’s cash from operations and debt. The two (2) main components of these expenditures are reliability and expansion. These will ensure uninterrupted services to customers even in the event of disasters such as typhoons and earthquakes and deliver water and wastewater services to the farthest areas in the East Zone which are currently unserved, and to ensure sufficient water supply in response to the increased demand due to population growth.
Item 3. Legal Proceedings

There are no material legal proceedings in the past five years to which the Company is a party or of which any of its material properties are subject in any court or administrative agency of the Government. But the Company would like to mention the following cases:


Criminal complaints were filed with the Office of the Ombudsman against members of the Board of Trustees of the Metropolitan Waterworks and Sewerage System (MWSS) and the MWSS Regulatory Office and the presidents of the Company and Maynilad Water Services, Inc. (“Maynilad”), for violation of Republic Act No. 3019 and for “conduct prejudicial to the best interests of the service.” The complaint arose from the water rate increases which became effective on January 1, 2005. The Company filed the Counter-Affidavit of its President in 2005.

In a Decision dated April 30, 2009, the Ombudsman dismissed OMB Case No. C-A-05-0208-E. In a resolution of even date, the Ombudsman also dismissed OMB Case No. C-A-05-0205-E. The complainant moved for the reconsideration of the Decision and Resolution, which were timely opposed in behalf of the President of the Company. The Motion for Reconsideration was denied in an Order dated October 21, 2009. Thereafter, the complainant filed with the Office of the Ombudsman a Petition for Review assailing the Decision dated April 30, 2009 and Order dated October 21, 2009. No resolution has yet been issued with regard to the Petition for Review.

Manila Water Company, Inc. and Maynilad Water Services, Inc. vs. Hon. Borbe, et al., CBAA Case No. L-69 Central Board of Assessment Appeals (“Central Board”)

This is an appeal from the denial by the Local Board of Assessment Appeals of Bulacan Province (the “LBAA”) of the Company’s (and Maynilad’s) appeal from the Notice of Assessment and Notice of Demand for Payment of Real Property Tax in the amount of P357,110,945 made by the Municipal Assessor of Norzagaray, Bulacan. The Company is being assessed for half of the amount. In a letter dated April 3, 2008, the Municipal Treasurer of Norzagaray and the Provincial Treasurer of the Province of Bulacan, informed both MWSS concessionaires (Company and Maynilad) that their total real property tax accountabilities have reached P648,777,944.60 as of December 31, 2007. This amount, if paid by the concessionaires, will ultimately be charged to the customers as part of the water tariff rate. The concessionaires (and the MWSS, which intervened as a party in the case) are thus contesting the legality of the tax on a number of grounds, including the fact that the properties subject of the assessment are owned by the MWSS. MWSS is both a government-owned and controlled corporation and an instrumentality of the National Government that is exempt from taxation under the Local Government Code.

The Central Board of Assessment Appeals (CBAA) conducted a hearing on June 25, 2009. At that hearing, parties were given the opportunity and time to exchange pleadings on a motion for reconsideration filed by the Municipality to have the case remanded to and heard by the LBAA, rather than by the CBAA.

In an Order dated August 4, 2010, the CBAA denied the motion for reconsideration and continued with the case. The case is now on pre-trial.
This case stemmed from a complaint for illegal dismissal filed before the National Labor Relations Commission (NLRC) by a group of contractual collectors belonging to the Associated Collectors Group, Inc. (ACGI).

ACGI’s collection service was engaged by the Company in November 1997 up to February 1999. Complainants claim that they are regular employees of the Company and were illegally dismissed when the Company terminated its service contract with ACGI. The Labor Arbiter ruled in favor of the complainants and awarded separation pay amounting to P222,500.00. Upon appeal by the Company, the decision of the Labor Arbiter was reversed by the NLRC.

Subsequently, the complainants appealed to the Court of Appeals who ruled in their favor. The decision of the Court of Appeals was subsequently sustained by the Supreme Court. However, the Supreme Court deleted the award of moral and exemplary damages amounting to P10,000.00 per complainant.

Upon the finality of the decision of the Supreme Court and the subsequent remanding of the case to the Labor Arbiter, the latter granted complainants’ Motion to Approve Computation of Complainants’ Backwages and to Issue Writ of Execution. The Labor Arbiter directed the Company to reinstate complainants and to pay them their backwages in the amount of P19,576,500.00. The Company appealed the order of the Labor Arbiter. Subsequently, the NLRC granted the appeal of the Company. The complainants elevated the case to the Court of Appeals via a Petition for Certiorari but their petition was denied. Consequently, on August 11, 2008, the complainants filed a Petition for Review with the Supreme Court which was timely opposed by the Company. The petition was denied by the Supreme Court in a Decision dated July 20, 2009. Complainants sought a reconsideration of the said Decision which was also denied in a Resolution dated December 15, 2009. Complainants thereafter filed a second motion for reconsideration. In a Resolution dated February 24, 2010, the Supreme Court denied the second motion for reconsideration.

This case arose from a complaint filed by OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against the Company, Maynilad and the MWSS for alleged violation of R.A. No. 9275, particularly the five-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On April 22, 2009, the PAB through DENR Secretary and Chair Jose L. Atienza, Jr., issued a Notice of Violation finding that the Company, Maynilad and MWSS have committed the aforesaid violation of R.A. 9275. Subsequently, a Technical Conference was scheduled on May 5, 2009. In the said Technical Conference, the Company, MWSS and Maynilad explained to the PAB their respective positions and it was established that DENR has a great role to play to compel
people to connect to existing sewer lines and those that are yet to be established by the Company and Maynilad.

In addition to the explanations made by the Company during the Technical Conference, the Company together with MWSS and Maynilad, wrote a letter dated May 25, 2009 and addressed to the respondent Secretary where they outlined their position on the matter.

In response to the May 25, 2009 letter, the OIC, Regional Director for NCR, the Regional Director of Region IV-A and the Regional Director of EMB Region III submitted their respective Comments. The Company thereafter submitted its letter dated July 13, 2009 to the public respondent PAB where it detailed its compliance with the provisions of the Clean Water Act and reiterated its position that the continuing compliance should be within the context of the Company’s Concession Agreement with MWSS. Despite the explanations of the Company, the PAB issued the challenged Order dated October 7, 2009 which found the Company, Maynilad and MWSS to have violated R.A. 9275. The Company filed its Motion for Reconsideration dated October 22, 2009 which the PAB denied in an Order dated December 2, 2009. Hence, the Company filed its Petition for Review dated December 21, 2009 with the Court of Appeals. The Company thereafter filed an amended Petition for Review dated January 25, 2010. Per CA Resolution dated October 6, 2010, the Court of Appeals noted the filing of the Office of the Solicitor General’s Manifestation and Motion (In lieu of Memorandum) on September 3, 2010; and the Company’s Memorandum on September 13, 2010; and of respondent MWSS’ Memorandum on September 21, 2010. In the same Resolution, the CA has deemed the Petition submitted for Decision.

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

No matter was submitted during the fourth quarter of 2010 to a vote of security holders, through the solicitation of proxies or otherwise.
PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

The Company was listed in the Philippine Stock Exchange (PSE) on March 18, 2005 and its listed shares have since been actively traded therein. The high and low sale prices for each quarter that the Company’s shares have been listed are as follows:

<table>
<thead>
<tr>
<th></th>
<th>HIGH / LOW PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td>1st Qtr</td>
<td>15.75</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>16.75</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>19.12</td>
</tr>
<tr>
<td>4th Qtr</td>
<td>19.70</td>
</tr>
</tbody>
</table>

The price per share information as of the close of the latest practicable trading date, April 11, 2011, is ₱18.50.

Description of Major Shareholders

The Company has an authorized capital stock of ₱4 billion divided into 3.1 million common shares with a par value of ₱1.00 per share, 4 billion participating preferred shares (PPS) with a par value of ₱0.10 per share and 500 million redeemable preferred shares (RPS) with a par value of ₱1.00 per share.

The Company had a total of 956 common stockholders of record as of December 31, 2010. (Please refer to Exhibit 4 for the names of the top 20 holders of common shares, the number of shares held and the percentage of total outstanding shares held by each.) The Company has three classes of equity: common shares, PPS, and RPS. As of December 31, 2010, outstanding shares of the Company consisted of 2,032 million common shares (including 25.4 common shares under the stock ownership plans, the listing of which has been approved in principle by the PSE), 4 billion PPS, and 500 million RPS held in treasury.

Ayala Corporation

Ayala is the Philippines’ oldest business house. Ayala is a publicly listed diversified conglomerate with businesses in real estate, banking and financial services, telecommunications, utilities, electronics and information technology, automotive, and international operations. Its subsidiaries are market leaders in their respective fields. Ayala Land, Inc., Ayala’s principal real estate subsidiary, is the premier property developer in the Philippines. Bank of the Philippine Islands, Ayala’s principal financial services subsidiary, is the oldest and one of the largest banks in the Philippines. Globe Telecom, Inc., Ayala’s telecommunications subsidiary, is one of the leading telecommunications companies in the Philippines.

United Utilities Pacific Holdings, B.V.

United Utilities is a subsidiary that is wholly owned and controlled by United Utilities PLC, the United Kingdom’s first multi-utility operator engaged in water and wastewater services, electricity distribution, telecommunications, and contract asset management. United Utilities
PLC is one of the world’s largest water and wastewater enterprises. United Utilities international subsidiaries have extensive experience throughout the world, with involvement in over 4,000 wastewater plants, 250 water treatment plants, 50,000 km of water mains, and 50,000 km of sewers. It has businesses in various Asia-Pacific countries including Malaysia, Thailand, Indonesia, Hong Kong, and the Philippines, as well as in India and Australia.

*Philwater Holdings Company, Inc*

Philwater is a special purpose company that is 60.0% owned by Ayala and 40.0% owned by United Utilities. Philwater was incorporated as a holding company and was organized primarily to hold Ayala’s and United Utilities’ indirect interest in the Company.

*Mitsubishi Corporation*

Mitsubishi is one of Japan’s premier general trading and investment companies, and a leader in many key markets worldwide. Mitsubishi currently ranks among the largest corporations in the world in terms of turnover. Mitsubishi’s business activities span from information systems, fuels, metals, machinery, power generation, chemicals, and textiles to general merchandise. While Mitsubishi’s activities are well distributed across the world, a large emphasis is placed on trading and business investments in the Asian region. In Asia, Mitsubishi is focused on expanding its presence through investments in production, distribution, marketing and infrastructure development projects. These activities serve to benefit the expansion of various economies within Asia, as well as foster intra-regional growth. Mitsubishi is also the second largest shareholder of Ayala.

*International Finance Corporation*

IFC, a member of the World Bank Group, was founded in 1956 and is the world’s largest multilateral organization providing financial assistance to private enterprises in member countries in the form of loans and equity. The mission of IFC is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people’s lives.

**Dividends**

Subject to the preferential dividend rights of the PPS and RPS, each holder of a share of stock is entitled to such dividends as may be declared in accordance with the Company’s dividend policy. Under the Company’s cash dividend policy, common shares shall be entitled to annual cash dividends equivalent to 35% of the prior year’s net income, payable semi-annually. The Company’s Board of Directors may change the cash dividend policy at any time.

The Company’s Board of Directors is authorized to declare cash dividends. A cash dividend declaration does not require any further approval from the stockholders. On the other hand, a stock dividend declaration requires the further approval of stockholders representing not less than two-thirds (2/3) of the Company’s outstanding capital stock. The Corporation Code defines the term “outstanding capital stock” to mean the “total shares of stock issued” regardless of nomenclature, classification or voting rights, except treasury shares. Such stockholders approval may be given at a general or special meeting duly called for the purpose. Dividends may be declared only from unrestricted retained earnings. Some of the Company’s loan agreements carry covenants that restrict declaration of payments of dividends under certain circumstances, such as in the event of default or if payment would cause an event of default, if certain financial ratios are
not met or if payment would cause them not to be met, requiring revenues of the Company to be applied toward certain expenses prior to the payment of dividends and other circumstances.

The PPS will earn cumulative annual cash dividend at 10% of par value per annum and will participate at a rate of one-tenth of the dividend paid to a common share.

Within the last two years, the Company has declared the following dividends:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Nature of Dividends Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov-10</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Jul-10</td>
<td>92,000</td>
<td>₱0.023 cash dividends to PPS</td>
</tr>
<tr>
<td>Jul-10</td>
<td>467,108</td>
<td>₱0.23 cash dividends to common shares</td>
</tr>
<tr>
<td>Apr-10</td>
<td>92,000</td>
<td>₱0.023 cash dividends to PPS</td>
</tr>
<tr>
<td>Apr-10</td>
<td>467,108</td>
<td>₱0.23 cash dividends to common shares</td>
</tr>
<tr>
<td>Dec-09</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Oct-09</td>
<td>80,000</td>
<td>₱0.02 cash dividends to PPS</td>
</tr>
<tr>
<td>Oct-09</td>
<td>406,181</td>
<td>₱0.20 cash dividends to common shares</td>
</tr>
<tr>
<td>Apr-09</td>
<td>80,000</td>
<td>₱0.02 cash dividends to PPS</td>
</tr>
<tr>
<td>Apr-09</td>
<td>404,621</td>
<td>₱0.20 cash dividends to common shares</td>
</tr>
</tbody>
</table>

Recent Sale of Unregistered Securities

The following table sets out details of the issuance of new shares from 1999 up to December 31, 2005. Under existing regulations, the original issuance, an issuance to existing shareholders, and issuance pursuant to a private placement are exempt from the registration requirement for the sale of securities.

<table>
<thead>
<tr>
<th>Date</th>
<th>Security Sold</th>
<th>No. of Shares</th>
<th>Purchaser</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1999</td>
<td>Common Shares</td>
<td>104,443,965</td>
<td>ESOP Shareholders</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>April 2004</td>
<td>RPS</td>
<td>310,344,828</td>
<td>Ayala</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>April 2004</td>
<td>RPS</td>
<td>68,965,517</td>
<td>BPI Capital</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>April 2004</td>
<td>RPS</td>
<td>120,689,655</td>
<td>United Utilities</td>
<td>₱1.00 par</td>
</tr>
<tr>
<td>August 2004</td>
<td>Common Shares</td>
<td>176,400,000</td>
<td>IFC</td>
<td>₱4.75 per share</td>
</tr>
<tr>
<td>March 2005</td>
<td>Common Shares</td>
<td>550,000,000</td>
<td>Public</td>
<td>₱6.50 per share</td>
</tr>
</tbody>
</table>

On June 11, 2001, the SEC approved the exemption from registration of the proposed issuance of 120 million common shares to the Company’s qualified employees pursuant to the ESOP under Section 10.2 of the Securities Regulation Code (SRC).

For its grant of 23.6 million shares under the Executive SOP, Manila Water sought the confirmation of the SEC that such issuance is exempt from the registration requirements of the SRC. In a resolution dated March 3, 2005, the SEC granted Manila Water’s application for confirmation.
On January 31, 2006, the SEC approved the registration exemption of its proposed issuance of 25 million common shares under its ESOWN Plan.

Item 6. Management’s Discussion and Analysis or Plan of Operations

Plan of Operations for Year 2011

Manila Water is gearing up its organization towards achieving the major corporate goals anchored on the implementation of the approved 5-year Rate Rebasing Plan. The plan, which includes the execution of the P42 billion capital investment, and the strict compliance with the new set of regulatory targets will be anchored on the implementation of the Company’s ten core programs focusing on expansion within and outside the East Zone, ensuring reliability and efficiency, sustaining financial performance, building organizational capability and solidifying its social and environmental programs.

Billed volume within the East Zone will grow moderately arising from the expansion in San Mateo, Montalban, Antipolo, Angono and other Rizal towns. The development of business districts within Quezon City, Makati, Taguig and San Juan will also contribute to the growth.

The Company will continue to explore other business opportunities outside its regulated business to include environmental initiatives such as bio-solids, waste to energy and the treatment of effluent from industrial and commercial establishments. It will also be actively engaged in seeking new business opportunities in the Philippines’ top metros and in emerging countries in Asia such as India and Vietnam.

To ensure the reliability of its services, the Company will put in place an effective facility management program by developing well-rounded facility managers, accelerate automation of processes, devise a more extensive project planning, monitoring and execution strategy, and expose its project managers and technical staff to new technologies.

With the expected increase in capital expenses and in anticipation with new investments on new business, a more efficient financing strategy will be adopted. The Company will acquire new loan facilities to partly finance its capital expenditures. The financing plan for 2011 will be guided by the Company’s target debt mix.

As part of the efficiency program, continuous review and improvement of business systems and processes will be done, including the application for ISO accreditation of various facilities. To date, the Company has a number of ISO accredited facilities including its Laboratory facilities, Balara Treatment Plants, etc.

To promote transparency and ensure that these programs will be properly communicated to the Company’s shareholders, a more focused investor relations program will be put in place. The company will implement measures to widen its investor base with socially responsible investment funds.
With these strategies complemented by a strong financial performance and a commitment to good governance, the Company expects to sustain the growth of its shareholder value through the coming years.

Management’s Discussion and Analysis

Overview of the Business

Manila Water Company is a Philippine company which is involved in providing water, sewerage and sanitation services. The Company has been a concessionaire of the Metropolitan Waterworks and Sewerage System (MWSS) since 1997. It currently serves a total estimated population of over 6 million people in the East Zone, which encompasses 23 cities and municipalities, including Makati, Mandaluyong, San Juan, Taguig, Pateros, Marikina, Pasig, most of Quezon City and Rizal Province, as well as some parts of Manila.

Under the CA entered into on February 21, 1997 with MWSS, the Company was granted the exclusive rights to service the East Zone as an agent and contractor of MWSS, to manage, operate, repair, decommission and refurbish the facilities, including the right to bill and collect for water and sewerage services in the East Zone.

On October 19, 2009, the Company’s application for the 15-year extension of the CA was acknowledged and approved by the DOF following the special authority granted by the Office of the President. With the CA extension, the term of the concession was extended for another 15 years until year 2037. Under the said agreement, the Company is entitled to recover the operating and capital expenditures, business taxes, concession fee payments and other eligible costs, and to earn a reasonable rate of return on these expenditures for the remaining term of the concession or until 2037.

Manila Water has also expanded its services outside of the East Zone of Metro Manila. In July 2008, the Company won a contract for leakage reduction in Ho Chi Minh City, Vietnam. Through new joint venture companies, Manila Water acquired two (2) new concessions outside of the East Zone located in Laguna province and Boracay Island.

Key Performance Indicators

The Group’s key operational performance indicators (Manila Water East Zone) are discussed below:

Billed Volume

The billed volume, which is reported in terms of million cubic meters (mcm), indicates the volume of water sold by the Company for the period. Year to date billed volume slightly increased by 3.5% from 396 mcm to 409.8 mcm. Average consumption per customer decreased from 52 to 48 cu.m. per connection, the decline coming mainly from commercial accounts.

Collection efficiency

Year to date collection efficiency was 100.5%, while average accounts receivable days was at 16 days.
Service connections

As a result of the completion of various expansion projects, new service connections increased by 93,811 and brought total service connections to 813,942 as of year end, serving a total of 1,157,807 households.

Non-revenue water ratio

NRW refers to system losses, or the volume of water lost in the network through leakage or pilferage. It is computed by deducting total water billed (billed volume) from the total water supplied (water supply) to the customers, while NRW ratio is derived by dividing the NRW by the water supply. A lower level of NRW ratio means greater network efficiency. As of year end, NRW ratio decreased to 11.0%, down by 4.8% points from the year-ago figure, mainly due to the effective supply and pressure management.

Water quality

The Company continued to exceed the DOH bacteriological compliance standard of 100%. For a number of years now, water quality compliance has been maintained at 100%. A total of 10,366 samples were collected from the customers’ tap, schools, hospitals, and public places. The water samples were bacteriologically examined to ensure safety and potability and to detect the presence of chemical substance that may affect the quality for domestic use.

The Company operates a testing laboratory that is accredited by the DOH and is ISO/IEC17025:2005 certified since 2006. This means that the laboratory meets the requirements for the competence to carry out tests and/or calibration, including sampling.

The Group’s key financial performance indicators are discussed below:

Operating revenue growth

Operating revenues for the year 2010 amounted to P11,013 million, 16% higher from last year. This increase was driven by the 3.5% increase in billed volume, 10% increase in average tariff and 2% revenue contribution of LAWC and BIWC.

EBITDA and EBITDA margin

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) grew by 10% to P7,483 million as of year end 2010, resulting in an EBITDA margin of 68%. This was brought about by the increase in revenues and operational efficiency gains despite water and wastewater expansion.

Net income and net income margin

Net income grew by 23% for year 2010 to P3,987 million. Net income margin was at 36% from only 34% in the prior year. The improvement in net income was a result of higher revenues, the decrease in depreciation expense due to the approval of the CA extension and a change in depreciation policy.
Results of Operations

Financial Highlights

- Operating revenues as of December 2010 registered at P11,013 million, P1,480 million higher than the previous year. The increase in revenues is due to the 3.5% growth in water sales volume and the increase in average tariff. Core revenues (composed of water, environmental and sewer revenues) amounted to P10,781 million, 14% higher than the 2009 level. The Company registered around P75 million of revenues from its venture in Vietnam, and about P224 million of revenues from its operations in Laguna and Boracay.

- Total operating costs increased by P800 million or 29%, to P3,530 million for the year 2010. Depreciation, which accounts for 29% of total operating costs, decreased by 25% to P1,472 million despite higher capex disbursement for the year due to the approval of the CA extension. Other operating cost drivers were power and manpower costs, which accounted for about 49% of the Company’s operating expenses.

- EBITDA, which essentially measures the Group’s operating cash earnings for the period, improved by 10% to P7,483 million, from P6,803 million last year. EBITDA margin was at 68% of operating revenues.

- The Group ended the year 2010 with P3,987 million in net income after tax, 23% higher than last year. Net income margin improved to 36% compared to last year’s 34%. Earnings per share was P1.62 per share.

- Cash reserves and investments amounted to P5,808 million at year end. This was P3,921 million lower than the cash balance at the end of 2009 due to higher capex disbursements. The Group’s cash reserves and investments are composed of cash and cash equivalents, short term investments, and financial assets classified as available for sale, which are mostly denominated in local currency.

- Collection efficiency was maintained at 100% for the year 2010, while average days in receivables improved to 16 days. Current ratio remained healthy at 1.09 times. Total assets grew by P4,863 million as of December 2010, due to additional capital investments in major water and wastewater system projects and the capitalization of additional regulatory costs as a result of the CA extension.

- Service concession assets stood at P37,460 million, approximately P7,512 million (net of amortization) higher than last year. Service concession assets are composed of direct capital investments of the Company and the present value of future concession fee payments.

- Long-term debts are composed of both peso and foreign-denominated term loans and peso bonds. Total long term debt amounted to P14,134 million, a decrease of P227 million from December 2009. Net bank debt to equity ratio was at 0.42, higher than last year’s 0.27. Total debt to equity ratio (excluding concession obligation) was at 1.04 times.

- Stockholders’ equity increased by P3,007 million from December 31, 2009, as a result of higher retained earnings. Book value per share was computed at P9.38 per share.

The following table summarizes the key financial highlights of the Group:
As of December 31
(In Million Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>11,013</td>
<td>9,533</td>
<td>8,913</td>
</tr>
<tr>
<td>Operating costs</td>
<td>3,530</td>
<td>2,730</td>
<td>2,505</td>
</tr>
<tr>
<td>Earnings before interest, taxes, depreciation and amortization (EBITDA)</td>
<td>7,483</td>
<td>6,803</td>
<td>6,408</td>
</tr>
<tr>
<td>Net income</td>
<td>3,987</td>
<td>3,231</td>
<td>2,788</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.85</td>
<td>1.31</td>
<td>1.13</td>
</tr>
<tr>
<td>Total assets</td>
<td>48,621</td>
<td>43,758</td>
<td>36,368</td>
</tr>
<tr>
<td>Total cash reserves*</td>
<td>5,808</td>
<td>9,729</td>
<td>8,908</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>14,134</td>
<td>14,361</td>
<td>13,352</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>19,978</td>
<td>16,971</td>
<td>14,458</td>
</tr>
</tbody>
</table>

* Including cash and cash equivalents, short-term cash investments and available-for-sale financial assets

Operational Highlights

- Billed volume, which measures the total volume water billed to the customers, reached 409.8 mcm for the year 2010. This figure was 3.5% or 4 mcm higher compared to last year’s level of 396 mcm. While the number of connections increased by 13% year-on-year, average consumption per connection decreased by 8% to 48 cu. m, driven largely from commercial accounts.

- NRW was further reduced by 4.8 percentage points to 11.0% by the end of 2010, from 15.8% in 2009. This was attained largely through more efficient management of the network flows and pressure, as the water saved from the NRW reduction efforts was rechanneled towards the expansion areas in the Rizal province. At this current NRW level, Manila Water compares favorably with the water systems of its regional counterparts.

- The Company continued to exceed service targets by achieving 100% compliance with water quality standards, with 24-hour availability in more than 99% of its current service coverage, and a manpower efficiency of 1.4 staff per 1000 connections, outperforming regulatory targets and most of its regional counterparts.

- The following table summarizes the operational performance of the Company:

<table>
<thead>
<tr>
<th>As of December 31</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Connections (‘000)</td>
<td>1,158</td>
<td>1,086</td>
<td>1,032</td>
</tr>
<tr>
<td>Water Connections (‘000)</td>
<td>814</td>
<td>720*</td>
<td>684</td>
</tr>
<tr>
<td>Sewer Connections (‘000)</td>
<td>68.9</td>
<td>50.8</td>
<td>46.6</td>
</tr>
<tr>
<td>Billed Volume (in million cubic meters)</td>
<td>409.8</td>
<td>396.0</td>
<td>387.3</td>
</tr>
<tr>
<td>Non Revenue Water (water losses) Ratio</td>
<td>11.0%</td>
<td>15.8%</td>
<td>19.6%</td>
</tr>
<tr>
<td>24-hour Availability</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>Staff per 1000 connections</td>
<td>1.4</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Water Quality Compliance</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Households served thru Desludging Services (‘000)</td>
<td>242</td>
<td>291</td>
<td>188</td>
</tr>
</tbody>
</table>

* Data adjusted due to the completion of the data clean-up of more than 16,000 accounts.
Analysis of operating revenues

The Group derived up to 82% of its operating revenues from water billings, 16% from environmental and sewer charges, and 2% from other miscellaneous charges. The increase in operating revenues was mainly driven by the increase in tariff and billed volume. Although water connections increased from last year, average consumption still decreased, the decline coming largely from commercial accounts. Change in average consumption is broken down as follows:

<table>
<thead>
<tr>
<th>Average consumption per connection in cubic meters per month</th>
<th>31-Dec 2010</th>
<th>31-Dec 2009</th>
<th>Incr/(Decr) Volume</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>35.6</td>
<td>38.3</td>
<td>-3</td>
<td>-7.1</td>
</tr>
<tr>
<td>Semi-commercial</td>
<td>98.0</td>
<td>108.6</td>
<td>-11</td>
<td>-9.7</td>
</tr>
<tr>
<td>Commercial</td>
<td>217.5</td>
<td>230.0</td>
<td>-13</td>
<td>-5.5</td>
</tr>
<tr>
<td>Industrial</td>
<td>300.1</td>
<td>295.2</td>
<td>5</td>
<td>1.6</td>
</tr>
<tr>
<td>Overall</td>
<td><strong>48.0</strong></td>
<td><strong>52.0</strong></td>
<td><strong>-4</strong></td>
<td><strong>-7.7</strong></td>
</tr>
</tbody>
</table>

The Company registered around P75 million of revenues from its venture in Vietnam, and about P224 million of revenues from its operations in Laguna and Boracay.

Water Tariff

The Company’s water rates are determined according to the CA. Different water tariff schedules apply to the four main categories of retail customers: residential, small business, large commercial and industrial. Each category has a graduated block rate cost structure, divided into nine consumption bands for residential and small business and 33 bands for large commercial and industrial customers. As a result, large commercial and industrial customers, on average, pay more than the average residential customer on a unit cost per volume of water consumed basis.

Customers pay service charges based on the following:

- Basic Charge calculated from consumption on a tariff table;
- Foreign Currency Differential Adjustment (FCDA);
- Environmental Charge (EC);
- Sewer charge (SC);
- Meter maintenance service charge.

In 2010, the Company generated 82% of its revenue from water tariff charges to customers, 13% of its revenue from environmental charges, 3% of its revenue from sewerage charges and 2% from projects outside the East Zone and other income.
Factors Affecting the Company’s Results of Operations

Effects of Tariff Rate Increases

The Company’s results of operations and financial condition are highly dependent upon its ability to receive adequate tariff rate increases for its water and sewerage services. Under the CA, the Company is entitled to request the following tariff rate adjustments:

- annual standard rates adjustment to compensate for increases in the Philippine Consumer Price Index (CPI), subject to the rates adjustment limit;
- extraordinary price adjustments (EPAs) to account for the financial consequences of certain unforeseen events, subject to the grounds stipulated in the CA; and
- FCDAs to recover or account for foreign exchange losses and gains arising from MWSS loans and any concessionaire loans used for its service expansion and improvement.

During the past several years, the Company has generally received tariff rate adjustments under the terms of the CA. These increases have been in line with the Company’s disbursements and have supported the Company’s liquidity and capital resource requirements.

In addition to the tariff adjustments described above, under the CA, tariff rates are evaluated and adjusted every five years under a process called Rate Rebasing, through which the rates for water and sewerage services are re-set to allow the Company to recover over the remaining concession period:

- its operating, capital maintenance and investment expenditures (efficiently and prudently incurred);
- Philippine business taxes; and
- payments corresponding to the Company’s debt service on MWSS loans and concession fees.

The Rate Rebasing also allows the Company to earn a rate of return equal to the ADR on these expenditures for the remaining term of the concession.

Effects of Philippine Economic Conditions

With most of the Company’s operations in the Philippines, the Company’s results of operations and financial condition are affected by general economic conditions in the country, particularly by inflation rates, interest rate levels and currency exchange rate movements. For example, the general performance of the Philippine economy affects demand for water and sewer services, and inflation affects the Company’s costs and its margins. Although the CA allows the Company to recover certain costs associated with changes in inflation and currency exchange rates, these adjustments are implemented after varying periods of time. Additionally, approved tariff rate adjustments may not cover all increased costs to the Company associated with changes in economic conditions. The Philippine economic environment has historically been characterized by significant variations in economic growth rates.
**General Economic Conditions.** Since 2001, the Philippine economy experienced generally stable growth. The onset of the global financial crisis in 2008 resulted in a marked slowdown in economic production. Due to the country’s relatively stable economic fundamentals and combination of effective pump-priming and macroeconomic initiatives, the country was able to avoid a possible recession. Nevertheless, the Philippine Government’s limited capability to generate sufficient revenues to service its budgetary requirements has created a ballooning budget deficit that has necessitated substantial domestic and international borrowings and negatively affected its credit rating. The recovery of the global economy and the optimism generated by the election of Benigno S. Aquino III has resulted in improvements in the country’s business climate, with the economy growing by 7.3% in 2010, the highest growth rate in the post Marcos era. Furthermore, the positive outlook on the country has allowed both the public and private sectors improved access to the global financial markets for much-needed debt capital. The policy of the Aquino administration towards the expansion of public private partnership (PPP) initiatives is also seen as a key factor towards unlocking the growth potential of the Philippines. Along with other emerging markets, the key risk facing the country at the moment is the prospect of higher than expected inflation.

**Inflation.** Each year, the Company may propose tariff rate adjustments to account for inflation, as measured by the CPI and published by the National Statistical Office, subject to the rates adjustment limit set forth in the CA. Although the Company has generally been granted its proposed CPI related tariff rate adjustments in the past, a significant increase in inflation could increase the Company’s costs beyond what it may be able to recover through the CPI tariff rate adjustment.

**Currency Exchange Rates.** The Company is also allowed to request a quarterly tariff rate adjustment for foreign currency differentials in order to recover or compensate for present and future foreign exchange losses or gains on MWSS loans and Company loans used for capital expenditures and payments of concession fees. Similar to the CPI adjustment, there can be no assurance that the Company will be able to obtain adjustments on its tariff rates for full reimbursement of these losses, particularly tariff rates where there is a significant depreciation of the peso.

**Effects of Reduced Water Supply**

A big part of the Philippines experienced a prolonged and severe drought in 1998, which was caused by an unusually severe El Niño in 1997. During this period, the sources of water available to the Company from MWSS diminished dramatically and the Company total raw water allocation was reduced by as much as 30.0%. Nevertheless, improvements in water loss levels, which reached an all-time low of 11.0%, has allowed the Company to maintain 24/7 water services to 99% of its customers connected to the network.

**Effect of Concession Agreement on Depreciation and Amortization Expense**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset. Service concession assets, on the other hand, are amortized over the remaining term of the CA. With the CA renewal, the amortization period has been extended for 15 years or from the original 2008-2022 to 2008-2037.
Results of Operations

The Company’s revenue is comprised of:

- water charges from customers;
- sewer charges from customers;
- an Environmental Charge equivalent to 16.0% of the Basic Charge plus the FCDA;
- interconnection revenue from cross border volume;
- interest income; and
- other income (which includes connection fees, reconnection fees, meter and water testing fees and income from septic sludge disposal).

The Company’s costs and expenses are comprised of:

- depreciation and amortization;
- salaries, wages and employee benefits;
- power, light and water;
- management, technical and professional fees (including system costs under the technical and administrative agreements with United Utilities and Ayala, respectively, and payments for audit fees);
- provision for doubtful accounts; and
- others (which include regulatory costs, interest, foreign exchange losses, collection fees, repairs and maintenance, water treatment chemicals, transportation and travel, taxes and licenses, insurance, occupancy, premium on performance bond, business meetings and representation, provision for inventory obsolescence, postage, telephone and telegram, supplies, and others).

The following table sets out, for the periods indicated, certain items in the Company’s statements of income, each expressed as a percentage of revenue:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Water Revenue</td>
<td>82</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Sewer Revenue</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Environmental Charge</td>
<td>13</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Other Income</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>13</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Salaries Wages and Employee Benefits</td>
<td>10</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Power, Light and Water</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Management, Technical and Prof. Fees</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
Repairs and Maintenance     2 2 2
Others     12 9 8

Year ended December 31, 2010 compared to year ended December 31, 2009

Income Statement Items

CONSOLIDATED REVENUE

Water/Environmental revenue – 15% increase
This was due to the 3.54% increase in water sales volume and the 10% increase in average tariff. Environmental charge also increased from 12% to 16% of water revenue.

Sewer Revenue – 14% decrease
This was due to the decrease in sewer charges from 35% to 20% of tariff charge for residential and semi business customers and from 40% to 35% for commercial and industrial customers as a result of the rationalization of the sewer and environmental charges.

Revenue from Management Contracts – 216% increase
The increase represents progress billings for work accomplished for leakage reduction and district monitoring area formation under the Company’s contract in Vietnam.

Other Income – 135% increase
This pertains to the proceeds from sale of maintenance materials to Vietnam.

CONSOLIDATED OPERATING COSTS AND EXPENSES

Depreciation and amortization – 25% decrease
The decrease was due to the extension of the CA. Amortization of service concession assets was spread over the life of the concession (from 2022 to 2037) regardless of the remaining useful life of the asset.

Salaries, wages and employee benefits – 7% increase
The increase was due to the annual salary adjustments, other employee benefits, performance based incentives and rewards, and training costs.

Power, light and water – 30% increase
The increase is due to the additional consumption for new water and wastewater facilities. Total consumption increased by 6.1 million kwh or 8% while effective cost/kwh increased by P1.04 from P6.02 last year.

Provision for probable losses – 2,558% increase
This pertains to the provision for real estate taxes for certain structures and facilities operated by both concessionaires in Bulacan and Quezon City. The case is now on pre-trial with the Central Board of Assessment Appeals (CBAA).

Management, technical and professional fees – 9% increase
The increase was due to adjustment in cost related to inflation. This account also includes the administrative and support fee for Boracay and Laguna.
Repairs and Maintenance – 50% increase
The increase was due to the preventive maintenance for the upkeep of existing facilities and structures.

Collection fees – 11% increase
The increase was due to additional billed service connections.

Taxes and licenses – 18% increase
The increase was due to the additional business taxes and permits paid on account of higher revenue base.

Business meetings and representation – 6% increase
The increase was due to the increase in activities in support of the various business expansion programs of the Company.

Cost associated from contracts outside east zone – 100% increase
This pertains to the cost of materials sold to subsidiaries in Laguna and Boracay.

Wastewater cost – 17% decrease
The decrease was due to lower volume of desludged waste from septic tanks. The desludging activity was accelerated in 2008-2009.

Transportation and travel – 42% increase
The increase was due to expansion of the Company’s service coverage farther to the east and outside the concession area.

Occupancy cost – 22% increase
The increase was due to the additional services required for new facilities like janitorial and security services. The account also includes building rentals.

Insurance – 22% increase
The increase was due to new facilities commissioned during the year.

Advertising – 6% increase
The increase was due to the activities launched for information, education and communication to create public awareness of the Company’s various programs.

Regulatory cost – 86% decrease
Regulatory cost was no longer treated as period cost per IFRIC12. The present value of the annual funding of the Regulatory Office was booked as Service Concession Asset. Only the CPI adjustment was charged to operations.

Other expenses – 169% increase
The increase was due to additional overhead cost as supplies, communication and miscellaneous expenses.

OTHER INCOME (EXPENSES)

Foreign currency differentials/foreign exchange gains (losses) – 65% decrease
The decrease was due to the strengthening of the peso versus the US dollar. The US dollar weakened by 5%.
**Interest income – 20% decrease**
The decrease was due to lower interest rates in addition to the mostly short term tenors of the investments.

**Amortization of deferred credits – 50% decrease**
The decrease was due to the refund of a significant portion of meter deposits.

**Interest expense – 46% increase**
The increase was due to the additional loan drawdowns and the accretion of transaction costs.

**Mark to market gain(loss) on derivatives – 171% decrease**
This pertains to the gain on the call option on the P4 Billion peso bond as a result of the increase of interest rates in the market.

**Equity share in net loss of joint venture – 100% increase**
This represents equity share in net loss of Jindal Manila Water Development.

**Gain (loss) on disposal of property and equipment – 15,743% increase**
This pertains to the adjustments made as a result of the clean-up of the receivables and book value of vehicles covered by the company’s car plan.

**Reverse of accruals – 100% increase**
This pertains to the reversal of prior years of supplier’s claims, as a result of the clean-up of payables.

**Provision for income tax – 24% increase**
Income tax provision increased due to higher taxable income.

**Consolidated Balance Sheet Items (End 2010 vs. End 2009)**

**Cash and cash equivalents/Short term cash investments – 49% decrease**
The decrease was due to higher disbursements for capital expenditures.

**Receivables - net – 5% decrease**
The decrease was due to the improvement in collection efficiency.

**Materials and supplies – 45% increase**
This pertains to the maintenance materials inventory of subsidiaries.

**Other current assets – 61% increase**
The increase was due to the advance payments made to contractors to facilitate early project completion. The amount is being recouped from the contractor’s progress billings.

**Property, plant and equipment – 64% increase**
The increase was due to the re-classification of equipment previously included in service concession asset.

**Service concession asset – 25% increase**
The increase pertains to the cost of projects completed and capitalized during the year.
Available for sale financial assets – 6% decrease
The decrease was due to the termination of matured investments to finance the capex disbursements.

Deferred tax asset – 11% increase
The increase was due to the adjustments on tax amortization related to concession loans.

Investment in joint venture – 100% increase
This pertains to the investment in Jindal Manila Water Development, a joint venture company established to serve as a vehicle for the development of water, wastewater and environmental services in India.

Other non-current assets – 6% decrease
The decrease was due to lower forex differentials as a result of the strength of the peso versus the US dollar.

Accounts and other payables – 13% increase
The increase was due to the higher volume of claims received during the year.

Service concession obligation - current – 27% decrease
The decrease was due to the payment of matured loans.

Income tax payable – 11% increase
The increase was due to higher taxable income.

Payable to related parties – 18% decrease
The decrease was due to the payment of accrued expenses recognized in 2009 related to technical and administrative services agreement.

Current portion of long term debt – 11% increase
The increase was due to reclassification to current liabilities, portions of loans payable in one year.

Service concession obligation – noncurrent – 12% increase
This pertains to the drawdowns in 2010 for wastewater (MTSP) and Umiray Project.

Pension liabilities – 15% increase
The increase was due to the additional provision for the retirement fund based on latest actuarial study.

Provision for real property taxes – 207% increase
The increase was due to provision for real estate tax based on the notice of delinquency for properties in Bulacan and other municipalities.

Other noncurrent liabilities – 51% increase
This covers the retention money from contractor’s receivables. Retention period is one year from project completion. This was due to the increase in completed projects.

Subscription receivable – 7% decrease
The decrease was due to the collection of subscription on common shares.
Common stock options outstanding – 46% increase
The increase was due to the adjustments of prior year’s entries on paid in capital.

Retained earnings – 26% increase
The increase pertains to the net income for the year net of dividends declared.

Unrealized gain on available for sale financial asset – 176% increase
The increase was due to the gain on the effective yield on debt securities (bonds & preferred shares) and other investment accounts.

Cumulative translation adjustment – 100% increase
This is the result of the exchange rate difference arising on the translation of Balance Sheet and Income Statement accounts of a subsidiary, Manila Water Asia Pacific Pte. Ltd.

Non-controlling interest – 6% increase
This represents the minority share in BIWC (20%) and LAWC (30%) in net income.

Liquidity and Capital Resources

The Company was able to meet its cash needs, including its cash needs for capital expenditures, concession fee payments and debt servicing in 2010 from cash and cash equivalents, cash flow from operations and cash flow from financing.

Capital Sources

Manila Water’s cash and cash equivalents totaled P2,413 million as of December 31, 2010. Principal sources of these cash and cash equivalents were cash flow from operations and partial drawings from long-term credit facilities. These funds were primarily used for capital expenditures, concession fee payments, and debt repayment. Total cash, together with short-term cash investments and available-for-sale financial assets, amounted to P5,808 million by year-end. The Company has sufficient sources of liquidity from available loan facilities and the cash expected to be generated from operating activities.

Cash Provided by Operating Activities. In addition to the P4,038 million cash and cash equivalents at the beginning of the year, the net cash from operating activities of P5,929 million covered the P8,749 million outlay for service improvement and service concession assets for 2010. The Company believes that cash from operating activities will remain the largest source of its liquidity and capital resources for the foreseeable future.

Cash Provided by Investing Activities. Net investments for the year reached P4,701 million net of interest received. This was mostly made up of P8,749 million in capital expenditures which were partly covered by the P2,570 decrease in short term cash investments and other noncurrent assets.

Cash Provided by Financing Activities. Net cash used in financing activities amounted to P2,853 million in 2010. The Company paid out a regular cash dividend of P0.23 per share or a total of P969 million, representing 35 percent of prior year’s net income.

Debt Financing. Manila Water had approximately P12,959 million in long-term debt outstanding (net of the current portion of long-term debt), of which approximately 60 percent consists of foreign currency-denominated long-term debt. The Company’s current portion of long-term debt was approximately P1,175 million on December 31, 2010.
The EUR€2.22 million Euro loan, executed on August 24, 2001, was drawn under the Danish International Development Agency (DANIDA) credit facility and is secured by an irrevocable standby letter of credit issued by a local bank. The non interest-bearing loan is payable in US Dollars in 16 equal semi-annual consecutive installments starting on March 31, 2003. As of December 31, 2010, all outstanding balance for this loan has been settled.

On July 1, 2002, the Company entered into a loan agreement with Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) to partially finance capital expenditures required to expand water supply and sanitation services and improve the existing facilities of the Company. The loan was made available in US Dollars in the aggregate principal amount of US$20.00 million and is payable in 10 years, inclusive of the 3-year grace period. As of December 31, 2010 and 2009, outstanding loans amounted to US$4.07 million and US$6.79 million, respectively.

On March 28, 2003, the Company entered into a loan agreement with IFC (the “First IFC Loan”) to partially finance the Company’s investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of the Company, and concession fee payments. The First IFC Loan was made available in Japanese Yen in the aggregate principal amount of JPY¥3,591.60 million equivalent to US$30.00 million and is payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2010 and 2009, outstanding loans amounted to JPY¥2,154.96 million and JPY¥2,442.29 million, respectively.

On May 31, 2004, the Company entered into a loan agreement with IFC (the “Second IFC Loan”) comprising of regular loan in the amount of up to US$20.00 million and a standby loan in the amount of up to US$10.00 million to finance the investment program from 2004 to 2007 to expand water supply and sanitation services, improvement of existing facilities of the Parent Company, and concession fee payments. This loan was subsequently amended on November 22, 2006, when the Parent Company executed the Amended and Restated Loan Agreement for the restructuring of the Second IFC Loan. The terms of the second loan were amended to a loan in the aggregate amount of up to US$30.00 million, no part of which shall consist of a standby loan. On December 12, 2008, the Company has made a full drawdown on the said facility. As of December 31, 2010 and 2009, outstanding loans amounted to US$22.00 million and US$26.00 million, respectively.

On October 20, 2005, the Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years, and was made available in Japanese Yen in the aggregate principal amount of JPY¥6.59 billion payable via semi-annual installments after the five-year grace period. As of December 31, 2010 and 2009, outstanding loans amounted to JPY¥3,125.37 million and JPY¥2,516.42 million, respectively.

On August 22, 2006, the Company entered into a Credit Facility Agreement (the “P2 billion Loan”) with five banks and four financial institutions to finance the capital expenditures of the Company pursuant to the CA. This 7-year term loan with an aggregate principal amount of P2.0 billion consists of the following:

- **Tranche 1**: 7-year term loan amounting to P1.50 billion (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of P10 million at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year; and
• Tranche 2: 7-year term loan, with a Put Option at the end of the fifth year, amounting to P500.00 million (the Tranche 2 Loan). Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their Put Option; If the Put Option is not exercised, the loan will be subject to a yearly amortization of P10 million at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year.

On June 16, 2008, the Company prepaid a portion of the P2 billion loan from one financial institution amounting to P600.00 million. As of December 31, 2010 and 2009, the outstanding balance for this loan amounted to P1.40 billion. On October 9, 2006, the Company entered into a Credit Facility Agreement (the “P1.5 billion Loan”) with three banks and a financial institution to finance the capital expenditures of the Company pursuant to the Agreement. This 7-year term loan with an aggregate principal amount of P1.5 billion consists of the following:

• Tranche 1: 7-year term loan amounting to P950.00 million (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of one percent (1%) of the Tranche 1 Loan at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year; and

• Tranche 2: 7-year term loan, with a Put Option at the end of the fifth (5th) year, amounting to P550.00. Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their Put Option. If the Put Option is not exercised, the loan will be subject to a yearly amortization of one percent (1%) of the Tranche 2 Loan at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year.

On June 16, 2008, the Company prepaid a portion of the P1.5 billion loan from one financial institution amounting to P400.00 million. As of December 31, 2010 and 2009, the outstanding balance for this loan amounted to P1.1 billion.

On June 20, 2007, the Company entered into a Finance Contract (the “EIB Loan”) with the European Investment Bank (EIB) to partially finance the capital expenditures of the from 2007 to 2010, as specified under Schedule 1 of the Finance Contract. The loan, in the aggregate principal amount of EUR€60 million, having a term of 10 years, is subject to the Relevant Interbank Rate plus a spread to be determined by EIB, and may be drawn in either fixed-rate or floating-rate tranches. The loan has two tranches as described below:

• Sub-Credit A: In an amount of EUR€40 million to be disbursed in US Dollars or Japanese yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by a consortium of international commercial banks composed of ING Bank, Development Bank of Singapore and Sumitomo-Mitsui Banking Corporation under a Guaranty Facility Agreement; and

• Sub-Credit B: In an amount of EUR€20 million to be disbursed in US Dollars, European Euro or Japanese Yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.

On October 22, 2008, the Company issued P4.0 billion bonds (“the P=4.0 billion Bonds”) having a term of five years from the issue date with a fixed interest rate equivalent to 8.25% payable quarterly. Prior to maturity, the Company may redeem in whole, and not in part only, the relevant outstanding bonds on the twelfth interest payment date. The amount payable to the bondholders in respect of such redemptions shall be calculated based on the principal amount of the bonds being redeemed, as the sum of 102% of the principal amount and accrued interest on the bonds on the optional redemption date.

All these loan agreements provide for certain covenants which must be complied by the Company, which include compliance with certain financial ratios such as the debt-to-equity and debt-service-coverage ratios. As of December 31, 2010 and 2009, the Parent Company was in compliance with all the loan covenants required by the creditors.

Previously, all of these loans were secured by way of first ranking charge over all assigned interests, including the right to receive payments or other consideration under the Agreement, all receivables and bank accounts, interests over all fixed assets (subject to the limitations under the Agreement) and assignment of proceeds of insurance policies. The agreement for the signing of these rights and interests were signed with the lenders at various dates of the loan signing.

On July 17, 2008, the Company, together with all of its Lenders signed an Omnibus Amendment Agreement and Intercreditor Agreement and these agreements became effective on September 30, 2008.

Prior to the execution of the Omnibus Amendment Agreement, the obligations of the Company to pay amounts due and owing or committed to be repaid to the lenders under the existing facility agreements were secured by Assignments of Interests by Way of Security executed by the Company in favor of a trustee acting on behalf of the lenders. The Assignments were also subject to the provisions of the Amended and Restated Intercreditor Agreement dated March 1, 2004 and its Amendatory Agreement dated December 15, 2005 executed by the Company, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released the from the assignment of its present and future fixed assets, receivables and present and future bank accounts, all the Project Documents (except for the Agreement, Technical Corrections Agreement and the Department of Finance Undertaking Letter), all insurance policies where the Company is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

In consideration for the release of the assignment of the above-mentioned assets, the Company agreed not to create, assume, incur, permit or suffer to exist, any mortgage, lien, pledge, security interest, charge, encumbrance or other preferential arrangement of any kind, upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or upon or with respect to any right to receive income, subject only to some legal exceptions. The lenders shall continue to enjoy their rights and privileges as Concessionaire Lenders (as defined under the Agreement), which include the right to appoint a qualified replacement operator and the right to receive payments and/or other consideration pursuant to the Agreement in case of a default of either the Company or MWSS. Currently, all lenders of the Company (including the bondholders) are considered Concessionaire Lenders and are on pari passu status with one another.

On September 7, 2010, LAWC entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to LAWC up to
P500 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. First drawdown of this loan as of December 31, 2010 amounted to P246 million.

On October 21, 2010, the Company entered into a term loan agreement amounting to USD150,000,000.00 to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndication of four banks- ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation. The facility is insured by Nippon Export and Investment Insurance. As of December 31, 2010, no drawdown has been made on the said facility.

Capital Requirements

The Company has, and expects to continue to have, substantial liquidity and capital resource requirements. These requirements include debt-service obligations, concession fee payments, capital expenditures to maintain, improve and expand the water and sewage systems, and payment of pension plan obligations and other employee benefits.

Debt-Service Obligations. The Company’s debt service obligations as of December 31, 2010 included approximately P1,105 million due in 2011, and approximately P5,504 million due until 2014.

Capital Expenditures. The Company’s cash disbursements for purchases of property, plant and equipment under its capital expenditure program totaled approximately P8,749 million in 2010. The Company’s capital expenditure program required total expenditures of approximately P46 billion from year 2008 until 2012.

Financial Obligations/Relationship with Unconsolidated Entities

There are no events that will trigger direct or contingent financial obligation that is material to the company. Similarly, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Contractual Obligations and Commercial Commitments

The following table summarizes the Company’s significant contractual obligations and commercial commitments that affect the Company’s liquidity as of December 31, 2010:

<table>
<thead>
<tr>
<th>Contractual Obligations:</th>
<th>Payments due by period</th>
<th>2011</th>
<th>2012-2013</th>
<th>2014-2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt, including current portion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td>27.0</td>
<td>2,473.0</td>
<td>0</td>
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<td>Foreign</td>
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<td>1,059.7</td>
<td>1,012.0</td>
<td>1,177.5</td>
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<td>Concession Fees</td>
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<td>743.0</td>
<td>3,074.0</td>
<td>4,676.00</td>
<td>8,493.0</td>
</tr>
<tr>
<td>Capital Expenditure Commitments</td>
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<td>14,564.0</td>
<td>21,016.0</td>
<td>22,661.0</td>
<td>58,241.0</td>
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<tr>
<td>Total Contractual Obligations</td>
<td></td>
<td>16,393.7</td>
<td>27,575.0</td>
<td>28,514.5</td>
<td>72,483.2</td>
</tr>
</tbody>
</table>

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Under the CA, the Company is required to post a performance bond, bank guarantee or other security acceptable to MWSS amounting to US$60 million in favor of MWSS as a bond for the full and prompt performance of the Company’s obligation under the CA. A new standby letter of credit (in compliance with the 2011 performance bond) was issued by China Banking Corporation for the full amount of US$60 million prior to the expiry of the 2010 performance bond in December 31, 2010.

There are no known trends, events or uncertainties that may have a material effect on sales, significant elements of income or loss from continuing operations and seasonal aspects that may have a material effect on the financial statements.

**Item 7. Financial Statements**

*Please see attached Exhibit I.*

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

SyCip Gorres Velayo and Co. (SGV) has been the principal accountant and external auditor of the Company since 1997 and continues to perform the same services for the Company up to the present date. The Company has not had any material disagreements on accounting matters or financial disclosure matters with its current accountants for the past years or subsequent interim periods.

Pursuant to SRC Rule 68, paragraph 3 (b) (iv), the Company has engaged SGV as external auditor. Ms. Jessie D. Cabaluna has been the partner in charge effective 2010.

<table>
<thead>
<tr>
<th>External Audit Fees</th>
<th>(Audit and Audit-Related Fees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services:</td>
<td>2010</td>
</tr>
<tr>
<td>Audit of Financial Statements</td>
<td>1,575,000.00</td>
</tr>
<tr>
<td>All Other Fees (Tax Advice re MTSP, Peso Bond, Enterprise Risk Mgmt. and other projects)</td>
<td>4,548,246.08</td>
</tr>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>1,500,000.00</td>
</tr>
<tr>
<td></td>
<td>3,051,028.80</td>
</tr>
<tr>
<td></td>
<td>6,123,246.08</td>
</tr>
<tr>
<td></td>
<td>4,551,028.80</td>
</tr>
</tbody>
</table>

The Company’s Audit and Governance Committee\(^2\) reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. The amount will then be presented for approval by the stockholders in the annual meeting. As regards services rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review and approval by the committee.

\(^2\) The Audit and Governance Committee is composed of the following: Oscar S. Reyes (Chairman), Jose L. Cuisia Jr. (independent director), Keiichi Asai, and Delfin C. Gonzalez Jr.
PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

Board of Directors

The Board of Directors (the “Board”) is primarily responsible for the governance of the corporation. It controls and holds all corporate powers, all businesses conducted and all property of the Corporation. The Board is structured in a way that it provides an independent check on management.

Under the Corporate Governance Manual, the Company shall have a minimum of two (2) independent directors or at least 20% of the members of the board. A director is considered independent if he holds no interests or relationships with the Company that may hinder his independence from the Company or its management and would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Company presently has two independent directors namely, Mr. Oscar S. Reyes and Mr. Jose L. Cuisia Jr.

The Board has eleven (11) members elected by the Company’s stockholders entitled to vote at the annual meeting. The directors hold office for one (1) year and until their successors are elected and qualified in accordance with the Company’s By-Laws. The following are the members of the Board as of December 31, 2010:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Years as Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>51</td>
<td>Chairman of the Board and Executive Committee</td>
<td>13</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>52</td>
<td>Vice Chairman</td>
<td>13</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>57</td>
<td>President</td>
<td>1</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>63</td>
<td>Director</td>
<td>12</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>64</td>
<td>Director</td>
<td>8</td>
</tr>
<tr>
<td>Thomas Keevil</td>
<td>50</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Keiichi Asai</td>
<td>56</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>39</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr.</td>
<td>67</td>
<td>Independent Director</td>
<td>0</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>64</td>
<td>Independent Director</td>
<td>5</td>
</tr>
</tbody>
</table>

Fernando Zobel de Ayala, Chairman of the Board and Executive Committee, Filipino, 51 years old. Director of the Company since May 15, 1997. He also holds the following positions: President and Chief Operating Officer of Ayala Corporation; Chairman of Ayala Land Inc., Alabang Commercial Corp., and Ayala DBS Holdings, Inc.; Vice Chairman of Azalea Technology Investments, Inc.; Co-Vice Chairman of Ayala Foundation, Inc. and Mermac, Inc.; Board Member of Integrated Micro-Electronics, Inc., Globe Telecom, Inc., Bank of the Philippine Islands, AsiaCom Philippines, Inc., Ayala International Pte, Ltd., AC International Finance Ltd., and Ayala Hotels, Inc.; Member of the Asia Society, World Economic Forum, INSEAD East Asia Council, and the World Presidents’ Organization; Director of the Board of Habitat for Humanity International and Chairman of the Habitat for Humanity’s Asia-Pacific Steering Committee; Trustee, International Council of Shopping Centers; Member of the Board of Directors of Caritas Manila, Kapit Bisig para sa Ilog Pasig Advisory Board, Pilipinas Shell Corporation and Pilipinas Shell Foundation. Mr. Fernando Zobel de Ayala graduated with a B.A.
in Liberal Arts degree from Harvard College in 1982. He also holds a Certificate of International Management at INSEAD, France.

Jaime Augusto Zobel de Ayala, Filipino, 52 years old. Director of the Company since May 15, 1997. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics Inc.; Vice Chairman of Ayala Land, Inc.; Co-Vice Chairman of Mermac, Inc., and the Ayala Foundation; Director of BPI PHILAM Life Assurance Corp., Alabang Commercial Corporation, Ayala International Pte, Ltd., and Ayala Hotels, Inc.; Member of the Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, and Toshiba International Advisory Group; Philippine Representative to the Asia Pacific Economic Council; Chairman of Harvard Business School Asia-Pacific Advisory Board; Vice Chairman of the Asia Business Council; Member of Harvard University Asia Center Advisory Committee; Member of the Board of Trustees of the Eisenhower Fellowships, the Singapore Management University and Asian Institute of Management; Member of The Asia Society, the International Business Council of the World Economic Forum; Chairman of the World Wildlife Fund Philippine Advisory Council; Vice Chairman of The Asia Society Philippines Foundation, Inc., Co-Vice Chair of the Makati Business Club; and Member of the Board of Trustees of the Children’s Hour Philippines, Inc. He graduated with B.A. in Economics (Cum Laude) degree from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Gerardo C. Ablaza Jr., Filipino, 57 years old. Director of the Company since November 26, 2009 and became the president on June 30, 2010. Mr. Ablaza is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group management committee, a post he has held since 1998. Mr. Ablaza holds the following positions: Co-Vice Chairman of Globe Telecom, Inc.; board director of Bank of the Philippine Islands, BPI Family Savings Bank, BPI Card Finance Corporation, Azalea International Venture Partners Limited, Asiacom Philippines, Inc., LiveIT Investment Ltd., BPI Globe BanKO Inc.; Chairman of AAA Water Corporation, Manila Water Asia Pacific Pte. Ltd., Manila Water South Asia Holdings Pte. Ltd. and Manila Water Total Solutions Corp.; Vice-Chairman of Laguna AAAWater Corporation and Jindal Manila Water Development Company Ltd.; Chairman & President of Manila Water International Solutions, Inc. and Northern Waterworks and Rivers of Cebu, Inc.; and President of MWC Foundation. He was appointed Chief Executive Officer of AC Capital from January 1 to June 30, 2010 with directorship position in Azalea Technology Investments, Inc., HRMall Holdings Limited, HR Mall Inc., Integreon, Inc., Affinity Express Holdings Limited, NewBridge International Investments Ltd., Stream Global Services., RETC (Renewable Energy Test Center ). ACST Business Holdings, Inc., AG Holdings Limited (HK), Ayala Automotive Holdings Corporation, Ayala Aviation Corporation, Michigan Power, Inc., MPM Noodles Corporation, Purefoods International Investment Limited and Ayala Foundation Inc. as Trustee. He was President and CEO of Globe Telecom, Inc. from 1998 to April 2009. Mr. Ablaza was previously Vice-President and Country Business Manager for the Philippines and Guam of Citibank, N.A. for its Global Consumer Banking Business. Prior to this position, he was Vice-President for Consumer Banking of Citibank, N.A. Singapore. Attendant to his last position in Citibank, N.A., he was the bank’s representative to the board of directors of City Trust Banking Corporation and its various subsidiaries. Mr. Ablaza graduated summa cum laude from De La Salle University in 1974 with an AB degree major in Mathematics (Honors Program). In 2004, he was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. In the same year, he was awarded by Telecom Asia as the Best Asian Telecom CEO.

Antonino T. Aquino, Director, Filipino, 63 years old. Director of the Company since April 24, 1998. Mr. Aquino was elected president of Ayala Land, Inc. last April 1, 2009. He joined the
Company as Group Director for Corporate Affairs and was later appointed President in January 1999. He has been with the Ayala Group in various capacities for the past 30 years and now holds the position of Senior Managing Director. He was President of the Ayala Property Management Corporation from 1990 to 1998 and Senior Vice President of Ayala Land, Inc. from 1989 to 1998. He was also a Business Unit Manager at IBM Philippines, Inc. from 1968-1980. He is currently the Chairman of the Board of Trustees of the Hero Foundation. He also serves as a Member of the Board of various corporate social responsibility foundations such as Ayala Foundation, Manila Water Foundation, Habitat for Humanities Philippines, La Mesa Watershed Foundation and Makati Environment Foundation. Mr. Aquino completed the academic requirements for masteral degree in Business Management at the Ateneo Graduate School of Business and completed his Bachelor of Science, major in Management degree, at the Ateneo de Manila University.

**Delfin L. Lazaro, Filipino, 64 years old.** Director of the Company since May 6, 2002. He also holds the following positions: Chairman of MPM Noodles Corp., Philwater Holdings Co., Inc.; Chairman of AYC Holdings Ltd. and Chairman and President of A.C.S.T. Business Holdings, Inc.; Director of Ayala Corporation, Ayala Land, Inc., Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Ayala Automotive Holdings Corp., and Al North America. He was formerly President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippine government. He was named Management Man of the Year in 1999 by the Management Association of the Philippines. He graduated with B.S. in Metallurgical Engineering degree from the University of the Philippines in 1967 and took his MBA (with Distinction) from Harvard Graduate School of Business in 1971.

**John Eric T. Francia,** Filipino, 39 years old. Director of the Company since April 12, 2010. Mr. Francia is a Managing Director and a member of the Management Committee of Ayala Corporation since January 2009. Mr. Francia is the Head of Ayala's Corporate Strategy & Development Group, which is responsible for overseeing Ayala's portfolio strategy, driving new business development, and managing investor relations. He is also a director of Integrated Micro-Electronics, Inc., Livelt Investments, Integreon, Michigan Power, and Chairman of PhilNewEnergy. Prior to joining Ayala, Mr. Francia led Global Business Planning and Operations at the Monitor Group, a strategy consulting firm based in Cambridge, MA. He spent 12 years in the management consulting sector both as a senior consultant and member of the management team. Prior to consulting, he spent a few years in the field of academe and media. Mr. Francia received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating Magna Cum Laude. He then completed his Masters Degree in Management Studies at the University of Cambridge in the UK, graduating with First Class Honors.

**Thomas Keevil,** British, 50 years old. Director of the Company since October 4, 2010. Mr. Keevil is the company secretary and general counsel of United Utilities Group Plc. From 2002 until 2007 he was company secretary and general counsel of Gallaher Group Plc and a board appointed member of Gallaher's corporate responsibility committee. As such, he was responsible for managing the corporate affairs, legal and security and brand protection departments and acting as secretary to the Plc board and its principal committees. Prior to that, he was a senior legal adviser for Gallaher from 2000 to 2002, having been appointed to that role following 16 years with international law firm Simmons & Simmons, where he was appointed a partner in May 1991. He is a Fellow of the Chartered Institute of Arbitrators, an accredited mediator, a member of the European advisory board of FM Global, an executive committee member of the UK General Counsel100 and was appointed a non-executive director of the UK Solicitors Regulation Authority with effect from 01 January 2010.
Keiichi Asai, Japanese, 56 years old. Director of the Company since November 25, 2010. Mr. Asai is the Senior Vice President & Division COO of the Environmental & Water Business Division of Mitsubishi Corporation from April 2010. He was at Petro-Diamond Incorporated (New York) from 1988 to 1994, where he engaged in trading and marketing petroleum products in the United States, Canada, and South American Countries. Then he experienced MC Liaison Office in India for 3 years where he was in charge of trading in Indian petroleum market. From 2001 until 2008, he was appointed as the General Manager of two business units in petroleum business division where he was responsible for international and domestic trading operations. From 2008 until 2009, he was appointed as the General Manager in Energy Business Group CEO Office where he was in charge of the management of whole energy businesses. Mr. Keiichi Asai graduated with Bachelor of Economics from the University of Tokyo in 1978.

Oscar S. Reyes, Filipino, 64 years old. Independent Director of the Company since February 3, 2005. He has been a Director of the Bank of the Philippine Islands since April 2003. Among his other positions are: Chairman of MRL Gold Philippines, Inc. and Link Edge Inc.; Member of the Board of Philippine Long Distance Telephone Company, Ayala Land Inc., SMART Communications, Inc., Pepsi Cola Products Philippines, Inc., Sun Life Financial Plans Inc., and Manila Electric Company where he also serves as Chief Operating Officer. Prior to this post, he has served the Shell Group of Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V. He is a member of the Board of Trustees of Pilipinas Shell Foundation Inc., SGV Foundation, and El Nido Foundation. He finished his B.A. degree major in Economics (Cum Laude) at the Ateneo de Manila University in 1965, and underwent MBA program at the Ateneo Graduate School of business. He also took post-graduate studies at Waterloo Lutheran University and Harvard Business School, among other schools abroad.

Jose L. Cuisia Jr., Filipino, 67 years old. Director of the Company since April 12, 2010. He is presently the Vice Chairman of the Philippine American Life and General Insurance Company. At present, he also holds the following positions: Chairman of BPI Philam Life Assurance Co., Philam Foundation, Tower Club, Inc. and The Covenant Car Company, Inc.; Vice-Chairman of SM Prime Holdings; Director of Holcim Philippines, Inc., PHINMA Corporation, Bauang Private Power Corporation, Union Galvasteel Corporation, ICCP Holdings, Beacon Property Ventures and Genesis Hotels & Resorts Management, Inc. Before becoming Philamlife’s President and CEO, Mr. Cuisia served the Philippine Government as Governor of the Philippine Central Bank and Chairman of its Monetary Board from 1990-1993. He was also appointed Commissioner, representative of the Employer’s Group, for the Social Security System (SSS) last September 2010, but recently resigned last December 2010. Mr. Cuisia was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was Administrator and CEO of the Philippine Social Security System from 1986–1990. Mr. Cuisia is active in educational institutions, being Chairman of the Board of Trustees/ Board of Governors of the Asian Institute of Management, a previous Trustee of the University of Asia & the Pacific and Chairman of De La Salle University Board of Trustees. He is the CV Starr Chairman of Corporate Governance for the Asian Institute of Management. Mr. Cuisia graduated from De La Salle University with AB-BSC degrees (Magna Cum Laude) and earned an MBA degree from The Wharton School, University of Pennsylvania in 1970 as a University Scholar.
Corporate Secretary

Solomon M. Hermosura, Corporate Secretary, Filipino, 48 years old. Corporate Secretary of the Company since April 3, 2006. He has been a Managing Director of Ayala Corporation since 1999. He also holds the following positions: General Counsel, Compliance Officer and Assistant Corporate Secretary of Ayala Corporation since 2009; Corporate Secretary of Globe Telecom Inc., Integrated Micro-Electronics, Inc., Ayala Foundation, Inc., Philwater Holdings Company, Inc. and a number of other companies in the Ayala group; Assistant Corporate Secretary of Ayala Land Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He earned his Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Executive Officers

The following is a list of the Company’s key executive officers as of December 31, 2010:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>57</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>54</td>
<td>Chief Finance Officer and Treasurer</td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td>49</td>
<td>Group Director, Regulation and Corporate Development</td>
</tr>
<tr>
<td>Frank Beaumont</td>
<td>62</td>
<td>Technical Adviser</td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>48</td>
<td>Group Director, Corporate Resources</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>50</td>
<td>Group Director, Project Delivery</td>
</tr>
</tbody>
</table>

Gerardo C. Ablaza Jr., President and Chief Executive Officer. Please see biography above under “Directors”.

Luis Juan B. Oreta, Chief Finance Officer and Treasurer, Filipino, 54 years old. Mr. Oreta joined the company in January 1, 2009. Prior to his appointment, Mr. Oreta was Managing Director of Ayala Corporation - Strategic Planning Group from March 1997 to 2008 and was interim CFO of Integrated Microelectronics, Inc. until December 31, 2008. He is a Director of Michigan Holdings, Inc., Technopark Land, Inc., and Darong Agricultural Development Corporation. He has also served the Bank of the Philippines in various capacities from October 1983 to March 1997, where his last position was as Vice President of BPI Capital Corporation. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics and has a Master in Business Administration degree from Rutgers University, Graduate School of Management.

Virgilio C. Rivera, Jr. - Group Director, Regulation and Corporate Development, Filipino, 49 years old. Mr. Rivera has been with the Ayala Group for more than 20 years and held appointments with Ayala Corporation under various capacities including Managing Director, Manager of the Strategic Planning Group, and Head of Strategic Planning of Integrated Microelectronics, Inc. Mr. Rivera is responsible for shaping public policy, formulating regulatory strategies, mitigation of regulatory risk, regulatory compliance and stakeholder relations. Mr. Rivera led two successful price reviews in 2003 and 2008, negotiated the amendment of the concession contract which resulted in the 15-year extension of the contract period, and secured a favorable ruling on cost of capital through international arbitration. His achievements has earned him the distinction as a valuable resource person in international conferences on infrastructure privatization, regulation and PPP initiatives sponsored by World Bank, ADB, JICA, IWA, academic institutions (e.g., TERI, Stanford University) and host national governments in emerging countries. Mr. Rivera is also the President of LAWC and BIWC, two newly-formed
subsidiaries of Manila Water. Concurrently, Mr. Rivera is a Managing Director of Ayala Corporation, one of the Philippines’ oldest and largest conglomerates. Mr. Rivera also acted as Chairman of the Management’s negotiating panel for the 2006 and 2008 Collective Bargaining Agreement (CBA). Mr. Rivera is currently member of the Global Utility Steering Committee of the International Water Association. Mr. Rivera holds two university degrees in Economics and Behavioral Science from University of Sto. Tomas. He also completed a graduate level course work on M.S. Economics from De La Salle University.

Frank Beaumont, Technical Adviser, British, 62 years old. Mr. Beaumont joined the Company in 1999 as Operations Adviser. Mr. Beaumont has many years of experience in the water industry and is a specialist in the operation of water treatment works with their associated plant, aqueducts and pumping stations. Prior to joining the Company, Mr. Beaumont served as Operations Manager and Executive Director of Metropolitan Utilities Corporation in Ipoh, Malaysia and held various positions in North West Water, United Kingdom. He is a chartered member of Institution Water and Environmental Management, and is a holder of BSc Honours, Chemistry from the Council of National Academic Awards UK in 1977.

Ruel T. Maranan - Group Director, Corporate Resources Group, Filipino, 48 years old. Mr. Maranan joined Manila Water in January 2004 as the Group Director for Human Resources and Corporate Services. His role has since expanded into leading Manila Water’s Corporate Resources Group, which also includes Corporate Communications, Land Acquisition and Right-of-Way, and Information and Communications Technology. Before joining the Company, he was the Division Head for Strategic Staffing and Employee Relations at Globe Telecom. He served as Chairman of the Ayala Multi-Purpose Cooperative and as Vice President of the People Management Association of the Philippines (PMAP). In addition to his professional concerns, he devotes time to community and nation building, being the battalion commander of the 503rd Water Battalion and holding the rank of lieutenant colonel. Mr. Maranan earned his AB Social Sciences degree from the Ateneo de Manila University and his law degree from the University of Santo Tomas. He has also completed the Harvard Leadership Management Program.

Geodino V. Carpio, Group Director, Operations Group, Filipino, 50 years old. Mr. Carpio joined the Company in 1997 as Chief Information Officer before moving to Project Delivery as Group Director in 2004. Prior to joining the Company, Mr. Carpio was the Vice President for Information Technology for the Marsman Group of Companies. Mr. Carpio developed his experience mostly from his 12 years with Andersen Consulting where his last position was as Senior Manager, performing a key role in the firm’s logistics practice. His functional experience includes logistics, customer service, banking, accounting, and three-dimensional computer animation and development over varied architectures from legacy systems to multi-platform client/server. He holds a B.S. in Physics Teaching degree (Cum Laude) from the Philippine Normal College in consortium with De La Salle University under the National Science Development Board Scholarship Grant and attended a Software Engineering Course under the Scholarship Grant from the Center for International Cooperation for Computerization in Tokyo, Japan in 1986. He was appointed Group Director for Operations in August 2010.

Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company’s goals and objectives.
Family Relationships

The Company’s Chairman, Fernando Zobel de Ayala, is the brother of director, Jaime Augusto Zobel de Ayala.

Involvement in Certain Legal Proceedings

There is no bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a Securities or Commodities Law involving any director, any nominee for election as director, executive officer, underwriter or control person of the Company that occurred during the past five (5) years up to the present that is material to an evaluation of the ability or integrity of the director, nominee for election as director, executive officer, underwriter or control person of the Company.

Item 10. Executive Compensation

The aggregate compensation paid or accrued during the last two fiscal years and the ensuing fiscal year to the Company’s Chief Executive Officer and the most highly compensated officers and all other officers as a group is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Position</th>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other Annual Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>CEO / President</td>
<td></td>
<td>74.5</td>
<td>9.0</td>
<td>33.2</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>CFO &amp; Treasurer</td>
<td></td>
<td>94.6</td>
<td>12.4</td>
<td>23.1</td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td>Group Director - Regulation &amp; Corporate Development</td>
<td></td>
<td>84.1</td>
<td>13.9</td>
<td>24.0</td>
</tr>
<tr>
<td>Frank Beaumont(^1)</td>
<td>Technical Adviser</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>Group Director - Corporate Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>Group Director - Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frederick E. Reyes</td>
<td>Director - Human Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loida S. Diño</td>
<td>Director – Regulatory Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roberto L. Licup</td>
<td>Director – Special Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atty. Rene T. Tale</td>
<td>Director - Corporate Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abelardo P. Basilio</td>
<td>Director - East Zone Business Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Mattison</td>
<td>Director – Operation Support Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ma. Victoria P. Sugapong</td>
<td>Director – Enterprise Risk Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above-named officers as a group:

- 2009: 74.5, 9.0, 33.2
- 2010: 94.6, 12.4, 23.1
- Estimated 2011: 84.1, 13.9, 24.0

All other officers as a group unnamed:

- 2009: 264.1, 78.3, 97.2
- 2010: 300.7, 77.1, 90.5
- Estimated 2011: 327.8, 81.7, 97.7

\(^{1}\) Mr. Beaumont resigned on December 31, 2010.
The Company has no standard arrangement or any other arrangements or compensatory plan or arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received herein stated.

**Directors’ Compensation**

The By-Laws provides that by resolution of the Board, each director shall receive a reasonable per diem for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10% of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to approval of stockholders representing at least a majority of the outstanding capital stock.

On October 28, 2004, the stockholders of the Company owning more than 80% of shares in each class of shares entitled to vote confirmed the directors’ remuneration which the Board approved at its meeting on July 26, 2004, as follows:

- For each director - ₱200,000.00 for each quarterly and annual meeting, a portion of which to be allocated as fixed remuneration and the balance as attendance fee based on Board meetings actually attended;

- For each Board Committee member - ₱20,000.00 per Committee meeting actually attended.

Aside from the above, the Board has adopted no other resolution relating to directors’ remuneration.

**Warrants and Options Outstanding**

As of December 31, 2010, 36.902 million subscriptions are outstanding under the Company’s ESOWN which was approved by the SEC on January 31, 2006. The subscriptions include those for shares covered by options that were granted in 2005 under the Company’s Executive Stock Option Plan (ExSOP) and converted to subscriptions under the ESOWN. As a result of the conversion of options under the ExSOP to subscriptions under the ESOWN, the Company will no longer grant options under the ExSOP. There were disclosures on grants to senior officers under the ESOWN in 2005, 2006, 2007, 2008 and 2009.

The number of employees and officers of the Company who are eligible to participate in the ESOWN is approximately 340.

**Item 11. Security Ownership of Certain Record and Beneficial Owners**

As of December 31, 2010, the following shareholders are the only owners of more than 5.0% of the Company’s voting capital stock, whether directly or indirectly, as record owner or beneficial owner:
<table>
<thead>
<tr>
<th>Title of class</th>
<th>Name and address of record owner (and relationship with issuer)</th>
<th>Name of beneficial owner (and relationship with record owner)</th>
<th>Citizenship</th>
<th>No of shares held</th>
<th>Percent of class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Ayala Corporation 34F Tower One, Ayala Triangle, Ayala Ave, Makati City (Principal shareholder)</td>
<td>Ayala Corporation (The same as the record owner)</td>
<td>Filipino</td>
<td>651,912,996</td>
<td>32.07%</td>
</tr>
<tr>
<td>Common</td>
<td>Mitsubishi Corporation 6-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-86, Japan (Not related)</td>
<td>Mitsubishi Corporation (The same as the record owner)</td>
<td>Japanese</td>
<td>168,999,999</td>
<td>8.31%</td>
</tr>
<tr>
<td>Common</td>
<td>PCD Nominee Corporation G/F MSE Bldg. Ayala Ave., Makati City (Not related)</td>
<td>International Finance Corporation</td>
<td>Multilateral</td>
<td>122,779,350</td>
<td>6.04%</td>
</tr>
<tr>
<td>Common</td>
<td>PCD Nominee Corporation G/F MSE Bldg. Ayala Ave., Makati City (Not related)</td>
<td>First State Investment Management (UK) Limited, First State Investment International Limited, and First State Investment (Hong Kong) Limited **</td>
<td>Multilateral</td>
<td>198,455,900</td>
<td>9.76%</td>
</tr>
<tr>
<td>Preferred</td>
<td>Philwater Holdings Company, Inc. MWSS Admin. Bldg., 489 Katipunan Rd., 1105 Balara, QC (Principal owner)</td>
<td>Philwater Holdings Company, Inc. (The same as the record owner)</td>
<td>Filipino</td>
<td>3,999,999,998</td>
<td>99.99%</td>
</tr>
</tbody>
</table>

There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. The following persons shall have the right to vote on behalf of the following shareholders:

**Shareholder**

Ayala Corporation

Philwater Holdings Company, Inc.

Mitsubishi Corporation

**Proxy**

Fernando Zobel de Ayala or the Chairman of the Meeting

Rufino Luis T. Manotok or the Chairman of the Meeting

Keiichi Asai or the Chairman of the Meeting
Security Ownership of Directors and Management

The following table sets forth, as of December 31, 2010, the beneficial ownership of each director and executive officer of the Corporation:

<table>
<thead>
<tr>
<th>Title of Class</th>
<th>Name of Beneficial Owner</th>
<th>Citizenship</th>
<th>Amount and Nature of Beneficial Ownership</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Fernando Zobel de Ayala</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Filipino</td>
<td>200,001 (direct and indirect)</td>
<td>0.00331521%</td>
</tr>
<tr>
<td>Common</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Delfin L. Lazaro</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Antonino T. Aquino</td>
<td>Filipino</td>
<td>200,001 (direct and indirect)</td>
<td>0.00331521%</td>
</tr>
<tr>
<td>Preferred</td>
<td>John Eric T. Francia</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Preferred</td>
<td>Thomas Keevil</td>
<td>British</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Keiichi Asai</td>
<td>Japanese</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Jose L. Cuisia Jr.</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Oscar S. Reyes</td>
<td>Filipino</td>
<td>330,001 (direct and indirect)</td>
<td>0.00547009%</td>
</tr>
<tr>
<td>Common</td>
<td>Solomon M. Hermosura</td>
<td>Filipino</td>
<td>100 (indirect)</td>
<td>0.00000166%</td>
</tr>
<tr>
<td>Common</td>
<td>Geodino V. Carpio</td>
<td>Filipino</td>
<td>275,000 (direct and indirect)</td>
<td>0.00455839%</td>
</tr>
<tr>
<td>Common</td>
<td>Frank Beaumont</td>
<td>British</td>
<td>100,000 (direct)</td>
<td>0.00165760%</td>
</tr>
<tr>
<td>Common</td>
<td>Luis Juan B. Oreta</td>
<td>Filipino</td>
<td>23,300 (direct)</td>
<td>0.00038622%</td>
</tr>
<tr>
<td>Common</td>
<td>Virgilio C. Rivera, Jr.</td>
<td>Filipino</td>
<td>150,000 (direct)</td>
<td>0.00248640%</td>
</tr>
<tr>
<td>Common</td>
<td>Ruel T. Maranan</td>
<td>Filipino</td>
<td>150,000 (direct and indirect)</td>
<td>0.00248640%</td>
</tr>
</tbody>
</table>

| All Directors and Officers as a group | 1,428,410 | 0.02367730% |

None of the members of the Company’s board of directors and management owns 2.0% or more of the outstanding capital stock of the Company.

Item 12. Certain Relationships and Related Transactions

The Company entered into a technical services agreement with United Utilities B.V., an affiliate of United Utilities Pacific Holdings B.V., for technical services necessary for the operation of the Company. The Company also contracted with Ayala Corporation for administrative, technical and support services in relation to human resources, treasury, accounting, capital works, corporate services and regulatory affairs and administrative management of the Company. The Company further entered into a Capital Works Program Agreement with Water Capital Works Inc., a company owned by Ayala Corporation, for services relating to the capital works program of the Company. No other transaction was undertaken by the Company in which any director or executive officer was involved or had a direct or indirect material interest.

3 The security owned consists of common shares. Excluded are previously disclosed common shares acquired by the officers through the Registrant’s Employee Stock Ownership Plan. (See section titled “Warrants and Options Outstanding.”)
Please see related discussion in Part I. Item 1 on Related Party Transactions.

PART IV - CORPORATE GOVERNANCE

Item 13. Manual of Corporate Governance

Compliance with Leading Practices on Corporate Governance

The Company’s corporate governance practices are anchored on its Corporate Governance Manual (the “Manual”), which supplements the Articles of Incorporation and By-Laws of the Company. The Manual was first adopted on May 3, 2004 pursuant to SEC Memorandum Circular No. 2, Series of 2002. It was first amended in November 2007 and was later amended in April 2010 to comply with the SEC Memorandum Circular No. 6, Series of 2009.

There has been no deviation from the Manual since its adoption. In a certification submitted to the SEC on January 13, 2011, the Company’s Compliance Officer, Luis Juan B. Oreta, stated that the Company adopted in the Manual the leading practices and principles on good corporate governance and the Company has fully complied with all the requirements of the Manual for the year 2010, including the requirements in relation to the board of directors, board committees, officers and stockholders’ rights and interests.

The revised Manual strengthened protection to shareholders, particularly the minority, through the inclusion of additional provisions on transparency in business operations; communication of important information from management to the Board and from the Board to the shareholders; disclosures on and evaluation of directors’ and management’s performance; qualifications and disqualifications of directors; participation of independent directors in all meetings of the Board; and full and consistent compliance with financial, legal and regulatory requirements.

The Company also enhanced its website and annual reports in line with its thrust of transparency of information and prompt and complete disclosure of all material facts relating to its business.

To better focus on improving corporate governance across the organization, the Company has reorganized its Compliance and Governance Section and formed a Corporate Governance Office (the “Office”). The Office formulates and implements initiatives and policies on corporate governance. It reports to the Audit and Governance Committee which performs oversight functions over Manila Water’s corporate governance system.

The Company continues to implement its established corporate governance practices. Among these is the Insider Trading Policy, which prohibits directors, officers and confidential employees from trading in Manila Water shares within a certain period before and after the release of material information to the public. In addition, another policy that has been in continuous effect is the policy on acceptance of corporate entertainment/gifts. This policy prohibits all officers and employees from accepting corporate entertainment/gifts from suppliers, contractors and other business partners, which can be viewed as influencing the manner on which an officer or employee may discharge his duties.

The Company’s guidelines specifying conflict of interest situations involving all employees and their relatives up to the fourth degree of consanguinity and/or affinity, including common law relationships, have been strengthened. All such existing contracts/arrangements by employees and their relatives were required to be terminated immediately and correspondingly reported to
the line manager and the Office of the Compliance Officer, as required under the Code. Any exception to the guidelines must be approved by the President and the Audit Committee.

Other policies of the Company that has been in continuous and effective implementation are the: (i) policy on reporting of fraudulent or dishonest acts and (ii) internal control systems which includes the Company’s Capital Expenditures and Investments Committee that oversees bidding systems and grants approvals for capital expenditures.

As the Company continues to embark on expansion projects locally and internationally, the Company saw a need to create an Enterprise Risk Management Department (ERM Department) to champion the risk management process across the organization. The Company launched the Enterprise Risk Management (ERM) Project, is made to take the existing risk management process to a higher level and develop a common risk language and framework. The ERM is a way of managing risk and uncertainty in any business operation. It aligns the Company’s strategy, processes, people, technology and knowledge to meet its risk management purpose and achieve its objectives. The Company aims to make ERM a way of life where managing risks becomes the responsibility of everyone in the organization with end view of increasing shareholder value and enhancing the already effective risk management programs of the Company. The Chief Risk Officer (CRO) was appointed to head the RMD and champion the ERM Department across the entire organization.

As a validation of its corporate governance initiatives, the Company was cited again by the Corporate Governance Asia in its Annual Recognition Awards as one of the best in Corporate Governance in the Philippines. Furthermore, the Company again received its second Gold Award from the Institute of Corporate Directors (ICD) in its Corporate Governance Scorecard Project. For the fourth straight year, Manila Water has been recognized by the ICD as one of the Philippine’s best in corporate governance practices.

These citations affirm the Company’s commitment to observing the highest standards of corporate governance and motivate the Company to further improve its current platform of governance.

**Sustainable Development Projects**

The Company takes pride in the fact that it embodies what genuine CSR is – that social, environmental and economic objectives are perfectly aligned with business goals and integrated in day-to-day operations. As such, it is recognized as one of the CSR leaders and pioneers in the Philippines.

**Water Supply Provision to the Urban Poor**

The Company sees the importance of making potable water available to everyone, especially the urban poor, as it is a basic human right. The “Tubig Para Sa Barangay” (TPSB) or Water for the Community program was set up in 1998 to help build communities by way of improving the quality of their life. Through the TPSB program, around 1.7 million people now enjoy 24-hour supply of clean, safe-to-drink and affordable water, as well as improved overall health and sanitation conditions.

The Company also undertakes “Lingap” programs to improve water supply and sanitation facilities in public service institutions such as schools, hospitals, city jails, markets and
orphanages which serve largely poor families. The Company has rehabilitated the water reticulation system and installed wash facilities and drinking fountains in over 300 institutions.

**Water Education**

The Company’s “Lakbayan” or Water Trail program aims to promote stakeholder awareness on the value of water and the need for wise use of water and proper wastewater management. For better understanding and deeper appreciation of the intricacies of treating and delivering potable water and wastewater services, stakeholders are exposed to the entire water cycle – from the raw water source, the treatment process and distribution, up to the wastewater treatment process.

As of 2010, more than 500 groups composed of around 18,000 individuals from communities, local and national government offices, schools, non-government organizations, private companies and other special groups have participated in the ‘Lakbayan’ program.

**Environmental Protection**

The Company has taken a more active stance in protecting the environment. In fact, the Company has embedded important environmental initiatives in every level of the water supply cycle to ensure sustainability and reliability of services to customers.

After ratifying a formal Climate Change Policy in late 2007, Manila Water began quantifying its baseline carbon footprint and monitoring its impact on the environment as basis for improving its environmental performance.

The Company also intensified its sewerage programs by building sewer systems that link to the existing municipal drainage network and wastewater treatment facilities to alleviate pollution in Metro Manila’s major river systems.

Lastly, in response to the challenges posed by climate change, Manila Water has been implementing climate adaptation and mitigation programs which include climate proofing facilities and reforestation activities.
Part V - LIST OF EXHIBITS/SCHEDULES

FINANCIAL STATEMENTS - Exhibit 1

Statement of Management’s Responsibility for Financial Statements
Report of Independent Auditors
Balance Sheets as of December 31, 2010 and 2009
Statements of Income for the Years ended December 31, 2010, 2009 and 2008
Statement of Changes in Stockholders Equity for the years ended December 31, 2010, 2009 and 2008
Notes to Financial Statements

SUPPLEMENTARY SCHEDULES
Report of Independent Auditors on Supplementary Schedules - Exhibit 1.A
Schedule A Marketable Securities (Current Marketable Equity Securities and Other Short-Term Cash Investments)
Schedule B Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
Schedule C Noncurrent Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments
Schedule D Indebtedness of Unconsolidated Subsidiaries and Related Parties
Schedule E Intangible Assets - Other Assets
Schedule F Long-Term Debt
Schedule G Indebtedness to Related Parties
Schedule H Guarantees of Securities of Other Issuers
Schedule I Capital Stock
Schedule J Beneficial Ownership of Shares
Schedule K Retained Earnings Available for Dividends Declaration
OTHERS

General Form for Financial Statements - Exhibit 1.B
Certification from the Treasurer that the GFFS Diskette has the Basic
and Material Data in the Audited Financial Statements - Exhibit 1.C
List of Top 20 Stockholders of Record of Manila Water Company, Inc. as of
December 31, 2010 – Exhibit 4
Reports on SEC Form 17-C
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on 14 April 2011.

By:

Gerardo C. Ablaza Jr.
President and CEO

Luis Juan B. Oreta
Chief Finance Officer & Treasurer

Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of April 2011, affiant(s) exhibiting to me their respective passport numbers, as follows:

<table>
<thead>
<tr>
<th>NAMES</th>
<th>PASSPORT NO.</th>
<th>VALID UNTIL</th>
<th>PLACE OF ISSUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>EB 1577745</td>
<td>December 15, 2015</td>
<td>Manila</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>XX2933903</td>
<td>February 3, 2014</td>
<td>Manila</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>ZZ0225231</td>
<td>May 24, 2012</td>
<td>Manila</td>
</tr>
</tbody>
</table>

Doc. No.: 10
Page No.: 4
Book No.: 94
Series of 2011.

JOVENCIO R. FULGUERAS
My Commission Expires Dec. 31, 2011
324, 798.791 - 2009 PASIG CITY
Call No. 30906
P.T.A. 2605603-8 6-26-09 9.
STATEMENT OF MANAGEMENT'S RESPONSIBILITY 
FOR FINANCIAL STATEMENTS

The management of Manila Water Company, Inc. and its subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2010, 2009 and 2008. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the company.

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

FERNANDO ZOBEL DE AYALA
Chairman of the Board

GERARDO C. ABLAZA JR.
President

LUIS JUAN B. ORETA
Chief Finance Officer

SUBSCRIBED AND SWORN to before me on this 24th day of February 2011, at Quezon City, Metro Manila; affiants exhibiting to me their respective Passport numbers, as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Passport No.</th>
<th>Valid until</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>XX2935162</td>
<td>03 February 2014</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>EB1577745</td>
<td>15 December 2015</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>XX2933903</td>
<td>03 February 2014</td>
</tr>
</tbody>
</table>

Doc. No. 44
Page No. 14
Book No. 3
Series of 2011
INDEPENDENT AUDITORS’ REPORT

The Stockholders and the Board of Directors
Manila Water Company, Inc.
MWSS Building, Katipunan Road
Balara, Quezon City

We have audited the accompanying consolidated financial statements of Manila Water Company, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manila Water Company, Inc. and Subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009
June 1, 2009, Valid until May 31, 2012
PTR No. 2641508, January 3, 2011, Makati City

February 14, 2011
MANILA WATER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 5, 27 and 28)</td>
<td>₱2,412,912,264</td>
<td>₱4,037,840,706</td>
</tr>
<tr>
<td>Short-term cash investments (Notes 5, 27 and 28)</td>
<td>1,546,339,222</td>
<td>3,724,421,813</td>
</tr>
<tr>
<td>Receivables - net (Notes 6, 22, 27 and 28)</td>
<td>₱482,167,844</td>
<td>508,871,992</td>
</tr>
<tr>
<td>Materials and supplies - at cost (Notes 4 and 7)</td>
<td>₱55,823,998</td>
<td>38,434,722</td>
</tr>
<tr>
<td>Other current assets - net (Notes 4 and 8)</td>
<td>₱1,402,320,273</td>
<td>868,364,086</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>₱5,899,563,601</td>
<td>₱9,177,933,319</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment - net (Notes 4 and 9)</td>
<td>1,973,297,808</td>
<td>1,205,317,790</td>
</tr>
<tr>
<td>Service concession assets - net (Notes 1, 4 and 10)</td>
<td>37,459,957,906</td>
<td>29,946,479,486</td>
</tr>
<tr>
<td>Available-for-sale financial assets (Notes 11, 22, 27 and 28)</td>
<td>1,848,906,109</td>
<td>1,967,127,526</td>
</tr>
<tr>
<td>Deferred tax assets - net (Note 19)</td>
<td>411,120,686</td>
<td>371,050,184</td>
</tr>
<tr>
<td>Investment in joint venture (Note 12)</td>
<td>5,594,615</td>
<td>-</td>
</tr>
<tr>
<td>Other noncurrent assets (Notes 4, 13 and 28)</td>
<td>1,022,247,141</td>
<td>1,090,498,897</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>42,721,124,265</td>
<td>34,580,473,883</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>₱48,620,687,866</td>
<td>₱43,758,407,202</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Notes 4, 14, 27 and 28) | ₱3,147,896,362 | ₱2,778,902,721 |
| Current portion of: | | |
| Long-term debt (Notes 15, 27 and 28) | 1,174,649,296 | 1,060,783,617 |
| Service concession obligation (Notes 10 and 28) | 794,473,159 | 1,081,580,082 |
| Income tax payable (Notes 4 and 19) | 213,695,320 | 191,725,176 |
| Payables to related parties (Notes 22, 27 and 28) | 91,167,384 | 111,467,535 |
| **Total Current Liabilities** | 5,421,881,521 | 5,224,459,131 |
| **Noncurrent Liabilities** | | |
| Long-term debt - net of current portion (Notes 15, 27 and 27) | 12,959,221,421 | 13,300,366,623 |
| Service concession obligation - net of current portion (Notes 1, 10 and 28) | 7,162,115,857 | 6,368,081,712 |
| Pension liabilities (Notes 4 and 16) | 231,369,344 | 201,418,504 |
| Provision for real property taxes (Note 30) | 622,150,307 | 202,439,983 |
| Other noncurrent liabilities (Note 17) | 2,245,972,983 | 1,490,915,007 |
| **Total Noncurrent Liabilities** | 23,220,829,912 | 21,563,221,829 |
| **Total Liabilities** | 28,642,711,433 | 26,787,680,960 |

(Forward)
<table>
<thead>
<tr>
<th>December 31</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable to equity holders of Manila Water Company, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock (Note 20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>₱2,032,597,818</td>
<td>₱2,030,677,818</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>1,000,000,000</td>
<td>0,000,000,000</td>
</tr>
<tr>
<td></td>
<td>₱2,932,597,818</td>
<td>₱2,930,677,818</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>3,513,056,977</td>
<td>3,451,156,783</td>
</tr>
<tr>
<td>Subscriptions receivable</td>
<td>(127,073,513)</td>
<td>(136,053,636)</td>
</tr>
<tr>
<td>Total paid-up capital</td>
<td>6,318,581,282</td>
<td>6,245,780,965</td>
</tr>
<tr>
<td>Common stock options outstanding (Note 20)</td>
<td>32,274,862</td>
<td>22,109,614</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated for capital expenditures (Note 20)</td>
<td>7,000,000,000</td>
<td>7,000,000,000</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>6,816,792,179</td>
<td>3,996,463,265</td>
</tr>
<tr>
<td></td>
<td>13,816,792,179</td>
<td>10,996,463,265</td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale financial assets (Notes 11 and 28)</td>
<td>144,929,822</td>
<td>52,548,379</td>
</tr>
<tr>
<td>Cumulative translation adjustment (Note 2)</td>
<td>2,650,312</td>
<td>-</td>
</tr>
<tr>
<td>Treasury shares - at cost (Notes 1 and 20)</td>
<td>20,315,228,457</td>
<td>17,316,902,223</td>
</tr>
<tr>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
<td></td>
</tr>
<tr>
<td>Noncontrolling interests (Notes 1 and 4)</td>
<td>19,815,228,457</td>
<td>16,816,902,223</td>
</tr>
<tr>
<td>162,747,976</td>
<td>153,824,019</td>
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<tr>
<td>Total Equity</td>
<td>19,977,976,433</td>
<td>16,970,726,242</td>
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</table>
| ₱48,620,687,866 | ₱43,758,407,202 | **See accompanying Notes to Consolidated Financial Statements.**
<table>
<thead>
<tr>
<th>REVENUE</th>
<th>Years Ended December 31</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
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<tr>
<td>Water (Note 22)</td>
<td></td>
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<tr>
<td>East Zone</td>
<td>P=8,856,588,547</td>
<td>P=8,044,609,483</td>
<td>P=7,540,086,522</td>
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<tr>
<td>Outside East Zone</td>
<td>185,284,621</td>
<td>19,992,737</td>
<td>–</td>
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<tr>
<td>Environmental charges (Note 22)</td>
<td>1,399,482,783</td>
<td>980,168,610</td>
<td>889,922,526</td>
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<tr>
<td>Sewer (Note 22)</td>
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<td></td>
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<tr>
<td>East Zone</td>
<td>313,828,128</td>
<td>396,848,889</td>
<td>384,836,308</td>
<td></td>
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<tr>
<td>Outside East Zone</td>
<td>25,601,603</td>
<td>–</td>
<td>–</td>
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<td>Revenue from management contracts (Note 23)</td>
<td>74,910,083</td>
<td>23,709,284</td>
<td>16,523,679</td>
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</tr>
<tr>
<td>Other income (Note 18)</td>
<td>157,689,739</td>
<td>67,228,294</td>
<td>82,209,696</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,013,385,504</td>
<td>9,532,557,297</td>
<td>8,913,578,731</td>
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<tr>
<td>COSTS AND EXPENSES</td>
<td></td>
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<td></td>
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<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>1,471,895,682</td>
<td>1,956,339,628</td>
<td>934,554,765</td>
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<tr>
<td>Salaries, wages and employee benefits (Notes 16, 20 and 22)</td>
<td>1,091,554,397</td>
<td>1,024,639,562</td>
<td>934,554,765</td>
<td></td>
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<tr>
<td>Power, light and water</td>
<td>626,575,245</td>
<td>482,434,061</td>
<td>447,934,228</td>
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<tr>
<td>Provision for probable losses (Notes 6, 8 and 30)</td>
<td>384,563,471</td>
<td>14,467,432</td>
<td>27,478,356</td>
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<tr>
<td>Management, technical and professional fees (Note 22)</td>
<td>278,394,974</td>
<td>255,132,073</td>
<td>250,810,129</td>
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<tr>
<td>Repairs and maintenance</td>
<td>228,647,338</td>
<td>152,896,910</td>
<td>86,101,941</td>
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<td>Collection fees</td>
<td>114,220,170</td>
<td>103,117,802</td>
<td>99,293,367</td>
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<tr>
<td>Taxes and licenses</td>
<td>112,399,070</td>
<td>95,211,129</td>
<td>61,844,785</td>
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<tr>
<td>Business meetings and representation</td>
<td>106,628,536</td>
<td>100,160,652</td>
<td>78,444,510</td>
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<tr>
<td>Cost associated from contracts outside east zone</td>
<td>106,280,409</td>
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<td>Wastewater costs</td>
<td>86,788,481</td>
<td>104,613,326</td>
<td>84,984,177</td>
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<tr>
<td>Transportation and travel</td>
<td>85,744,619</td>
<td>60,212,698</td>
<td>56,263,761</td>
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<tr>
<td>Occupancy costs (Note 25)</td>
<td>84,072,991</td>
<td>67,264,658</td>
<td>53,804,074</td>
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<td>Water treatment chemicals</td>
<td>64,930,556</td>
<td>67,264,658</td>
<td>53,804,074</td>
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<td>Insurance</td>
<td>36,403,569</td>
<td>29,891,360</td>
<td>27,478,356</td>
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<tr>
<td>Postage, telephone and supplies</td>
<td>28,218,484</td>
<td>27,551,847</td>
<td>27,105,710</td>
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<td>Advertising</td>
<td>16,261,843</td>
<td>15,408,136</td>
<td>13,765,899</td>
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<td>Regulatory costs (Notes 1 and 22)</td>
<td>13,486,580</td>
<td>98,278,368</td>
<td>81,035,813</td>
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<td>Premium on performance bond (Note 29)</td>
<td>8,316,000</td>
<td>8,637,216</td>
<td>7,137,869</td>
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<tr>
<td>Other expenses</td>
<td>56,978,798</td>
<td>110,160,652</td>
<td>78,444,510</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,013,385,504</td>
<td>9,532,557,297</td>
<td>8,913,578,731</td>
<td></td>
</tr>
<tr>
<td>INCOME BEFORE OTHER INCOME (EXPENSES)</td>
<td>6,011,054,291</td>
<td>4,846,229,843</td>
<td>4,518,003,572</td>
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<tr>
<td>OTHER INCOME (EXPENSES)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>7,034,342,878</td>
<td>4,173,327,870</td>
<td>3,051,228,506</td>
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</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(7,024,816,548)</td>
<td>(4,171,750,859)</td>
<td>(3,051,228,506)</td>
<td></td>
</tr>
<tr>
<td>Foreign currency differentials (Note 1)</td>
<td>(22,356,653)</td>
<td>(361,884,765)</td>
<td>1,424,380,822</td>
<td></td>
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<tr>
<td>Foreign exchange gains (losses)</td>
<td>(9,758,180)</td>
<td>269,451,776</td>
<td>(1,452,035,855)</td>
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</tr>
<tr>
<td>Interest income (Notes 11 and 18)</td>
<td>288,006,062</td>
<td>361,970,533</td>
<td>204,888,655</td>
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<tr>
<td>Amortization of deferred credits (Note 17)</td>
<td>14,717,961</td>
<td>29,337,629</td>
<td>202,903,685</td>
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<tr>
<td>Interest expense (Notes 15 and 18)</td>
<td>(1,188,454,244)</td>
<td>(811,520,800)</td>
<td>(689,266,684)</td>
<td></td>
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<tr>
<td>Mark-to-market gain (loss) on derivatives (Notes 13 and 27)</td>
<td>70,795,501</td>
<td>99,886,433</td>
<td>47,847,293</td>
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<tr>
<td>Equity share in net loss of joint venture (Note 12)</td>
<td>(1,538,567)</td>
<td>–</td>
<td>–</td>
<td></td>
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<tr>
<td>Gain (loss) on disposal of property and equipment</td>
<td>(7,050,915)</td>
<td>(44,504)</td>
<td>11,364</td>
<td></td>
</tr>
<tr>
<td>Reversal of accruals</td>
<td>69,117,660</td>
<td>–</td>
<td>–</td>
<td></td>
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<tr>
<td></td>
<td>(776,995,045)</td>
<td>(610,699,553)</td>
<td>(261,270,720)</td>
<td></td>
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<tr>
<td>INCOME BEFORE INCOME TAX</td>
<td>5,234,059,246</td>
<td>4,235,530,290</td>
<td>4,256,732,852</td>
<td></td>
</tr>
<tr>
<td>PROVISION FOR INCOME TAX (Note 19)</td>
<td>1,246,589,396</td>
<td>1,005,011,154</td>
<td>1,468,665,210</td>
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</tr>
<tr>
<td>NET INCOME</td>
<td>3,987,469,850</td>
<td>3,230,519,136</td>
<td>2,788,067,642</td>
<td></td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME</td>
<td>92,381,443</td>
<td>45,878,236</td>
<td>1,959,975</td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale financial assets (Note 11)</td>
<td>92,381,443</td>
<td>45,878,236</td>
<td>1,959,975</td>
<td></td>
</tr>
<tr>
<td>Cumulative translation adjustment (Note 2)</td>
<td>2,650,312</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME</td>
<td>4,082,501,605</td>
<td>3,276,397,372</td>
<td>2,790,027,617</td>
<td></td>
</tr>
</tbody>
</table>

(Forward)
### Years Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income Attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>₱3,978,545,893</td>
<td>₱3,231,413,126</td>
<td>₱2,788,020,190</td>
</tr>
<tr>
<td>Noncontrolling interests (Notes 1 and 4)</td>
<td>8,923,957</td>
<td>(893,990)</td>
<td>47,452</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱3,987,469,850</td>
<td>₱3,230,519,136</td>
<td>₱2,788,067,642</td>
</tr>
</tbody>
</table>

| **Total Comprehensive Income Attributable to:** |                |                |                |
| Equity holders of Manila Water Company, Inc. | ₱4,073,577,648 | ₱3,277,291,362 | ₱2,789,980,165 |
| Noncontrolling interests (Notes 1 and 4)     | 8,923,957      | (893,990)      | 47,452         |
| **Total**                                                      | ₱4,082,501,605 | ₱3,276,397,372 | ₱2,790,027,617 |

| **Earnings Per Share** (Note 21) |                |                |                |
| Basic                             | ₱1.62          | ₱1.31          | ₱1.13          |
| Diluted                           | ₱1.62          | ₱1.31          | ₱1.13          |

*See accompanying Notes to Consolidated Financial Statements.*
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### MANILA WATER COMPANY, INC. AND SUBSIDIARIES

**Years Ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ATTRIBUTABLE TO EQUITY HOLDERS OF MANILA WATER COMPANY, INC.</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>CAPITAL STOCK</strong> (Note 20)</td>
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<td></td>
</tr>
<tr>
<td>Common stock - P=1 par value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized - 3,100,000,000 shares</td>
<td>2,005,443,965</td>
<td>2,005,443,965</td>
<td>2,005,443,965</td>
</tr>
<tr>
<td>Issued and outstanding - 2,005,443,965 shares</td>
<td>2,005,443,965</td>
<td>2,005,443,965</td>
<td>2,005,443,965</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>25,233,853</td>
<td>17,434,828</td>
<td>12,741,345</td>
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<tr>
<td>Additions during the year</td>
<td>1,920,000</td>
<td>7,799,025</td>
<td>4,693,483</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>27,153,853</td>
<td>25,233,853</td>
<td>17,434,828</td>
</tr>
<tr>
<td>Preferred stock - P=0.10 par value, 10% cumulative, voting participating, nonredeemable and nonconvertible Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td>400,000,000</td>
<td>400,000,000</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Preferred stock - P=1 par value, 8% cumulative, nonvoting, nonparticipating, nonconvertible, redeemable at the Company’s option Authorized and issued - 500,000,000 shares</td>
<td>500,000,000</td>
<td>500,000,000</td>
<td>500,000,000</td>
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<tr>
<td>Additions</td>
<td>900,000,000</td>
<td>900,000,000</td>
<td>900,000,000</td>
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<tr>
<td><strong>ADDITIONAL PAID-IN CAPITAL</strong></td>
<td>2,932,597,818</td>
<td>2,930,677,818</td>
<td>2,922,878,793</td>
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<tr>
<td>Balance at beginning of year</td>
<td>3,451,156,783</td>
<td>3,345,448,824</td>
<td>3,234,454,456</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>61,900,194</td>
<td>105,707,959</td>
<td>110,994,368</td>
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<tr>
<td>Balance at end of year</td>
<td>3,513,056,977</td>
<td>3,451,156,783</td>
<td>3,345,448,824</td>
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<tr>
<td><strong>SUBSCRIPTIONS RECEIVABLE</strong></td>
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<tr>
<td>Balance at beginning of year</td>
<td>(136,053,636)</td>
<td>(108,260,650)</td>
<td>(55,940,286)</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>(26,725,512)</td>
<td>(39,553,904)</td>
<td>(58,702,416)</td>
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<tr>
<td>Collections during the year</td>
<td>35,705,635</td>
<td>117,609,918</td>
<td>6,382,052</td>
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<tr>
<td>Balance at end of year</td>
<td>(127,073,513)</td>
<td>(136,053,636)</td>
<td>(108,260,650)</td>
</tr>
<tr>
<td><strong>COMMON STOCK OPTIONS OUTSTANDING</strong> (Note 20)</td>
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<td></td>
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<tr>
<td>Balance at beginning of year</td>
<td>22,109,614</td>
<td>7,445,858</td>
<td>7,969,056</td>
</tr>
<tr>
<td>Granted</td>
<td>47,311,112</td>
<td>75,493,303</td>
<td>42,479,726</td>
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<td>Exercised</td>
<td>(37,145,864)</td>
<td>(60,829,547)</td>
<td>(43,002,924)</td>
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<tr>
<td>Balance at end of year</td>
<td>32,274,862</td>
<td>22,109,614</td>
<td>7,445,858</td>
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<tr>
<td><strong>RETAINED EARNINGS</strong> (Note 20)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated for capital expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>7,000,000,000</td>
<td>4,000,000,000</td>
<td>2,000,000,000</td>
</tr>
<tr>
<td>Additional appropriations during the year</td>
<td>3,996,463,265</td>
<td>4,775,852,924</td>
<td>4,873,451,623</td>
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<tr>
<td>Balance at end of year</td>
<td>11,996,463,265</td>
<td>8,775,852,924</td>
<td>6,873,451,623</td>
</tr>
<tr>
<td>Unappropriated:</td>
<td></td>
<td></td>
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<tr>
<td>Balance at beginning of year</td>
<td>3,978,545,893</td>
<td>3,231,413,126</td>
<td>2,788,020,190</td>
</tr>
<tr>
<td>Net income</td>
<td>2,287,021,762</td>
<td>2,788,020,190</td>
<td>2,788,020,190</td>
</tr>
<tr>
<td>Appropriation for capital expenditures</td>
<td>(3,000,000,000)</td>
<td>(2,000,000,000)</td>
<td>(2,000,000,000)</td>
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<tr>
<td>Dividends declared</td>
<td>(1,158,216,979)</td>
<td>(1,010,802,785)</td>
<td>(885,618,889)</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td><strong>6,816,792,179</strong></td>
<td><strong>3,996,463,265</strong></td>
<td><strong>4,775,852,924</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,816,792,179</strong></td>
<td><strong>10,996,463,265</strong></td>
<td><strong>8,775,852,924</strong></td>
</tr>
</tbody>
</table>

(Forward)
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
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<tbody>
<tr>
<td><strong>UNREALIZED GAIN ON AVAILABLE-FOR-SALE</strong> (Note 11)</td>
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<tr>
<td>Balance at beginning of year</td>
<td>₱52,548,379</td>
<td>₱6,670,143</td>
<td>₱4,710,168</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>92,381,443</td>
<td>45,878,236</td>
<td>1,959,975</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>144,929,822</td>
<td>52,548,379</td>
<td>6,670,143</td>
</tr>
<tr>
<td><strong>CUMULATIVE TRANSLATION ADJUSTMENT</strong> (Note 2)</td>
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<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>2,650,312</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>2,650,312</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TREASURY SHARES - At cost</strong> (Note 20)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
<td>(503,760,751)</td>
</tr>
<tr>
<td>Issuance of treasury shares</td>
<td>–</td>
<td>–</td>
<td>3,760,751</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
</tr>
<tr>
<td></td>
<td>19,815,228,457</td>
<td>16,816,902,223</td>
<td>14,450,035,892</td>
</tr>
<tr>
<td><strong>NONCONTROLLING INTERESTS</strong> (Notes 1 and 4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>153,824,019</td>
<td>7,550,184</td>
<td>–</td>
</tr>
<tr>
<td>Additions from business combinations</td>
<td>–</td>
<td>147,167,825</td>
<td>7,502,732</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>8,923,957</td>
<td>(893,990)</td>
<td>47,452</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>162,747,976</td>
<td>153,824,019</td>
<td>7,550,184</td>
</tr>
<tr>
<td></td>
<td>₱19,977,976,433</td>
<td>₱16,970,726,242</td>
<td>₱14,457,586,076</td>
</tr>
</tbody>
</table>

See accompanying Notes to Consolidated Financial Statements.
# MANILA WATER COMPANY, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>₱5,234,059,246</td>
<td>₱4,235,530,290</td>
<td>₱4,256,732,852</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>₱1,471,895,682</td>
<td>₱1,956,339,628</td>
<td>₱1,890,509,326</td>
</tr>
<tr>
<td>Interest expense (Notes 15 and 18)</td>
<td>₱1,188,454,244</td>
<td>₱811,520,800</td>
<td>₱689,266,684</td>
</tr>
<tr>
<td>Share-based payments (Note 20)</td>
<td>₱47,311,112</td>
<td>₱75,493,303</td>
<td>₱42,479,726</td>
</tr>
<tr>
<td>Equity share in net loss of joint venture</td>
<td>₱1,538,567</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loss on early retirement of loans (Note 15)</td>
<td>–</td>
<td>₱8,893,450</td>
<td></td>
</tr>
<tr>
<td>Loss (gain) on disposal of property and equipment</td>
<td>₱7,050,915</td>
<td>₱44,504</td>
<td>(11,364)</td>
</tr>
<tr>
<td>Interest income (Note 18)</td>
<td>(₱288,006,062)</td>
<td>(₱361,970,533)</td>
<td>(₱204,888,655)</td>
</tr>
<tr>
<td>Operating income before changes in operating assets and liabilities</td>
<td>₱7,662,303,704</td>
<td>₱6,716,957,992</td>
<td>₱6,682,982,019</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>₱1,377,739</td>
<td>₱83,554,408</td>
<td>(₱176,500,885)</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>(₱17,389,276)</td>
<td>₱34,887,704</td>
<td>₱38,455,293</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(₱533,956,187)</td>
<td>(₱216,226,552)</td>
<td>₱142,774,105</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>₱101,825,250</td>
<td>₱442,153,701</td>
<td>₱510,664,082</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>(₱20,300,151)</td>
<td>₱1,297,077</td>
<td>(₱15,255,975)</td>
</tr>
<tr>
<td>Net cash generated from operations</td>
<td>₱7,193,861,079</td>
<td>₱6,992,848,922</td>
<td>₱7,183,118,639</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(₱1,264,689,754)</td>
<td>(₱1,227,693,768)</td>
<td>(₱951,272,350)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>₱5,929,171,325</td>
<td>₱5,765,155,154</td>
<td>₱6,231,846,289</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>₱313,332,471</td>
<td>₱371,182,281</td>
<td>₱159,840,130</td>
</tr>
<tr>
<td>Additions to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service concession assets</td>
<td>(₱7,686,328,708)</td>
<td>(₱4,507,166,262)</td>
<td>(₱3,494,068,555)</td>
</tr>
<tr>
<td>Property and equipment (Note 9)</td>
<td>(₱1,062,934,005)</td>
<td>(₱443,362,599)</td>
<td>(₱331,931,602)</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>₱951,017</td>
<td>₱131,181</td>
<td>₱387,348</td>
</tr>
<tr>
<td>Acquisition through business combination of a subsidiary - net of cash acquired (Note 4)</td>
<td>–</td>
<td>₱169,272,606</td>
<td></td>
</tr>
<tr>
<td>Investment in joint venture (Note 12)</td>
<td>(₱7,133,182)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>₱2,178,082,591</td>
<td>₱356,414,808</td>
<td>₱1,980,096,301</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>₱210,602,860</td>
<td>₱369,932,911</td>
<td>₱951,680,424</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>₱181,235,101</td>
<td>₱85,732,624</td>
<td>₱997,529,820</td>
</tr>
<tr>
<td>Increase in other noncurrent liabilities</td>
<td>₱1,171,252,864</td>
<td>₱380,621,356</td>
<td>₱90,574,767</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(₱4,700,938,991)</td>
<td>(₱5,179,946,992)</td>
<td>(₱7,504,504,457)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in noncontrolling interests of consolidated subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt (Note 15):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availments</td>
<td>₱626,677,526</td>
<td>₱2,140,278,024</td>
<td>₱6,703,740,073</td>
</tr>
<tr>
<td>Payments</td>
<td>(₱1,078,571,064)</td>
<td>(₱720,218,235)</td>
<td>(₱1,274,679,901)</td>
</tr>
<tr>
<td>Service concession obligation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td>(₱396,185,536)</td>
<td>₱380,761,898</td>
<td>₱463,282,801</td>
</tr>
<tr>
<td>Payments of dividends (Note 20)</td>
<td>(₱1,190,588,813)</td>
<td>(₱969,151,630)</td>
<td>(₱885,694,826)</td>
</tr>
<tr>
<td>Collection of subscriptions receivable</td>
<td>₱35,654,453</td>
<td>₱24,884,451</td>
<td>₱24,125,314</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(₱850,147,342)</td>
<td>(₱691,478,568)</td>
<td>(₱379,090,138)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(₱2,853,160,776)</td>
<td>(₱536,447,856)</td>
<td>₱3,725,117,721</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>(₱1,624,928,442)</td>
<td>48,760,306</td>
<td>2,452,459,553</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>4,037,840,706</td>
<td>3,989,080,400</td>
<td>1,536,620,847</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</strong></td>
<td>₱2,412,912,264</td>
<td>₱4,037,840,706</td>
<td>₱3,989,080,400</td>
</tr>
</tbody>
</table>

See accompanying Notes to Consolidated Financial Statements.
MANILA WATER COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Manila Water Company, Inc. (MWC or the Parent Company) was incorporated on January 6, 1997 and started commercial operations on January 1, 2000. It became a publicly listed company via an initial public offering on March 18, 2005. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly listed company which is 52.11% owned by Mermac, Inc., 10.82% owned by Mitsubishi Corporation and the rest by the public. The Parent Company and Subsidiaries (collectively referred to as the Group) are involved in providing water, sewerage and sanitation, distribution services, pipeworks and management services.

The Parent Company’s principal place of business is MWSS Building, Katipunan Road, Balara, Quezon City.

On May 31, 2004, International Finance Corporation (IFC) became one of the principal shareholders of the Parent Company. AC held part of its shares in the Parent Company through MWC Holdings, Inc. (MWCHI) until MWCHI was merged into the Parent Company on October 12, 2004.

On December 23, 2004, AC and United Utilities Pacific Holdings, BV(UU) assigned and transferred their participating preferred shares in the Parent Company comprising of 2.0 billion and 1.33 billion shares, respectively, to Philwater Holdings Company, Inc. (Philwater) in exchange for its 333.33 million common shares. Philwater is a special purpose company, 60.0% owned by AC and 40.0% owned by UU.

The Parent Company was a joint venture among AC, UU, a subsidiary of United Utilities PLC and Mitsubishi Corporation until it became a subsidiary of AC in 2010.

On November 2009, AC and UU entered into share sale and purchase agreement for the sale of UU’s interest in 81,934,917 common shares of MWC to AC. Also on this date, UU and Philwater entered into a share sale and purchase agreement for the sale of UU’s interest in 666.67 million participating preferred shares of MWC to Philwater. These sale and purchase agreements were completed in March 2010.

As of December 31, 2010 and 2009, Philwater owns 4.0 billion and 3.33 billion participating preferred shares, respectively, of the Parent Company. AC’s share in the common stock of the Parent Company, after the sale from UU is 646,728,001 and still maintains its 60% share in Philwater which holds the whole 4.0 billion preferred shares of the Parent Company. These considerations constituted AC to treat the Parent Company as a subsidiary.
The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

<table>
<thead>
<tr>
<th>Effective Percentages of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>Manila Water International Solutions, Inc</td>
</tr>
<tr>
<td>Manila Water Total Solutions, Corp.</td>
</tr>
<tr>
<td>Manila Water Asia Pacific, Pte. Ltd. (MWAP)</td>
</tr>
<tr>
<td>Manila Water South Asia Holdings, Pte. Ltd. (MWSAH)</td>
</tr>
<tr>
<td>AAA Water Corporation (AWC)</td>
</tr>
<tr>
<td>Laguna AAA Water Corporation (LAWC)</td>
</tr>
<tr>
<td>Northern Waterworks and Rivers Cebu, Inc. (NWRC)</td>
</tr>
<tr>
<td>Boracay Island Water Company, Inc. (BIWC)</td>
</tr>
</tbody>
</table>

In April 2010, the Parent Company incorporated MWAP, whose principal activity is to carry on the business of investment holding, and to undertake and to transact all kinds of investment business. In May 2010, MWAP incorporated MWSAH which was established for the same purpose as MWAP. MWAP and MWSAH were incorporated in Singapore.

Parent Company’s Concession Agreement with Metropolitan Waterworks and Sewerage System (MWSS)

On February 21, 1997, the Parent Company entered into a concession agreement (the Agreement) with MWSS, a government corporation organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Zone (East Zone). The Agreement sets forth the rights and obligations of the Parent Company throughout the 25-year concession period. The MWSS Regulatory Office (MWSS-RO) monitors and reviews the performance of each of the Concessionaires - the Parent Company and Maynilad Water Services, Inc. (Maynilad), the West Zone Concessionaire.

Under the Agreement, MWSS grants the Parent Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While the Parent Company has the right to manage, operate, repair and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by the Parent Company during the Concession remains with the Parent Company until the Expiration Date (or an early termination date) at which time all rights, titles and interest in such assets will automatically vest in MWSS.

On Commencement Date, the Parent Company officially took over the operations of the East Zone. Rehabilitation work for the service area commenced immediately thereafter. As provided in the Parent Company’s project plans, operational commercial capacity will be attained upon substantial completion of the rehabilitation work.

Under the Agreement, the Parent Company is entitled to the following rate adjustments:

a. Annual standard rate adjustment to compensate for increases in the consumer price index (CPI);
b. Extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Agreement; and

c. Foreign Currency Differential Adjustment (FCDA) to recover foreign exchange losses including accruals and carrying costs thereof arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Agreement dated October 12, 2001 (see Notes 2, 10 and 15).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in the Agreement.

The Agreement also provides a general rate setting policy for rates chargeable by the Parent Company for water and sewerage services as follows:

1. For the period through the second Rate Rebasing date (January 1, 2008), the maximum rates chargeable by the Parent Company (subject to interim adjustments) are set out in the Agreement; and

2. From and after the second Rate Rebasing date, the rates for water and sewerage services shall be set at a level that will permit the Parent Company to recover, over the 25-year term of the concession, its investment including operating, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on the MWSS loans and the Parent Company’s loans incurred to finance such expenditures, and to earn a rate of return equal to the appropriate discount rate (ADR) on these expenditures for the remaining term of the concession.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five-year intervals commencing on the second Rate Rebasing date, provided that the MWSS-RO may exercise its discretion to make a general adjustment of such rates.

The Parent Company submitted a Business Plan which included proposed expenditures on (1) a Reliability Investment Plan which will focus on service level sustainability, earthquake and natural calamity contingency and Angat reliability, and (2) an Expansion Investment Plan which includes the development of new water sources, network expansion and implementation of the MWSS wastewater masterplan. These investments amount to an estimated ₱187 billion to be spent over a 15-year period, for both capital and operating expenditures.

On December 14, 2007, MWSS passed Resolution No. 2007-278 adopting and approving the MWSS-RO’s resolutions that contain the final evaluation and determination of the Parent Company’s Rate Rebasing Proposal. Under the said resolution, the MWSS approved a one-time tariff adjustment of 75.07% over the basic tariff. However, in order to temper the increases in favor of the customers, the tariff adjustments are to be implemented on a staggered basis over a five year period, but adjusted for the net present value impact.

The said staggered implementation is premised on certain conditions, such as the adoption of additional performance targets and other conditions such as rationalization of sewerage and environmental charges, re-classification of some government institutions, among others. As of December 31, 2010, the Parent Company has complied with all these targets and conditions. The first of a series of annual adjustments were implemented on January 1, 2008 amounting to an increase of ₱5.00 per cubic meter based on the all-in weighted average tariff.
On April 16, 2009, the MWSS Board of Trustees passed Resolution No. 2009-072 approving the fifteen year extension of the Agreement (the Extension) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (by authority from the office of the President of the Republic of the Philippines) on October 19, 2009. The significant commitments under the Extension follow:

a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a P=1 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.

b. To increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2009.

c. To increase the total investments from the approved P=187 billion for the periods 2008 to 2022 to P=450 billion for 2008 to 2037.

As a result of the increase in the annual regulatory cost, service concession assets and service concession obligations as of October 19, 2009 increased by P=3.36 billion and P=3.17 billion, respectively (see Note 10).

Also, with the approval of the Extension, the recovery period for the Parent Company’s investment is now extended to another 15 years from 2022 to 2037.

In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility amounted to $116,602,000 with maturity of 20 years including 5 years grace period. Interest rate is 3% per annum.

MWSS then entered into a Memorandum of Agreement with the Parent Company and Maynilad for the Parent Company and Maynilad to shoulder equally the repayment of the loan with such repayment to be part of the concession fees.

**LAWC’s Concession Agreement with the Province of Laguna (POL)**

On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004) with POL, a local government unit organized and existing under Philippine Laws.

Under the terms of the concession agreement, POL grants LAW (as contractor and as agent for the exercise of certain rights in Laguna) the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services to specific areas for an operational period of 25 years.

While LAW has the right to manage, occupy, operate, repair, maintain, decommission and refurbish specified POL facilities, legal title to these assets shall still remain with POL. Legal title to all assets procured by LAW in the performance of its obligations under the agreement shall remain with LAW and shall not pass to POL. LAW will also have exclusive rights to provide water services in the service areas specified in the concession agreement. Concession fees set forth in the concession agreement shall be computed as a percentage of revenue from water services (see Note 10).
Seventy percent (70%) of the concession fees shall be applied against the advances of LAWC to POL. The remaining 30% of the concession fees shall be payable annually 30 days after the submission of the audited financial statements by LAWC, starting on the first operational period, which will begin upon the expiration of the transition period. LAWC started its operational period on January 1, 2010.

BIWC’s Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (TIEZA)
On December 17, 2009, BIWC entered into a Concession Agreement with TIEZA, formerly Philippine Tourism Authority (PTA) for a period of 25 years, with commencement date on January 1, 2010 and renewable at any time prior to expiration for another 25 years, without a necessity of bidding.

As part of the agreement, BIWC advanced concession fees to TIEZA amounting to ₱60.00 million, which will be applied as payment of, and shall be offset against the annual concession fees payable to TIEZA equivalent to 5% of the annual gross revenue of BIWC.

Under its concession agreement, BIWC is entitled to the following rate adjustments:

a. Annual standard rate adjustment to compensate for increases in the consumer CPI;

b. EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Agreement; and

c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from TIEZA loans and any loans used for capital expenditures and concession fee payments.

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence adjustment as defined in BIWC’s concession agreement.

The rate rebasing date is set every 5 years starting January 1, 2011. Hence, the first rate rebasing period shall commence on January 1, 2010 and end on December 31, 2010, and in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.

Also part of the concession agreement, BIWC assumed certain property and equipment of Boracay Water Sewerage System (BWSS), as well as BWSS service concession obligations for the Japan International Cooperation Agency (JICA) loan and regulatory costs.

As a result of the above terms of the concession agreement, BIWC recognized a total of ₱986.86 million service concession assets. It includes the JICA loan assumed by the Company, regulatory costs, construction costs for the improvement and expansion of the water and wastewater facilities, and the advanced concession fees.

Approval for the Release of the Consolidated Financial Statements
The Parent Company’s Board of Directors (BOD) delegated to the Parent Company’s Audit and Governance Committee the authority to approve the issuance of the December 31, 2010 consolidated financial statements. The Audit and Governance Committee approved and authorized the issuance of the accompanying consolidated financial statements on February 14, 2011.
2. **Summary of Significant Accounting Policies**

**Basis of Preparation**
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets and derivative financial instruments that have been measured at fair value. The Group’s presentation and functional currency is the Philippine Peso (₱). Amounts are rounded off to the nearest peso, except otherwise stated.

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

**Basis of Consolidation**
The consolidated financial statements include the financial statements of the Parent Company and its Subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated during the consolidation process.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Noncontrolling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within the equity section in the consolidated statement of financial position, separately from the Group’s equity. Transactions with NCI are handled in the same way as transactions with external parties.

**Changes in Accounting Policies and Disclosures**
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2010. Unless otherwise indicated, the adoption of the following new and amended PFRS and Philippine Interpretations did not have a significant impact on the Group’s consolidated financial statements.

- **Revised PFRS 3, Business Combinations and PAS 27, Consolidated and Separate Financial Statements**
The revised PFRS 3 introduces a number of changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of NCI, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

The amended PAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the
subsidiary as well as the loss of control of a subsidiary. The changes by the revised PFRS 3 and amended PAS 27 affect acquisitions or loss of control of subsidiaries and transactions with NCI after January 1, 2010.

• Philippine Interpretation IFRIC 17, Distributions of Noncash Assets to Owners
  This Philippine Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for noncash distributions to owners. The Philippine Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

• Amendments to PFRS 2, Share-based Payment: Group Cash-settled Transactions
  The amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. It did not have an impact on the financial position or performance of the Group.

• Amendment to PAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items
  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to PFRS
The omnibus amendments to PFRSs released in April 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each Standard. The adoption of these amended Standards did not have any significant impact on the consolidated financial statements, unless otherwise indicated.

• PFRS 2, Share-based Payment
  This amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.

• PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations
  This amendment clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.

• PFRS 8, Operating Segments
  This amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

• PAS 1, Presentation of Financial Statements
  This amendment clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
• **PAS 7, Statement of Cash Flows**
  This amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

• **PAS 17, Leases**
  This amendment removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The Amendment now requires that leases of land are classified as either ‘finance’ or ‘operating’ in accordance with the general principles of PAS 17.

• **PAS 34, Interim Financial Reporting**
  This amendment provides guidance to illustrate how to apply disclosure principles in PAS 34 and add disclosure requirements around:
  a) The circumstances likely to affect fair values of financial instruments and their classification;
  b) Transfers of financial instruments between different levels of the fair value hierarchy;
  c) Changes in classification of financial assets; and
  d) Changes in contingent liabilities and assets.

• **PAS 36, Impairment of Assets**
  This amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

• **PAS 38, Intangible Assets**
  This amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

• **PAS 39, Financial Instruments: Recognition and Measurement**
  This amendment clarifies: (a) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (b) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken, and (c) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

• **Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives**
  This Philippine Interpretation clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.
Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
This Philippine Interpretation states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

**Future Changes in Accounting Policies**
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2010. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

**Effective in 2011**
- **Revised PAS 24, *Related Party Disclosures***
The revised Standard is effective for annual periods beginning on or after January 1, 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised Standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire Standard.

- **Amendment to PAS 32, *Classification of Rights Issues***
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s nonderivative equity instruments, or to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. This amendment will have no impact on the consolidated financial statements.

The Standard is effective for mandatory adoption on January 1, 2013. Earlier application is permitted for financial statements beginning on or after January 1, 2010.

- **Amendments to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement***
Philippine Interpretation IFRIC 14, which is itself an interpretation of PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is effective for annual periods beginning on or after January 1, 2011, with early adoption permitted.

- **Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments***
This Philippine Interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. The interpretation clarifies the requirements of PFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. It clarifies that (a) the entity’s equity instruments issued to a creditor are part of the
consideration paid to extinguish the financial liability, (b) the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished, and (c) the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity’s profit or loss for the period.

This Philippine Interpretation is effective for annual periods beginning on or after July 1, 2010, with earlier application permitted.

**Effective in 2012**

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

- **Amendment to PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets**
  This amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

**Effective in 2013**

- **PFRS 9, Financial Instruments: Classification and Measurement**
  The Standard introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39. The approach in the new Standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

**Improvements to PFRS**

The omnibus amendments to PFRSs issued in May 2010 were issued primarily with a view to removing inconsistencies and clarifying wordings. The amendments are effective for annual periods beginning January 1, 2011, except as otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effects on the consolidated financial statements.

- **PFRS 3, Business Combinations (Revised)**
  This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).
It also limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity’s net assets, in the event of liquidation, shall be measured either: at fair value or at the present ownership instruments’ proportionate share of the acquiree’s identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

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

- **PFRS 7, Financial Instruments: Disclosures**
  This amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  Amendments to quantitative and credit risk disclosures are as follows:

  a) Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.

  b) Requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).

  c) Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.

  d) Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.

  e) Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- **PAS 1, Presentation of Financial Statements**
  This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- **PAS 27, Consolidated and Separate Financial Statements**
  This amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.
Philippine Interpretation IFRIC 13, Customer Loyalty Programmes
This amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value. Other short-term cash placements are classified as short-term cash investments.

Short-term Cash Investments
Short term cash investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.

Financial Assets and Financial Liabilities

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

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

Determination of fair value
The fair value for financial instruments traded in active markets at the financial reporting date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.
For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

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

- **Level 1**: quoted (unadjusted) prices in active markets for identical assets or liabilities
- **Level 2**: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- **Level 3**: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**Day 1 profit**

For transactions other than those related to customers’ guaranty and other deposits, where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instruments or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a ‘Day 1’ profit) in the consolidated statement of comprehensive income under “Other income” unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the ‘Day 1’ profit amount.

**Financial assets at FVPL**

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in profit or loss.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- The assets are part of a group of financial assets which are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group’s financial asset classified as FVPL consists of a derivative asset on the Group’s call option on the €4.0 billion bonds that the Parent Company issued in 2008 (see Note 13).
Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Embedded derivatives are measured at fair value with fair value changes being reported through profit or loss, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification in the cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract, or both have changed and whether the change is significant relative to the previously expected cash flows from the contract.

The Group has certain derivatives that are embedded in the host financial (such as long-term debt) and nonfinancial (such as purchase orders) contracts. As of December 31, 2010 and 2009, the Group has recognized the value of the embedded call option in one of its long-term debt (see Notes 13 and 27).

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group’s management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest income” account in the consolidated statement of comprehensive income.

Gains and losses are recognized in income when the HTM investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2010 and 2009, no financial assets have been classified as HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from the reporting date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position captions “Cash and cash equivalents”, “Short-term cash investments”, and “Receivables”.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest income” in the consolidated statement of comprehensive income. The losses arising from impairment of such
loans and receivables are recognized in “Provision for probable losses” in the consolidated statement of comprehensive income.

**AFS financial assets**
AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded net of tax from net income and are reported as “Unrealized gain on AFS financial assets” under other comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is recognized as “Other income” in profit and loss. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized under the “Other income” account when the right of the payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit and loss.

Fair value of AFS financial assets which cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, are carried at cost.

The Group’s AFS financial assets are presented as noncurrent in the consolidated statements of financial position. The details of the Group’s AFS financial assets are disclosed in Note 11.

**Other financial liabilities**
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Other financial liabilities include short-term and long-term debts. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized under the “Other income” and “Other expenses” accounts in the consolidated statement of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process under the “Interest expense” account.

**Customers’ Guaranty and Other Deposits**
Customers’ guaranty and other deposits are initially measured at fair value. After initial recognition, these deposits are subsequently measured at amortized cost using the effective interest rate method. Amortization of customers’ guaranty and other deposits are included under “Interest expense” in the consolidated statement of comprehensive income. The difference between the cash received and its fair value is recognized as “Deferred credits”. Deferred credits are amortized over the remaining concession period using the effective interest rate method.
Derecognition of Financial Assets and Liabilities

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

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

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

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

Impairment of Financial Assets
The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the Group’s receivables from customers, evidence of impairment may also include noncollection of the Group’s receivables, which remain unpaid after 30 days from bill generation. The Group shall provide the customer with not less than seven days’ prior written notice before any disconnection.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their costs. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognized in profit and loss. Impairment losses on equity investments are not reversed through profit and loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in the consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit and loss, the impairment loss is reversed through profit and loss.
**Offsetting Financial Instruments**
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**Materials and Supplies**
Materials and supplies are valued at the lower of cost or net realizable value (fair value less costs to sell). Cost is determined using the moving average method.

**Property and Equipment**
Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related property and equipment.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property and equipment as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>EUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Leasehold improvements are amortized over the EUL of the improvements or the term of the lease, whichever is shorter.

Technical equipment are amortized over the EUL or the term of the related management contract, whichever is shorter.

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

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

**Service Concession Assets and Obligations**
The Group accounts for its concession arrangements with MWSS, POL and TIEZA under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Group’s concession agreements, the Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall remain with MWSS, POL and TIEZA at the end of the concession period.
The “Service concession assets” (SCA) pertain to the fair value of the service concession obligations at drawdown date and construction costs related to the rehabilitation works performed by the Group. The SCA are amortized using the straight-line method over the life of the concession.

In addition, the Parent Company recognizes and measures revenue from rehabilitation works in accordance with PAS 11 and PAS 18 for the services it performs.

**Investment in Joint Venture**

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the equity method. Under the equity method, the investment in joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the venturer’s share of the profit or loss of the joint venture after the date of acquisition. The venturer’s share of the profit or loss of the joint venture is recognized in the venturer’s profit or loss.

**Impairment of Nonfinancial Assets**

An assessment is made at each financial reporting date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset’s recoverable amount is estimated. An asset’s recoverable amount is calculated as the higher of the asset’s value in use or its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in any of the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization), had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

**Leases**

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

(a) There is a change in contractual terms, other than a renewal of or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.
Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

A lease where the lessor retains substantially all the risks and benefits of ownership of the asset is classified as an operating lease.

Revenue Recognition
Water and sewer revenue are recognized when the related water and sewerage services are rendered. Water and sewerage are billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers. Sixteen percent of the water revenue are recognized as environmental charges with the rationalization of the sewerage and environmental charges as approved in the 2007 rate rebasing.

Interest income is recognized as it accrues, taking into account the effective yield of the assets.

Revenue from rehabilitation works is recognized and measured by the Group in accordance with PAS 11 and PAS 18 for the services it performs. Costs related to rehabilitation works is recorded as part of SCA.

When the Group provides construction or upgrade services, the consideration received or receivable is recognized at its fair value. The Group accounts for revenue and costs relating to operation services in accordance with PAS 18.

Revenue from pipeworks and management contracts are recognized using the percentage of completion method of accounting, measured principally on the basis of the physical proportion of the contract work to the estimated completion of a project.

Consultancy fees are recognized when the related services are rendered. Other customer related fees such as reconnection and disconnection fees are recognized when these services have been rendered.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Foreign Currency-Denominated Transactions
Foreign exchange differentials arising from foreign currency transactions are credited or charged to operations. As approved by the MWSS Board of Trustees (BOT) under Amendment No. 1 of the Concession Agreement, the following will be recovered through billings to customers:

a. Restatement of foreign currency-denominated loans;
b. Excess of actual Concession Fee payment over the amounts of Concession Fees translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise. The current base exchange rate is P44.00:US$1.00 based on the last rate rebasing exercise effective on January 1, 2008.
c. Excess of actual interest payment translated at exchange spot rate on settlement date over the amount of interest translated at drawdown rate; and
d. Excess of actual payment of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date over the amount of other financing charges translated at drawdown rate.
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso ($). Each entity in the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The functional currency of MWAP and MWSAH is Singapore Dollar (SGD). As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statement of comprehensive income accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income and reported as a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

In view of the automatic reimbursement mechanism, the Parent Company recognizes deferred FCDA (included as part of “Other noncurrent assets” or “Accounts and other payables” in the statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCDA is credited (debited) upon recovery (refund) of realized foreign exchange losses (gains). The write-off or reversal of the deferred FCDA pertaining to concession fees will be made upon determination of the rebased foreign exchange rate, which is assumed in the business plan approved by MWSS-RO during the latest Rate Rebasing exercise, unless indication of impairment of the deferred FCDA would be evident at an earlier date.

**Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) that are recorded as SCA are capitalized as part of the cost of fixed assets. All other borrowing costs are expensed in the period they occur. The Group uses the general borrowings approach when capitalizing borrowing costs wherein the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization of those borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all activities necessary in preparing the related assets for their intended use are complete. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds. Premiums and/or discounts on long-term debt are included in the “Long-term debt” account in the Group’s consolidated statement of financial position and are amortized using the effective interest rate method.
Retirement Cost
Retirement cost is actuarially determined using the projected unit credit method. The projected unit credit method reflects the services rendered by the employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement cost includes current service cost, interest cost, actuarial gains and losses and the effect of any curtailment or settlement.

The liability recognized by the Group in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the financial reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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

Share-Based Payment
Certain employees and officers of the Group receive remuneration in the form of share-based payment, whereby they render services in exchange for shares or rights over shares (‘equity-settled transactions’) (see Note 20).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date of grant. The fair value is determined by using the Black-Scholes model, further details of which are given in Note 20.

The cost of equity-settled transactions is recognized in the consolidated statement of comprehensive income, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is recognized for any increase in the value of the equity-settled award (measured at the date of modification). The total increase in value of the equity-settled award is amortized over the remaining vesting period.
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if it were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 21).

**Treasury Stock**

Treasury stock is recorded at cost and is presented as a deduction from equity. When these shares are re-issued, the difference between the acquisition cost and the reissued price is charged/credited to additional paid-in capital. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

**Income Tax**

**Current tax**

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

**Deferred tax**

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deferred income tax assets can be used or when there are sufficient taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

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

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

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.
Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:
• Where the tax incurred on a purchase of assets or services is not recoverable from the tax
  authority, in which case the tax is recognized as part of the cost of acquisition of the asset or
  as part of the expense item as applicable; and,
• Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of
receivables or payables in the consolidated statement of financial position

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income applicable to common and participating preferred
stock by the weighted average number of common and equivalent preferred shares outstanding
during the year and adjusted to give retroactive effect to any stock dividends declared and changes
to preferred share participation rate during the period. The participating preferred shares
participate in the earnings at a rate of 1/10 of the dividends paid to a common share.

Diluted EPS is computed by dividing earnings attributable to common and participating preferred
shares by the weighted average number of common shares outstanding during the period, after
giving retroactive effect of any stock dividends during the period and adjusted for the effect of
dilutive options. Outstanding stock options will have a dilutive effect under the treasury stock
method only when the average market price of the underlying common share during the period
exceeds the exercise price of the option. Where the effects of the assumed exercise of all
outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Assets Held in Trust
Assets which are owned by MWSS, POL and TIEZA but are operated by the Group under the
Group’s concession agreement are not reflected in the consolidated statement of financial position
but are considered as Assets Held in Trust (see Note 25).

Provisions
A provision is recognized when the Group has: (a) a present obligation (legal or constructive) as a
result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources
embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate
can be made of the amount of the obligation. If the effect of the time value of money is material,
provisions are determined by discounting the expected future cash flows at a pre-tax rate that
reflects current market assessment of the time value of money and, where appropriate, the risks
specific to the liability. Where discounting is used, the increase in the provision due to the
passage of time is recognized as an interest expense. Where the Group expects a provision to be
reimbursed, the reimbursement is not recognized as a separate asset but only when the
reimbursement is virtually certain. Provisions are reviewed at each financial reporting date and
adjusted to reflect the current best estimate.

Events After Financial Reporting Date
Any post year-end event up to the date of the auditors’ report that provide additional information
about the Group’s financial position at the financial reporting date (adjusting events) is reflected in
the consolidated financial statements. Any post year-end event that is not an adjusting event is
disclosed in the notes to the consolidated financial statements when material.
Contingencies

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

3. Management’s Judgments and Use of Estimates

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

Management believes the following represent a summary of these significant estimates and judgments:

Service concession arrangement
In applying Philippine Interpretation IFRIC 12, the Group has made a judgment that its concession agreements qualify under the Intangible Asset model. Refer to the accounting policy on the Group’s SCA for the discussion of Intangible Asset model (see Note 2).

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below the cost of these assets or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Group treats ‘significant’ generally as 20% or more and ‘prolonged’ as greater than 6 months for quoted securities. In addition, the Group evaluates other factors, including the future cash flows and the discount factors of these securities.

Redeemable preferred shares
In 2007, the Group redeemed its outstanding redeemable preferred shares amounting to 200 million. These shares are treated as equity and are therefore presented under the “equity” section of the consolidated statement of financial position, as management concluded that these are not mandatorily redeemable since the redemption of the redeemable preferred shares is at the Group’s option. See Note 20 for the related balances.

Investments in subsidiaries
The Parent Company considers LAWC and BIWC as its subsidiaries because it exercises control over the said entities. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is presumed to exist when, directly or indirectly, it holds more than half of the issued share capital, or controls more than half of the voting power, or exercises control over the operation and management of the entity (see Note 4).

Operating Lease Commitments – Company as Lessee.
The Group has determined, based on the evaluation of the terms and conditions of the arrangements, that the significant risks and rewards for properties leased from third parties are retained by the lessors and accordingly, accounts for these contracts as operating leases.
Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and outside counsels handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe these proceedings will have a material adverse affect on the Group’s financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 30).

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

Revenue and cost recognition
The Group’s revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group’s revenue from pipeworks and management contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating allowance for doubtful accounts
The Group maintains allowance for doubtful accounts based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable’s original effective interest rate. Impairment loss is determined as the difference between the receivable’s carrying amount and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management’s judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. See Note 6 for the related balances.

Estimating useful lives of property and equipment
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group’s estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation and amortization and decrease noncurrent assets. See Note 9 for the related balances.
Asset impairment
The Group assesses the impairment of assets (property and equipment, SCA, other current assets and other noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group’s overall business; and
- significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. See Notes 8, 9, 12 and 13 for the related balances.

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

Also, the Group does not recognize certain deferred taxes on deductible temporary differences where doubt exists as to the tax benefits they will bring in the future. See Note 19 for the related balances.

Deferred FCDA and Deferred Credits
Under Amendment No. 1 of the Agreement, the Group is entitled to recover (refund) foreign exchange losses (gains) arising from MWSS loans and any concessionaire loans. For the unrealized foreign exchange losses, the Group recognized deferred FCDA as an asset since this is a resource controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. Unrealized foreign exchange gains, however, which will be refunded to the customers, are presented as deferred credits.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the average historical price volatility of several water utility companies within the Asian region which may be different from the expected volatility of the shares of stock of the Group. See Note 20 for the related balances.

Pension and other retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts (see Note 16) which include, among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and
appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation (see Note 27).

Derivative asset on a bond’s call option was valued using the Black’s option pricing model. Valuation inputs such as discount rate were based on credit adjusted interest rates as of value date while interest rate volatility was computed based on historical rates or data (see Note 27).

4. Business Combinations

AWC
On July 24, 2009, the Parent Company entered into share purchase agreements, effective September 1, 2009, with Asia Water Limited and All Asia Development Corporation for 100% interest in AWC. AWC owns 70% of LAWC, while the remaining 30% is owned by POL. LAWC has a 25-year concession with the POL which commenced on January 1, 2008, for the provision of water supply to the city of Sta. Rosa and the municipalities of Biñan and Cabuyao in POL (see Note 1).

The purchase price allocation has been prepared and the following is a summary of the fair values of the assets acquired and liabilities assumed as of the date of the acquisition:

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>₱10,274,263</td>
</tr>
<tr>
<td>Receivables</td>
<td>8,500,607</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>667,949</td>
</tr>
<tr>
<td>Other current assets</td>
<td>2,358</td>
</tr>
<tr>
<td>Property and equipment (Note 9)</td>
<td>2,292,774</td>
</tr>
<tr>
<td>Service concession assets (Note 10)</td>
<td>282,482,865</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>802,689</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>305,023,505</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and other payables</td>
<td>33,604,608</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>2,867,659</td>
</tr>
<tr>
<td>Pension liabilities (Note 16)</td>
<td>1,836,544</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>38,308,811</strong></td>
</tr>
</tbody>
</table>

Net assets: 266,714,694
Less noncontrolling interest: 87,167,825
**179,546,869**

Goodwill arising from acquisition: –
Acquisition cost: ₱179,546,869
Cash flows from acquisition follow:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash acquired with the subsidiary</td>
<td>₱10,274,263</td>
</tr>
<tr>
<td>Cash paid</td>
<td>179,546,869</td>
</tr>
<tr>
<td><strong>Net cash outflow</strong></td>
<td><strong>₱169,272,606</strong></td>
</tr>
</tbody>
</table>

From the date of acquisition up to December 31, 2009, AWC has contributed ₱0.34 million loss to the net income of the Group. If the contribution had taken place at the beginning of the year, the net income for the Group would have increased by ₱2.43 million and revenue would have increased by ₱43.14 million.

**BIWC**

On April 21, 2009, the Parent Company entered into an agreement with TIEZA for the formation of BIWC, to exclusively operate and manage the water supply and wastewater facilities and the existing TIEZA drainage facilities in Boracay Island, Province of Aklan.

BIWC was incorporated on December 7, 2009, in which the Group owns 80% and TIEZA owns 20% of BIWC’s total outstanding capital of ₱300.00 million.

On December 17, 2009, BIWC entered into a Concession Agreement with TIEZA for a period of 25 years, with commencement date on January 1, 2010 and renewable at any time prior to expiration for another 25 years, without the necessity of bidding.

As part of the agreement, BIWC advanced concession fees to TIEZA amounting to ₱60.00 million, which will be applied as payment of, and shall be offset against the annual concession fees payable to TIEZA equivalent to 5% of the annual gross revenue of BIWC, within a period of 10 years from the signing of the concession agreement or until fully paid (see Note 29).

BIWC and LAWC are treated as subsidiaries because the Parent Company has the power to govern their financial and operating policies.

5. **Cash and Cash Equivalents and Short-Term Cash Investments**

Cash and cash equivalents consists of:

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>₱1,311,129,058</td>
<td>₱1,198,748,489</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>₱1,101,783,206</td>
<td>₱2,839,092,217</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱2,412,912,264</strong></td>
<td><strong>₱4,037,840,706</strong></td>
</tr>
</tbody>
</table>

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

Short-term cash investments pertain to the Group’s time deposits with maturities of more than three months up to one year and earn interest of up to 4.5% in 2010 and up to 11.5% in 2009.

Interest income earned from cash in banks and short-term investments amounted to ₱11.49 million and ₱4.71 million for the years ended December 31, 2010 and 2009, respectively (see Note 18).
6. Receivables

This account consists of receivables from:

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>P589,605,334</td>
</tr>
<tr>
<td>Commercial</td>
<td>145,714,085</td>
</tr>
<tr>
<td>Semi-business</td>
<td>39,947,640</td>
</tr>
<tr>
<td>Industrial</td>
<td>6,674,470</td>
</tr>
<tr>
<td>Employees</td>
<td>50,389,222</td>
</tr>
<tr>
<td>Receivable from Saigon Water Corporation (SAWACO)</td>
<td>47,699,550</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>21,767,660</td>
</tr>
<tr>
<td>Others</td>
<td>93,924,819</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P995,722,780</td>
</tr>
</tbody>
</table>

Less allowance for doubtful accounts: (P513,554,936) (P558,397,976)

The classes of the Group’s receivables from customers, collectible within 30 days from bill generation, are as follows:

- Residential - pertains to receivables arising from water and sewer services rendered to residential households.
- Commercial - pertains to receivables arising from water and sewer services rendered to commercial customers.
- Semi-business - pertains to receivables arising from water and sewer services rendered to small businesses.
- Industrial - pertains to receivables arising from water and sewer services rendered for industrial purposes, including manufacturers.

Receivable from SAWACO pertains to the unpaid portion of the services rendered by the Group in relation to its management contract with SAWACO (see Note 23).

Movements in the Group’s allowance for doubtful accounts follow:

<table>
<thead>
<tr>
<th>2010</th>
<th>Residential</th>
<th>Commercial</th>
<th>Semi-Business</th>
<th>Industrial</th>
<th>Other Receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>P333,324,184</td>
<td>P175,898,906</td>
<td>P35,469,596</td>
<td>P11,736,914</td>
<td>P1,968,376</td>
<td>P558,397,976</td>
</tr>
<tr>
<td>Provision (recoveries)</td>
<td>30,141,681</td>
<td>(90,035,753)</td>
<td>(9,218,756)</td>
<td>(7,793,095)</td>
<td>32,062,883</td>
<td>(44,843,040)</td>
</tr>
<tr>
<td>At December 31</td>
<td>P363,465,865</td>
<td>P85,363,153</td>
<td>P26,250,840</td>
<td>P39,943,819</td>
<td>P34,031,259</td>
<td>P513,554,936</td>
</tr>
<tr>
<td>Individual impairment</td>
<td>P29,489,562</td>
<td>P24,431,877</td>
<td>P6,830,112</td>
<td>P722,133</td>
<td>P-</td>
<td>P61,473,684</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>333,976,303</td>
<td>61,431,276</td>
<td>19,420,728</td>
<td>3,221,686</td>
<td>34,031,259</td>
<td>452,081,252</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2009</th>
<th>Residential</th>
<th>Commercial</th>
<th>Semi-Business</th>
<th>Industrial</th>
<th>Other Receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>P351,803,082</td>
<td>P193,217,960</td>
<td>P38,195,048</td>
<td>P12,696,521</td>
<td>P7,119,476</td>
<td>P613,032,087</td>
</tr>
<tr>
<td>Recoveries</td>
<td>(28,478,898)</td>
<td>(17,319,054)</td>
<td>(2,725,452)</td>
<td>(959,607)</td>
<td>(5,151,100)</td>
<td>(54,634,111)</td>
</tr>
<tr>
<td>At December 31</td>
<td>P333,324,184</td>
<td>P175,898,906</td>
<td>P35,469,596</td>
<td>P11,736,914</td>
<td>P1,968,376</td>
<td>P558,397,976</td>
</tr>
<tr>
<td>Individual impairment</td>
<td>P245,933,143</td>
<td>P174,442,145</td>
<td>P31,051,360</td>
<td>P10,231,654</td>
<td>P-</td>
<td>P61,658,302</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>87,391,041</td>
<td>1,456,761</td>
<td>4,418,236</td>
<td>1,505,260</td>
<td>1,968,376</td>
<td>96,739,674</td>
</tr>
</tbody>
</table>
7. **Materials and Supplies**

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance materials</td>
<td>P41,147,219</td>
<td>P33,596,832</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>14,148,703</td>
<td>2,928,841</td>
</tr>
<tr>
<td>Water meters</td>
<td>456,562</td>
<td>834,384</td>
</tr>
<tr>
<td>Water connection supplies</td>
<td>71,514</td>
<td>802,002</td>
</tr>
<tr>
<td>Other operations supplies</td>
<td>–</td>
<td>272,663</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P55,823,998</td>
<td>P38,434,722</td>
</tr>
</tbody>
</table>

8. **Other Current Assets**

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to contractors</td>
<td>P1,289,466,824</td>
<td>P668,010,059</td>
</tr>
<tr>
<td>Input value-added tax</td>
<td>110,181,664</td>
<td>194,627,240</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>61,053,446</td>
<td>45,331,680</td>
</tr>
<tr>
<td>Others</td>
<td>28,054,422</td>
<td>29,496,650</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,488,756,356</td>
<td>937,465,629</td>
</tr>
</tbody>
</table>

Value-added input tax is fully realizable and will be applied against future output tax. Advances to contractors are normally applied within a year against progress billings.

Movements in the Group’s allowance for impairment losses on Advances to contractors follow:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>P69,101,543</td>
<td>P-</td>
</tr>
<tr>
<td>Provisions for the year</td>
<td>17,334,540</td>
<td>69,101,543</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>P86,436,083</td>
<td>P69,101,543</td>
</tr>
</tbody>
</table>

9. **Property and Equipment**

The rollforward analysis of this account follows:

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land and Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td>P702,844,927</td>
<td>P315,490,433</td>
<td>P725,292,996</td>
<td>P421,871,356</td>
<td>P2,165,499,712</td>
</tr>
<tr>
<td>At January 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>143,931,264</td>
<td>36,251,768</td>
<td>655,230,184</td>
<td>227,520,789</td>
<td>1,062,934,005</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(22,542,337)</td>
<td>–</td>
<td>(42,522)</td>
<td>(22,584,859)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td>P846,776,191</td>
<td>329,199,864</td>
<td>1,380,523,180</td>
<td>649,349,623</td>
<td>3,205,848,858</td>
</tr>
</tbody>
</table>

(Forward)
### Accumulated Depreciation and Amortization

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land and Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At January 1</strong></td>
<td>P=512,716,902</td>
<td>P=155,104,563</td>
<td>P=93,341,735</td>
<td>P=199,018,722</td>
<td>P=960,181,922</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>121,987,470</td>
<td>60,780,041</td>
<td>22,170,824</td>
<td>82,013,720</td>
<td>286,952,055</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(14,582,927)</td>
<td>–</td>
<td>–</td>
<td>(14,582,927)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td>634,704,372</td>
<td>201,301,677</td>
<td>115,512,559</td>
<td>281,032,442</td>
<td>1,232,551,050</td>
</tr>
<tr>
<td><strong>Net Book Value at December 31</strong></td>
<td>P=212,071,819</td>
<td>P=127,898,187</td>
<td>P=1,265,010,621</td>
<td>P=368,317,181</td>
<td>P=1,973,297,808</td>
</tr>
</tbody>
</table>

#### 2009

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land and Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At January 1</td>
<td>P=568,294,396</td>
<td>P=289,179,433</td>
<td>P=447,189,522</td>
<td>P=–</td>
<td>P=1,304,663,351</td>
</tr>
<tr>
<td>Additions</td>
<td>133,700,132</td>
<td>26,498,410</td>
<td>278,102,635</td>
<td>5,061,422</td>
<td>443,362,599</td>
</tr>
<tr>
<td>Acquired through business combination (see Note 4)</td>
<td>888,799</td>
<td>1,403,136</td>
<td>839</td>
<td>–</td>
<td>2,292,774</td>
</tr>
<tr>
<td>Transfers from SCA (Note 10)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>416,809,934</td>
<td>416,809,934</td>
</tr>
<tr>
<td>Disposals</td>
<td>(38,400)</td>
<td>(1,590,546)</td>
<td>–</td>
<td>–</td>
<td>(1,628,946)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td>702,844,927</td>
<td>315,490,433</td>
<td>725,292,996</td>
<td>421,871,356</td>
<td>2,163,499,712</td>
</tr>
<tr>
<td><strong>Accumulated Depreciation and Amortization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At January 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>105,833,194</td>
<td>56,063,124</td>
<td>18,954,522</td>
<td>870,653</td>
<td>198,148,069</td>
</tr>
<tr>
<td>Transfers from SCA (Note 10)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>198,148,069</td>
<td>198,148,069</td>
</tr>
<tr>
<td>Disposals</td>
<td>(38,400)</td>
<td>(1,414,861)</td>
<td>–</td>
<td>–</td>
<td>(1,453,261)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td>512,716,902</td>
<td>155,104,563</td>
<td>93,341,735</td>
<td>199,018,722</td>
<td>960,181,922</td>
</tr>
<tr>
<td><strong>Net Book Value at December 31</strong></td>
<td>P=190,128,025</td>
<td>P=160,385,870</td>
<td>P=631,951,261</td>
<td>P=222,852,634</td>
<td>P=1,205,317,790</td>
</tr>
</tbody>
</table>

The Group reclassified certain assets from SCA to Property and Equipment (see Note 32).

### 10. Service Concession Assets and Obligations

#### Service Concession Assets

The movements in this account follow:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>P=38,511,793,144</td>
<td>P=30,902,632,568</td>
</tr>
<tr>
<td>Additions during the year (Note 1)</td>
<td>8,698,422,047</td>
<td>7,743,487,645</td>
</tr>
<tr>
<td>Acquired through business combination (Note 4)</td>
<td>–</td>
<td>282,482,865</td>
</tr>
<tr>
<td>Transfers to property and equipment (Note 9)</td>
<td>–</td>
<td>(416,809,934)</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>47,210,215,191</td>
<td>38,511,793,144</td>
</tr>
<tr>
<td><strong>Accumulated Amortization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>8,565,313,658</td>
<td>6,988,843,592</td>
</tr>
<tr>
<td>Amortization</td>
<td>1,184,943,627</td>
<td>1,774,618,135</td>
</tr>
<tr>
<td>Transfers to property and equipment (Note 9)</td>
<td>–</td>
<td>(198,148,069)</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>9,750,257,285</td>
<td>8,565,313,658</td>
</tr>
<tr>
<td><strong>Net Book Value</strong></td>
<td>P=37,459,957,906</td>
<td>P=29,946,479,486</td>
</tr>
</tbody>
</table>
SCA consist of the present value of total estimated concession fee payments, including regulatory maintenance cost, pursuant to the Group’s concession agreements and the costs of rehabilitation works incurred.

Total interest and other borrowing costs capitalized as part of SCA amounted to ₱207.90 million in 2010 and ₱168.70 million in 2009. The capitalization rates used ranged from 3.73% to 6.03% in 2010 and 3.98% to 6.29% in 2009.

In March 2010, the Parent Company entered into a MOA with MWSS for the repayment of the loan for the financing of the Project which resulted to additional SCA and SCO amounting to ₱249.43 million in 2010 (see Note 1).

In 2009, the Parent Company recognized additional concession fees pertaining to its share in the current operating budget of MWSS resulting from the extension of the life of the Agreement to 2037 (see Note 1), specifically the 100% increase in regulatory costs to be paid to MWSS. The Company remeasured the service concession obligation related to the additional regulatory costs using the present value of the revised cash flows starting 2010 until 2037. The increase in the service concession obligation resulting from the revised cash flows, which amounted to ₱3.36 billion, was capitalized as part of SCA.

**POL Concession Fees**

Under LAWC’s concession agreement with POL, LAWC is required to pay concession fees to POL as percentage of water sales as follows:

<table>
<thead>
<tr>
<th>Operational Period</th>
<th>Percentage of Water Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years 1 to 5</td>
<td>4%</td>
</tr>
<tr>
<td>Years 6 to 10</td>
<td>3%</td>
</tr>
<tr>
<td>Years 11 to 25</td>
<td>2%</td>
</tr>
</tbody>
</table>

Advance payment to POL was made for the said concession fees and 70% of the annual concession fees is applied against the said advances. The remaining thirty percent (30%) of the annual concession fees is expensed in the period they are incurred.

**BIWC Concession Fees**

The aggregate concession fee pursuant to the Agreement is equal to the sum of the following:

a. Servicing the aggregate peso equivalent of all liabilities of BWSS as of commencement date;

b. 5% of the monthly gross revenue of the Concessionaire, inclusive of all applicable taxes which are for the account of the Concessionaire.

c. Payment of annual operating budget of the TIEZA Regulatory Office starting 2010. For 2010 and 2011, the amount shall not exceed ₱15 million. For the year 2012 and beyond, the Concessionaire shall pay not more than ₱20 million, subject to annual CPI adjustments.

In addition, advanced payment of ₱60 million was provided to TIEZA which shall be offset against the annual concession fees pertaining to the 5% annual gross revenue of BIWC, within a period of 10 years from the signing of the concession agreement or until fully paid. Any amount payable after application of the advanced payment will be expensed in the period this is incurred.
Service Concession Obligations

MWSS Concession Fees
The aggregate concession fees of the Parent Company pursuant to the Agreement is equal to the sum of the following:

d. 10% of the aggregate peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;

e. 10% of the aggregate peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;

f. 10% of the local component costs and cost overruns related to the UATP;

g. 100% of the aggregate peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by the Parent Company for continuation; and

h. 100% of the local component costs and cost overruns related to existing projects; and

i. Parent Company’s share in the repayment of MWSS loan for the financing of the Project.

The schedule of undiscounted future concession fee payments follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign Currency Denominated Loans (Translated to US Dollars)</th>
<th>Peso Loans/Project</th>
<th>Total Peso Equivalent*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$18,818,634</td>
<td>P410,714,907</td>
<td>P1,235,723,801</td>
</tr>
<tr>
<td>2012</td>
<td>11,309,620</td>
<td>415,714,907</td>
<td>911,528,661</td>
</tr>
<tr>
<td>2013</td>
<td>11,838,464</td>
<td>415,714,907</td>
<td>934,713,174</td>
</tr>
<tr>
<td>2014</td>
<td>12,593,816</td>
<td>415,714,907</td>
<td>967,827,892</td>
</tr>
<tr>
<td>2015</td>
<td>7,349,499</td>
<td>415,714,907</td>
<td>737,916,928</td>
</tr>
<tr>
<td>2016 onwards</td>
<td>84,659,903</td>
<td>8,690,013,043</td>
<td>12,401,503,211</td>
</tr>
<tr>
<td></td>
<td>$146,569,936</td>
<td>P10,763,587,578</td>
<td>P17,189,213,667</td>
</tr>
</tbody>
</table>

*Peso equivalent is translated using the closing rate as of December 31, 2010 amounting to P43.84 to US$1.

Estimated concession fee payments on future concession projects, excluding the Parent Company’s share in current operating budget, related to the Extension (see Note 1) is still not determinable. It is only determinable upon loan drawdown of MWSS and their actual construction of the related concession projects.
11. Available-for-Sale Financial Assets

This account consists of investments in:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quoted investments - at fair value (see Note 22)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>₱160,060,157</td>
<td>₱450,852,323</td>
</tr>
<tr>
<td>Equity</td>
<td>162,000,000</td>
<td>156,000,000</td>
</tr>
<tr>
<td>Investment Management Agreement (IMA) accounts</td>
<td>683,186,778</td>
<td>639,162,815</td>
</tr>
<tr>
<td><strong>Unquoted investments (see Note 22)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>758,494,624</td>
<td>714,048,438</td>
</tr>
<tr>
<td>Investment in TRILITY Pty. LTD.</td>
<td>78,100,600</td>
<td>–</td>
</tr>
<tr>
<td>Equity</td>
<td>7,063,950</td>
<td>7,063,950</td>
</tr>
<tr>
<td></td>
<td><strong>₽1,848,906,109</strong></td>
<td><strong>₽1,967,127,526</strong></td>
</tr>
</tbody>
</table>

Quoted investments in debt securities consist mainly of government securities such as retail treasury bonds. These bonds earn interest ranging from 6% to 9% in 2010 and 6% to 11% in 2009 with various maturity dates of up to five years.

Quoted investments in equities pertain to listed preferred shares of a shareholder (see Note 22).

Quoted investments in IMA accounts pertain to the Group’s funds that are managed by certain banks, including an affiliate (see Note 22).

Unquoted investments in equities include unlisted preferred shares in a public utility company which the Group will continue to carry as part of its operations and Investment in TRILITY is MWSAH’s 1% share in TRILITY. These investments are carried at cost less impairment, if any.

Changes in this account are as follows:

### 2010

<table>
<thead>
<tr>
<th></th>
<th>Quoted</th>
<th>Unquoted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱1,246,015,138</td>
<td>₱721,112,388</td>
<td>₱1,967,127,526</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>–</td>
<td>78,100,600</td>
<td>78,100,600</td>
</tr>
<tr>
<td>Disposals during the year</td>
<td>(295,268,557)</td>
<td>–</td>
<td>(295,268,557)</td>
</tr>
<tr>
<td>Amortization of discount</td>
<td>–</td>
<td>4,763,299</td>
<td>4,763,299</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>54,500,354</td>
<td>39,682,887</td>
<td>94,183,241</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱1,005,246,935</td>
<td>₱843,659,174</td>
<td>₱1,848,906,109</td>
</tr>
</tbody>
</table>

### 2009

<table>
<thead>
<tr>
<th></th>
<th>Quoted</th>
<th>Unquoted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱1,069,035,212</td>
<td>₱482,281,167</td>
<td>₱1,551,316,379</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>210,000,000</td>
<td>241,922,051</td>
<td>451,922,051</td>
</tr>
<tr>
<td>Disposals during the year</td>
<td>(78,931,460)</td>
<td>(5,217,218)</td>
<td>(84,148,678)</td>
</tr>
<tr>
<td>Amortization of discount</td>
<td>–</td>
<td>2,126,388</td>
<td>2,126,388</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>45,911,386</td>
<td>–</td>
<td>45,911,386</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱1,246,015,138</td>
<td>₱721,112,388</td>
<td>₱1,967,127,526</td>
</tr>
</tbody>
</table>
The rollforward analysis of unrealized gain on AFS financial assets for 2010 and 2009 follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱52,548,379</td>
<td>₱6,670,143</td>
</tr>
<tr>
<td>Gain recognized in other comprehensive income</td>
<td>94,183,241</td>
<td>45,911,386</td>
</tr>
<tr>
<td>Gain transferred from other comprehensive income and recognized in profit and loss included in interest income</td>
<td>(1,801,798)</td>
<td>(33,150)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱144,929,822</td>
<td>₱52,548,379</td>
</tr>
</tbody>
</table>

12. Investment in Joint Venture

On February 5, 2010, the Parent Company entered into a Joint Venture Agreement (JVA) with Jindal Water Infrastructure Limited (JWIL). The JVA established the joint venture company Jindal Manila Water Development, Co. Ltd. (JMWD), to serve as a vehicle for the planning and development of water, wastewater and other environmental services in India.

The financial information of JMWD as of and for the year ended December 31, 2010 follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>₱14,231,638</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>695,055</td>
</tr>
<tr>
<td>Revenue</td>
<td>–</td>
</tr>
<tr>
<td>Net loss</td>
<td>3,077,133</td>
</tr>
</tbody>
</table>

The rollforward analysis of the investment in joint venture follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost</td>
<td>₱7,133,182</td>
</tr>
<tr>
<td>Accumulated equity in net loss</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>–</td>
</tr>
<tr>
<td>Equity in net loss</td>
<td>(1,538,567)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>(1,538,567)</td>
</tr>
<tr>
<td>Net book value</td>
<td>₱5,594,615</td>
</tr>
</tbody>
</table>

The BOD of JMWD approved the development expense budget of the joint venture for the first three financial years amounting to US$1.9 million, 50% of which will be funded by the Parent Company.

13. Other Noncurrent Assets

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred FCDA</td>
<td>₱725,872,976</td>
<td>₱827,006,852</td>
</tr>
<tr>
<td>Derivative asset (Note 27)</td>
<td>229,613,149</td>
<td>158,817,648</td>
</tr>
<tr>
<td>Advances to TIEZA (Notes 4 and 23)</td>
<td>2,792,904</td>
<td>60,000,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>63,968,112</td>
<td>44,674,397</td>
</tr>
<tr>
<td></td>
<td>₱1,022,247,141</td>
<td>₱1,090,498,897</td>
</tr>
</tbody>
</table>
Deferred FCDA refers to the unrecovered amounts from /or amounts for refund to customers for realized gains /losses from payments of foreign loans. This is the difference between the drawdown or rebased rate versus the closing rate at payment date. This account also covers the unrealized gains/losses from loan valuations, accrual of interest and accretion of transaction and related costs.

Derivative asset pertains to the embedded call option on the P=4.0 billion bonds that gives the Parent Company the right to redeem all but not in part the outstanding bonds on the twelfth quarterly interest payment date (see Note 27).

Advances to TIEZA pertains to the advance payment of concession fees to TIEZA by BIWC which will be applied as payment of, and shall be offset against the annual concession fees payable to TIEZA (see Note 4). The P=60 million advance payment was considered part of the concession assets in 2010 (see Note 10).

14. Accounts and Other Payables

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>₱1,994,518,543</td>
<td>₱1,606,005,112</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and employee</td>
<td>299,811,711</td>
<td>289,675,169</td>
</tr>
<tr>
<td>benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>88,374,914</td>
<td>80,777,987</td>
</tr>
<tr>
<td>Management and professional</td>
<td>67,801,467</td>
<td>55,079,696</td>
</tr>
<tr>
<td>fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection fees</td>
<td>44,645,354</td>
<td>43,431,615</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>41,673,965</td>
<td>40,540,926</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>36,498,631</td>
<td>28,748,758</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>24,064,757</td>
<td>20,967,378</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>66,043,823</td>
<td>45,568,028</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>207,993,092</td>
<td>199,246,683</td>
</tr>
<tr>
<td>Interest payable</td>
<td>173,596,057</td>
<td>217,104,950</td>
</tr>
<tr>
<td>Advances from SAWACO</td>
<td>48,880,995</td>
<td>62,219,480</td>
</tr>
<tr>
<td>Dividends payable (Note 20)</td>
<td>11,393,764</td>
<td>43,765,598</td>
</tr>
<tr>
<td>Note payable</td>
<td>–</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Meter deposits payable</td>
<td>–</td>
<td>2,193,323</td>
</tr>
<tr>
<td>Others</td>
<td>42,599,289</td>
<td>38,578,018</td>
</tr>
<tr>
<td></td>
<td>₱3,147,896,362</td>
<td>₱2,778,902,721</td>
</tr>
</tbody>
</table>

Trade payables and accrued expenses are non-interest bearing and are normally settled on 15 to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

Advances from SAWACO pertains to the advance payment made by SAWACO to the Parent Company to facilitate the start up and operating expenses related to the management contract entered with SAWACO (see Note 23). These are offset against the progress billings made by the Parent Company.

Contracts payable pertain to unpaid contractors’ billings. These are normally settled on 15-to-60-day terms.
Meter deposits payable pertain to payments made by the customers as deposits for the water meters provided by the Group. These are refunded to customers upon mandate from MWSS. As of December 31, 2010, all of these deposits were refunded to the customers.

Short-term interest-bearing note amounting to ₱5.00 million was originally availed by LAWC from a local bank on October 5, 2006 with an annual interest rate of 8.75%. This note was renewed annually from 2007-2009 and was paid in 2010.

15. Long-term Debt

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB loan</td>
<td>₱1,057,574,208</td>
<td>₱1,284,289,953</td>
</tr>
<tr>
<td>Second IFC loan</td>
<td>₱884,512,921</td>
<td>₱1,101,954,878</td>
</tr>
<tr>
<td>DEG loan</td>
<td>₱177,727,218</td>
<td>₱311,441,955</td>
</tr>
<tr>
<td>DANIDA loan</td>
<td>—</td>
<td>₱13,015,620</td>
</tr>
<tr>
<td>Yen loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First IFC loan</td>
<td>₱1,128,403,649</td>
<td>₱1,200,436,076</td>
</tr>
<tr>
<td>EIB loan</td>
<td>₱2,405,025,082</td>
<td>₱2,595,483,913</td>
</tr>
<tr>
<td>LBP loan</td>
<td>₱1,660,743,138</td>
<td>₱1,258,253,125</td>
</tr>
<tr>
<td>Peso loans (see Note 27)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>₱4.0 billion bonds</td>
<td>₱4,097,996,503</td>
<td>₱4,128,152,766</td>
</tr>
<tr>
<td>₱2.0 billion loan</td>
<td>₱1,395,366,921</td>
<td>₱1,393,901,300</td>
</tr>
<tr>
<td>₱1.5 billion loan</td>
<td>₱1,080,335,539</td>
<td>₱1,074,220,654</td>
</tr>
<tr>
<td>₱500 million loan</td>
<td>₱246,185,538</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>₱14,133,870,717</td>
<td>₱14,361,150,240</td>
</tr>
<tr>
<td>Less current portion</td>
<td>₱1,174,649,296</td>
<td>₱1,060,783,617</td>
</tr>
<tr>
<td></td>
<td>₱12,959,221,421</td>
<td>₱13,300,366,623</td>
</tr>
</tbody>
</table>

Unamortized debt discounts and issuance costs (premiums) included in the following long-term debts as of December 31, 2010 and 2009 follow:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yen loans</td>
<td>₱169,656,826</td>
<td>₱198,403,792</td>
</tr>
<tr>
<td>USD loans</td>
<td>91,804,054</td>
<td>116,703,758</td>
</tr>
<tr>
<td>Peso loans</td>
<td>(69,884,500)</td>
<td>(96,274,720)</td>
</tr>
<tr>
<td></td>
<td>₱191,576,380</td>
<td>₱218,832,830</td>
</tr>
</tbody>
</table>

The rollforward analysis of unamortized debt discounts and issuance costs (premiums) of long-term debt follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>₱218,832,830</td>
<td>(₱13,963,669)</td>
</tr>
<tr>
<td>Availments</td>
<td>15,892,678</td>
<td>249,478,919</td>
</tr>
<tr>
<td>Amortization of transaction costs (Note 18)</td>
<td>(43,149,128)</td>
<td>(16,682,420)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>₱191,576,380</td>
<td>₱218,832,830</td>
</tr>
</tbody>
</table>
The EUR€2.22 million Euro loan (the “DANIDA loan”), executed on August 24, 2001, was drawn under the Danish International Development Agency (DANIDA) credit facility and is secured by an irrevocable standby letter of credit issued by a local bank. The noninterest-bearing loan is payable in US Dollars in 16 equal semi-annual consecutive installments starting on March 31, 2003. As of December 31, 2010, all outstanding balance for this loan has been settled.

On July 1, 2002, the Parent Company entered into a loan agreement with Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) to partially finance capital expenditures required to expand water supply and sanitation services and improve the existing facilities of the Parent Company. The loan was made available in US Dollars in the aggregate principal amount of US$20.00 million and is payable in 10 years, inclusive of the 3-year grace period. As of December 31, 2010 and 2009, outstanding loans amounted to US$4.07 million and US$6.79 million, respectively.

On March 28, 2003, the Parent Company entered into a loan agreement with IFC (the “First IFC Loan”) to partially finance the Parent Company’s investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of the Parent Company, and concession fee payments. The First IFC Loan was made available in Japanese Yen in the aggregate principal amount of JPY¥3,591.60 million equivalent to US$30.00 million and shall be payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2010 and 2009, outstanding loans amounted to JPY¥2,154.96 million and JPY¥2,442.29 million, respectively.

On May 31, 2004, the Parent Company entered into a loan agreement with IFC (the “Second IFC Loan”) comprising of regular loan in the amount of up to US$20.00 million and a standby loan in the amount of up to US$10.00 million to finance the investment program from 2004 to 2007 to expand water supply and sanitation services, improvement of existing facilities of the Parent Company, and concession fee payments. This loan was subsequently amended on November 22, 2006, when the Parent Company executed the Amended and Restated Loan Agreement for the restructuring of the Second IFC Loan. The terms of the second loan were amended to a loan in the aggregate amount of up to US$30.00 million, no part of which shall consist of a standby loan. On December 12, 2008, the Parent Company has made a full drawdown on the said facility. As of December 31, 2010 and 2009, outstanding loans amounted to US$22.00 million and US$26.00 million, respectively.

On October 20, 2005, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines (LBP Loan) to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years, and was made available in Japanese Yen in the aggregate principal amount of JPY¥6.59 billion payable via semi-annual installments after the five-year grace period. As of December 31, 2010 and 2009, outstanding loans amounted to JPY¥3,125.37 million and JPY¥2,516.42 million, respectively.

On August 22, 2006, the Parent Company entered into a Credit Facility Agreement (the “P=2 billion Loan”) with five banks and four financial institutions to finance the capital expenditures of the Parent Company pursuant to the Concession Agreement. This 7-year term loan with an aggregate principal amount of P=2.0 billion consists of the following:

- Tranche 1: 7-year term loan amounting to P=1.50 billion (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of P=10 million at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year; and
Tranche 2: 7-year term loan, with a Put Option at the end of the fifth (5th) year, amounting to ₱500.00 million (the Tranche 2 Loan). Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their Put Option; If the Put Option is not exercised, the loan will be subject to a yearly amortization of ₱10 million at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year.

On June 16, 2008, the Company prepaid a portion of the ₱2 billion loan from one financial institution amounting to ₱600.00 million. As of December 31, 2010 and 2009, the outstanding balance for this loan amounted to ₱1.40 billion.

Tranche 1: 7-year term loan amounting to ₱950.00 million (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of one percent (1%) of the Tranche 1 Loan at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year; and

Tranche 2: 7-year term loan, with a Put Option at the end of the fifth (5th) year, amounting to ₱550.00 million (the Tranche 2 Loan). Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their Put Option. If the Put Option is not exercised, the loan will be subject to a yearly amortization of one percent (1%) of the Tranche 2 Loan at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year.

On June 16, 2008, the Company prepaid a portion of the ₱1.5 billion loan from a financial institution amounting to ₱400.00 million. As of December 31, 2010 and 2009, the outstanding balance for this loan amounted to ₱1.10 billion.

On October 9, 2006, the Parent Company entered into a Credit Facility Agreement (the “₽1.5 billion Loan”) with three banks and a financial institution to finance the capital expenditures of the Parent Company pursuant to the Agreement. This 7-year term loan with an aggregate principal amount of ₱1.5 billion consists of the following:

Sub-Credit A: In an amount of EUR€40 million to be disbursed in US Dollars or Japanese yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by a consortium of international commercial banks composed of ING Bank, Development Bank of Singapore and Sumitomo-Mitsui Banking Corporation under a Guaranty Facility Agreement; and

Sub-Credit B: In an amount of EUR€20 million to be disbursed in US Dollars, European Euro or Japanese Yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.

On October 22, 2008, the Parent Company issued ₱4.0 billion bonds ("the ₱4.0 billion Bonds") having a term of five years from the issue date with a fixed interest rate equivalent to 8.25% payable quarterly. Prior to maturity, the Parent Company may redeem in whole, and not in part only, the relevant outstanding bonds on the twelfth interest payment date. The amount payable to the bondholders in respect of such redemptions shall be calculated based on the principal amount of the bonds being redeemed, as the sum of 102% of the principal amount and accrued interest on the bonds on the optional redemption date.

All these loan agreements provide for certain covenants which must be complied by the Parent Company, which include compliance with certain financial ratios such as the debt-to-equity and debt-service-coverage ratios. As of December 31, 2010 and 2009, the Parent Company was in compliance with all the loan covenants required by the creditors.

Previously, all of these loans were secured by way of first ranking charge over all assigned interests, including the right to receive payments or other consideration under the Agreement, all receivables and bank accounts, interests over all fixed assets (subject to the limitations under the Agreement) and assignment of proceeds of insurance policies. The agreement for the signing of these rights and interests were signed with the lenders at various dates of the loan signing.

On July 17, 2008, the Parent Company, together with all of its Lenders signed an Omnibus Amendment Agreement and Intercreditor Agreement and these agreements became effective on September 30, 2008.

Prior to the execution of the Omnibus Amendment Agreement, the obligations of the Parent Company to pay amounts due and owing or committed to be repaid to the lenders under the existing facility agreements were secured by Assignments of Interests by Way of Security executed by the Parent Company in favor of a trustee acting on behalf of the lenders. The Assignments were also subject to the provisions of the Amended and Restated Intercreditor Agreement dated March 1, 2004 and its Amendatory Agreement dated December 15, 2005 executed by the Parent Company, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released the Parent Company from the assignment of its present and future fixed assets, receivables and present and future bank accounts, all the Project Documents (except for the Agreement, Technical Corrections Agreement and the Department of Finance Undertaking Letter), all insurance policies where the Parent Company is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

In consideration for the release of the assignment of the above-mentioned assets, the Parent Company agreed not to create, assume, incur or suffer to exist, any mortgage, lien, pledge, security interest, charge, encumbrance or other preferential arrangement of any kind, upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or upon or with respect to any right to receive income, subject only to some legal exceptions. The lenders shall continue to enjoy their rights and privileges as Concessionaire Lenders (as defined under the Agreement), which include the right to appoint a qualified replacement operator and the right to receive payments and/or other consideration pursuant to the Agreement in case of a default of either the Parent Company or MWSS. Currently, all lenders of the Parent Company (including the bondholders) are considered Concessionaire Lenders and are on pari passu status with one another.
On September 7, 2010, LAWC entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to LAWC up to P=500 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. First draw of the loan was made in November 2010 amounting to P=250 million. The carrying value of this loan as of December 31, 2010 amounted to P=246 million.

On October 21, 2010, the Parent Company entered into a term loan agreement amounting US$150 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndication of four banks- ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation insured by Nippon Export and Investment Insurance. As of December 31, 2010, no drawdown has been made on the said facility.

16. Retirement Plan

The Group has a funded, noncontributory, tax-qualified defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment.

The components of retirement cost (included in “Salaries, wages and employee benefits”) in the consolidated statements of comprehensive income for the three years in the period ended December 31, 2010 follow:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousand Pesos)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>48,953</td>
<td>10,629</td>
<td>43,905</td>
</tr>
<tr>
<td>Interest cost on benefit obligation</td>
<td>44,564</td>
<td>83,564</td>
<td>28,736</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(16,369)</td>
<td>(9,281)</td>
<td>(9,568)</td>
</tr>
<tr>
<td>Actuarial losses</td>
<td>7,827</td>
<td>–</td>
<td>4,001</td>
</tr>
<tr>
<td>Total pension expense</td>
<td><strong>84,975</strong></td>
<td><strong>84,912</strong></td>
<td><strong>67,074</strong></td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td><strong>29,852</strong></td>
<td><strong>27,439</strong></td>
<td><strong>(12,730)</strong></td>
</tr>
</tbody>
</table>

The funded status and amounts recognized in the consolidated statements of financial position for the pension plan as of December 31, 2010 and 2009 follow:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>Benefit obligations</td>
<td><strong>601,510</strong></td>
<td><strong>496,219</strong></td>
</tr>
<tr>
<td>Plan assets</td>
<td>(235,880)</td>
<td>(155,845)</td>
</tr>
<tr>
<td>Deficiency</td>
<td>365,630</td>
<td>340,374</td>
</tr>
<tr>
<td>Unrecognized actuarial losses</td>
<td>(134,261)</td>
<td>(138,955)</td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td><strong>231,369</strong></td>
<td><strong>201,419</strong></td>
</tr>
</tbody>
</table>
Changes in the present value of the defined benefit obligation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>P=496,219</td>
<td>P=296,439</td>
</tr>
<tr>
<td>Current service cost</td>
<td>48,953</td>
<td>10,629</td>
</tr>
<tr>
<td>Interest cost</td>
<td>44,564</td>
<td>83,564</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(4,842)</td>
<td>(28,902)</td>
</tr>
<tr>
<td>Addition through business combination (Note 4)</td>
<td>–</td>
<td>1,837</td>
</tr>
<tr>
<td>Actuarial losses</td>
<td>16,616</td>
<td>132,652</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>P=601,510</td>
<td>P=496,219</td>
</tr>
</tbody>
</table>

Changes in the fair values of plan assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>P=155,845</td>
<td>P=157,308</td>
</tr>
<tr>
<td>Expected return</td>
<td>16,369</td>
<td>9,281</td>
</tr>
<tr>
<td>Contributions</td>
<td>55,025</td>
<td>–</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(4,842)</td>
<td>(28,902)</td>
</tr>
<tr>
<td>Actuarial gains</td>
<td>13,483</td>
<td>18,158</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>P=235,880</td>
<td>P=155,845</td>
</tr>
</tbody>
</table>

Changes in the net unrecognized actuarial losses are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>(P=138,955)</td>
<td>(P=24,461)</td>
</tr>
<tr>
<td>Actuarial gains (losses) on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation</td>
<td>(16,616)</td>
<td>(132,652)</td>
</tr>
<tr>
<td>Plan assets</td>
<td>13,483</td>
<td>18,158</td>
</tr>
<tr>
<td>Actuarial losses recognized</td>
<td>7,827</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(P=134,261)</td>
<td>(P=138,955)</td>
</tr>
</tbody>
</table>

The Group expects to contribute P=80 million to its benefit pension plan in 2011.

The allocation of the fair value of plan assets is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income instruments</td>
<td>74.70%</td>
<td>76.30%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>25.47%</td>
<td>23.63%</td>
</tr>
<tr>
<td>Others</td>
<td>(0.17%)</td>
<td>0.07%</td>
</tr>
</tbody>
</table>

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.
The assumptions used to determine pension benefits for the Group for the years ended December 31, 2010, 2009 and 2008 follow:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7.25%</td>
<td>8.75% to 11.09%</td>
<td>28.17%</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>8.00%</td>
<td>5.00% to 9.00%</td>
<td>10.70%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
<td>9.00%</td>
<td>8.50%</td>
<td>5.90%</td>
</tr>
</tbody>
</table>

The average expected future working lives of employees of the Group as of December 31, 2010 is 11 years.

Amounts for the current and the previous periods are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation (In Thousand Pesos)</td>
<td>P601,510</td>
<td>P496,219</td>
<td>P296,439</td>
<td>P348,321</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(235,880)</td>
<td>(155,845)</td>
<td>(157,308)</td>
<td>(137,878)</td>
</tr>
<tr>
<td>Deficiency</td>
<td>P365,630</td>
<td>P340,374</td>
<td>P139,131</td>
<td>P210,443</td>
</tr>
<tr>
<td>Experience adjustments on plan liabilities</td>
<td>P12,626</td>
<td>P211,743</td>
<td>P13,858</td>
<td>P15,798</td>
</tr>
<tr>
<td>Experience adjustments on plan assets</td>
<td>13,483</td>
<td>18,158</td>
<td>(22,298)</td>
<td>2,530</td>
</tr>
</tbody>
</table>

17. **Other Noncurrent Liabilities**

Other noncurrent liabilities consist of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>P1,998,418,919</td>
<td>P1,293,930,914</td>
</tr>
<tr>
<td>Deferred credits</td>
<td>247,554,064</td>
<td>196,984,093</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P2,245,972,983</td>
<td>P1,490,915,007</td>
</tr>
</tbody>
</table>

Customers’ guaranty and other deposits pertain to the deposits paid by the Group’s customers amounting to P2.00 billion and P1.29 billion as of December 31, 2010 and 2009, respectively.

The rollforward analysis of the unamortized discounts of customers’ guaranty and other deposits follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>P196,984,093</td>
<td>P162,364,029</td>
</tr>
<tr>
<td>Addition</td>
<td>65,287,932</td>
<td>63,957,693</td>
</tr>
<tr>
<td>Amortization of discount (see Note 18)</td>
<td>(14,717,961)</td>
<td>(29,337,629)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>P247,554,064</td>
<td>P196,984,093</td>
</tr>
</tbody>
</table>
18. Interest Income, Interest Expense and Other Income

Interest income consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents, short-term cash investments and AFS financial assets</td>
<td><strong>₱287,698,007</strong></td>
<td><strong>₱359,917,512</strong></td>
<td><strong>₱204,008,942</strong></td>
</tr>
<tr>
<td>Others</td>
<td><strong>308,055</strong></td>
<td><strong>2,053,021</strong></td>
<td><strong>879,713</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱288,006,062</strong></td>
<td><strong>₱361,970,533</strong></td>
<td><strong>₱204,888,655</strong></td>
</tr>
</tbody>
</table>

Interest expense consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of service concession obligations and deposits</td>
<td><strong>₱546,528,372</strong></td>
<td><strong>₱368,829,048</strong></td>
<td><strong>₱535,621,669</strong></td>
</tr>
<tr>
<td>Long-term debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon interest</td>
<td><strong>598,776,744</strong></td>
<td>426,009,332</td>
<td>140,447,032</td>
</tr>
<tr>
<td>Amortization of debt discount, issuance costs and premium (see Note 15)</td>
<td><strong>43,149,128</strong></td>
<td>16,682,420</td>
<td>13,197,983</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱1,188,454,244</strong></td>
<td><strong>₱811,520,800</strong></td>
<td><strong>₱689,266,684</strong></td>
</tr>
</tbody>
</table>

Other income includes the following:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of inventories</td>
<td><strong>₱62,293,470</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reopening fee</td>
<td><strong>36,909,562</strong></td>
<td>17,968,594</td>
<td>32,375,201</td>
</tr>
<tr>
<td>Septic sludge disposal and bacteriological water analysis</td>
<td><strong>19,512,351</strong></td>
<td>14,684,272</td>
<td>39,559,093</td>
</tr>
<tr>
<td>Sale of scrap materials</td>
<td><strong>13,114,207</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td><strong>25,860,149</strong></td>
<td>34,575,428</td>
<td>10,275,402</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱157,689,739</strong></td>
<td><strong>₱67,228,294</strong></td>
<td><strong>₱82,209,696</strong></td>
</tr>
</tbody>
</table>

19. Income Tax

Provision for income tax consists of:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td><strong>₱1,286,659,898</strong></td>
<td><strong>₱1,048,400,751</strong></td>
<td><strong>₱1,096,678,717</strong></td>
</tr>
<tr>
<td>Deferred</td>
<td>(40,070,502)</td>
<td>(43,389,597)</td>
<td>371,986,493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,246,589,396</strong></td>
<td><strong>1,005,011,154</strong></td>
<td><strong>1,468,665,210</strong></td>
</tr>
</tbody>
</table>

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td><strong>30.00%</strong></td>
<td><strong>30.00%</strong></td>
<td><strong>35.00%</strong></td>
</tr>
<tr>
<td>Tax effects of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income subjected to final tax</td>
<td>(1.63)</td>
<td>(2.56)</td>
<td>(1.77)</td>
</tr>
<tr>
<td>Nondeductible interest expense</td>
<td><strong>0.65</strong></td>
<td>1.05</td>
<td>0.93</td>
</tr>
<tr>
<td>Change in unrecognized deferred tax</td>
<td>(4.96)</td>
<td>(0.87)</td>
<td>-</td>
</tr>
<tr>
<td>Others - net</td>
<td><strong>0.24</strong></td>
<td>(3.89)</td>
<td>0.34</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td><strong>23.82%</strong></td>
<td><strong>23.73%</strong></td>
<td><strong>34.50%</strong></td>
</tr>
</tbody>
</table>
The components of the deferred income tax assets (liabilities) of the Group represent the deferred income tax effects of the following:

<table>
<thead>
<tr>
<th>Component</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service concession obligation-net</td>
<td>₱429,031,642</td>
<td>₱392,208,319</td>
</tr>
<tr>
<td>Capitalized borrowing cost</td>
<td>(21,945,013)</td>
<td>(22,752,552)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (Note 6)</td>
<td>3,917,056</td>
<td>–</td>
</tr>
<tr>
<td>Pension liabilities (Note 16)</td>
<td>90,134</td>
<td>–</td>
</tr>
<tr>
<td>Unrealized foreign exchange losses</td>
<td>26,867</td>
<td>26,867</td>
</tr>
<tr>
<td>NOLCO</td>
<td>–</td>
<td>1,567,550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱411,120,686</td>
<td>₱371,050,184</td>
</tr>
</tbody>
</table>

Revenue Regulations (RR) No. 16-2008

RR No. 16-2008 provided the implementing guidelines for Section 34 of RA No. 9504 on the use of the Optional Standard Deduction (OSD) for corporations. The OSD allowed shall be an amount not exceeding 40% of the gross income. This became effective on July 1, 2008 and was applied by the Parent Company for transactions for the period July to December 2008 and for the years ended December 31, 2009 and 2010.

The OSD results in an effective tax rate of 18% for the years in which OSD is projected to be utilized. This rate was used in computing the deferred income taxes on the net service concession obligation and capitalized borrowing costs starting 2009 that are considered in determining gross income for income tax purposes.

The availment of OSD affected the recognition of several deferred tax assets and liabilities, in which the related income and expenses are not considered in determining gross income for income tax purposes. The Parent Company forecasts that it will continue to avail of the OSD, such that the manner by which it will recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result to any future tax consequence under OSD. Details of the accounts for which no deferred taxes were recognized as of December 31, 2010 and 2009 follow:

<table>
<thead>
<tr>
<th>Component</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts (Note 6)</td>
<td>₱513,554,936</td>
<td>₱558,397,976</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>231,369,344</td>
<td>246,278,168</td>
</tr>
<tr>
<td>Allowance for impairment losses (Note 8)</td>
<td>86,436,083</td>
<td>69,101,543</td>
</tr>
<tr>
<td>Unamortized costs on financial assets</td>
<td>1,188,263</td>
<td>36,470,138</td>
</tr>
<tr>
<td>Derivative asset on prepayment option (Note 13)</td>
<td>(229,613,149)</td>
<td>(158,817,648)</td>
</tr>
<tr>
<td>Unamortized debt discounts and issuance costs of long-term debt (Note 15)</td>
<td>(191,576,380)</td>
<td>(218,832,830)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱411,359,097</td>
<td>₱532,597,347</td>
</tr>
</tbody>
</table>

The net reduction in deferred tax assets of applying the 18% effective income tax rate to the recognized deferred taxes on net service obligation and capitalized borrowing costs, and the derecognition of the deferred taxes relating to the accounts with temporary differences which are not considered in determining gross income for income tax purposes, by the Parent Company amounted to ₱376.34 million ₱406.08 million as of December 31, 2010 and 2009, respectively.
In addition to the deferred tax assets and liabilities that have not been recognized as a consequence of the OSD availment, the Parent Company’s subsidiaries have other deductible temporary differences that are available for offset against future taxable income, for which no deferred tax assets have been recognized, as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOLCO</td>
<td>P36,728,879</td>
<td>P30,200,403</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>–</td>
<td>1,974,804</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P36,728,879</strong></td>
<td><strong>P32,175,207</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2010 and 2009, the unrecognized deferred tax assets on the above temporary differences amounted to P=10.61 million and P=9.65 million, respectively.

The movements of the Group’s NOLCO as of December 31, 2010, which are available for offset against future taxable income for the three succeeding years, follow:

<table>
<thead>
<tr>
<th>Year Incurred</th>
<th>Amount</th>
<th>Used/Expired</th>
<th>Balance</th>
<th>Expiry Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>P469,743</td>
<td>P469,743</td>
<td>–</td>
<td>2010</td>
</tr>
<tr>
<td>2008</td>
<td>20,822,891</td>
<td>47,296</td>
<td>20,775,595</td>
<td>2011</td>
</tr>
<tr>
<td>2009</td>
<td>14,132,936</td>
<td>5,398,429</td>
<td>8,734,507</td>
<td>2012</td>
</tr>
<tr>
<td>2010</td>
<td>7,218,777</td>
<td>–</td>
<td>7,218,777</td>
<td>2013</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P42,644,347</strong></td>
<td><strong>P5,915,468</strong></td>
<td><strong>P36,728,879</strong></td>
<td></td>
</tr>
</tbody>
</table>

RA No. 9337
RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said RA was the reduction in the regular corporate income tax rate from 35% to 30% beginning January 1, 2009.

20. **Equity**

The Parent Company’s capital stock consists of:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousands Except Per Share Figures)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock - P=1 per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>3,100,000</td>
<td>P3,100,000</td>
<td>3,100,000</td>
</tr>
<tr>
<td>Issued and subscribed</td>
<td>2,032,598</td>
<td>2,032,598</td>
<td>2,030,678</td>
</tr>
<tr>
<td>Outstanding</td>
<td>2,032,598</td>
<td>2,032,598</td>
<td>2,030,678</td>
</tr>
<tr>
<td>Preferred stock - P=0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td>4,000,000</td>
<td>400,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Preferred stock - P=1 par value, 8% cumulative, nonvoting, nonparticipating, nonredeemable at the Parent Company’s option Authorized and issued - 500,000,000 shares</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
</tbody>
</table>
There was no movement in treasury shares in 2010 and 2009.

The Agreement as discussed in Note 1 provides that unless waived in writing by the MWSS-RO, United Utilities PLC (the International Water Operator) and AC (the Sponsor) shall each own (directly or through a subsidiary who is at least 51% owned and controlled by United Utilities PLC or AC) at least 20% of the outstanding capital stock of the Parent Company until December 31, 2002 and at least 10% after the first Rate Rebasing (January 1, 2003) and throughout the concession period.

In a letter from MWSS-RO addressed to the Parent Company dated October 19, 2004, MWSS-RO confirmed that the term “Outstanding capital stock” refers to the total issued shares of the Parent Company, voting or nonvoting, irrespective of par value, excluding treasury shares. The MWSS-RO further clarified that for purposes of the compliance with the Agreement, AC and United Utilities PLC will be owners of the Parent Company to be held by a joint venture company in proportion to their respective ownership of the outstanding capital stock of the said company.

**Preferred Shares**

The dividends for the ₱0.10 par value and ₱1 par value preferred shares are declared upon the sole discretion of the Parent Company’s BOD, based on retained earnings availability.

**Dividends**

The following table shows the cash dividends declared by the Parent Company’s BOD for the outstanding capital stock on the three years ended December 31, 2010:

<table>
<thead>
<tr>
<th>Declaration Date</th>
<th>Record Date</th>
<th>Amount Per Share</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Common Shares</td>
<td>Participating Preferred Shares</td>
</tr>
<tr>
<td>March 31, 2008</td>
<td>April 15, 2008</td>
<td>0.175</td>
<td>0.0175</td>
</tr>
<tr>
<td>July 22, 2008</td>
<td>August 5, 2008</td>
<td>0.175</td>
<td>0.0175</td>
</tr>
<tr>
<td>March 30, 2009</td>
<td>April 16, 2009</td>
<td>0.200</td>
<td>0.0200</td>
</tr>
<tr>
<td>September 24, 2009</td>
<td>October 8, 2009</td>
<td>0.200</td>
<td>0.0200</td>
</tr>
<tr>
<td>November 26, 2009</td>
<td>December 31, 2009</td>
<td>–</td>
<td>0.0100</td>
</tr>
<tr>
<td>April 12, 2010</td>
<td>April 26, 2010</td>
<td>0.230</td>
<td>0.0230</td>
</tr>
<tr>
<td>July 9, 2010</td>
<td>June 23, 2010</td>
<td>0.230</td>
<td>0.0230</td>
</tr>
<tr>
<td>November 25, 2010</td>
<td>December 1, 2010</td>
<td>–</td>
<td>0.0100</td>
</tr>
</tbody>
</table>

There are no dividends in arrears for the Parent Company’s participating preferred shares as of December 31, 2010.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company’s retained earnings available for dividend declaration as of December 31, 2010 amounted to ₱8.80 billion.

**Appropriation for capital expenditures**

On February 7, 2008, the Parent Company’s BOD approved the additional appropriation of a portion of its retained earnings amounting to ₱2.0 billion for future expansion projects.

On November 26, 2009, the Parent Company’s BOD approved the additional appropriation of a portion of its retained earnings amounting to ₱3.0 billion for future expansion projects.
Executive Stock Option Plan (Executive SOP), Expanded Executive SOP and Employee Stock Ownership Plan (ESOWN)

On February 26, 2004, the Parent Company’s BOD authorized the allocation of up to 20.0 million of the treasury shares for distribution from time to time as may be authorized by the Chairman of the Board (Chairman) as incentive and reward to deserving officers of the Parent Company with rank of Manager 2 and above, including senior officers seconded from any parent company, under the Executive SOP.

On October 28, 2004, the Parent Company’s BOD approved the allocation of an additional 3.6 million shares for the Executive SOP, which will come from the Company’s unissued shares or common shares held in treasury. Accordingly, total allocation for the Executive SOP increased to 23.6 million shares.

On the same date, the Parent Company’s BOD approved the allocation of 136.40 million common shares for the Expanded Executive SOP covering 96.40 million common shares and the ESOWN covering 40.00 million common shares. The common shares for the ESOWN and the Expanded Executive SOP will come from the Parent Company’s unissued common shares or common shares held in treasury. The common shares under the Expanded Executive SOP and ESOWN will be distributed from time to time as an incentive and reward to deserving Parent Company’s executives (Expanded Executive SOP) and employees (ESOWN) of the Parent Company as may be authorized by the Chairman.

In March 2005, the Parent Company granted 23.6 million options under the Executive SOP with an exercise price of P=2.71 per share. To enjoy the rights provided for in the plan, the option holder should be with the Parent Company at the time the options vest. The vesting schedule of the options is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Vesting Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>40%</td>
</tr>
<tr>
<td>2007</td>
<td>30%</td>
</tr>
<tr>
<td>2008</td>
<td>30%</td>
</tr>
</tbody>
</table>

On November 15, 2005, the Parent Company’s BOD approved the allocation of 25.00 million common shares, consisting of unissued shares and/or undisposed treasury shares, for distribution from time to time as may be authorized by the Chairman, as an incentive and reward to deserving executives of the Parent Company with rank of Manager 1 and above, under the ESOWN.

On February 2, 2006, the Parent Company’s BOD authorized the migration of the Executive SOP covering 23.6 million common shares to ESOWN by giving Executive SOP grantees a one-time opportunity to convert their Executive SOP allocation into an ESOWN subscription using the Executive SOP subscription price of P=2.71 per share. The ESOWN terms are described in the succeeding paragraphs.

The migration resulted in the recognition of the additional fair value of the replacement options amounting to P=26.50 million. For the exercised options, the fair value was computed using the market price at the date of grant less the discounted strike price.
Details of the Parent Company’s grants under the ESOWN follow:

<table>
<thead>
<tr>
<th>Grant Dates</th>
<th>April 30, 2009</th>
<th>June 15, 2008</th>
<th>May 21, 2007</th>
<th>May 2, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares granted</td>
<td>9,241,025</td>
<td>7,798,483</td>
<td>2,130,000</td>
<td>13,625,000</td>
</tr>
<tr>
<td>Number of unsubscribed shares</td>
<td>1,442,000</td>
<td>1,580,000</td>
<td>520,000</td>
<td>2,265,000</td>
</tr>
<tr>
<td>Fair value of each option</td>
<td>₱5.90</td>
<td>₱10.65</td>
<td>₱9.85</td>
<td>₱4.59</td>
</tr>
<tr>
<td>Weighted average share price</td>
<td>₱13.50</td>
<td>₱18.00</td>
<td>₱12.00</td>
<td>₱6.50</td>
</tr>
<tr>
<td>Exercise price</td>
<td>₱9.63</td>
<td>₱15.13</td>
<td>₱6.08</td>
<td>₱5.47</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>44.66%</td>
<td>25.64%</td>
<td>27.29%</td>
<td>24.65%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>2.92%</td>
<td>1.96%</td>
<td>2.58%</td>
<td>3.40%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>8.53%</td>
<td>6.93%</td>
<td>10.55%</td>
<td>11.30%</td>
</tr>
<tr>
<td>Expected life of option</td>
<td>4 years</td>
<td>4 years</td>
<td>7 years</td>
<td>7 years</td>
</tr>
</tbody>
</table>

There was no grant in 2010 and options exercised came from 2006 and 2009 grants.

To enjoy the rights provided for in the ESOWN, the grantee should be with the Parent Company at the time the Holding Period expires. The Holding Period of the ESOWN shares follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Holding Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>After one year from subscription date</td>
<td>40%</td>
</tr>
<tr>
<td>After two years from subscription date</td>
<td>30%</td>
</tr>
<tr>
<td>After three years from subscription date</td>
<td>30%</td>
</tr>
</tbody>
</table>

The ESOWN grantees are allowed to subscribe fully or partially to whatever allocation may have been granted to them. In case of initial partial subscriptions, the employees are still allowed to subscribe to the remaining unsubscribed shares granted to them provided that this would be made at the start of Year 5 from grant date up to the end of Year 6. Any additional subscription made by the employee (after the initial subscription) will be subjected to another 3-year holding period.

Movements in the number of stock options outstanding under ESOWN are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighted average exercise price</td>
<td>Weighted average exercise price</td>
</tr>
<tr>
<td>At January 1</td>
<td>7,362,000</td>
<td>9.63</td>
</tr>
<tr>
<td>Granted</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exercised</td>
<td>(1,920,000)</td>
<td>6.45</td>
</tr>
<tr>
<td>At December 31</td>
<td>5,442,000</td>
<td>7,362,000</td>
</tr>
</tbody>
</table>

The fair value of equity-settled share options granted was estimated at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

Total expense arising from equity-settled share-based payment transactions amounted to ₱47.3 million in 2010, ₱75.49 million in 2009 and ₱42.48 million in 2008.

The expected life of the options is based on management’s estimate and is not necessarily indicative of exercise patterns that may occur. The expected volatility used for the 2007 and 2006 grants was based on the average historical price volatility of several water utility companies within the Asian region. For the 2009 grants, the Parent Company’s volatility was used as input in the valuation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily reflect the actual outcome.

No other features of the options granted were incorporated into the measurement of fair value.
21. Earnings Per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2010, 2009 and 2008 were computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousands, Except Per Share Figures)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to equity holders of the Parent Company</td>
<td>P=3,978,545</td>
<td>P=3,231,413</td>
<td>P=2,788,020</td>
</tr>
<tr>
<td>Less dividends on preferred shares*</td>
<td>687,456</td>
<td>569,792</td>
<td>496,967</td>
</tr>
<tr>
<td>Net income attributable to common shareholders for basic and diluted earnings per share</td>
<td>P=3,291,089</td>
<td>P=2,661,621</td>
<td>P=2,291,053</td>
</tr>
<tr>
<td>Weighted average number of shares for basic earnings per share</td>
<td>2,031,318</td>
<td>2,028,078</td>
<td>2,019,834</td>
</tr>
<tr>
<td>Dilutive shares arising from stock options</td>
<td>2,136</td>
<td>2,455</td>
<td>2,885</td>
</tr>
<tr>
<td>Adjusted weighted average number of common stock for diluted earnings per share</td>
<td>2,033,454</td>
<td>2,030,533</td>
<td>2,022,719</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>P=1.62</td>
<td>P=1.31</td>
<td>P=1.13</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>P=1.62</td>
<td>P=1.31</td>
<td>P=1.13</td>
</tr>
</tbody>
</table>

*Including participating preferred shares’ participation in earnings.

22. Related Party Transactions

In the normal course of business, the Group has transactions with related parties. The sales and investments made to related parties are made at normal market prices. Service agreements are based on rates agreed upon by the parties. Outstanding balances at year-end are unsecured and interest-free. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2010 and 2009, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties follow:

a. The Parent Company entered into management agreements with United Utilities B.V., an affiliate of United Utilities, a stockholder of Philwater, AC, a principal stockholder, and Water Capital Works, Inc. (WCWI), a joint venture Group formed by AC, United Utilities and BPI Capital. Under the agreements, AC, United Utilities and WCWI will provide technical and other knowledge, experience and skills as reasonably necessary for the development, administration and operation of the concession, for which the Parent Company shall pay to each one of them an annual base fee of US$1.00 million and adjusted for the effect of CPI, except for WCWI which has a base fee of 1% of the earned values of the project being supervised. As a result, certain key management positions are occupied by employees of these related parties. The agreements are for a period of ten (10) years until 2007 and are renewable for successive periods of five (5) years.

The BOD, in its meeting on August 16, 2007, approved the renewal of the Technical Services Agreement with United Utilities, Administrative and Support Services Agreement with AC and Capital Works Agreement with WCWI for another five years up to 2012. Total management and professional fees charged to operations amounted to P=222.58 million and P=215.80 million in 2010 and 2009 respectively. Total outstanding payables amounted to
P=109.66 million and P=121.19 million as of December 31, 2010 and 2009, respectively (see Note 14).

b. The Group has investments in debt and equity securities of AC, and its subsidiaries and jointly controlled entities, which are included in the “AFS financial assets” section of the consolidated statements of financial position. The fair values of these investments are as follows:

<table>
<thead>
<tr>
<th>Shareholder:</th>
<th>Debt Securities</th>
<th>Equity Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>AC</td>
<td>P=213,009,568</td>
<td>P=200,000,000</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td>135,071,772</td>
<td>130,000,000</td>
</tr>
<tr>
<td>Globe</td>
<td>104,181,283</td>
<td>100,000,000</td>
</tr>
<tr>
<td>ALI</td>
<td>98,236,780</td>
<td>90,000,000</td>
</tr>
<tr>
<td></td>
<td>337,489,835</td>
<td>320,000,000</td>
</tr>
<tr>
<td></td>
<td>P=550,499,403</td>
<td>P=520,000,000</td>
</tr>
</tbody>
</table>

In addition, the Parent Company has entered into an IMA with BPI, an affiliate, in 2008. As of December 31, 2010 and 2009, the fair values of the IMA account with BPI amounted to P=344.37 million and P=303.67 million, respectively.

c. The following tables provide the total amount of all other transactions that have been entered into with the Parent Company’s shareholders and affiliates for the relevant financial year:

Revenue from related parties:

<table>
<thead>
<tr>
<th>Shareholder:</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>P=4,461,694</td>
<td>P=5,738,946</td>
<td>P=4,864,159</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Land, Inc. (ALI) and Subsidiaries</td>
<td>79,227,601</td>
<td>97,136,181</td>
<td>95,792,452</td>
</tr>
<tr>
<td>Bank of the Philippine Islands (BPI) and Subsidiaries</td>
<td>7,091,928</td>
<td>9,919,923</td>
<td>8,816,589</td>
</tr>
<tr>
<td>Globe Telecom, Inc. (Globe) and Subsidiaries</td>
<td>1,582,956</td>
<td>2,080,734</td>
<td>1,402,594</td>
</tr>
<tr>
<td>Honda Cars Makati, Inc. (HCMI)</td>
<td>273,904</td>
<td>324,601</td>
<td>354,121</td>
</tr>
<tr>
<td></td>
<td>88,176,389</td>
<td>109,461,439</td>
<td>106,365,756</td>
</tr>
<tr>
<td></td>
<td>P=92,638,083</td>
<td>P=115,200,385</td>
<td>P=111,229,915</td>
</tr>
</tbody>
</table>

Revenue is mainly attributable to water and sewerage services rendered by the Group to its shareholder and affiliates.

Purchases from related parties:

<table>
<thead>
<tr>
<th>Affiliates:</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALI and Subsidiaries</td>
<td>P=467,830,563</td>
<td>P=1,775,033</td>
<td>P=2,024,516</td>
</tr>
<tr>
<td>HCMI</td>
<td>20,299,156</td>
<td>6,250</td>
<td>–</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>6,252,713</td>
<td>9,757,459</td>
<td>18,156,028</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>–</td>
<td>4,126,258</td>
<td>4,413,720</td>
</tr>
<tr>
<td></td>
<td>P=494,382,432</td>
<td>P=15,665,000</td>
<td>P=24,594,264</td>
</tr>
</tbody>
</table>
Purchases from ALI and subsidiaries pertain to acquisition of fixed assets while purchases from HCM relates to acquisition of moveable fixed asset. Purchases from Globe pertains to telecommunication services and purchases from BPI relates to financing.

Outstanding receivables from related parties as of December 31:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>P81,174</td>
<td>P85,005</td>
</tr>
<tr>
<td><strong>Affiliates:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALI and Subsidiaries</td>
<td>465,653</td>
<td>106,749</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>10,118</td>
<td>9,823</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>3,186</td>
<td>2,911</td>
</tr>
<tr>
<td></td>
<td>478,957</td>
<td>119,483</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P560,131</td>
<td>P204,488</td>
</tr>
</tbody>
</table>

Receivables are primarily composed of trade receivables for water and sewerage services rendered by the Group. Additional receivable from ALI and Subsidiaries consist of advances to contractors for the construction of fixed assets.

d. On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004) with POL, one of its shareholders. Concession fees paid to POL amounted to P=0.81 million in 2010 and P=0.24 million in 2009 (see Notes 1 and 29).

e. On December 17, 2009, BIWC entered into a concession agreement with TIEZA, one of its shareholders, for a period of 25 years, with commencement date on January 1, 2010 and renewable at any time prior to expiration for another 25 years, without necessity of bidding.

As of December 31, 2010 and 2009, BIWC has outstanding advances to TIEZA, amounting to P=2.80 million and P=60.00 million, respectively. The P=60.00 million advance payment was considered part of concession assets in 2010 (see Notes 4, 13 and 29).

f. Compensation of key management personnel of the Group by benefit type follows:

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>P287,173,392</td>
<td>P268,650,001</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>9,973,320</td>
<td>7,200,081</td>
</tr>
<tr>
<td>Share-based payment (Note 20)</td>
<td>4,253,069</td>
<td>3,129,956</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P301,399,781</td>
<td>P278,980,038</td>
</tr>
</tbody>
</table>

23. Management Contracts

Vietnam Project
On July 22, 2008, the Parent Company entered into a Performance-Based Leakage Reduction and Management Services Contract with SAWACO. The contract involves the following components:

a. General requirements;
b. District Metering Area establishment;
c. Leakage reduction and management services;
In 2010 and 2009, total revenue from the Vietnam Project amounted to ₱72.82 million and ₱18.87 million, respectively. Total costs related to the Vietnam Project amounted to ₱93.89 million and ₱47.95 million in 2010 and 2009, respectively.

India Project
On May 25, 2007, the Parent Company entered into a Secondment Agreement with Mahindra Water Utilities Limited relating to water management. Total revenue related to the India Project in 2010 and 2009 amounted to ₱2.09 million and ₱4.84 million, respectively, while the corresponding costs amounted to ₱4.24 million and ₱2.87 million in 2010 and 2009, respectively.

Cebu Project
Following the execution of the Memorandum of Understanding on January 29, 2009, the Governor of Cebu Province has accepted the unsolicited proposal of the consortium of the Parent Company and Stateland, Inc. for a joint venture or investment with the Provincial Government of Cebu for the development of a treated bulk water supply project in the province of Cebu. The parties are still negotiating on the specific terms and conditions of the joint venture or investment. The project aims to deliver in bulk to the province of Cebu treated surface water extracted from the Luyang River in the town of Carmen.

24. Significant Contracts with the West Zone Concessionaire

In relation to the Agreement, the Group entered into the following contracts with Maynilad:

a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones.

b. Joint Venture Arrangement that will operate, maintain, renew, and as appropriate, decommission common purpose facilities, and perform other functions pursuant to and in accordance with the provisions of the Agreement and perform such other functions relating to the concession (and the concession of the West Zone Concessionaire) as the Concessionaires may choose to delegate to the joint venture, subject to the approval of MWSS.

c. In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility is $116,602,000 with maturity of 20 years including 5 years grace period. Interest rate is 3% per annum. MWSS then entered into a Memorandum of Agreement with MWC and Maynilad for MWC and MWSI to shoulder equally the repayment of the loan, with such repayment to be part of the concession fees.
25. Assets Held in Trust

MWSS
The Parent Company is granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and upon expiration of the useful life of any such movable property as may be determined by the Parent Company, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or the Parent Company.

The Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both East and West Zones including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to the Parent Company on Commencement Date based on MWSS’ closing audit report amounted to P=4.60 billion with a sound value of P=10.40 billion.

A re-appraisal of the MWSS facilities mentioned above as of December 31, 2004 was conducted by Cuervo Appraisers. The final appraisal report was submitted on November 2006 showing a total reproduction cost of P=27.0 billion with a sound value of P=17.2 billion.

In 2009, the Parent Company engaged the services of Cuervo Appraisers to conduct a re-appraisal of the MWSS assets on record as of December 31, 2008. Total reproduction cost as of December 31, 2008 amounted to P=37.7 billion with a sound value of P=22.9 billion.

MWSS’ corporate headquarters is made available to the Concessionaires starting August 1, 1997, subject to periodic renewal by mutual agreement of the parties. On October 27, 2006, the Parent Company has renewed the lease for 5 years, with expiry of October 27, 2011. Rent expense amounted to P=16.80 million, P=16.64 million and P=14.09 million in 2010, 2009 and 2008, respectively. These are included under “Occupancy costs” in the consolidated statements of comprehensive income.

POL
LAWC is granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with POL. The legal title of all property in existence at the commencement date shall be retained by POL. Upon expiration of the useful life of any such property as may be determined by LAWC, such property shall be returned to POL in its then condition at no charge to POL or LAWC.

TIEZA
BIWC is granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Agreement. The legal title to all movable property in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of any such movable property as may be determined by BIWC, such movable property shall be returned to TIEZA in its then-current condition at no charge to TIEZA or BIWC.

The net book value of the facilities transferred to BIWC on commencement date based on TIEZA’s closing audit report amounted to P=618.29 million.
26. Segment Information

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

The segments where the Group operate follow:

- **East Zone** - manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services in the East Zone. Revenue from this business segment consists of water, environmental charges, sewer, income from septic sludge disposal and bacteriological water analysis and other miscellaneous income.
- **Outside East Zone** - manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services outside the East Zone. Revenue from this segment consists of water and other miscellaneous income.
- **Management contracts** - agreements related to improvements in the customers’ water systems. Revenue from management contracts comprises the revenue of this business segment.

Details of the Group’s operating segments as of and for the years ended December 31, 2010 and 2009 are as follows:

### 2010

<table>
<thead>
<tr>
<th></th>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to external customers</td>
<td>10,724,162,655</td>
<td>214,312,766</td>
<td>74,910,083</td>
<td>11,013,385,504</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>4,742,660,889</td>
<td>161,740,767</td>
<td>97,929,557</td>
<td>5,002,331,213</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>5,981,501,766</td>
<td>52,571,999</td>
<td>(23,019,474)</td>
<td>6,011,054,291</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>6,756,537,894</td>
<td>18,967,008</td>
<td>–</td>
<td>6,775,484,902</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(6,756,481,384)</td>
<td>(9,477,188)</td>
<td>–</td>
<td>(6,765,958,572)</td>
</tr>
<tr>
<td>Interest income</td>
<td>282,522,009</td>
<td>5,484,053</td>
<td>–</td>
<td>288,006,062</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,155,040,450)</td>
<td>(33,413,794)</td>
<td>–</td>
<td>(1,188,454,244)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>121,771,455</td>
<td>(7,844,648)</td>
<td>–</td>
<td>113,926,807</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>5,230,791,290</td>
<td>26,287,430</td>
<td>(23,019,474)</td>
<td>5,234,059,246</td>
</tr>
<tr>
<td>Provision for (benefit from) income tax</td>
<td>1,257,676,956</td>
<td>(11,087,560)</td>
<td>–</td>
<td>1,246,589,396</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>3,973,114,334</td>
<td>37,374,990</td>
<td>(23,019,474)</td>
<td>3,987,469,850</td>
</tr>
<tr>
<td>Unrealized gain on AFS financial assets</td>
<td>92,381,443</td>
<td>–</td>
<td>–</td>
<td>92,381,443</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>2,650,312</td>
<td>–</td>
<td>–</td>
<td>2,650,312</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>4,068,146,089</td>
<td>37,374,990</td>
<td>(23,019,474)</td>
<td>4,082,501,605</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>4,062,412,745</td>
<td>34,184,377</td>
<td>(23,019,474)</td>
<td>4,073,577,658</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>–</td>
<td>8,923,957</td>
<td>–</td>
<td>8,923,957</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>4,062,412,745</td>
<td>34,184,377</td>
<td>(23,019,474)</td>
<td>4,082,501,605</td>
</tr>
<tr>
<td>Segment assets, exclusive of deferred tax assets</td>
<td>46,235,487,305</td>
<td>1,932,928,866</td>
<td>41,151,009</td>
<td>48,209,567,180</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>379,399,898</td>
<td>31,720,788</td>
<td>–</td>
<td>411,120,686</td>
</tr>
<tr>
<td><strong>Segment liabilities</strong></td>
<td>46,614,887,203</td>
<td>1,964,649,654</td>
<td>41,151,009</td>
<td>48,620,687,866</td>
</tr>
<tr>
<td>Segment additions to property and equipment and SCA</td>
<td>8,674,469,130</td>
<td>1,086,293,963</td>
<td>589,960</td>
<td>9,761,353,053</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,419,919,066</td>
<td>50,177,196</td>
<td>1,799,418</td>
<td>1,471,895,682</td>
</tr>
<tr>
<td>Noncash expenses other than depreciation and amortization</td>
<td>–</td>
<td>5,733,345</td>
<td>–</td>
<td>5,733,345</td>
</tr>
</tbody>
</table>
### 2009

**Revenue**

Sales to external customers

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=9,485,857,121</td>
<td>P=22,990,892</td>
<td>P=23,709,284</td>
<td>P=9,532,557,297</td>
</tr>
</tbody>
</table>

Operating expenses

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,597,249,234</td>
<td>38,256,900</td>
<td>50,821,320</td>
<td>4,686,327,454</td>
</tr>
</tbody>
</table>

Operating income (loss)

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,888,607,887</td>
<td>(15,266,008)</td>
<td>(27,112,036)</td>
<td>4,846,229,843</td>
</tr>
</tbody>
</table>

Revenue from rehabilitation works

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,164,107,746</td>
<td>9,220,124</td>
<td>–</td>
<td>4,173,327,870</td>
</tr>
</tbody>
</table>

Cost of rehabilitation works

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,164,107,746)</td>
<td>(7,643,113)</td>
<td>–</td>
<td>(4,171,750,859)</td>
</tr>
</tbody>
</table>

Interest income

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>360,358,398</td>
<td>1,612,135</td>
<td>–</td>
<td>361,970,533</td>
</tr>
</tbody>
</table>

Interest expense

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>(811,310,124)</td>
<td>(210,676)</td>
<td>–</td>
<td>(811,520,800)</td>
</tr>
</tbody>
</table>

Other expense

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>(162,152,659)</td>
<td>(573,638)</td>
<td>–</td>
<td>(162,726,297)</td>
</tr>
</tbody>
</table>

**Income before income tax**

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,275,503,502</td>
<td>(12,861,176)</td>
<td>(27,112,036)</td>
<td>4,235,530,290</td>
</tr>
</tbody>
</table>

Provision for (benefit from) income tax

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,006,147,668</td>
<td>(1,136,514)</td>
<td>–</td>
<td>1,005,011,154</td>
</tr>
</tbody>
</table>

Net income (loss)

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=3,269,355,834</td>
<td>(P=11,724,662)</td>
<td>(P=27,112,036)</td>
<td>P=3,230,519,136</td>
</tr>
</tbody>
</table>

Net income attributable to:

- Equity holders of Manila Water Company, Inc.
  - P=3,269,355,834
  - (P=10,830,672)
  - (P=27,112,036)
  - P=3,231,413,126
- Noncontrolling interests
  - –
  - (893,990)
  - –
  - (893,990)

**Other information**

Segment assets, exclusive of deferred tax assets

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=42,588,431,683</td>
<td>P=725,292,275</td>
<td>P=73,633,060</td>
<td>P=43,387,357,018</td>
</tr>
</tbody>
</table>

Deferred tax assets

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>369,455,767</td>
<td>1,594,417</td>
<td>–</td>
<td>371,050,184</td>
</tr>
</tbody>
</table>

Segment liabilities

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=26,669,881,180</td>
<td>P=23,106,525</td>
<td>P=26,787,680,964</td>
<td></td>
</tr>
</tbody>
</table>

Segment additions to property and equipment and SCA

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=8,157,211,978</td>
<td>P=24,576,842</td>
<td>P=5,061,422</td>
<td>P=8,186,850,242</td>
</tr>
</tbody>
</table>

Depreciation and amortization

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=1,952,924,512</td>
<td>P=2,544,463</td>
<td>P=870,653</td>
<td>P=1,956,339,628</td>
</tr>
</tbody>
</table>

Noncash expenses other than depreciation and amortization

<table>
<thead>
<tr>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>P=14,467,432</td>
<td>–</td>
<td>–</td>
<td>P=14,467,432</td>
</tr>
</tbody>
</table>

*Pertains to the amount of impairment loss recognized during the year*

Total revenue derived from India and Vietnam amounted to P=74.91 million and P=23.71 million in 2010 and 2009, respectively, and are included under the management contracts segment of the Group. The Group does not have a single customer contributing more than 10% of its total revenue.

### 27. Fair Value Measurement

The following table summarizes the carrying amounts and fair values of the Group’s financial assets and liabilities as of December 31, 2010 and 2009:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carrying Value</strong></td>
<td><strong>Fair Value</strong></td>
<td><strong>Carrying Value</strong></td>
</tr>
<tr>
<td>(In Thousand Pesos)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loans and receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>P=2,412,912</td>
<td>P=2,412,912</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>1,546,339</td>
<td>1,546,339</td>
</tr>
<tr>
<td><strong>Trade and other receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>226,139</td>
<td>226,139</td>
</tr>
<tr>
<td>Commercial</td>
<td>59,851</td>
<td>59,851</td>
</tr>
<tr>
<td>Semi-business</td>
<td>13,697</td>
<td>13,697</td>
</tr>
<tr>
<td>Industrial</td>
<td>2,731</td>
<td>2,731</td>
</tr>
<tr>
<td>Employees</td>
<td>50,389</td>
<td>50,389</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>21,768</td>
<td>21,768</td>
</tr>
<tr>
<td>Others</td>
<td>107,593</td>
<td>107,593</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,441,419</td>
<td>4,441,419</td>
</tr>
</tbody>
</table>
The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

Cash and cash equivalents, short-term cash investments and trade and other receivables - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

AFS quoted debt securities - Fair values are based on quoted market prices.

AFS unquoted equity securities - These are presented at carrying amounts (cost less allowance for impairment losses) since the fair values cannot be reasonably estimated due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

AFS unquoted debt and other securities - Fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 1% to 7% in 2010 and 5% to 9% in 2009.

Derivative assets - Fair value of call option was determined using Black’s option pricing model. Valuation inputs such as discount rates were based on credit adjusted interest rates ranging from 2% to 5% in 2010 and 6% to 8% in 2009 while interest rate volatility was computed based on historical rates or data.

Accounts and other payables and payable to related parties - Carrying amounts approximate fair values due to the relatively short-term maturities of these payables.

Customers’ guaranty and other deposits and long-term debt - The fair values are estimated using the discounted cash flow methodology using the Group’s current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used for Peso-denominated loans was 1.99% to 7.27% in 2010 and 4.16% to 6.14% in 2009 while the discount rates used for foreign currency-denominated loans ranged from about 1.13% to 3.66% in 2010 and 0.17% to 4.54% in 2009.
Fair Value Hierarchy
The Group held the following financial assets measured at fair value as of December 31:

### 2010

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares</td>
<td>P=162,000,000</td>
<td>P=–</td>
<td>P=–</td>
<td>P=162,000,000</td>
</tr>
<tr>
<td>Debt</td>
<td>160,060,157</td>
<td>758,494,624</td>
<td>–</td>
<td>918,554,781</td>
</tr>
<tr>
<td>IMA accounts</td>
<td>683,186,778</td>
<td>–</td>
<td>–</td>
<td>683,186,778</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>–</td>
<td>–</td>
<td>229,613,149</td>
<td>229,613,149</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=1,005,246,935</strong></td>
<td><strong>P=758,494,624</strong></td>
<td><strong>P=229,613,149</strong></td>
<td><strong>P=1,993,354,708</strong></td>
</tr>
</tbody>
</table>

### 2009

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares</td>
<td>P=156,000,000</td>
<td>P=–</td>
<td>P=–</td>
<td>P=156,000,000</td>
</tr>
<tr>
<td>Debt</td>
<td>450,852,323</td>
<td>714,048,438</td>
<td>–</td>
<td>1,164,900,761</td>
</tr>
<tr>
<td>IMA accounts</td>
<td>639,162,815</td>
<td>–</td>
<td>–</td>
<td>639,162,815</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>–</td>
<td>–</td>
<td>158,817,648</td>
<td>158,817,648</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=1,246,015,138</strong></td>
<td><strong>P=714,048,438</strong></td>
<td><strong>P=158,817,648</strong></td>
<td><strong>P=2,118,881,224</strong></td>
</tr>
</tbody>
</table>

During the period ended December 31, 2010, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The only financial instrument of the Group that is classified under Level 3 in the fair value hierarchy is its derivative asset pertaining to the embedded call option bifurcated from the P=4.0 Billion Bonds (Note 15). This was classified as such because of the use of credit spread as input to its fair value calculation which was assessed by the Group as having a significant impact to its fair value. The movement in the fair value of the embedded derivative is shown as follows:

### 2010

- **At January 1, 2010**: P=158,817,648
- **Mark-to-market gain recognized in profit and loss**: 70,795,501
- **At December 31, 2010**: P=229,613,149

### 2009

- **At January 1, 2009**: P=258,404,081
- **Mark-to-market loss recognized in profit and loss**: (99,586,433)
- **At December 31, 2009**: P=158,817,648

To assess the impact of the credit spread used, the Group performed a sensitivity analysis on the fair value of the embedded derivative using an assumed increase/(decrease) in the credit spread, the results of which are shown below:

<table>
<thead>
<tr>
<th>Changes in Basis Points (bps)</th>
<th>Effect on Income before Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
</tr>
<tr>
<td>+25</td>
<td>(P=5,626,140)</td>
</tr>
<tr>
<td>-25</td>
<td>6,925,387</td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
</tr>
<tr>
<td>+25</td>
<td>(P=8,625,908)</td>
</tr>
<tr>
<td>-25</td>
<td>9,004,004</td>
</tr>
</tbody>
</table>
Embedded Derivatives

Embedded Prepayment Options

1. **P=2.0 Billion and P=1.5 Billion Loans**

   The Group has two 7-year loans with an aggregate amount of P=3.5 billion (see Note 15) where it has the option to prepay the whole loan or any part of the loan. For each Tranche, the Group will pay the amount calculated as the greater of the present value of the remaining cash flows of the relevant Tranche discounted at the yield of the “comparable benchmark tenor” as shown on the Bloomberg MART1 page or one hundred percent (100%) of the principal amount of the relevant Tranche being prepaid.

   The prepayment option of the Group effectively has two components: a long call option and a short put option. The long call option entitles the Group to buy back the issued loan at the face amount while the short put option enables the counterparty bank to sell back the loan to the Group at the market price (present value of future cash flows discounted at prevailing market rates).

   The long call option has a strike price equal to the face amount. Most likely, the Group will exercise the long call option if the market value of the loan is higher than the face amount (in the money). However, if the market value of the loan is lower than the face amount (out of the money), the option will not be exercised.

   On the other hand, the put option enables the counterparty bank to demand payment based on the market value of the loan. Therefore, the strike price of the option is identified as the market value of the loan. Based on analysis, the put option is not the usual option availed to protect the holder from future decline of an asset’s market value. By setting the strike price at market value, the put option provides protection to the holder, as a writer of the call option, from possible losses resulting from the exercise of the call option.

   Based on the payoff analysis, the value of the long call and the short put options are offsetting resulting to net payoff of zero. Consequently, no value for the embedded derivatives is recognized.

2. **P=4.0 Billion Bonds**

   The Group has an embedded call option on the P=4.0 Billion Peso Bonds issued on October 22, 2008 (see Note 15). The embedded call option gives the Group the right to redeem all but not in part the outstanding bonds on the twelfth interest payment date. The amount payable to the bondholders in respect of such redemptions shall be calculated based on the principal amount of the bonds being redeemed, as the sum of 102% of the principal amount and accrued interest on the bonds on the optional redemption date. On issue date, the Group recognized separately the fair value of the embedded call option, resulting in recognition of a derivative asset and loan premium amounting to P=210.55 million. The embedded derivative is carried at FVPL while the loan premium is amortized at effective interest rate over the life of the loan.

   As of December 31, 2010 and 2009, the embedded option’s fair value is P=229.61 million and P=158.82 million, respectively (see Note 13). The mark-to-market gain amounting to P=70.80 million in 2010 and the mark-to-market loss amounting to P=99.59 million in 2009 were recognized in the consolidated statements of comprehensive income.
Embedded Put Option
The lenders of the PhP2.0 billion and PhP1.5 billion loans (see Note 15) also have the option to require the Group to pay in full its respective portion of the Tranche 2 Loan (put option) at the end of the fifth year from the date of the Tranche 2 Loan’s initial disbursement. The option is considered clearly and closely related to the host contract because the strike price approximates the amortized cost. Therefore, the embedded derivative was not bifurcated.


The Group’s principal financial instruments comprise of cash and cash equivalents, short-term cash investments, AFS financial assets and long-term debt. The financial debt instruments were issued primarily to raise financing for the Group’s operations. The Group has various financial assets such as cash and cash equivalents, short-term cash investments, trade receivables and payables which arise directly from the conduct of its operations.

The main purpose of the Group’s financial instruments is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are liquidity risk, foreign currency risk, interest rate risk, equity price rate risk and credit risk.

The Parent Company’s BOD reviews and approves the policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the Parent Company’s BOD.

The Group’s risk management policies are summarized below:

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to interest rate risk relates primarily to its financial instruments with floating and/or fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

For cash flow interest rate risk, the Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. As of December 31, 2010 and 2009, approximately 72% and 74%, respectively, of the Group’s borrowings have fixed rates of interest.

For fair value interest rate risk, the Group’s investment policy requires it to buy and hold AFS financial assets, unless the need to sell arises, and to reduce the duration gap between financial assets and financial liabilities to minimize interest rate risk. Securities are also marked-to-market monthly to reflect and account for both unrealized gains and losses.
The following tables show information about the nominal amount of the Group’s financial instruments that are exposed to cash flow and fair value interest rate risks which are presented by maturity profile.

### 2010

<table>
<thead>
<tr>
<th>maturity profile</th>
<th>Within 1 year (In Thousands)</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>More than 4 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents and Short-term cash investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>P=2,648,122</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>P=2,648,122</td>
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<td>AFS Financial Assets</td>
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<tr>
<td>Bonds</td>
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<tr>
<td>Government Securities</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>RTBN</td>
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<td>-</td>
<td>55,588</td>
<td>53,191</td>
<td>-</td>
<td>160,061</td>
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<td>FXTN</td>
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<tr>
<td>Corporate Bonds</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range) 4.90% to 8.80%</td>
<td>99,660</td>
<td>421,626</td>
<td>120,077</td>
<td>53,862</td>
<td>141,370</td>
<td>836,295</td>
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<tr>
<td></td>
<td>150,942</td>
<td>421,626</td>
<td>175,665</td>
<td>107,053</td>
<td>141,370</td>
<td>996,656</td>
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<tr>
<td></td>
<td>P=2,799,064</td>
<td>P=421,626</td>
<td>P=175,665</td>
<td>P=107,053</td>
<td>P=141,370</td>
<td>P=3,644,778</td>
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### 2009

<table>
<thead>
<tr>
<th>maturity profile</th>
<th>Within 1 year (In Thousands)</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>More than 4 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents and Short-term cash investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range) 0.00% to 11.50%</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>P=6,563,514</td>
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<tr>
<td>AFS Financial Assets</td>
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<td>Bonds</td>
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<td>53,934</td>
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<tr>
<td>Corporate Bonds</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Interest Rates (Range) 4.90% to 8.80%</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>134,489</td>
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<td>295,269</td>
<td>145,905</td>
<td>400,000</td>
<td>110,000</td>
<td>110,000</td>
<td>714,048</td>
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<td>P=145,905</td>
<td>P=400,000</td>
<td>P=163,934</td>
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<td>Within 1 year</td>
<td>1-2 years</td>
<td>2-3 years</td>
<td>3-4 years</td>
<td>4-5 years</td>
<td>More than 5 years</td>
</tr>
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</tr>
<tr>
<td><strong>Long-Term Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Rate (exposed to fair value risk)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>$2,715,000</td>
<td>$1,357,500</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.5 - 7.5%</td>
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<td></td>
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<tr>
<td>$2 Billion Loan</td>
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<td>$16,000,000</td>
<td>$1,368,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>8.0 - 9.0%</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>$1.5 Billion Loan</td>
<td>$11,000,000</td>
<td>$11,000,000</td>
<td>$1,078,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Interest rate</td>
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<td></td>
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<td>$500 Million Loan</td>
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<td>–</td>
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<td>$33,333,333</td>
<td>$166,666,667</td>
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<td>6.73%</td>
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<tr>
<td>EIB Loan - JPY</td>
<td>$466,941,294</td>
<td>$466,941,294</td>
<td>$466,941,294</td>
<td>$466,941,294</td>
<td>$700,411,938</td>
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<td>2.10 - 2.29%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan - USD</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$5,625,000</td>
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<tr>
<td>Interest rate</td>
<td>5.08%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>$44,048,000</td>
<td>$44,048,000</td>
<td>$44,048,000</td>
<td>$44,048,000</td>
<td>$110,120,000</td>
<td>$330,360,000</td>
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<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan – USD</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Bonds Payable</td>
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<td>$4,000,000,000</td>
<td>–</td>
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<tr>
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<td>8.25%</td>
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<tr>
<td><strong>Floating Rate (exposed to cash flow risk)</strong></td>
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<td>$271,946,332</td>
<td>$271,946,332</td>
<td>$271,946,332</td>
<td>$4,176,638,053</td>
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<td>6m Libor plus margin</td>
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<tr>
<td>EIB Loan</td>
<td>$256,250,000</td>
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<td>$256,250,000</td>
<td>$256,250,000</td>
<td>$384,375,000</td>
<td>$1,665,625,000</td>
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<td>Interest rate</td>
<td>6m Libor plus margin</td>
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</tr>
<tr>
<td>IFC Loan – JPY</td>
<td>$243,280,000</td>
<td>$243,280,000</td>
<td>$243,280,000</td>
<td>$243,280,000</td>
<td>$608,200,000</td>
<td>$1,824,600,000</td>
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<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan – USD</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
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</tr>
</tbody>
</table>

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.
<table>
<thead>
<tr>
<th>2009</th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>More than 5 years</th>
<th>Total (In JPY)</th>
<th>Total - Gross (In USD)</th>
<th>Total - Gross (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
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<td></td>
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</tr>
<tr>
<td><strong>Long-Term Debt</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Fixed Rate (exposed to fair value risk)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>DEG Loan</td>
<td>$2,714,500</td>
<td>$2,715,000</td>
<td>$1,357,500</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>$6,787,000</td>
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<td>6.5 - 7.5%</td>
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<td>DANIDA Loan</td>
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<tr>
<td>¥2.0 Billion Loan</td>
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<td>P=16,000,000</td>
<td>P=16,000,000</td>
<td>P=1,368,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>P=1,400,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>8.0 - 9.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>¥1.5 Billion Loan</td>
<td>–</td>
<td>P=11,000,000</td>
<td>P=11,000,000</td>
<td>P=1,078,000,000</td>
<td>–</td>
<td>–</td>
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<td>–</td>
<td>P=1,100,000,000</td>
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<td>Interest rate</td>
<td>6.5 - 7.5%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan - JPY</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥1,167,353,232</td>
<td>¥3,502,059,702</td>
<td>–</td>
<td>P=1,771,692,003</td>
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<tr>
<td>Interest rate</td>
<td>2.10 - 2.29%</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan - USD</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$9,375,000</td>
<td>–</td>
<td>$28,125,000</td>
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<td>Interest rate</td>
<td>5.08%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥154,168,000</td>
<td>¥374,408,000</td>
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<td>P=189,413,007</td>
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<tr>
<td>Interest rate</td>
<td>4.57%</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - USD</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$3,000,000</td>
<td>–</td>
<td>$13,000,000</td>
<td>P=600,600,000</td>
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<tr>
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<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds Payable</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>P=4,000,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>P=4,000,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>8.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Floating Rate (exposed to cash flow risk)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LBP Loan</td>
<td>¥104,934,545</td>
<td>¥209,869,090</td>
<td>¥209,869,090</td>
<td>¥209,869,090</td>
<td>¥1,572,005,068</td>
<td>¥2,516,415,973</td>
<td>–</td>
<td>P=1,273,054,841</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥640,625,000</td>
<td>¥1,921,875,000</td>
<td>–</td>
<td>P=972,276,563</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥851,480,000</td>
<td>¥2,067,880,000</td>
<td>–</td>
<td>P=1,046,140,492</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - USD</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$3,000,000</td>
<td>–</td>
<td>$13,000,000</td>
<td>P=600,600,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interest on financial instruments classified as floating rate is repriced on a semi-annual basis. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. DANIDA loan is a non-interest bearing loan, and is therefore not subject to interest rate risk.
The following tables demonstrate the sensitivity of the Group’s income before income tax and other comprehensive income, gross of tax, to a reasonably possible change in interest rates on December 31, 2010 and 2009, with all variables held constant (through the impact on cash equivalents, short-term cash investments, floating rate borrowings, derivative asset and AFS debt securities).

### 2010

<table>
<thead>
<tr>
<th>Changes in Basis Points (bps)</th>
<th>Effect on Income before Income Tax</th>
<th>Effect on Other Comprehensive Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands)</td>
<td></td>
</tr>
<tr>
<td>Floating rate borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>(₱59,127)</td>
<td>₱-</td>
</tr>
<tr>
<td>-100</td>
<td>59,127</td>
<td></td>
</tr>
<tr>
<td>Derivative asset on call option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>(44,816)</td>
<td></td>
</tr>
<tr>
<td>-100</td>
<td>51,967</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>(32,312)</td>
<td></td>
</tr>
<tr>
<td>-100</td>
<td>67,883</td>
<td></td>
</tr>
</tbody>
</table>

### 2009

<table>
<thead>
<tr>
<th>Changes in Basis Points (bps)</th>
<th>Effect on Income before Income Tax</th>
<th>Effect on Other Comprehensive Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands)</td>
<td></td>
</tr>
<tr>
<td>Floating rate borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>(₱39,168)</td>
<td>₱-</td>
</tr>
<tr>
<td>-100</td>
<td>39,168</td>
<td></td>
</tr>
<tr>
<td>Derivative asset on call option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>(32,328)</td>
<td></td>
</tr>
<tr>
<td>-100</td>
<td>38,375</td>
<td></td>
</tr>
<tr>
<td>AFS debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>–</td>
<td>(1,366)</td>
</tr>
<tr>
<td>-100</td>
<td>–</td>
<td>13,599</td>
</tr>
</tbody>
</table>

**Foreign Exchange Risk**

The Group’s foreign exchange risk results primarily from movements of the Philippine Peso (PHP) against the United States Dollar (USD) and Japanese Yen (JPY). Majority of revenues are generated in PHP, and substantially all capital expenditures are also in PHP. Approximately 52% and 42% of debt as of December 31, 2010 and 2009, respectively, was denominated in foreign currency. Under Amendment 1 of the Agreement, however, the Group has a natural hedge on its foreign exchange risks on its loans and concession fee payments through a recovery mechanism in the tariff (see Note 1).
Information on the Group’s foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Currency</td>
<td>Peso Equivalent</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>$7,476</td>
<td>P=327,755</td>
</tr>
<tr>
<td>YEN</td>
<td>¥364</td>
<td>¥720</td>
</tr>
<tr>
<td>Vietnamese Dong (VND)</td>
<td>VND1,083,849</td>
<td>2,439</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YEN loan</td>
<td>¥9,981,073</td>
<td>¥5,389,779</td>
</tr>
<tr>
<td>USD loan</td>
<td>$50,448</td>
<td>2,211,640</td>
</tr>
<tr>
<td><strong>Service concession obligations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YEN loan</td>
<td>¥740,731</td>
<td>¥399,995</td>
</tr>
<tr>
<td>USD loan</td>
<td>$57,142</td>
<td>2,505,105</td>
</tr>
<tr>
<td>French Franc (FRF) loan</td>
<td>FRF3,783</td>
<td>33,442</td>
</tr>
<tr>
<td><strong>Net foreign currency-denominated liabilities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The spot exchange rates used were P=43.84 to US$1, P=0.54 to JPY1, P=8.84 to FRF1 and P=0.0022 to VND1 in 2010 and P=46.20 to US$1, P=0.52 to JPY1, P=10.04 to FRF1 and P=0.0025 to VND1 in 2009.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities taking into account the effect of the natural hedge due to the FCDA recovery mechanism) as of December 31, 2010 and 2009:

**2010**

<table>
<thead>
<tr>
<th></th>
<th>Increase/Decrease in Foreign Exchange Rates</th>
<th>Effect on Profit before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollar</strong></td>
<td>(Amounts in Thousands)</td>
<td>(Amounts in Thousands)</td>
</tr>
<tr>
<td></td>
<td>P1.00</td>
<td>(P7,476)</td>
</tr>
<tr>
<td></td>
<td>(1.00)</td>
<td>7,476</td>
</tr>
<tr>
<td><strong>Yen</strong></td>
<td>0.02</td>
<td>(7)</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>7</td>
</tr>
</tbody>
</table>

**2009**

<table>
<thead>
<tr>
<th></th>
<th>Increase/Decrease in Foreign Exchange Rates</th>
<th>Effect on Profit before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollar</strong></td>
<td>(Amounts in Thousands)</td>
<td>(Amounts in Thousands)</td>
</tr>
<tr>
<td></td>
<td>P1.00</td>
<td>(P2,199)</td>
</tr>
<tr>
<td></td>
<td>(1.00)</td>
<td>2,199</td>
</tr>
<tr>
<td><strong>Yen</strong></td>
<td>0.02</td>
<td>(14)</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>14</td>
</tr>
</tbody>
</table>

The Group does not expect any movement of the VND against the Philippine Peso to have a significant effect on the Group’s profit before tax.
**Equity price risk**
The Parent Company’s equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS financial assets.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Parent Company’s investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each sector and market.

The Parent Company has certain direct strategic minority investments in publicly traded companies. These investments are classified as AFS financial assets.

As of December 31, 2010 and 2009, the fair values of equity investments classified as AFS financial assets amounted to ₱162,000,000 and ₱156,000,000, respectively (see Note 11).

The analysis below is performed for reasonably possible movements in the PSE index with all other variables held constant. The impact on equity (due to changes in fair value of equity securities classified as AFS financial assets) is arrived at using the change in variable and the specific adjusted beta of each share of stock the Parent Company holds at the reporting date. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole. The impact on the Parent Company’s equity already excludes the impact on transactions affecting profit or loss.

**December 31, 2010**

<table>
<thead>
<tr>
<th>Market Index</th>
<th>Change in variable</th>
<th>Impact on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSE index</td>
<td>+28%</td>
<td>₱136,080</td>
</tr>
<tr>
<td></td>
<td>-28%</td>
<td>(136,080)</td>
</tr>
</tbody>
</table>

**December 31, 2009**

<table>
<thead>
<tr>
<th>Market Index</th>
<th>Change in variable</th>
<th>Impact on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSE index</td>
<td>+7%</td>
<td>₱416,208</td>
</tr>
<tr>
<td></td>
<td>-7%</td>
<td>(416,208)</td>
</tr>
</tbody>
</table>

In 2010 and 2009, the change in variable was derived from the percentage changes of the composite PSE index for the past three years.

**Credit Risk**
The Group trades only with recognized, creditworthy third parties. It is the Group’s policy that except for connection fees and other highly meritorious cases, the Group does not offer credit terms to its customers.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, short-term cash investments and AFS financial assets, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.
In respect of receivables from customers, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk for the components of the consolidated statements of financial position is equal to its carrying value.

As of December 31, 2010 and 2009, the credit quality per class of the Group’s financial assets are as follows:

<table>
<thead>
<tr>
<th>2010</th>
<th>Neither Past Due nor Impaired</th>
<th>Past Due and Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Grade</td>
<td>Standard</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents*</td>
<td>P2,406,787,031</td>
<td>P–</td>
<td>P2,406,787,031</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>1,546,339,222</td>
<td>–</td>
<td>1,546,339,222</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>139,318,327</td>
<td>86,821,142</td>
<td>589,605,334</td>
</tr>
<tr>
<td>Commercial</td>
<td>11,907,332</td>
<td>47,943,600</td>
<td>145,714,085</td>
</tr>
<tr>
<td>Semi-business</td>
<td>1,680,083</td>
<td>12,016,717</td>
<td>39,947,640</td>
</tr>
<tr>
<td>Industrial</td>
<td>943</td>
<td>2,729,708</td>
<td>6,674,470</td>
</tr>
<tr>
<td>Employees</td>
<td>–</td>
<td>50,389,222</td>
<td>50,389,222</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>21,767,660</td>
<td>–</td>
<td>21,767,660</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>47,699,550</td>
<td>–</td>
<td>47,699,550</td>
</tr>
<tr>
<td>Others</td>
<td>59,893,560</td>
<td>34,031,259</td>
<td>93,924,819</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>1,005,246,935</td>
<td>–</td>
<td>1,005,246,935</td>
</tr>
<tr>
<td>Unquoted</td>
<td>843,659,174</td>
<td>–</td>
<td>843,659,174</td>
</tr>
<tr>
<td>Total</td>
<td>P6,084,299,817</td>
<td>P199,900,389</td>
<td>P6,797,755,142</td>
</tr>
</tbody>
</table>

*Excludes cash on hand.

<table>
<thead>
<tr>
<th>2009</th>
<th>Neither Past Due nor Impaired</th>
<th>Past Due and Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Grade</td>
<td>Standard</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents*</td>
<td>P4,034,634,263</td>
<td>P–</td>
<td>P4,034,634,263</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>3,724,421,813</td>
<td>–</td>
<td>3,724,421,813</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>263,823,038</td>
<td>59,641,008</td>
<td>656,788,230</td>
</tr>
<tr>
<td>Commercial</td>
<td>2,905,387</td>
<td>175,898,906</td>
<td>178,804,293</td>
</tr>
<tr>
<td>Semi-business</td>
<td>8,643,687</td>
<td>5,055,396</td>
<td>48,168,679</td>
</tr>
<tr>
<td>Industrial</td>
<td>4,550,294</td>
<td>1,024,633</td>
<td>17,311,841</td>
</tr>
<tr>
<td>Employees</td>
<td>–</td>
<td>59,720,050</td>
<td>59,720,050</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>47,094,069</td>
<td>–</td>
<td>47,094,069</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>8,954,910</td>
<td>–</td>
<td>8,954,910</td>
</tr>
<tr>
<td>Others</td>
<td>47,459,520</td>
<td>1,968,376</td>
<td>49,427,896</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>1,246,015,138</td>
<td>–</td>
<td>1,246,015,138</td>
</tr>
<tr>
<td>Total</td>
<td>P10,106,709,120</td>
<td>P128,346,474</td>
<td>P10,735,055,596</td>
</tr>
</tbody>
</table>

*Excludes cash on hand.

As of December 31, 2010 and 2009, the Group does not have financial assets that are past due but not impaired.
The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and short-term cash investments are placed in various banks. Material amounts are held by banks which belong to the top 5 banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. Management assesses the quality of these assets as high grade.

Receivables - high grade pertains to receivables that are collectible within 7 days from bill delivery; standard pertains to receivables that are collectible from 11 to 30 days from bill delivery.

AFS financial assets, which are assessed by management as high grade, are investments in debt and equity instruments in companies with good financial capacity and investments in debt securities issued by the government.

**Liquidity Risk**

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, leases and hire purchase contracts. The Group’s policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The Group’s financial assets used for liquidity management based on their maturities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Within 1 Year</th>
<th>1-5 years</th>
<th>More than 5 years</th>
<th>Total - Gross (In PhP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td><strong>P=2,412,912</strong></td>
<td><strong>P=--</strong></td>
<td><strong>P=--</strong></td>
<td><strong>P=2,412,912</strong></td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>1,546,339</td>
<td>--</td>
<td>--</td>
<td>1,546,339</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>781,942</td>
<td>--</td>
<td>--</td>
<td>781,942</td>
</tr>
<tr>
<td>Employees</td>
<td>50,389</td>
<td>--</td>
<td>--</td>
<td>50,389</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>47,700</td>
<td>--</td>
<td>--</td>
<td>47,700</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>21,768</td>
<td>--</td>
<td>--</td>
<td>21,768</td>
</tr>
<tr>
<td>Others</td>
<td>93,925</td>
<td>--</td>
<td>--</td>
<td>93,925</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>152,503</td>
<td>767,433</td>
<td>933,662</td>
<td>1,853,598</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=5,107,478</strong></td>
<td><strong>P=767,433</strong></td>
<td><strong>P=933,662</strong></td>
<td><strong>P=6,808,573</strong></td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td><strong>P=4,037,841</strong></td>
<td><strong>P=--</strong></td>
<td><strong>P=--</strong></td>
<td><strong>P=4,037,841</strong></td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>3,724,422</td>
<td>--</td>
<td>--</td>
<td>3,724,422</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>902,073</td>
<td>--</td>
<td>--</td>
<td>902,073</td>
</tr>
<tr>
<td>Employees</td>
<td>59,720</td>
<td>--</td>
<td>--</td>
<td>59,720</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>8,954</td>
<td>--</td>
<td>--</td>
<td>8,954</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>47,094</td>
<td>--</td>
<td>--</td>
<td>47,094</td>
</tr>
<tr>
<td>Others</td>
<td>49,428</td>
<td>--</td>
<td>--</td>
<td>49,428</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>304,752</td>
<td>970,528</td>
<td>860,489</td>
<td>2,135,769</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=9,134,284</strong></td>
<td><strong>P=970,528</strong></td>
<td><strong>P=860,489</strong></td>
<td><strong>P=10,965,301</strong></td>
</tr>
</tbody>
</table>
The Group’s financial liabilities based on contractual undiscounted payments:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within 1 Year</td>
<td>1-5 years</td>
<td>More than 5 years</td>
<td>Total - Gross (In PhP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
<td>(InThousands)</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>P=3,147,896</td>
<td>P–</td>
<td>P–</td>
<td>P=3,147,896</td>
<td></td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>91,167</td>
<td>–</td>
<td>–</td>
<td>91,167</td>
<td></td>
</tr>
<tr>
<td>Long-term debt*</td>
<td>1,988,503</td>
<td>12,529,493</td>
<td>2,643,161</td>
<td>17,161,157</td>
<td></td>
</tr>
<tr>
<td>Service concession obligations</td>
<td>1,235,724</td>
<td>3,551,987</td>
<td>12,401,503</td>
<td>17,189,214</td>
<td></td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>–</td>
<td>–</td>
<td>2,245,798</td>
<td>2,245,798</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P=6,463,290</td>
<td>P=16,081,480</td>
<td>P=17,290,462</td>
<td>P=39,835,232</td>
<td></td>
</tr>
<tr>
<td>*Includes contractual interest cash flows</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within 1 Year</td>
<td>1-5 years</td>
<td>More than 5 years</td>
<td>Total - Gross (In PhP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
<td>(InThousands)</td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>P=2,778,903</td>
<td>P–</td>
<td>P–</td>
<td>P=2,778,903</td>
<td></td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>111,468</td>
<td>–</td>
<td>–</td>
<td>111,468</td>
<td></td>
</tr>
<tr>
<td>Long-term debt*</td>
<td>1,895,759</td>
<td>12,945,466</td>
<td>3,182,475</td>
<td>18,023,700</td>
<td></td>
</tr>
<tr>
<td>Service concession obligations</td>
<td>1,031,550</td>
<td>4,229,525</td>
<td>10,069,743</td>
<td>15,330,818</td>
<td></td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>–</td>
<td>–</td>
<td>1,476,797</td>
<td>1,476,797</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P=5,817,680</td>
<td>P=17,174,991</td>
<td>P=14,729,015</td>
<td>P=37,721,686</td>
<td></td>
</tr>
<tr>
<td>*Includes contractual interest cash flows</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Capital Management

The primary objective of the Group’s capital management strategy is to ensure that it maintains a healthy capital structure, in order to maintain a strong credit standing while it maximizes shareholder value.

The Group closely manages its capital structure vis-à-vis a certain target gearing ratio, which is net debt divided by total capital plus net debt. The Group’s target gearing ratio is 60%. This target is to be achieved over the next 5 years, by managing the Group’s level of borrowings and dividend payments to shareholders.

For purposes of computing its net debt, the Group includes the outstanding balance of its long-term debt (including current portion), accounts and other payables, less cash and cash equivalents, short-term cash investments and AFS financial assets. To compute its total Capital, the Group uses the total equity (excluding the unrealized gain on AFS financial assets and the cumulative translation adjustment).

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>P=14,133,870,717</td>
<td>P=14,361,150,240</td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>3,147,896,362</td>
<td>2,778,902,721</td>
</tr>
<tr>
<td></td>
<td>17,281,767,079</td>
<td>17,140,052,961</td>
</tr>
<tr>
<td>Less cash and cash equivalents, short-term cash investments and AFS financial assets</td>
<td>5,808,157,595</td>
<td>9,729,390,045</td>
</tr>
<tr>
<td>Net debt</td>
<td>11,473,609,484</td>
<td>7,410,662,916</td>
</tr>
</tbody>
</table>
2010 2009
Equity PhP19,815,228,457 PhP16,816,902,223
Less: Unrealized gain on AFS financial assets 144,929,822 52,548,379
Cumulative translation adjustment 2,650,312 –
Total capital 19,667,648,323 16,764,353,844
Capital and net debt PhP31,141,257,807 PhP24,175,016,760
Gearing ratio 37% 31%

29. Commitments

Parent Company’s Concession Agreement
The significant commitments of the Parent Company under the Agreement and Extension are as follows:

a. To pay MWSS concession fees (see Note 10);

b. To post a performance bond, bank guarantee or other security acceptable to MWSS amounting to US$70.00 million in favor of MWSS as a bond for the full and prompt performance of the Parent Company’s obligations under the Agreement. The aggregate amounts drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates are set out below.

<table>
<thead>
<tr>
<th>Rate Rebasing Period</th>
<th>Aggregate amount drawable under performance bond (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First (August 1, 1997 - December 31, 2002)</td>
<td>US$70</td>
</tr>
<tr>
<td>Second (January 1, 2003 - December 31, 2007)</td>
<td>70</td>
</tr>
<tr>
<td>Third (January 1, 2008 - December 31, 2012)</td>
<td>60</td>
</tr>
<tr>
<td>Fourth (January 1, 2013 - December 31, 2017)</td>
<td>60</td>
</tr>
<tr>
<td>Fifth (January 1, 2018 - December 31, 2022)</td>
<td>50</td>
</tr>
<tr>
<td>Sixth (January 1, 2013 - December 31, 2027)</td>
<td>50</td>
</tr>
<tr>
<td>Seventh (January 1, 2028 - December 31, 2032)</td>
<td>50</td>
</tr>
<tr>
<td>Eighth (January 1, 2033 - May 6, 2037)</td>
<td>50</td>
</tr>
</tbody>
</table>

Within 30 days from the commencement of each renewal date, the Parent Company shall cause the performance bond to be reinstated in the full amount set forth above as applicable for that year.

Upon not less than 10-day written notice to the Parent Company, MWSS may make one or more drawings under the performance bond relating to a Rate Rebasing Period to cover amounts due to MWSS during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Appeals Panel for adjudication until the Appeals Panel has handed down its decision on the matter.

In the event that any amount payable to MWSS by the Group is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid;

c. With the Extension, the Parent Company agreed to increase its annual share in MWSS operating budget by 100% from PhP100 million to PhP395 million, subject to annual CPI.
d. To meet certain specific commitments in respect of the provision of water and sewerage services in the East Zone, unless deferred by MWSS-RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;

e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the East Zone is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with the Parent Company);

f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property;

g. To ensure that at all times, the Parent Company has sufficient financial, material and personnel resources available to meet its obligations under the Agreement; and

h. To ensure that no debt or liability that would mature after the life of the Agreement will be incurred unless with the approval of MWSS (see Note 1).

Failure of the Parent Company to perform any of its obligations that is deemed material by MWSS-RO may cause the Agreement to be terminated.

**LAWC’s Concession Agreement**
The significant commitments of LAW under its concession agreement with POL are as follows:

a. To pay POL concession fees (see Note 10);

b. To manage, occupy, operate, repair, maintain, decommission, and refurbish the transferred facilities;

c. To design, construct and commission the new facilities during the cooperation period;

d. To provide and manage the services;

e. To bill and collect payment from the customer for all services;

f. To extract raw water exclusively from all sources of Raw Water; and

g. To negotiate in good faith with POL any amendment or supplement to the concession agreement to establish, operate and maintain wastewater facilities if doing such is financially and economically feasible.

**BIWC’s Concession Agreement**
The significant commitments of BIWC under its concession agreement with TIEZA are as follows:

a. To meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA Regulatory Office (TIEZA-RO) due to unforeseen circumstances or modified as a result of rate rebasing exercise;
b. To pay concession fees, subject to the following provisions:

   i. Assumption of all liabilities of the BWSS as of Commencement Date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within the Boracay island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;

   ii. Payment of an amount equivalent to 5% of the monthly gross revenue of BIWC, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of BIWC as reflected in its separate financial statements;

   iii. Provision of the amount of the TIEZA BOD’s approved budget in 2010, payable in 4 installments at the first month of each quarter and not exceeding:

<table>
<thead>
<tr>
<th>Month</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>₱5,000,000</td>
</tr>
<tr>
<td>April</td>
<td>4,000,000</td>
</tr>
<tr>
<td>July</td>
<td>3,000,000</td>
</tr>
<tr>
<td>October</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

   iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>₱15,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>20,000,000</td>
</tr>
<tr>
<td>2013 and beyond</td>
<td>20,000,000, subject to annual CPI adjustments</td>
</tr>
</tbody>
</table>

   c. To establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;

   d. To pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;

   e. To raise financing for the improvement and expansion of the BWSS water and wastewater facilities;

   f. To operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with BIWC);

   g. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property; and

   h. To ensure that at all times, BIWC has sufficient financial, material and personnel resources available to meet its obligations under the Agreement.
In addition, the Parent Company, as the main proponent of BIWC shall post a bank security in the amount of US$2.5 million to secure the Parent Company’s and BIWC’s performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by MWC following the schedule below:

<table>
<thead>
<tr>
<th>Rate Rebasing Period</th>
<th>Amount of Performance Security (in US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>US$2.5</td>
</tr>
<tr>
<td>Second</td>
<td>2.5</td>
</tr>
<tr>
<td>Third</td>
<td>1.1</td>
</tr>
<tr>
<td>Fourth</td>
<td>1.1</td>
</tr>
<tr>
<td>Fifth</td>
<td>1.1</td>
</tr>
</tbody>
</table>

On or before the start of each year, BIWC shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

Upon not less than 10 days written notice to BIWC, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by BIWC is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of BIWC to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

Technical services agreement
Simultaneous with the execution of BIWC’s concession agreement, BIWC and the Parent Company executed a Technical Services Agreement by which the Parent Company is being paid by BIWC a technical services fee equivalent to 4% of the annual gross revenue of BIWC, for rendering the following services to BIWC:

a. Financial management, including billing and collection services, accounting methods and financial control devices; and

b. Operations and project management, including facility operations and maintenance, and infrastructure project management.

JVA with ALI
In April 2010, the Parent Company and ALI entered into a JVA to establish a water utility services company which will manage and operate all water systems in Nuvali, as well as adjacent Ayala Land projects in Laguna. The Parent Company shall infuse ₱82 million in cash and will be responsible for all external water systems and the operation and management of JV company. ALI shall infuse ₱18 million cash and ₱59 million “rights/lease” to internal and external water systems and will be responsible for all internal water systems.

The joint venture company has not been established as of December 31, 2010.
30. **Provisions and Contingencies**

On October 13, 2005, the Municipality of Norzagaray, Bulacan jointly assessed the Parent Company and Maynilad Water Services, Inc. (the “Concessionaires”) for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. It is the position of the Concessionaires that these properties are owned by the Republic of the Philippines and that the same are exempt from taxation.

Total provisions for real property taxes arising from the property in Bulacan and other municipalities, based on the delinquency notice received, amounted to ₱412,071,971 for the year 2010.

The Group is contingently liable for lawsuits or claims filed by third parties (substantially labor-related and civil cases) which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. The Group has been advised by its internal and outside counsels that it is possible, but not probable, that the actions will succeed and accordingly, no provision for probable losses on these cases was recognized.

31. **Notes to Cash Flow Statements**

The Group’s noncash investing activity in 2010 pertains to BIWC’s ₱762 million additional SCA and SCO assumed from BWSS. It also includes the ₱249 million additional concession loans under the MOA of the Parent Company and MWSS for the repayment of the loan for the financing of the Project.

The Group's noncash investing activities in 2009 pertain to the increase in SCA and SCO arising from the Extension amounting to ₱3.36 billion and ₱3.17 billion, respectively, and accrual of project costs amounting to ₱199 million and ₱135 million for the years ended December 31, 2009 and 2008, respectively.

32. **Reclassification of Accounts**

PAS 1, *Presentation of Financial Statements*, requires an entity to present a statement of financial position as at the beginning of the earliest period when it reclassifies items in its financial statements. The Group reclassified assets amounting to ₱218.66 million as of December 31, 2009 from SCA to Property and Equipment.

However, management believes that the presentation of a statement of financial position as at the beginning of the earliest period presented is no longer necessary since the amount of assets reclassified from SCA to Property and equipment is not material to the financial statements as it comprise only 0.45%, 0.73% and 18.1% of total assets, SCA and Property and equipment, respectively. The reclassification has no effect on profit and loss and equity since these items were depreciated over the estimated useful life of the assets and not over the term of the concession arrangement. The transfer was from one noncurrent asset to another.
INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Water Company, Inc.
MWSS Building, Katipunan Road
Balara, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Water Company, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated February 14, 2011. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rules 68.1 and SEC Memorandum Circular No. 11, Series of 2008 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, present fairly in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009
June 1, 2009, Valid until May 31, 2012
PTR No. 2641508, January 3, 2011, Makati City

February 14, 2011
**MANILA WATER COMPANY, INC.**

**SCHEDULE A - MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)**

As of December 31, 2010

<table>
<thead>
<tr>
<th>Name of Issuing entity &amp; association</th>
<th>Number of shares or principal amount of bonds &amp; interest</th>
<th>Amount shown in the balance sheet</th>
<th>Valued based on market quotation at balance sheet date</th>
<th>Income received and accrued</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPI</td>
<td></td>
<td>1,156,339,222.92</td>
<td>1,156,339,222.92</td>
<td></td>
</tr>
<tr>
<td>BDO</td>
<td></td>
<td>200,000,000.00</td>
<td>200,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Metro Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td></td>
<td>20,000,000.00</td>
<td>20,000,000.00</td>
<td></td>
</tr>
<tr>
<td>China Bank</td>
<td></td>
<td>55,000,000.00</td>
<td>55,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Metro Bank</td>
<td></td>
<td>115,000,000.00</td>
<td>115,000,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,546,339,223</td>
<td>1,546,339,223</td>
<td></td>
</tr>
</tbody>
</table>

1. Each issue shall be stated separately, except for a) securities issued/guaranteed by the Phil Govt b) securities issued by others amounting to less than 2% of total assets
2. State the basis for determining balance sheet amounts.
<table>
<thead>
<tr>
<th></th>
<th>BEGINNING BALANCE</th>
<th>ADDITIONS</th>
<th>DEDUCTION S</th>
<th>ENDING BALANCE</th>
<th>ENDING BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NOTES RECEIVABLE</td>
<td>ACCOUNTS</td>
<td>NOTES RECEIVABLE</td>
<td>ACCOUNTS</td>
<td>NOTES RECEIVABLE</td>
</tr>
<tr>
<td></td>
<td>RECEIVABLE</td>
<td>RECEIVABLE</td>
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<td>RECEIVABLE</td>
<td>RECEIVABLE</td>
</tr>
<tr>
<td></td>
<td>CURRENT</td>
<td>NON-CURRENT</td>
<td>CURRENT</td>
<td>NON-CURRENT</td>
<td>TOTALS</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>69,074,546</td>
<td>2,519,640</td>
<td>66,554,905</td>
<td>66,554,905</td>
</tr>
<tr>
<td>Principal Stockholder:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Corporation</td>
<td>85,005</td>
<td>(3,831)</td>
<td></td>
<td>81,174</td>
<td>81,174</td>
</tr>
<tr>
<td>Ayala Land Inc.</td>
<td>106,749</td>
<td>358,904</td>
<td>465,653</td>
<td>465,653</td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td>9,823</td>
<td>295</td>
<td>10,118</td>
<td>10,118</td>
<td></td>
</tr>
<tr>
<td>Globe Telecom</td>
<td>2,911</td>
<td>275</td>
<td>3,186.00</td>
<td>3,186</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>204,488</td>
<td>0</td>
<td>(3,831)</td>
<td>560,131</td>
<td>560,131</td>
</tr>
</tbody>
</table>

Note: Receivables from principal stockholders represents receivables from water revenue which arise in the ordinary course of business.
### MANILA WATER COMPANY, INC.

**SCHEDULE C - NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS**

As of December 31, 2010

<table>
<thead>
<tr>
<th>NAME OF COMPANY</th>
<th>BEGINNING BALANCE</th>
<th>ADDITIONS</th>
<th>DEDUCTIONS</th>
<th>ENDING BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares</td>
<td>Amount in Pesos</td>
<td>Equity in Earnings (Losses) of Investees for the period</td>
<td>Others (Cost &amp; Equity Adj )</td>
</tr>
<tr>
<td>AT COST:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Preferred Stocks</td>
<td>300,000</td>
<td>156,000,000.00</td>
<td>6,000,000.00</td>
<td>300,000</td>
</tr>
<tr>
<td>Meralco Preferred Shares</td>
<td>7,063,950.00</td>
<td>0</td>
<td>0</td>
<td>7,063,950.00</td>
</tr>
<tr>
<td><strong>Sub-total - at cost</strong></td>
<td>-</td>
<td>163,063,950.00</td>
<td>0.00</td>
<td>6,000,000.00</td>
</tr>
<tr>
<td>BONDS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Bond</td>
<td>200,000,000.00</td>
<td>13,009,568</td>
<td>213,009,568.13</td>
<td></td>
</tr>
<tr>
<td>ALI Bond</td>
<td>90,000,000.00</td>
<td>8,236,780.01</td>
<td>98,236,780.01</td>
<td></td>
</tr>
<tr>
<td>BPI Tier 2</td>
<td>100,000,000.00</td>
<td>4,435,468.39</td>
<td>104,435,468.39</td>
<td></td>
</tr>
<tr>
<td>Tier 2 Note- BDO Private</td>
<td>30,000,000.00</td>
<td>5,110,009.67</td>
<td>35,110,009.67</td>
<td></td>
</tr>
<tr>
<td>Tier 2 Note- DRIP (thru MIB)</td>
<td>50,000,000.00</td>
<td>4,181,283.03</td>
<td>54,181,283.03</td>
<td></td>
</tr>
<tr>
<td>SMC Bond</td>
<td>100,000,000.00</td>
<td>3,861,620.83</td>
<td>33,861,620.83</td>
<td></td>
</tr>
<tr>
<td>NAPOCOR 2011 Zero Coupon Bond</td>
<td>94,048,438.44</td>
<td>5,611,456.36</td>
<td>99,659,894.80</td>
<td></td>
</tr>
<tr>
<td>IFFIN</td>
<td>154,488,943.05</td>
<td>2,527,610.85</td>
<td>157,016,553.90</td>
<td></td>
</tr>
<tr>
<td>Retail Treasury Bond</td>
<td>316,363,379.43</td>
<td>5,202,203.75</td>
<td>321,565,583.18</td>
<td></td>
</tr>
<tr>
<td>IMA</td>
<td>659,182,145.05</td>
<td>44,023,962.73</td>
<td>763,206,107.78</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BONDS</strong></td>
<td>1,804,063,375.97</td>
<td>0.00</td>
<td>91,144,742.05</td>
<td>293,466,758.45</td>
</tr>
<tr>
<td>PESO INVESTMENTS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in UUA</td>
<td>78,100,600.00</td>
<td>0.00</td>
<td>0.00</td>
<td>78,100,600.00</td>
</tr>
<tr>
<td><strong>TOTAL PESO INVESTMENTS</strong></td>
<td>78,100,600.00</td>
<td>0.00</td>
<td>0.00</td>
<td>78,100,600.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,045,228,125.97</td>
<td>0.00</td>
<td>97,144,742.05</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*Group separately securities of a) unconsolidated subsidiaries (b) other related parties (c) other companies accounted by equity method

*Disclose the percentage of ownership interest represented by shares, if material
<table>
<thead>
<tr>
<th>Name of Related Parties</th>
<th>Balance at Beginning of Period</th>
<th>Balance at End of Period</th>
</tr>
</thead>
</table>

As of December 31, 2010
<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>BEGINNING BALANCE</th>
<th>ADDITIONS AT COST</th>
<th>CHARGED TO COSTS AND EXPENSES</th>
<th>CHARGED TO OTHER ACCOUNTS</th>
<th>OTHER CHANGES ADD/(DED)</th>
<th>ENDING BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NOT APPLICABLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# FOREIGN CURRENCY DENOMINATED LOANS

<table>
<thead>
<tr>
<th>TITLE OF ISSUE &amp; TYPE OF OBLIGATION</th>
<th>Interest Rates</th>
<th>No. of periodic payments</th>
<th>Maturity</th>
<th>CURRENT PORTION OF LONG-TERM DEBT</th>
<th>LONG-TERM DEBT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB (tranche 2)</td>
<td>5.08%</td>
<td>16</td>
<td>June 20, 2017</td>
<td>164,400,000.00</td>
<td>893,174,207.53</td>
<td>1,057,574,208</td>
</tr>
<tr>
<td>IFC (tranche 2-1)</td>
<td>4.570%</td>
<td>15</td>
<td>June 15, 2016</td>
<td>87,680,000.00</td>
<td>374,626,633.14</td>
<td>462,306,633</td>
</tr>
<tr>
<td>IFC (tranche 2-2)</td>
<td>2.000%</td>
<td>15</td>
<td>June 15, 2016</td>
<td>87,680,000.00</td>
<td>334,494,937.87</td>
<td>422,174,938</td>
</tr>
<tr>
<td>Danida</td>
<td>0</td>
<td>2</td>
<td>September 30, 2010</td>
<td>119,025,600.00</td>
<td>58,701,617.62</td>
<td>177,727,218</td>
</tr>
<tr>
<td><strong>JPY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LBP (tranche 18)</td>
<td>2.770%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>4,240,108.12</td>
<td>43,849,985.51</td>
<td>48,090,094</td>
</tr>
<tr>
<td>LBP (tranche 16)</td>
<td>2.770%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>5,911,719.88</td>
<td>61,172,868.93</td>
<td>67,084,589</td>
</tr>
<tr>
<td>LBP (tranche 13)</td>
<td>2.770%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>5,141,034.31</td>
<td>53,268,777.35</td>
<td>58,409,812</td>
</tr>
<tr>
<td>LBP (tranche 12)</td>
<td>2.770%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>5,790,081.36</td>
<td>60,006,411.34</td>
<td>65,796,493</td>
</tr>
<tr>
<td>LBP (tranche 11)</td>
<td>2.770%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>7,617,117.01</td>
<td>78,959,974.84</td>
<td>86,577,092</td>
</tr>
<tr>
<td>LBP (tranche 10)</td>
<td>1.210%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>4,911,570.88</td>
<td>50,948,246.10</td>
<td>55,859,817</td>
</tr>
<tr>
<td>LBP (tranche 9)</td>
<td>1.210%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>2,857,326.88</td>
<td>29,641,475.74</td>
<td>32,498,803</td>
</tr>
<tr>
<td>LBP (tranche 6)</td>
<td>1.030%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>10,865,465.10</td>
<td>112,760,827.40</td>
<td>123,626,293</td>
</tr>
<tr>
<td>LBP (tranche 4)</td>
<td>1.030%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>9,567,706.17</td>
<td>99,406,123.01</td>
<td>108,973,829</td>
</tr>
<tr>
<td>LBP (tranche 2)</td>
<td>2.280%</td>
<td>22</td>
<td>Apr. 15, 2022</td>
<td>6,949,862.31</td>
<td>72,172,974.31</td>
<td>79,122,837</td>
</tr>
<tr>
<td>LBP (tranche 1)</td>
<td>1.950%</td>
<td>24</td>
<td>Apr. 15, 2022</td>
<td>10,316,474.14</td>
<td>107,167,434.24</td>
<td>117,483,908</td>
</tr>
<tr>
<td><strong>USD Equivalent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td>1,174,982,628</td>
<td>12,958,888,088.99</td>
<td>14,133,870,716.58</td>
</tr>
</tbody>
</table>

MANILA WATER COMPANY, INC.
SCHEDULE F - LONG-TERM DEBT
As of December 31, 2010
**MANILA WATER COMPANY, INC.**  
**SCHEDULE F - LONG-TERM DEBT**

**SUMMARY OF CONCESSION FEES PAYABLE**  
As of December 2010

<table>
<thead>
<tr>
<th>TITLE OF ISSUE &amp; TYPE OF OBLIGATION</th>
<th>Interest Rates</th>
<th>No. of periodic payments</th>
<th>Maturity</th>
<th>Within 1 Year (2011)</th>
<th>2-5 Years (2012-2016)</th>
<th>&gt;5 Years</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREIGN CURRENCY DENOMINATED LOANS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>USD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADB 1379 Latest interest rates</td>
<td>Semi-annual(21 yrs)</td>
<td>July 2020</td>
<td></td>
<td>855,790</td>
<td>5,788,919</td>
<td>7,156,920</td>
<td>13,803,629</td>
</tr>
<tr>
<td>ADB 1746 Libor plus 1% spread</td>
<td>Semi-annual(20 yrs)</td>
<td>Feb. 2025</td>
<td></td>
<td>608,820</td>
<td>1,271,792</td>
<td>2,596,375</td>
<td>4,416,987</td>
</tr>
<tr>
<td>ADB 2012 6-month USD Libor plus .60% spread</td>
<td>Semi-annual(7 yrs)</td>
<td>Aug. 2013</td>
<td></td>
<td>107,549</td>
<td>249,103</td>
<td>-</td>
<td>356,652</td>
</tr>
<tr>
<td>ADB 779 1% annually</td>
<td>Semi-annual(30 yrs)</td>
<td>May 2022</td>
<td></td>
<td>26,332</td>
<td>131,659</td>
<td>250,152</td>
<td>408,143</td>
</tr>
<tr>
<td>ADB 947 Latest interest rates</td>
<td>Semi-annual(20 yrs)</td>
<td>Dec. 2012</td>
<td></td>
<td>259,480</td>
<td>286,080</td>
<td>-</td>
<td>545,560</td>
</tr>
<tr>
<td>IBRD 4019 Latest interest rates plus .5%</td>
<td>Semi-annual(15 yrs)</td>
<td>Dec. 2009</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>JPY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JBC-PH110 2.7% annually</td>
<td>Semi-annual(20 1/2 yrs)</td>
<td>Feb. 2020</td>
<td></td>
<td>77,971,674</td>
<td>389,858,390</td>
<td>272,900,869</td>
<td>740,730,933</td>
</tr>
<tr>
<td><strong>French Loan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Loan 3.3% annually</td>
<td>Semi-annual(20 yrs)</td>
<td>Dec. 2018</td>
<td></td>
<td>542,736</td>
<td>2,550,480</td>
<td>623,904</td>
<td>3,717,130</td>
</tr>
<tr>
<td><strong>China Loan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eximbank 3% annually</td>
<td>Semi-annual(15 yrs)</td>
<td></td>
<td></td>
<td>5,830,100</td>
<td>52,470,900</td>
<td>58,301,000</td>
<td>68,371,000</td>
</tr>
</tbody>
</table>

**GRAND TOTAL**  
16,383,708,638

Principal Balances only

Exchange Rates Used (Dec. 30, 2010):

- USD 1.00 : PhP 43.8400
- JPY 1.00 : PhP 0.53686
- Euro 1.00 : PhP 8.84
MANILA WATER COMPANY, INC.
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
As of December 31, 2010

<table>
<thead>
<tr>
<th>Name of Related Parties</th>
<th>Balance at Beginning of Period</th>
<th>Balance at End of Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOT APPLICABLE</td>
<td>(Less than 5% of the total assets)</td>
<td></td>
</tr>
<tr>
<td>Name of issuing entity of securities guaranteed by the company for which this statement is filed</td>
<td>Title of issue of each class of securities guaranteed</td>
<td>Total amount guaranteed and outstanding</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TITLE OF ISSUE</td>
<td>NUMBER OF SHARES AUTHORIZED</td>
<td># OF SHARES ISSUED/SUBSCRIBED</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Preferred stock - P1 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible</td>
<td>400,000,000</td>
<td>4,000,000,000</td>
</tr>
<tr>
<td>Preferred stock - P1 par value, 8% cumulative, nonvoting, nonparticipating, nonconvertible, redeemable over 5 years</td>
<td>500,000,000</td>
<td>500,000,000</td>
</tr>
<tr>
<td>Total Preferred Shares</td>
<td>900,000,000</td>
<td>4,500,000,000</td>
</tr>
<tr>
<td>Common Stock</td>
<td>3,100,000,000</td>
<td>2,032,597,818</td>
</tr>
<tr>
<td>Less: Treasury Stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding Common Stock</td>
<td>2,032,597,818</td>
<td></td>
</tr>
</tbody>
</table>
Schedule J  Beneficial Ownership of Shares

(1) Ayala Corporation

Ayala Corporation is a publicly listed Philippine company. The following table lists the record of beneficial owners of more than five percent (5%) of the issued and outstanding shares of Ayala Corporation as of December 31, 2010:

<table>
<thead>
<tr>
<th>Name of Stockholder</th>
<th>Number of Shares</th>
<th>Percent age</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mermac, Inc.</td>
<td>253,074,330</td>
<td>52.11%</td>
<td>Filipino</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Non-Filipino)</td>
<td>112,005,066</td>
<td>23.06%</td>
<td>Various</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>52,564,617</td>
<td>10.82%</td>
<td>Japanese</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Filipino)</td>
<td>34,117,854</td>
<td>7.03%</td>
<td>Filipino</td>
</tr>
</tbody>
</table>

(2) Philwater Holdings Company, Inc.

The stockholders of record of Philwater Holdings Company, Inc. as of December 31, 2010 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>Percent age</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>333,400,000</td>
<td>60.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>United Utilities Pacific Holdings BV</td>
<td>222,255,555</td>
<td>40.00%</td>
<td>Dutch</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Rufino Luis T. Manotok</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Simeon Ken R. Ferrer</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Jennifer I. Lim</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
</tbody>
</table>

(3) Mitsubishi Corporation

Mitsubishi Corporation is a Japanese corporation and one of Japan’s premier general trading and investment companies.

(4) International Finance Corporation

International Finance Corporation is a member of the World Bank Group and is the world’s largest multilateral organization providing financial assistance to private enterprises in member countries in the form of loans and equity.

(5) First State Investment Management

First State Investments is a specialist asset management business, based in the United Kingdom, focused on developing and managing innovative investment products which seek to outperform their clients’ objectives. They manage segregated mandates for clients globally and have pooled funds registered in the following countries: UK, Ireland, Germany, Austria, France, Italy, Sweden, Switzerland, Singapore, Hong Kong, Taiwan, Macau, Australia and New Zealand.
## MANILA WATER COMPANY, INC.

**SCHEDULE K - Retained Earnings Available for Dividends Declaration**

**As of December 31, 2010**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unappropriated Retained Earnings, as adjusted to available for dividends distribution, beginning</strong></td>
<td>5,542,890,107</td>
</tr>
<tr>
<td>Net income during the period closed to Retained Earnings</td>
<td>3,950,094,860</td>
</tr>
<tr>
<td>Less: Deferred tax benefit during the period</td>
<td>-41,795,180</td>
</tr>
<tr>
<td>Add: Mark-to-market loss on derivatives</td>
<td>-70,795,501</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td></td>
</tr>
<tr>
<td>Accretion of long term debt discount</td>
<td>63,741,350</td>
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<tr>
<td>Accretion of service concession obligation and deposits</td>
<td>518,715,565</td>
</tr>
<tr>
<td><strong>Net income actually earned during the period</strong></td>
<td>4,419,961,094</td>
</tr>
<tr>
<td>Less: Dividends declared during the period</td>
<td>-1,158,216,979</td>
</tr>
<tr>
<td>Appropriations during the period</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</strong></td>
<td>8,804,634,222</td>
</tr>
</tbody>
</table>
Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>F I N A N C I A L   D A T A</th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)</td>
<td>5,899,563</td>
<td>9,177,934</td>
</tr>
<tr>
<td>A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)</td>
<td>2,412,912</td>
<td>4,037,841</td>
</tr>
<tr>
<td>A.1.1.1 On hand</td>
<td>6,125</td>
<td>3,210</td>
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<tr>
<td>A.1.1.2 In domestic banks/entitles</td>
<td>2,406,787</td>
<td>4,034,631</td>
</tr>
<tr>
<td>A.1.1.3 In foreign banks/entitles</td>
<td>482,168</td>
<td>508,872</td>
</tr>
<tr>
<td>A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)</td>
<td>482,168</td>
<td>508,872</td>
</tr>
<tr>
<td>A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</td>
<td>781,941</td>
<td>902,074</td>
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<tr>
<td>A.1.2.2 Due from related parties</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.2.3 Others, specify (A.1.2.3.1 + A.1.2.3.2)</td>
<td>213,782</td>
<td>165,196</td>
</tr>
<tr>
<td>A.1.2.3.1 West Zone Service Operator</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.2.3.2 Receivables from banks/employees, etc.</td>
<td>213,782</td>
<td>165,196</td>
</tr>
<tr>
<td>A.1.2.4 Allowance for doubtful accounts (negative entry)</td>
<td>(513,555)</td>
<td>(558,396)</td>
</tr>
<tr>
<td>A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.2.2.1</td>
<td>-</td>
<td>-</td>
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<td>A.1.2.2.2</td>
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<td>A.1.2.2.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.2.2.4 Allowance for doubtful accounts (negative entry)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)</td>
<td>55,624</td>
<td>38,435</td>
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<tr>
<td>A.1.3.1 Raw materials and supplies</td>
<td>55,624</td>
<td>38,435</td>
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<tr>
<td>A.1.3.2 Goods in process (including unfinished goods, growing crops, finished goods)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.3.3 Merchandise/Good in transit</td>
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<tr>
<td>A.1.3.5 Unbilled Services (in case of service providers)</td>
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<td>-</td>
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<tr>
<td>A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)</td>
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<td>-</td>
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<tr>
<td>A.1.3.6.1</td>
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<tr>
<td>A.1.3.6.2</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)</td>
<td>1,546,539</td>
<td>3,724,422</td>
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<tr>
<td>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.4.1.1 National Government</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.4.1.2 Public Financial Institutions</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.4.1.3 Public Non-Financial Institutions</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.4.1.4 Private Financial Institutions</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.4.1.5 Private Non-Financial Institutions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>A.1.4.2.1 National Government</td>
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<td>A.1.4.2.2 Public Financial Institutions</td>
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<td>A.1.4.2.3 Public Non-Financial Institutions</td>
<td>-</td>
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<tr>
<td>A.1.4.2.4 Private Financial Institutions</td>
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<td>A.1.4.2.5 Private Non-Financial Institutions</td>
<td>-</td>
<td>-</td>
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</table>
A.1.4.3 Loans and Receivables - issued by domestic entities:  
(A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)  
A.1.4.4.1 National Government  
A.1.4.4.2 Public Financial Institutions  
A.1.4.4.3 Private Financial Institutions  
A.1.4.4.4 Private Non-Financial Institutions  
A.1.4.4.5 Private Non-Financial Institutions  
A.1.4.5 Financial Assets issued by foreign entities:  
A.1.4.5.1 Financial Assets at fair value through profit or loss  
A.1.4.5.2 Held-to-maturity investments  
A.1.4.5.3 Loans and Receivables  
A.1.4.5.4 Available-for-sale financial assets  
A.1.4.6 Allowance for decline in market value (negative entry)  
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)  
A.1.5.1 Others  
A.1.5.2  
A.1.5.3  
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)  
A.2.1 Land  
A.2.2 Buildings and improvements including leasehold improvement  
A.2.3 Machinery and equipment (on hand and in transit)  
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery  
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)  
A.2.5.1 Construction in progress  
A.2.5.2  
A.2.5.3  
A.2.5.4  
A.2.5.5  
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)  
A.2.6.1  
A.2.6.2  
A.2.6.3  
A.2.6.4  
A.2.6.5  
A.2.7 Accumulated Depreciation (negative entry)  
(1,232,551)  
(980,182)  
A.2.8 Impairment Loss or Reversal (if loss, negative entry)  
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)  
A.3.1 Equity in domestic subsidiaries/affiliates  
A.3.2 Equity in foreign branches/subsidiaries/affiliates  
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)  
A.3.3.1  
A.3.3.2  
A.3.3.3  
A.3.3.4  
A.3.3.5  
A.4 Investment Property  
A.5 Biological Assets  
A.5.1 Intangible Assets  
37,459,958  
29,946,479  
A.5.1.1 Intangible concession assets  
37,459,958  
29,946,479  
A.5.2 Others, specify (A.5.2.1 + A.5.2.2)  
A.5.2.1  
A.5.2.2  
A.7 Assets Classified as Held for Sale  
A.8 Assets included in Disposal Groups Classified as Held for Sale

<table>
<thead>
<tr>
<th>Table 1. Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL DATA</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>2010</strong></td>
</tr>
<tr>
<td>(in P'000)</td>
</tr>
<tr>
<td><strong>2009</strong></td>
</tr>
<tr>
<td>(in P'000)</td>
</tr>
</tbody>
</table>
| A.1.4.3 Loans and Receivables - issued by domestic entities:  
(A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)  
A.1.4.4.1 National Government  
A.1.4.4.2 Public Financial Institutions  
A.1.4.4.3 Private Financial Institutions  
A.1.4.4.4 Private Non-Financial Institutions  
A.1.4.4.5 Private Non-Financial Institutions  
A.1.4.5 Financial Assets issued by foreign entities:  
A.1.4.5.1 Financial Assets at fair value through profit or loss  
A.1.4.5.2 Held-to-maturity investments  
A.1.4.5.3 Loans and Receivables  
A.1.4.5.4 Available-for-sale financial assets  
A.1.4.6 Allowance for decline in market value (negative entry)  
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)  
A.1.5.1 Others  
A.1.5.2  
A.1.5.3  
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)  
A.2.1 Land  
A.2.2 Buildings and improvements including leasehold improvement  
A.2.3 Machinery and equipment (on hand and in transit)  
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery  
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)  
A.2.5.1 Construction in progress  
A.2.5.2  
A.2.5.3  
A.2.5.4  
A.2.5.5  
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)  
A.2.6.1  
A.2.6.2  
A.2.6.3  
A.2.6.4  
A.2.6.5  
A.2.7 Accumulated Depreciation (negative entry)  
(1,232,551)  
(980,182)  
A.2.8 Impairment Loss or Reversal (if loss, negative entry)  
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)  
A.3.1 Equity in domestic subsidiaries/affiliates  
A.3.2 Equity in foreign branches/subsidiaries/affiliates  
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)  
A.3.3.1  
A.3.3.2  
A.3.3.3  
A.3.3.4  
A.3.3.5  
A.4 Investment Property  
A.5 Biological Assets  
A.5.1 Intangible Assets  
37,459,958  
29,946,479  
A.5.1.1 Intangible concession assets  
37,459,958  
29,946,479  
A.5.2 Others, specify (A.5.2.1 + A.5.2.2)  
A.5.2.1  
A.5.2.2  
A.7 Assets Classified as Held for Sale  
A.8 Assets included in Disposal Groups Classified as Held for Sale
Table 1. Balance Sheet

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<tr>
<th></th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
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<td><strong>FINANCIAL DATA</strong></td>
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<tr>
<td>A.9 Long-term receivables (net of current portion)</td>
<td></td>
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<tr>
<td>A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)</td>
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<td>A.9.1.1</td>
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<td>A.9.1.3</td>
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<tr>
<td>A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)</td>
<td></td>
<td></td>
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<tr>
<td>A.9.2.1</td>
<td></td>
<td></td>
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<td>A.9.2.2</td>
<td></td>
<td></td>
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<tr>
<td>A.9.2.3</td>
<td></td>
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<tr>
<td>A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)</td>
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<tr>
<td>A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)</td>
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<tr>
<td>A.10.1 Deferred charges - net of amortization</td>
<td></td>
<td></td>
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<tr>
<td>A.10.2 Deferred Income Tax - net</td>
<td></td>
<td></td>
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<tr>
<td>A.10.3 Advance/Miscellaneous deposits</td>
<td></td>
<td></td>
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<tr>
<td>A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)</td>
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<tr>
<td>A.10.4.1 Available-for-sale financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.10.4.2 Investment in joint ventures</td>
<td></td>
<td></td>
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<tr>
<td>A.10.4.3 Others</td>
<td></td>
<td></td>
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<tr>
<td>A.10.4.5</td>
<td></td>
<td></td>
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<tr>
<td>A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)</td>
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<td></td>
</tr>
<tr>
<td>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)</td>
<td>28,642,711</td>
<td>26,787,681</td>
</tr>
<tr>
<td>B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)</td>
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<td></td>
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<tr>
<td>B.1.1 Trade and Other Payables to Domestic Entities</td>
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<td></td>
</tr>
<tr>
<td>B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6</td>
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<tr>
<td>B.1.1.1 Loans/Notes Payables</td>
<td>1,069,122</td>
<td>2,147,363</td>
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<tr>
<td>B.1.1.2 Trade Payables</td>
<td>1,994,519</td>
<td>1,696,605</td>
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<tr>
<td>B.1.1.3 Payables to Related Parties</td>
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<tr>
<td>B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders</td>
<td></td>
<td></td>
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<td>B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)</td>
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<td></td>
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<tr>
<td>B.1.1.5.1 Accruals</td>
<td>668,915</td>
<td>604,791</td>
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<tr>
<td>B.1.1.5.2 Contracts payables</td>
<td>207,993</td>
<td>199,247</td>
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<tr>
<td>B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)</td>
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<tr>
<td>B.1.1.6.1 Interest payable</td>
<td>173,596</td>
<td>217,765</td>
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<tr>
<td>B.1.1.6.2 Others</td>
<td>102,874</td>
<td>146,756</td>
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<td>B.1.1.6.3</td>
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<tr>
<td>B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)</td>
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<td>B.1.2.3</td>
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<tr>
<td>B.1.3 Provisions</td>
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<tr>
<td>B.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)</td>
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<td></td>
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<tr>
<td>B.4.1 + B.4.2 + B.4.3 + B.4.4 + B.4.5</td>
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<td>B.4.1</td>
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<tr>
<td>B.4.5</td>
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<td></td>
</tr>
<tr>
<td>B.5 Liabilities for Current Tax</td>
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<td></td>
</tr>
<tr>
<td>B.6 Deferred Tax Liabilities</td>
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<td></td>
</tr>
<tr>
<td>B.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.7.1.1 + B.7.1.2 + B.7.1.3 + B.7.1.4 + B.7.1.5 + B.7.1.6)</td>
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<tr>
<td>B.7.1 Dividends declared and not paid at balance sheet date</td>
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</tr>
<tr>
<td>B.7.2 Acceptances Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.7.3 Liabilities under Trust Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.7.4 Portion of Long-term Debt Due within one year</td>
<td></td>
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<tr>
<td>B.7.5 Deferred Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:</td>
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<td></td>
</tr>
<tr>
<td>B.7.6.1</td>
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</table>
### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 +)</strong></td>
<td>20,121,338</td>
<td>19,688,449</td>
</tr>
<tr>
<td><strong>B.2.1 Domestic Public Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.2.2 Domestic Public Non-Financial Institutions</strong></td>
<td>7,162,116</td>
<td>6,368,082</td>
</tr>
<tr>
<td><strong>B.2.3 Domestic Private Financial Institutions</strong></td>
<td>12,959,222</td>
<td>13,300,367</td>
</tr>
<tr>
<td><strong>B.2.4 Domestic Private Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.2.5 Foreign Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.3 Indebtedness to Affiliates and Related Parties (Non-Current)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.5 Other Liabilities (B.5.1 + B.5.2)</strong></td>
<td>3,099,492</td>
<td>1,894,773</td>
</tr>
<tr>
<td><strong>B.5.1 Deferred Tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)</strong></td>
<td>3,099,492</td>
<td>1,894,773</td>
</tr>
<tr>
<td><strong>B.5.2.1 Pension liabilities</strong></td>
<td>231,369</td>
<td>201,418</td>
</tr>
<tr>
<td><strong>B.5.2.2 Provision for real property taxes</strong></td>
<td>622,150</td>
<td>202,440</td>
</tr>
<tr>
<td><strong>B.5.2.3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B.5.2.4 Others</strong></td>
<td>2,245,973</td>
<td>1,490,915</td>
</tr>
<tr>
<td><strong>B.5.2.5</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)</strong></td>
<td>19,977,977</td>
<td>16,970,726</td>
</tr>
<tr>
<td><strong>C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.1.1 Common shares</strong></td>
<td>3,100,000</td>
<td>3,100,000</td>
</tr>
<tr>
<td><strong>C.1.2 Preferred shares</strong></td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>C.1.3 Others</strong></td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)</strong></td>
<td>2,932,598</td>
<td>2,930,678</td>
</tr>
<tr>
<td><strong>C.2.1 Common shares</strong></td>
<td>2,932,598</td>
<td>2,930,678</td>
</tr>
<tr>
<td><strong>C.2.2 Preferred shares</strong></td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>C.2.3 Others</strong></td>
<td>2,005,444</td>
<td>2,005,444</td>
</tr>
<tr>
<td><strong>C.3 Paid-up Capital Stock (C.3.1 + C.3.2)</strong></td>
<td>2,905,444</td>
<td>2,905,444</td>
</tr>
<tr>
<td><strong>C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus</strong></td>
<td>3,513,057</td>
<td>3,451,157</td>
</tr>
<tr>
<td><strong>C.5 Minority Interest</strong></td>
<td>162,748</td>
<td>153,824</td>
</tr>
<tr>
<td><strong>C.6 Other Capital increases (C.6.1 + C.6.2 + C.6.3)</strong></td>
<td>79,973</td>
<td>(36,162)</td>
</tr>
<tr>
<td><strong>C.6.1 Common stock options outstanding</strong></td>
<td>32,275</td>
<td>22,110</td>
</tr>
<tr>
<td><strong>C.6.2 Unrealized gain on available-for-sale financial assets</strong></td>
<td>27,154</td>
<td>25,234</td>
</tr>
<tr>
<td><strong>C.6.3 Subscription receivable</strong></td>
<td>19,977,977</td>
<td>16,970,726</td>
</tr>
<tr>
<td><strong>C.6.4 Subscribed capital stock</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.6.5 Cumulative translation adjustment</strong></td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.8 Retained Earnings (C.8.1 + C.8.2)</strong></td>
<td>13,816,792</td>
<td>10,996,463</td>
</tr>
<tr>
<td><strong>C.8.1 Appropriated</strong></td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td><strong>C.8.2 Unappropriated</strong></td>
<td>6,816,792</td>
<td>3,996,463</td>
</tr>
<tr>
<td><strong>C.9 Head / Home Office Account (for Foreign Branches only)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.10 Cost of Stocks Held in Treasury (negative entry)</strong></td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY (B + C)</strong></td>
<td>48,620,688</td>
<td>43,758,407</td>
</tr>
</tbody>
</table>
SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELDED AND INVESTMENT COMPANIES

NAME OF CORPORATION: MANILA WATER COMPANY, INC.
CURRENT ADDRESS: MWSS Administration Bldg., Katipunan Road, Balara, Quezon City
TEL. NO.: 917-59-00 FAX NO.: 928-24-50
COMPANY TYPE : STOCK CORPORATION
PSIC: 4300

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

<table>
<thead>
<tr>
<th>FINANCIAL DATA</th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. REVENUE / INCOME (A.1 + A.2 + A.3)</td>
<td>11,424,845</td>
<td>9,733,423</td>
</tr>
<tr>
<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)</td>
<td>10,780,787</td>
<td>9,441,620</td>
</tr>
<tr>
<td>A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for</td>
<td>(1,539,000)</td>
<td></td>
</tr>
<tr>
<td>A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)</td>
<td>232,599</td>
<td>90,937</td>
</tr>
<tr>
<td>A.3.1 Rental Income from Land and Buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.3 Sale of Real Estate or other Property and Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)</td>
<td>232,599</td>
<td>90,937</td>
</tr>
<tr>
<td>A.3.5.1 Revenue from management contracts</td>
<td>74,910</td>
<td>23,709</td>
</tr>
<tr>
<td>A.3.5.2 Miscellaneous</td>
<td>157,689</td>
<td>67,228</td>
</tr>
<tr>
<td>A.3.5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4 Other Income (non-operating) [A.4.1 + A.4.2 + A.4.3 + A.4.4]</td>
<td>412,998</td>
<td>200,866</td>
</tr>
<tr>
<td>A.4.1 Interest Income</td>
<td>286,006</td>
<td>361,571</td>
</tr>
<tr>
<td>A.4.2 Dividend Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3 Gain / (Loss) from selling of Assets, specify</td>
<td>(7,051)</td>
<td>-</td>
</tr>
<tr>
<td>(A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3.1 Loss on disposal of property and equipment</td>
<td>(7,051)</td>
<td>-</td>
</tr>
<tr>
<td>A.4.3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.4 Others, specify</td>
<td>132,043</td>
<td>(161,105)</td>
</tr>
<tr>
<td>(A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.4.1 Gain / (Loss) on Foreign Exchange</td>
<td>(32,115)</td>
<td>(92,433)</td>
</tr>
<tr>
<td>A.4.4.2 Mark-to-market loss on derivatives</td>
<td>70,796</td>
<td>(99,586)</td>
</tr>
<tr>
<td>A.4.4.3 Amortization of deferred credits</td>
<td>14,718</td>
<td>29,337</td>
</tr>
<tr>
<td>A.4.4.4 Revenue/cost from rehabilitation works</td>
<td>9,526</td>
<td>1,577</td>
</tr>
<tr>
<td>A.4.4.5 Reversal of accruals</td>
<td>69,118</td>
<td></td>
</tr>
<tr>
<td>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.1 Direct Material Used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.2 Direct Labor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.3 Other Manufacturing Cost / Overhead</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.4 Goods in Process, Beginning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.5 Goods in Process, End (negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2 Finished Goods, Beginning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.3 Finished Goods, End (negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. COST OF SALES (C.1 + C.2 + C.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.1 Purchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.2 Merchandise Inventory, Beginning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.3 Merchandise Inventory, End (negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. GROSS PROFIT (A - B - C)</td>
<td>11,424,845</td>
<td>8,733,423</td>
</tr>
</tbody>
</table>

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.
Table 2. Income Statement

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)</td>
<td>5,002,331</td>
<td>4,686,372</td>
</tr>
<tr>
<td>E.1 Selling or Marketing Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.2 Administrative Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.3 General Expenses</td>
<td>5,002,331</td>
<td>4,686,372</td>
</tr>
<tr>
<td>E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.1 Education-related expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.4.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)</td>
<td>1,188,454</td>
<td>811,521</td>
</tr>
<tr>
<td>F.1 Interest on Short-Term Promissory Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.2 Interest on Long-Term Promissory Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.3 Interest on bonds, mortgages and other long-term loans</td>
<td>1,188,454</td>
<td>811,521</td>
</tr>
<tr>
<td>F.4 Amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.5.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.5.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.5.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. NET INCOME (LOSS) BEFORE TAX (D - E - F)</td>
<td>5,234,060</td>
<td>4,235,530</td>
</tr>
<tr>
<td>H. INCOME TAX EXPENSE (negative entry)</td>
<td>(1,246,589)</td>
<td>(1,005,011)</td>
</tr>
<tr>
<td>I. INCOME (LOSS) AFTER TAX</td>
<td>3,987,471</td>
<td>3,230,519</td>
</tr>
<tr>
<td>J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>L. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</td>
<td>3,987,471</td>
<td>3,230,519</td>
</tr>
<tr>
<td>M. EARNINGS (LOSS) PER SHARE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.1 Basic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.2 Diluted</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Special Form for Financial Statements of Publicly-Held and Investment Companies

Name of Corporation: Manila Water Company, Inc.
Current Address: MWSS Administration Bldg., Katipunan Road, Balara, Quezon City
Tel. No.: 917-59-00 FAX No.: 928-24-90
Company Type: Stock Corporation
PSIC: 4300

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

<table>
<thead>
<tr>
<th>F I N A N C I A L  D A T A</th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss) Before Tax and Extraordinary Items</td>
<td>5,234,059</td>
<td>4,235,530</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,471,896</td>
<td>1,958,340</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>1,188,454</td>
<td>811,521</td>
</tr>
<tr>
<td>Interest income</td>
<td>(288,008)</td>
<td>(361,971)</td>
</tr>
<tr>
<td>Equity share in net loss of joint venture</td>
<td>1,539</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of property and equipment</td>
<td>7,051</td>
<td>45</td>
</tr>
<tr>
<td>Write-down of Property, Plant, and Equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities: Decrease (Increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>1,378</td>
<td>83,554</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>(17,389)</td>
<td>(34,888)</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>(533,966)</td>
<td>(216,220)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (Decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and Other Payables</td>
<td>101,825</td>
<td>442,154</td>
</tr>
<tr>
<td>Income and Other Taxes Payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable to related parties</td>
<td>(20,300)</td>
<td>1,297</td>
</tr>
<tr>
<td>Income Taxes paid</td>
<td>(1,264,690)</td>
<td>(1,227,694)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</td>
<td>5,929,172</td>
<td>5,765,155</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in Long-Term Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in Investment</td>
<td>2,178,083</td>
<td>(356,415)</td>
</tr>
<tr>
<td>Reductions/Additions to Property, Plant, and Equipment</td>
<td>(1,062,934)</td>
<td>443,362</td>
</tr>
<tr>
<td>Acquisition through business combination of a subsidiary-net of cash acquired</td>
<td>-</td>
<td>169,273</td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Concession Assets</td>
<td>(7,686,329)</td>
<td>(4,507,160)</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>210,603</td>
<td>(899,953)</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>181,235</td>
<td>(85,732)</td>
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<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>951</td>
<td>131</td>
</tr>
<tr>
<td>Investment in joint venture</td>
<td>(7,133)</td>
<td>-</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>1,171,253</td>
<td>380,621</td>
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<tr>
<td>Interest received</td>
<td>313,332</td>
<td>371,182</td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</td>
<td>(4,780,939)</td>
<td>(5,179,847)</td>
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<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
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<tr>
<td>Proceeds from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>626,678</td>
<td>2,140,278</td>
</tr>
<tr>
<td>Issuance of Securities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers' guaranty and other deposits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Collection of subscriptions</td>
<td>35,654</td>
<td>24,884</td>
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<tr>
<td>Noncontrolling interests of consolidated subsidiaries</td>
<td>-</td>
<td>40,000</td>
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<tr>
<td>Payments of:</td>
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<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
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<tr>
<td>(Long-term Debt)</td>
<td>(1,078,571)</td>
<td>(720,218)</td>
</tr>
<tr>
<td>Service concession obligation</td>
<td>(396,186)</td>
<td>(380,762)</td>
</tr>
<tr>
<td>Others, specify: (negative entry)</td>
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<tr>
<td>Interest paid</td>
<td>(850,147)</td>
<td>(691,479)</td>
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<tr>
<td>Redemption of own shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>(1,190,589)</td>
<td>(998,151)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</td>
<td>(2,855,161)</td>
<td>(1,536,488)</td>
</tr>
<tr>
<td>Net Increase in Cash and Cash Equivalents (A + B + C)</td>
<td>(1,824,996)</td>
<td>48,769</td>
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<tr>
<td>Cash and Cash Equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>4,037,840</td>
<td>3,989,080</td>
</tr>
<tr>
<td>End of year</td>
<td>2,412,912</td>
<td>4,037,840</td>
</tr>
</tbody>
</table>

Note: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.
### Table 4. Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>Capital Stock</th>
<th>Additional Paid-in Capital</th>
<th>Revaluation Increment</th>
<th>Unrealized gain on available-for-sale financial assets</th>
<th>Retained Earnings</th>
<th>Total</th>
</tr>
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<tr>
<td><strong>Balance, 2009</strong></td>
<td>2,316,734</td>
<td>3,451,157</td>
<td>0</td>
<td>52,548</td>
<td>10,996,463</td>
<td>16,816,902</td>
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<td><strong>A. Restated Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. Surplus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.1 Surplus (Deficit) on Revaluation of Properties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.2 Surplus (Deficit) on Revaluation of Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.3 Currency Translation Differences</td>
<td>2,650</td>
<td>92,362</td>
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<td></td>
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<td>95,012</td>
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<tr>
<td>C.4 Other Surplus (specify)</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>C.4.1</td>
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<td>C.4.5</td>
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</tr>
<tr>
<td><strong>D. Net Income (Loss) for the Period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,978,546</td>
</tr>
<tr>
<td><strong>E. Dividends (negative entry)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,158,217)</td>
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<tr>
<td><strong>F. Appropriation for (specify)</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>F.1 Appropriation for capital expenditures</td>
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<td>F.2</td>
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<tr>
<td><strong>G. Issuance of Capital Stock</strong></td>
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</tr>
<tr>
<td>G.1 Common Stock</td>
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<tr>
<td>G.2 Preferred Stock</td>
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</tr>
<tr>
<td>G.3 Others</td>
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</tr>
<tr>
<td><strong>H. Balance</strong></td>
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<tr>
<td>H.1 Correction of Error(s)</td>
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<td>H.2 Changes in Accounting Policy</td>
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<td></td>
</tr>
<tr>
<td><strong>I. Restated Balance</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>J. Surplus</strong></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>J.1 Surplus (Deficit) on Revaluation of Properties</td>
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</tr>
<tr>
<td>J.2 Surplus (Deficit) on Revaluation of Investments</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>J.3 Currency Translation Differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.4 Other Surplus (specify)</td>
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</tr>
<tr>
<td>J.4.1</td>
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<tr>
<td>J.4.2</td>
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</tr>
<tr>
<td><strong>K. Net Income (Loss) for the Period</strong></td>
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</tr>
<tr>
<td><strong>L. Dividends (negative entry)</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>M. Appropriation for (specify)</strong></td>
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<td></td>
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</tr>
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<td>M.2</td>
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<td>M.3</td>
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<td>M.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>N. Issuance of Capital Stock</strong></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>N.1 Common Stock</td>
<td>10,900</td>
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<td></td>
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<td>72,800</td>
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<td>N.2 Preferred Stock</td>
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</tr>
<tr>
<td>N.3 Treasury shares</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>N.3 Shared-based payment</td>
<td>10,165</td>
<td></td>
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<td>10,165</td>
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<tr>
<td><strong>O. Balance, 2010</strong></td>
<td>2,337,799</td>
<td>3,513,057</td>
<td>2,650</td>
<td></td>
<td></td>
<td>13,816,792</td>
</tr>
</tbody>
</table>
# Table 5. Details of Income and Expenses, by source

(applyable to corporations transacting with foreign corporations/entities)

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2010 (in P'000)</th>
<th>2009 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Revenue / Income (A.1 + A.2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 + A.1.2)</td>
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<td></td>
</tr>
<tr>
<td>A.1.1 Domestic</td>
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<td></td>
</tr>
<tr>
<td>A.1.2 Foreign</td>
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<td></td>
</tr>
<tr>
<td>A.2 Other Revenue (A.2.1 + A.2.2)</td>
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<td></td>
</tr>
<tr>
<td>A.2.1 Domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2 Foreign, specify (A.2.2.1 + A.2.2.2 + A.2.2.3 + A.2.2.4 + A.2.2.5 + A.2.2.6 + A.2.2.7 + A.2.2.8 + A.2.2.9 + A.2.2.10)</td>
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</tr>
<tr>
<td>A.2.2.1</td>
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<td></td>
</tr>
<tr>
<td>A.2.2.2</td>
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<td></td>
</tr>
<tr>
<td>A.2.2.3</td>
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<td></td>
</tr>
<tr>
<td>A.2.2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.5</td>
<td></td>
<td></td>
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<tr>
<td>A.2.2.6</td>
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</tr>
<tr>
<td>A.2.2.7</td>
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</tr>
<tr>
<td>A.2.2.8</td>
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<td></td>
</tr>
<tr>
<td>A.2.2.9</td>
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<td></td>
</tr>
<tr>
<td>A.2.2.10</td>
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</tr>
<tr>
<td><strong>B. Expenses (B.1 + B.2)</strong></td>
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<td></td>
</tr>
<tr>
<td>B.1 Domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2 Foreign, specify (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5 + B.2.6 + B.2.7 + B.2.8 + B.2.9 + B.2.10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.1</td>
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<td></td>
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<tr>
<td>B.2.2</td>
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<td>B.2.3</td>
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<td>B.2.4</td>
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<td>B.2.6</td>
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<td>B.2.7</td>
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<tr>
<td>B.2.8</td>
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<tr>
<td>B.2.9</td>
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<tr>
<td>B.2.10</td>
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</tbody>
</table>
**MANILA WATER COMPANY, INC.**  
**List of Top 20 Stockholders (Exhibit 4)**  
**As of December 31, 2010**

<table>
<thead>
<tr>
<th>RANK</th>
<th>STOCKHOLDERS NAME</th>
<th>NO. OF COMMON SHARES</th>
<th>% OF COMMON SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PCD NOMINEE CORPORATION (FILIPINO AND NON-FILIPINO)*</td>
<td>1,141,303,341</td>
<td>56.1437%</td>
</tr>
<tr>
<td>2</td>
<td>AYALA CORPORATION</td>
<td>651,912,996</td>
<td>32.0693%</td>
</tr>
<tr>
<td>3</td>
<td>MITSUBISHI CORPORATION</td>
<td>168,999,999</td>
<td>8.3135%</td>
</tr>
<tr>
<td>4</td>
<td>ESOWN ADMINISTRATOR 2005*</td>
<td>13,250,000</td>
<td>0.6518%</td>
</tr>
<tr>
<td>5</td>
<td>ESOWN ADMINISTRATOR 2006*</td>
<td>9,747,501</td>
<td>0.4795%</td>
</tr>
<tr>
<td>6</td>
<td>ESOWN ADMINISTRATOR 2009*</td>
<td>8,129,025</td>
<td>0.3999%</td>
</tr>
<tr>
<td>7</td>
<td>ESOWN ADMINISTRATOR 2008*</td>
<td>6,204,483</td>
<td>0.3052%</td>
</tr>
<tr>
<td>8</td>
<td>RUEL T. MARANAN (AS MWCI ESOP ADMINISTRATOR)</td>
<td>4,644,924</td>
<td>0.2285%</td>
</tr>
<tr>
<td>9</td>
<td>ERNESTO O. CHUA CHIACO AND/OR MARGARET SY CHUA CHIACO</td>
<td>2,240,000</td>
<td>0.1102%</td>
</tr>
<tr>
<td>10</td>
<td>ESOWN ADMINISTRATOR 2007*</td>
<td>1,464,999</td>
<td>0.0721%</td>
</tr>
<tr>
<td>11</td>
<td>ERNESTO CHUA CHIACO</td>
<td>1,200,000</td>
<td>0.0590%</td>
</tr>
<tr>
<td>12</td>
<td>GENEVIEVE SY CHUACHIACO</td>
<td>1,031,500</td>
<td>0.0507%</td>
</tr>
<tr>
<td>13</td>
<td>LOZANO A. TAN</td>
<td>800,000</td>
<td>0.0394%</td>
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<td>14</td>
<td>MARGARET SY CHUA CHIACO</td>
<td>720,000</td>
<td>0.0354%</td>
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<td>15</td>
<td>ERNESSON SY CHUA CHIACO</td>
<td>709,000</td>
<td>0.0349%</td>
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<tr>
<td>16</td>
<td>MAGDALENO B. ALBARRACIN AND/OR TRINIDAD ALBARRACIN</td>
<td>705,000</td>
<td>0.0347%</td>
</tr>
<tr>
<td>17</td>
<td>FORESIGHT REALTY &amp; DEVELOPMENT CORPORATION</td>
<td>618,000</td>
<td>0.0304%</td>
</tr>
<tr>
<td>18</td>
<td>CONSTANTINO CHUA AND/OR WILLINGTON AND/OR GEORGE WY CHUA</td>
<td>500,000</td>
<td>0.0246%</td>
</tr>
<tr>
<td>19</td>
<td>INSULAR LIFE ASSURANCE CO. LTD</td>
<td>418,000</td>
<td>0.0206%</td>
</tr>
<tr>
<td>20</td>
<td>ALFREDO HENARES</td>
<td>400,000</td>
<td>0.0197%</td>
</tr>
</tbody>
</table>

* PCD Nominee Corporation includes the shares of International Finance Corporation and First State Investment Management
** This includes shares granted under the ESOWN
REPORTS ON SEC FORM 17-C 2010
null
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD, BALARA, 1105 QUEZON CITY, METRO MANILA

ATTY. JHOEL P. RAQUEDAN

Contact Person

(832) 961-8129

Company Telephone Number

MONTH 31

Year

FORM TYPE

SEC Form 17-C

STOCK

04

Any

Month

Day

Annual Meeting

Secondary License Type, If Applicable

A1996-116?

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS
SEcurities and Exchange Commission

SEC Form 17-c

Current Report Under Section 17
Of the Securities Regulation Code
And SRC Rule 17.2(c) Thereunder

1. December 28, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1985-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

7. Address of Issuer's principal office
   Postal Code
   2F MWSSE Admin. Bldg., 499 Kalipayan Road, Bagao, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)928-7989 local 9130/ or (02)921-3133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

       a. Shares of Stock
          Common Shares, par value P1.00 each - 2,030,906,476

       b. Amount of Debt Outstanding
          Fixed Rate Bonds - P4,000,000,000.00

          Regisrature has no other registered securities either in the form of shares, debt or
          otherwise.

---

1 2,007,427,466 Outstanding Common Shares
   23,470,210 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   PSE
   2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  December 29, 2010
Issuer  Date

By: ________________________________

Lizette Zamora-Dimacuha
Legal and Corporate Governance Manager
December 29, 2010

SECURITIES AND EXCHANGE COMMISSION  
Attention: Director Justina F. Callangan  
Corporation Finance Department  

PHILIPPINE STOCK EXCHANGE, INC.  
Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department  

PHILIPPINE DEALING & EXCHANGE CORPORATION  
Attention: Mr. Cesar B. Crisol  
President and Chief Operating Officer  

Re: Resignation of an Executive Officer  

Gentlemen:

Please be informed that Mr. Frank Beaumont ("Mr. Beaumont") will be resigning as Technical Adviser of Manila Water Company, Inc. ("Manila Water") effective December 31, 2010. Mr. Beaumont has served Manila Water since August 2000 in various capacities until he was appointed as Technical Adviser.

Thank you very much.

Very truly yours,

[Signature]

Lizelle Zamora-Dimaculan  
Legal and Corporate Governance Manager
SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: November 26, 2010 01:21:12 PM
Received From: Head Office

Company Information

SEC Registration No.: A199811593
Company Name: MANILA WATER CO. INC.
Industry Classification: 
Company Type: Stock Corporation

Document Information

Document ID: 1112620100000364
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 25, 2010
No. of Days Late: 0
Department: CFD
Remarks: 

Doc. Source

Company Information
COVER SHEET

MANILA WATER COMPANY INC

439 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

A1986-11593
S.E.C. Registration Number

(632) 981-8129
Company Telephone Number

12 31
Month Day Fiscal Year

04
Any Month Annual Meeting

Secondary License Type, if Applicable

A1986-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.3(g) THEREUNDER

1. November 25, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1986-11593

3. BIR Tax Identification No 005-039-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer’s principal office
   Postal Code
   27 MNS Admin. Bldg., 489 Katigum Road, Balara, Quezon City 1106

8. Issuer’s telephone number, including area code
    (02) 8128-7999 Local 8130 or (02) 831-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each – 2,030,906,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds – P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise

---

1 2,005,427,966 Outstanding Common Shares
23,452,018 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

   Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission, Philippine
   Stock Exchange and Philippine Dealing and Exchange Corporation on the results
   of the Board of Directors meeting on November 25, 2010.

   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the issuer
   has duly caused this report to be signed on its behalf by the undersigned hereunto
duly authorized.

   MANILA WATER COMPANY, INC.
   Issuer

   By

   Joel P. Raquedan
   Head, Legal and Corporate Governance Department

   November 25, 2010
   Date
November 25, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention:    Director Justina F. Callangan
             Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention:    Janet A. Encarnacion
             Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention:    Mr. Cesar B. Crisol
             President and Chief Operating Officer

Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors (the “Board”) of Manila Water Company, Inc. (“Manila Water”) today, the Board considered and approved the following:

1.    Declaration of Cash Dividends on Participating Preferred Shares

The Board authorized the payment of a cash dividend per share of 10% (amounting to Php0.01) per annum, for the one year period from January 1, 2010 to December 31, 2010, on the outstanding 4 billion Participating Preferred Shares (PPS) of the capital stock of Manila Water, payable to PPS Stockholders of record as of December 1, 2010, and distributable on December 28, 2010.

2.    Setting of 2011 Annual Stockholders’ Meeting

The Board set April 11, 2011 as the date of the 2011 Manila Water Annual Stockholders’ Meeting. The record date for the determination of stockholders entitled to notice and to vote at the meeting is February 16, 2011.

3.    Election of Director

The Board elected Mr. Keiichi Asai as a member of the Board of Directors of the company. He was also appointed as a member of the Audit and Governance Committee.

Best regards.

Sincerely,

[Signature]

[Signature]

Joel P. Aquedan
Legal and Corporate Governance Head
SECURITIES AND EXCHANGE COMMISSION
SEC Building, ED3A, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 728-0831 to 36 Fax: (632) 728-5263 Email: min@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Darwin San Jose
Receiving Branch: SEC Head Office
Receipt Date and Time: November 10, 2010 04:13:07 PM
Received From: Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification:
Company Type: Stock Corporation

Document Information

Document ID: 111102010000877
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 09, 2010
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

12
Month
31
Day

STOCK
FORM TYPE

04
Month
Any
Day

Secondary License Type, if Applicable

A1996-11693
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Signer

STAMPS
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **November 9, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A-1996-11593

3. BIR Tax identification No. 005-035-428

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer’s principal office
   Postal Code
   2F MYSS Admin. Bldg., 489 Katipunan Road, Bagumbayan, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02) 828-7999 local 8130 / or (02) 828-8133

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. **Shares of Stock**
       Common Shares, par value P1.00 each – 2,030,906,476

    b. **Amount of Debt Outstanding**
       Fixed Rate Bonds – P4,006,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1. 2,007,427,466 Outstanding Common Shares
2. 21,472,918 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   PSE
3. 1,030,906,476
11. Are any of registrant's securities listed on stock exchange?
   Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

   MANILA WATER COMPANY, INC.  November 9, 2010
   Issuer  Date

   by: Jhoel P. Raquedan

   Head, Legal and Corporate Governance Department
November 9, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justin F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Manila Water Company, Inc. (the "Company") announces today its third quarter results for 2010. Please find below the financial and operating highlights of the Company:

<table>
<thead>
<tr>
<th>Financial Highlights</th>
<th>As of Sept 2010</th>
<th>As of Sept 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>8,337</td>
<td>7,035</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>2,246</td>
<td>1,964</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6,091</td>
<td>5,071</td>
</tr>
<tr>
<td>Net income</td>
<td>2,975</td>
<td>2,273</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>As of Sept 2010</th>
<th>As of Sept 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply (mcu)</td>
<td>352.2</td>
<td>358.5</td>
</tr>
<tr>
<td>Water sales (mcu)</td>
<td>307.25</td>
<td>294.5</td>
</tr>
<tr>
<td>Non-revenue water (%)</td>
<td>12.2</td>
<td>15.4</td>
</tr>
<tr>
<td>Households served (in thousands)</td>
<td>1,167</td>
<td>1,073</td>
</tr>
</tbody>
</table>

Sincerely,

[Signature]

Jhuel P. Raquidan
Head, Legal and Corporate Governance Department

Manila Water Company, Inc.
SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: October 28, 2010 02:08:41 PM
Received From: Head Office

Company Information

SEC Registration No.: A100811593
Company Name: MANILA WATER CO. INC.
Industry Classification: 
Company Type: Stock Corporation

Document Information

Document ID: 1102820100000670
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: October 27, 2010
No. of Days Late: 0
Department: CFD
Remarks: 
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 27, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1990-11593

3. BIR Tax Identification No. 005-036-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2/F MWSS Admin. Bldg., 469 Katipunan Road, Bataan, Quezon City 1106

8. Issuer's telephone number, including area code
   (02)261-7999 local 8130 / or (02)261-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each = 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds = P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

   1 2,005,416,466 Outstanding Common Shares
   24,880,016 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   2,000,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12 Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation on the notice of analysts' briefing which will be held on November 9, 2010, at 2:00 in the afternoon at the 25/F South Room A & B, Tower One & Exchange Plaza, Makati City.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.

Issuer

By: Joel P. Raquedan

Head, Legal and Corporate Governance Department

October 27, 2010

Date
27 October 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts’ Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on November 9, 2010, at 2:00 in the afternoon at the 25/F South Room A & B, Tower One & Exchange Plaza, Makati City.

Best regards.

Sincerely,

[Signature]
Lizelle Zamora-Dimacula
Legal and Compliance Manager
The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: October 22, 2010 03:04:50 PM
Received From: Head Office

Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: 
Company Type: Stock Corporation

Document Information

Document ID: 1102220100000825
Document Type: 17-C (FORM 17-C:CURRENT DISC/REPRT)
Document Code: 17-C
Period Covered: October 21, 2010
No. of Days Late: 0
Department: CFD
Remarks: 

Barcode Page
SEcurities and exchange commission

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRG RULE 17.2(c) THEREUNDER

1. October 21, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1899-11593

3. Sbir Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2F, MNSB Admin. Bldg., 489 Katipunan Road, Bala, Quezon City 1106

8. Issuer's telephone number, including area code
   (02) 826-7898 local 8136 / or (02) 851-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,006,466,465 Outstanding Common Shares
   31,889,510 Shares Under the Stock Ownership Plans, the filing of which has been approved in principle by the
   2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

October 21, 2010  

Date

By:  

Jhoel P. Raqueding  

Head, Legal and Corporate Governance Department
October 21, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justin F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Please be informed that today, Manila Water Company completed a 10-year USD 150M term loan facility with four international banks, ING Bank N.V. Tokyo Branch, Bank of Tokyo Mitsubishi UFJ, Mizuho Corporate Bank, and Sumitomo Mitsui Banking Corporation, through the Overseas Untied Loan Insurance program of Nippon Export and Investment Insurance.

Kindly refer to the enclosed press release for more details.

Sincerely,

Lillete Zamora-Dimacuha
Legal and Corporate Governance Manager
Manila Water Closes S$150 million 10-year Loan

On October 21, 2010, Manila Water Company concluded the finance agreements for a 10-year USD150M term loan facility with four international banks, ING Bank N.V. Tokyo Branch, Bank of Tokyo Mitsubishi UFJ, Mizuho Corporate Bank, and Sumitomo Mitsui Banking Corporation. The loan benefits from the Overseas United Loan Insurance program of Nippon Export and Investment Insurance (NEXI) which partially covers political and payment risk of Manila Water. NEXI is a Japanese Export Credit Agency under the supervision of Ministry of Economy, Trade and Investment of the Japanese government. This deal is the first time for NEXI to provide its Overseas United Loan Insurance for a water project anywhere in the world.

According to Manila Water President Gerardo C. Ablaza Jr., "This loan transaction is a landmark deal for our company. The insurance cover provided by NEXI allowed us to stretch the tenor of the loan facility up to 10 years, which is not usual for commercial loan transactions. Also, the favorable terms that we obtained from our lenders are an indication of the banks' confidence in the financial capability of our company."

The term loan facility enables Manila Water to finance its capital expenditure plans for the expansion and the maintenance of water supply facilities and distribution network to continue to provide high quality services to its customers in the East Zone concession area. The term loan is lead-arranged by ING Bank.
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 728-0931 to 39 Fax: (632) 725-0293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:
Receiving Officer/Encoder: Reiner SJ. Antonio
Receiving Branch: SEC Head Office
Receipt Date and Time: October 06, 2010 05:06:16 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: 
Company Type: Stock Corporation

Document Information
Document ID: 110062010001186
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: October 06, 2010
No. of Days Late: 0
Department: CFD
Remarks: 
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA MANILA

QUEZON CITY, METRO MANILA

Atty. JHOEL P. RAQUEDAN

Company Telephone Number

123

Any

Monthly Day Fiscal Year

STOCK

FORM TYPE

04

Secondary License Type, if Applicable

A1996-11593

Amended Articles Number/Section

Dept. Requiring this Doc.

File Number

LOU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(e) THEREUNDER

1. October 6, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A1988-11583

3. BIR Tax Identification No.: 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City,
   Phils.

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

7. Address of issuer's principal office
   Code
   2F MNSB Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City
   Postal
   1105

8. Issuer's telephone number, including area code
   (02) 925-7989 local 5130 / or (02) 925-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each - 2,030,906,476\(^1\)

    b. Amount of Debt Outstanding

       Fixed Rate Bonds - P4,000,000,000.00

       Regisrant has no other registered securities either in the form of shares, debt or
       otherwise.

\(^1\) 2,006,038,456 Outstanding Common Shares
24,868,910 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,030,906,476 PSE
11. Are any of registrant’s securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated October 4, 2010 on the results of the meeting of the board of directors (Board) of Manila Water Company, Inc. on October 4, 2010. The Board considered and approved the following: 1) Acceptance of the Resignation of Mr. Charles Thomas Comish and Election of Mr. Tom Keevil as Director for the remaining term of Mr. Comish; 2) Appointment of Mr. Geoindo V. Corpino as Group Director for Operations and Mr. Frank Beaumont as Technical Adviser; 3) Resignation of Mr. Gerardo C. Ablaza Jr. as Member of the Audit and Governance Committee.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC. October 5, 2010
Issuer

By: [Signature]

[Name]
Head, Legal and Corporate Governance Department

Date
October 4, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting today of the board of directors (Board) of Manila Water Company, Inc., the Board considered and approved the following:

1. Acceptance of the Resignation of Mr. Charles Thomas Cornish and Election of Mr. Tom Keevil as Director for the remaining term of Mr. Cornish.

Mr. Keevil is the General Counsel and Legal Director of United Utilities Plc. From 2002 until 2007 he was the company secretary and general counsel of Gallaher Group Plc and a board appointed member of Gallaher’s corporate responsibility committee. He also holds previous position in Simmons & Simmons. He is a Fellow of the Chartered Institute of Arbitrators, an accredited mediator, a member of the European advisory board of FM Global, an executive member of the GC100 and was appointed a non-executive director of the Solicitors Regulation Authority.

2. Appointment of Mr. Georino V. Carpio as Group Director for Operations and Mr. Frank Beaumont as Technical Adviser.

Mr. Carpio joined the company in 1997 as Chief Information Officer before moving to head Project Delivery in 2004. Prior to joining the company, he was Vice President for Information Technology for the Marsman Group of Companies. He also has 12 years of consulting experience from his association with Andersen Consulting. Ms. Estelita C. Orodio has been appointed as Officer-in-Charge of the Project Delivery Group.
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel:(632) 726-0834 to 39 Fax:(632) 725-9263 Email: mea@sec.gov.ph

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Company Representative

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Company Information
SEC Registration No. A199611583
Company Name MANILA WATER CO. INC.
Industry Classification
Company Type Stock Corporation

Document Information
Document ID 1092720100000364
Document Type 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code 17-C
Period Covered September 23, 2010
No. of Days Late 0
Department CFD
Remarks
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD, BALARA, QUEZON CITY, METRO MANILA

Atty. JOCEL P. RAQUEDAN

Contact Person

(Company's Full Name)

(Company Telephone Number)

1231

Month Year

SEC Form 17-C

STOCK

FORM TYPE

04 Any

Secondary License Type, if Applicable

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

S E C R E T A R Y

L C U

D o c u m e n t I D

C a s h i e r

S T A M P S
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17-3(c) THEREUNDER

1. September 23, 2016
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1996-11592

3. BIR Tax Identification No.: 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City, Phibs.

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

7. Address of issuer’s principal office
   Code
   2F NWSS Admin. Bldg., 499 Katipunan Road, Balaoro, Quezon City 1105

8. Issuer’s telephone number, including area code
   02(826-7998 local 8130 / or 02)831-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1. 2,004,083,468 Outstanding Common Shares
2. 24,869,010 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   PSE
11. Are any of registrant’s securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated September 23, 2010 on the tariff adjustment of Manila Water. Effective October 9, 2010, water rates for Manila Water customers will have an upward adjustment of P0.10 per cubic meter due to the depreciation of the Philippine peso based on the exchange rate of US$1:PhP44.627 to US$1:PhP46.320.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer  

By: [Signature]

Jhoel R. Raquedan  
Head, Legal and Corporate Governance Department  

September 23, 2010  
Date
September 23, 2010

SEcurities AND ExCHANGE COmmISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPine STOCK ExCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPine DEALING & ExCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Manila Water Tariff Adjustment for 2010

Gentlemen:

Effective October 9, 2010, water rates for Manila Water customers will have an upward adjustment of P0.10 per cubic meter due to the depreciation of the Philippine peso based on the exchange rate of US$1:PhP44.627 to US$1:PhP46.320. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from -0.01% to 0.45% of the basic charge.

FCDA is a tariff mechanism that was formulated to account for foreign exchange losses or gains arising from the payment of Manila Water of foreign currency-denominated concession fees to the MWSS as well as loans for its service expansion and improvement. Thus, the tariff adjustment has no impact on the projected net income of the company.

For more information, please see attached Notice.

Sincerely,

[Signature]

Joel P. Raquidean
Legal and Corporate Governance Manager
NOTICE TO
MANILA WATER CUSTOMERS

Effective October 9, 2010, Manila Water will implement a 0.45% Foreign Currency Differential Adjustment (FCDA) of the basic charge due to the depreciation of Peso to US dollar and appreciation of Japanese Yen to US Dollar. Low-income households consuming 10 cubic meters a month or less will be exempt from the adjustment.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. C2010-133 dated September 23, 2010, confirming MWSS Regulatory Office Resolution No. 10-005-CA.

FCDA is a tariff mechanism that was formulated to account for foreign exchange losses or gains arising from the payment of Manila Water of foreign currency-denominated concession fees to the MWSS as well as loans for its service expansion and improvement.

SERVICE COVERAGE AREA

Manila Water provides water and wastewater services to the following areas: Mandaluyong, Pasig, San Juan, Marikina, Pateros, Taguig, Makati, southeastern part of Quezon City, and San Andres and Sta. Ana in Manila; and several towns of Rizal Province which include San Mateo, Rodriguez, Antipolo, Cainta, Taytay, Angono, Baras, Binangonan and Jalaqala.
COVER SHEET

MANILA WATER COMPANY, INC

485 KATIPUNAN ROAD, BANABA, QUEZON CITY, METRO MANILA

Atty. JHOEL P. RAQUEDAN

(Company's Full Name)

Business Address, No. Street, City / Town / Province

Contact Person

Company Telephone Number

(632) 881-8129

SEC Form 17-C

STOCK

FORM TYPE

SEC Registration Number

A1996-1168G

Amended Articles Number/Version

Fiscal Year

Month: 12
Day: 31

Secondary License Type, If Applicable

04

Month

Any

Day

Annual Meeting

Dep't. Receiving this Doc.

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

UCU

Document ID.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1 September 17, 2015
Date of Report (Date of earliest event reported)

2. SEC Identification Number A1966-11583

3. BIR Tax Identification No. 005-038-d22

4 MANILA WATER COMPANY, INC.
Exact name of Issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
Philippines.

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

7. Address of issuer's principal office Postal Code
2F, NWSS Admin. Bldg., 439 Katipunan Road, Balaan, Quezon City 1105

8. Issuer’s telephone number, including area code (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each – 2,030,906,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

3 2,066,018,466 Outstanding Common Shares
2,568,016 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated September 17, 2010 on the demise of Mr. Takeaki Yamashita and the resignation of Mr. Charles Thomas Cormich, both members of the Board of Directors of Manila Water

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.  
Issuer

By: _____________________________

______________

Jhonn P. Raquedan
Head, Legal and Corporate Governance Department

September 17, 2010

Date
September 17, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Demise of a Director and the Resignation of a Director

Gentlemen:

Please be informed that today we received information that Mr. Takeshi Yamashita, a member of the Board of Directors ("Board") of the Manila Water Company, Inc. ("Manila Water"), passed away last Friday, September 10, 2010. Mr. Yamashita has made significant contributions to the Company and his enlightened leadership will be greatly missed.

In addition, Manila Water also received the resignation of Mr. Charles Thomas Cornish as a member of the Board. The said resignation will be submitted to Manila Water’s Board on October 4, 2010, for consideration/approval.

Thank you.

Sincerely,

[Signature]

JHOEL P. RAQUEDAN
Head, Legal and Corporate Governance Department
Bar Code Page

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Company Representative

Doc Source

Company Information

SEC Registration No: A199811593
Company Name: MANILA WATER CO INC.
Industry Classification:
Company Type: Stock Corporation

Document Information

Document ID: 108102010001024
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: August 09, 2010
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOEEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Day Fiscal Year

STOCK FORM TYPE

04 Any Month Day Annual Meeting

Secondary Licensee Type, if Applicable

A1996-11593
Amended Articles Number/Section

Dept. Requiring this Doc.

Total No. of Stockholders

Domestic Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID.

Cashier

STAMPS
SEC Form 17-C

Current Report under Section 17
of the Securities Regulation Code
and SRC Rule 17.2(c) Thereunder

1. August 9, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-039-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code (SEC Use Only)

7. Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 419 Katipunan Road, Baga, Quezon City 1106

8. Issuer’s telephone number, including area code
   (02) 828-7998 Local 8133 / (02) 828-8133

9. Former name or former address, if changed since last report
   (Not Applicable)

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each – 2,030,906,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or
      otherwise.

1 2,605,763,966  Outstanding Common Shares
   302,164,510  Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476  PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [x] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated August 9, 2010 on the 1st semester results of the company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC. August 9, 2010
Issuer

By: [Signature]

Joel P. Raquidan
Head, Legal and Corporate Governance Department
August 9, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Manila Water announces today its first semester results for 2010. Please refer to the enclosed press release.

Since,

Joeel P. Raquedan
Head, Legal and Corporate Governance Department
Manila Water 2010 Second Quarter Results

Manila Water's net income grew by 34% year-on-year to P1.97 billion on the back of an increase in customer base and the recovery in consumption brought about by the improving economy.

Revenues increased by 18% to P5.5 billion compared to the same period last year. The improvement in revenues was supported by the 5% growth in water sales to 203.3 million cubic meters (mcm) from 194.4 mcm. The company was able to connect an additional 64,039 households to the network in the first 6 months of 2010. Manila Water's customer base consequently expanded to 1.2 million households. Of this number, around 1.6 million people come from low-income communities.

The company's non-revenue water level declined by 3 percentage points to 13.5% from the year ago level of 16.4%. This enabled the company to continue providing its customers with 24/7 water services despite the tighter raw water supply situation brought about by El Niño.

Meanwhile, operating costs increased by 8% to P1.45 billion as of June 2010 as a result of the continued expansion of the water and wastewater network coverage in the East Zone. Power costs in particular experienced a significant increase year-on-year as a result of the increase in electricity tariffs. Nevertheless, continued process and system improvements allowed the company to improve operating efficiencies, resulting in EBITDA and net income margins of 74% and 36% respectively.

Capital expenditures for the 1st half of the year totaled P4.3 billion, almost half of Manila Water's capex program of P10 billion for the whole of 2010. The company's capital expenditure for the whole of 2009 was just P5.3 billion. As of June 2010, Manila Water's asset base improved to P46 billion, showing a 5% increase from the December 2009 level. Meanwhile, the increase in capital investments slightly brought down the company's cash reserves to P8 billion as of June 2010.

Manila Water's debt levels remained within manageable levels. Current and net bank debt to equity ratios were at 1.94x and 0.32x respectively. Operating cash flows also continue to be strong with collection efficiency at 100% as of June 2010.

Outside of the East Zone, Manila Water's operating units in Laguna and Boracay continued to post gains. Laguna Water's net income grew by 263% to P7.43 million on the back of a 15% increase in revenues and improved operating efficiencies. Manila Water took over operations in the Laguna concession last September 2009.

On the other hand, Boracay Water registered an 81% decline in net income to P5.5 million due to a one time adjustment resulting from the implementation of the IFRIC 12 accounting standard. Revenues actually increased by 33% on the back of strong tourist inflows during the summer season. Boracay Water started operations last January 2010.
### Financial Highlights

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<th>Q2 2010</th>
<th>Q2 2009</th>
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<td>Total revenues</td>
<td>5,476</td>
<td>4,642</td>
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<td>Total costs and expenses</td>
<td>1,451</td>
<td>1,339</td>
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<tr>
<td>EBITDA</td>
<td>4,025</td>
<td>3,303</td>
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<td>Net income</td>
<td>1,970</td>
<td>1,465</td>
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### Operating Highlights

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<th>Q2 2009</th>
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<td>Water supply (mcm)</td>
<td>1.15</td>
<td>2.36</td>
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<td>Water sales (mcm)</td>
<td>203.3</td>
<td>194.4</td>
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<td>Non-revenue water (%)</td>
<td>13.5</td>
<td>16.4</td>
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<td>Households served (in thousands)</td>
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**SECURITIES AND EXCHANGE COMMISSION**

**Barcode Page**
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- **Receiving Officer/Encoder**: Dhamit Curashes
- **Receiving Branch**: SEC Head Office
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- **Received From**: Head Office

### Doc Source

### Company Information

- **SEC Registration No.**: A199811593
- **Company Name**: MANILA WATER CO. INC.
- **Industry Classification**: Stock Corporation

### Document Information

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COVER SHEET

MANILA WATER COMPANY INC

488 KATIPUNAN ROAD BALAURA 1105
QUEZON CITY METRO MANILA

(Company's Full Name)

Alty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Fiscal Year

04
Any
Month Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number, Section

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS
SEcurities and Exchange Commission

SEC FORM 17-c

Current Report Under Section 17
Of the Securities Regulation Code
And SRC Rule 17.2(c) Thereunder

1. August 3, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1986-11593

3. BIR Tax Identification No. 006-038-423

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of Issuer's principal office
   Postal
   2F MWSS Admin. Bldg., 489 Kalanggaman Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)226-7969 local 5130 / or (02)226-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each = 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds = P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,005,763,956 Outstanding Common Shares
   25,142,310 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSB
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation on the notice of analysts' briefing which will be held on August 9, 2010, at 2:00 in the afternoon at the 25F South Room A & B, Tower One & Exchange Plaza, Makati City.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  August 3, 2010
Issuer  Date

By:  

Jhoel P. Raquedan
Head, Legal and Corporate Governance Department
2 August 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina P. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts’ Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on August 9, 2010, at 2:00 in the afternoon at the 25/F South Room A & B, Tower One & Exchange Plaza, Makati City.

Best regards.

Sincerely,

[Signature]
Lizzie Zamora-Dimacuha
Legal and Compliance Manager
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17,
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. July 28, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1986-11593

3. BIR Tax Identification No. 095-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 482 Kaliguran Road, Balara, Quezon City 1106

8. Issuer's telephone number, including area code
   02-828-7998 local 8133 / or 02-881-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

a. Shares of Stock

   Common Shares, par value P1.00 each - 2,030,906,476

b. Amount of Debt Outstanding

   Fixed Rate Bonds - P4,000,000,000.00

   Registrant has no other registered securities either in the form of shares, debt or otherwise.

1 2,005,783,906 Outstanding Common Shares
25,162,510 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,030,906,476 PSP.
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange on the clarification on the news article entitled "Manila Water got P732 M for Wawa Dam" published in the July 28, 2010 issue of the Philippine Daily Inquirer.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

By:  

Jhoel P. Raquedan
Head, Legal and Corporate Governance Department  

July 28, 2010
Date
28 July 2010

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue,
Makati City 1226
Philippines

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

Re: Clarification on News Article

Gentlemen:

We refer to your letter dated July 28, 2010 requesting for clarification on the news article entitled “Manila Water got P732-M for Wawa Dams” published in the July 28, 2010 issue of the Philippine Daily Inquirer. The article reported in part that:

“... A little research also revealed why the MWSS refuses, for the past 16 years, to allow San Lorenzo Builders and Developers Group (SLRB) to tap Wawa Dam in spite of a water shortage so acute that water riots sometimes erupt in the long lines of people waiting for water rations. It wants to give Wawa to collect in advance from its subscribers since 2003 P732 million for the development of Wawa Dam.

... In a letter to Antonio Aquino, president of Manila Water, MWSS Chief Regulator Eduardo C. Santos said: “It must be recalled that in Rate Rebasing Submission for the Charging Year 2003 the 50mld (million liters daily) and rehabilitation plan of Wawa Dam were included in your Concession Fee Projects.

...“To date, however, such project has not even started...”...

Manila Water Company, Inc. (the “Company”) would like to clarify that the Metropolitan Waterworks and Sewerage System (MWSS) is the owner, administrator and operator of the Wawa Dam and has been duly issued by the National Water Resources Board (NWKB) a water right for the abstraction of water from the dam for six (6) months during the rainy season.

In order to augment the supply of water for service area of the MWSS, the Company included in its 2003 Rate Rebasing Business Plan a proposal for the development of the
Wawa Dam with a corresponding adjustment in the tariff scheme. The total project cost for the development of the dam was estimated at P732 million. Although the project proposal was approved by the MWSS, the tariff scheme, as proposed, was not immediately implemented. It was only in 2005 that the tariff adjustments were implemented to include collections for the development of the Wawa Dam. However, the development of the dam has been delayed as the application for amendment of the water rights to allow abstraction of water for the entire year with the NWRB is still pending.

Considering the delay in the implementation of the project, the tariff adjustment for the development of the dam and the P150 million collections have been deleted from current tariff and corrected during the review of the Company’s tariff rates in 2008.

Meanwhile, the Company implemented service improvement projects, as an alternative to the development of Wawa Dam, amounting to P1.4 billion. Among these projects is the acceleration of the Non-Revenue Water (NRW) Reduction project where approximately 500 million liters of water per day have been recovered and which amount was used to cushion the ill effects of the El Niño to the Company’s customers. These projects also allowed the Company to meet its service obligations to its customers and the MWSS.

We trust that the foregoing clarifies the matter.

Best regards.

Sincerely,

LUIS QUAN B. ORETA
Chief Finance Officer and Treasurer

Cc SEcurities and Exchange Commission
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer
Barcode Page
The following document has been received:

Receiving Officer/Encoder : Fernando T. Fernandez
Receiving Branch : SEC Head Office
Receipt Date and Time : July 12, 2010 12:12:18 PM
Received From : Head Office

Doc Source

Company Information
SEC Registration No. A189611593
Company Name : MANILA WATER CO INC.
Industry Classification
Company Type : Stock Corporation

Document Information
Document ID : 107122010000866
Document Type : 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : July 09, 2010
No. of Days Late : 0
Department : CFD
Remarks :
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. July 9, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1990-11583

3. BIR Tax Identification No. 005-028-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of Issuer's principal office
   Code
   2F MWSS Admin. Bldg., 469 Katipunan Road, Bataan, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)928-7889 local 6130 / or (02)928-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value Ph.00 each - 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds - Ph.900,000,000.00

         Registrant has no other registered securities either in the form of shares, debt or otherwise

   2,005,763,966 Outstanding Common Shares
   16,142,519 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   2,030,906,476 PSB
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated July 9, 2010 on the results of the regular meeting of Board of Directors ("Board"). The Board declared the following second semester 2010 cash dividends: (i) P0.23 per share on the outstanding common shares, and (ii) P0.023 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of July 23, 2010, to be paid on August 17, 2010.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

Issuer

By ______________

Jhong P. Raqudec
Assistant Corporate Secretary

July 9, 2010

Date
July 9, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the board of directors (Board) of Manila Water Company, Inc. today, the Board declared the following second semester 2010 cash dividends: (i) P0.23 per share on the outstanding common shares, and (ii) P0.023 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of July 23, 2010, to be paid on August 17, 2010.

Best regards,

Sincerely,

Jhoel P. Requidan
Head, Legal and Corporate Governance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel (632) 726-0031 to 39 Fax (632) 726-5298 Email: mms@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Jojll Licudina
Receiving Branch: SEC Head Office
Receipt Date and Time: July 01, 2010 10:16:11 AM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC
Industry Classification
Company Type: Stock Corporation

Document Information
Document ID: 1070120100000394
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: June 28, 2010
No. of Days Late: 0
Department: CFD
Remarks
<table>
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<tr>
<th>MANILA WATER COMPANY INC</th>
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</tbody>
</table>

(Company's Full Name)

469 KATIPUNAN ROAD BALARA 1108
QUEZON CITY

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

ATTY. JHOEL P. RAQUEDAN
Contact Person

928-7999 local 2020
Company Telephone Number

FORM TYPE

1T-C

Secondary License Type, If Applicable

1231
Month Day Fiscal Year

04
Month Day Annual Meeting

CFD
Dept, Requesting this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

<table>
<thead>
<tr>
<th>File Number</th>
</tr>
</thead>
</table>

LCU

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATIONS CODE (SRC)
AND SRC RULE 17(a)-1(b)(3) THEREUNDER

1. June 29, 2010
Date of Report (Date of earliest event reported)

2. A1988-11593
SEC Identification Number

3. 000-153-810-000
BIR Tax Identification Number

4. MANILA WATER COMPANY, INC.
Exact Name of registrant as specified in its charter

5. PHILIPPINES
Province, country or other jurisdiction of Incorporation

6. (SEC Use Only)
Industry Classification Code

7. MWSS Administration Building, 639 Katipunan Rd., Balara
Quezon City
Address of principal office

8. 981-6130
Registrant’s telephone number, including area code

9. 
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the SRC

<table>
<thead>
<tr>
<th>Title of Each Class</th>
<th>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMON &amp; PARTICIPATING PREFERRED SHARES</td>
<td></td>
</tr>
</tbody>
</table>

Indicate the item numbers reported herein: Please refer to attached letter

Re: Senior Executive Movements

Pursuant to the requirements of the Securities Regulations Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.
Registrant

Date: June 29, 2010

SOLOMON M. HERMOSURA
Corporate Secretary
Signature and Title*

* Print name and title of the signing officer under the signature.
June 29, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Casar B. Crisol
President and Chief Operating Officer

Gentlemen:

Today, our Executive Committee accepted the resignation of Mr. Jose Rene D. Almendras as President and member of the Board of Directors and appointed Mr. Gerardo C. Abaza Jr. as President and Chief Executive Officer (CEO) as recommended by the Nomination Committee. The resignation and appointment are effective at the close of business today, June 29, 2010.

Mr. Almendras resigned from the Company as he has responded to the call of government service and will join the Cabinet. He leaves at Manila Water a legacy of expansion, efficiency and social impact. The Company is grateful for his inspiring and effective leadership and service.

Mr. Abaza was President and CEO of Globe Telecom Inc. from April 1998 to April 2009. He has been a member of our Board of Directors since November 2009.

Sincerely,

[Signature]

SOLOMON M. HERMOSURA
Corporate Secretary
COVER SHEET

S.E.C. Registration Number

MANILA WATER COMPANY INC

Company's Full Name

489 KATIPUNAN ROAD BALARA 1108

QUEZON CITY METRO MANILA

Business Address: No. Street City / Town / Province

Atty. JHOEL P. RAQUEDAN

Contact Person

(632) 981-8129

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

12

STOCK

FORM TYPE

0 4

Month Day

Any

Annual Meeting

Secondary License Type, if applicable

Dept. Requesting this Doc

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document #

Casher

STAMPS
1. **June 11, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1986-11397

3. BIR Tax Identification No: 905-093-4028

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: **Quezon City, Phils.**

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

7. **Address of issuer’s principal office**
   **Postal Code**
   2F NWSS Admin. Bldg., 489 Kalinisan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code:
   (02) 920-7899 local 8130 or (02) 861-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC).

   a. Shares of Stock

      Common Shares, par value Ph. 1.00 each – 2,030,926,676

   b. Amount of Debt Outstanding

      Fixed Rate Bonds – Ph4,000,000,000

      Regisrrant has no other registered securities either in the form of shares, debt or otherwise.

   1 2,005,715,986 Outstanding Common Shares
   25,190,510 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   2,000,926,476 FSE
11. Are any of registrant’s securities listed on stock exchange?

Yes [x] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated June 11, 2010 on the company’s tariff adjustment for 2010. Effective July 1, 2010, water rates for Manila Water customers will have a downward adjustment of P0.27 per cubic meter due to the appreciation of the Philippine peso.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

[Signature]

By

Thom Ryan Q. Ortega
Legal and Corporate Governance Manager

June 11, 2010

Date
June 11, 2010

SEcurities AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangen
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Manila Water Tariff Adjustment for 2010

Gentlemen:

Effective July 1, 2010, water rates for Manila Water customers will have a downward adjustment of P0.27 per cubic meter due to the appreciation of the Philippine peso based on the exchange rate of US$1:PhP46.028 to US$1:PhP44.627. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from 1.24% to -0.01% of the basic charge.

FCDA is a tariff mechanism that was formulated to account for foreign exchange losses or gains arising from the payment of Manila Water of foreign currency-denominated concession fees to the MWSS as well as loans for its service expansion and improvement. Thus, the tariff adjustment has no impact on the projected net income of the company.

For more information, please see attached Notice.

Sincerely,

[Signature]

Luzelle Zamora-Dimacula
Legal and Corporate Governance Manager
NOTICE TO
MANILA WATER CUSTOMERS

Effective July 1, 2010, water rates for Manila Water customers will be adjusted due to the appreciation of Peso against other currencies during the second quarter of 2010. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from P0.27 to P0.00 per cubic meter, a decrease of P0.27 per cubic meter. This represents a -0.61% downward adjustment from 1.24% of the basic charge of the previous quarter.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2010-064 dated June 09, 2010; confirming MWSS Regulatory Office Resolution No. 10-003-CA dated June 07, 2010.

FCDA is a tariff mechanism that was formulated to account for foreign exchange losses or gains arising from the payment of Manila Water of foreign currency-denominated concession fees to the MWSS as well as loans for its service expansion and improvement.

SERVICE ENHANCEMENT PROGRAMS

As part of Manila Water’s advocacy and in support to the government’s program in protecting the environment, projects are now being implemented that are geared toward the further enhancement of wastewater coverage and provision of sanitation services. Manila Water is embarking on the clean up of the three river systems namely: San Juan, Marikina and Pasig.

Manila Water has also been very supportive of the MWSS roadmap to explore potential new water sources as well as programs that would further strengthen the company’s ability to mitigate impacts of environmental disasters.

Continuing rehabilitation programs are undertaken to further enhance service levels in areas with 24/7 water supply which include Mandaluyong, Pasig, San Juan, Marikina, Pateros, Makati, southeastern part of Quezon City, and San Andres and Sta. Ana in Manila. With 100% coverage in these areas, aggressive service expansion programs are now underway in Taguig, San Mateo, Rodriguez, Antipolo, Cainta, Taytay, Angono, Binangonan, and Jala-jala in Rizal province.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Sec. Registration Number)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

12 31
Month Day
Fiscal Year

STOCK FORM TYPE

A1996-11593
Amended Articles Number/Section

Secondary License Type, if Applicable

Dept. Requiring this Doc

Total No. of Stockholders

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **May 19, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A1996-11923**

3. BIR Tax Identification No: **205-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country, or other jurisdiction of incorporation or organization: **Quezon City, Phils.**

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

7. Address of issuer's principal office
   Postal Code: **2F NWSS Admin, Bldg. 439 Katipunan Road, Bagumbayan, Quezon City 1104**

8. Issuer's telephone number, including area code:
   (02)825-7999 local 8130 (or 02)821-8133

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each – 2,030,906,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds – P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,005,667,866 Outstanding Common Shares
   289,238,310 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   2,030,906,476 PSE
11 Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange ("PSE") dated May 18, 2010 on the additional information requested by PSE on the purchase of United Utilities Australia Pty. Limited and its Australian related corporate bodies.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  May 19, 2010
Issuer  Date

By: [Signature]

Lizette Zamora-Dimaculha
Legal and Corporate Governance Manager
18 May 2010

PHILIPPINE STOCK EXCHANGE, INC.
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Purchase of United Utilities Australia Pty. Limited and its Australian related corporate bodies

Gentlemen:

We respond to your letter of May 14, 2010 and to your inquiries pertaining to the purchase of United Utilities Australia Pty. Limited ("UUA") and its Australian related corporate bodies (together "UUA Group").

a. Details of the Joint Venture Company ("JVC")

Information sought on the JVC that will be formed by the consortium are currently being discussed and negotiated among the consortium members. We will provide you with the details as soon as they have been finalized and agreed upon.

b. Terms and conditions of the share sale agreement of the consortium with United Utilities Australia Holdings BV and United Utilities PLC

b.1 The consortium intends to acquire 100% of the issued shares of the following UUA Group companies:

<table>
<thead>
<tr>
<th>Name of Company</th>
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<tbody>
<tr>
<td>United Utilities Australia Pty Limited</td>
</tr>
<tr>
<td>United Utilities Macarthur Operations Pty Limited</td>
</tr>
<tr>
<td>UU Australia Investments Pty Limited</td>
</tr>
<tr>
<td>UU Yan Yan Investment Pty Limited</td>
</tr>
<tr>
<td>UC Australia Operations Holdings Pty Ltd</td>
</tr>
<tr>
<td>North West Water Pty Ltd</td>
</tr>
<tr>
<td>UU Environmental Investments Pty Ltd</td>
</tr>
</tbody>
</table>
b.2 The consortium used the existing contracts of the UUA Group and the potential growth of their business as the main basis for determining the value of the consideration for the purchase.

b.3 The conditions precedent to closing of the transaction are as follows:

- Consent from joint venture partners of UUA Group, as applicable;
- Consent from clients; and
- No objection from the Australian Treasurer to the transaction under the Foreign Acquisitions and Takeovers Act 1975 (Cth) of Australia.

b.4 It is expected that completion of the transaction will occur within the second half of 2010.

C. Since its inception in 1991, UUA has established itself as a strong participant in the Australian water industry, providing a range of water and wastewater treatment services to over 3 million people through a number of projects across Australia. UUA's capabilities cover the full life cycle of water and wastewater treatment projects including project finance, design and construction upgrades and refurbishments, operation and maintenance, asset management, utility services, laboratory testing, billing and customer services.

D. Mitsubishi Corporation is currently a shareholder of Manila Water. United Utilities Pacific Holdings B.V., which is an affiliate of UUA, and which had been a shareholder in Manila Water until its divestment in November 2009, has been the technical partner in Manila Water since it began operating the water concession in Metro Manila's East Zone in 1997. It continues to provide technical services to, and retain voting rights in Manila Water through its 40% ownership in Philwater Holdings Company, Inc., which holds Manila Water's outstanding preferred shares.

We hope you will find the foregoing sufficient.

Very truly yours,

Ezelle Zamora-Dimacula
Legal and Corporate Governance Manager

cc: Securities and Exchange Commission, Dir. Justina F. Callangan
Phlippine Dealing & Exchange Corporation, Mr. Cesar B. Crisol
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 11, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1998-11593

3. BIR Tax Identification No. 905-036-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phits.

6. Industry Classification Code: 1422 (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2F MWSS Admin. Bldg., 455 Katigunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 928-7999 Local 8130 / or (02) 891-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC).

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,030,906,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds – P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise.

1 2,045,647,966 Outstanding Common Shares
25,285,410 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.
Issuer

May 11, 2010
Date

By: [Signature]
Lizette Zamora-Dimacuha
Legal and Corporate Governance Manager
May 11, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Joint Venture Agreement with Jindal Water Infrastructure Limited

Gentlemen:

Following our disclosures dated February 5, 2010 and February 9, 2010 on the subject matter, please be informed that the joint venture of Manila Water Company, Inc. and Jindal Water Infrastructure Limited, has incorporated the joint venture company, Jindal Manila Water Development Company Limited, in India in accordance with its joint venture agreement.

Thank you.

Sincerely,

Lizette Zamora-Dumapeina
Legal and Corporate Governance Manager
**COVER SHEET**

**Rejistration Number:** A1966-11539

**Company's Full Name:** MANILA WATER COMPANY INC

**Business Address:** 489 KATIPUNAN ROAD BALARA 1106 QUEZON CITY METRO MANILA

**Contact Person:** Atty. JHOEL P. RAQUEDAN

**Company Telephone Number:** (632) 881-8129

**Month:** 12  31  
**Day:** 04  
**Fiscal Year:** Any

**SEC Form 17-C**

**FORM TYPE:** STOCK

**Secondary License Type, if applicable:**

**Dept. Requiring this Doc.**

**Total No. of Stockholders**

**Total Amount of Borrowing:**
- **Domestic:** ____________
- **Foreign:** ____________

**To be accomplished by SEC Personnel concerned**

**Fee Number:**

**Document ID:**

**LCU:**

**Cashier:**

**STAMPS:**
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **May 11, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1896-11592**

3. BIR Tax Identification No. 005-038-428

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office
   Code
   **2F NWSS Admin. Bldg., 489 Katipunan Road, Bataan, Quezon City 1105**

8. Issuer's telephone number, including area code
   **021926-7699 local 8130 or 021921-8133**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
    
    Common Shares, par value P1.00 each - 2,030,906,476

    b. Amount of Debt Outstanding
    
    Fixed Rate Bonds - P4,000,000,000.00

    Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,095,667,966 Outstanding Common Shares
25,738,510 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,010,006,476 PSE
11. Are any of registrant's securities listed on stock exchange?
   Yes [x]   No [ ]

12. Indicate the item numbers reported herein:


   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

   MANILA WATER COMPANY, INC.  May 11, 2010
   Issuer

   By: [Signature]
   Lilibelle Zamora-Dimaculata
   Legal and Corporate Governance Manager
11 May 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Manila Water and consortium partners sign an agreement with United Utilities to acquire United Utilities Australia

Gentlemen:

We are pleased to advise that the consortium of Manila Water Company, Inc., Mitsubishi Corporation, the Innovation Network Corporation of Japan and JGC Corporation has signed an agreement with United Utilities PLC ("UU") for the purchase of UU's wholly-owned subsidiary United Utilities Australia Pty Limited and its Australian-related bodies corporate (the "UUA") for a transaction value of approximately Australian Dollars $225 million. UUA is composed of companies incorporated and operating in Australia that own and operate 35 water treatment plants, 22 wastewater treatment plants, nine (9) reuse schemes and four (4) desalination plants in various areas in Australia.

The Company's participation in the consortium is initially set at 12.7%.

Given its proven track record, the Company will contribute significantly to the expertise and experience of the existing UUA Group across the provision of operation and maintenance and asset management services. The Company believes that its participation in the consortium is a strategic move to enhance its reputation and brand internationally as a premier water and wastewater services provider in the region. This transaction will improve the Company's competitiveness and visibility in the region as it focuses to expand operations in emerging countries with significant water scarcity problems.

Further information on the transaction will be disclosed in due course.

Thank you.

Very truly yours,

[Signature]

Jose P. Requedan
Head, Legal and Corporate Governance Department
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1106
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

(Company's Full Name)

Business Address: No. Street City / Town / Province

Contact Person

Company Telephone Number

(632) 881-8129

SEC Form 17-C

STOCK

FORM TYPE

Month Day

Parol Year

Month Day

Any Annual Meeting

Secondary License Type, If Applicable

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. May 7, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1928-11593

3. BIR Tax Identification No. 008-038-421

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer’s principal office
   Postal Code
   2F MWSS Admin. Bldg., 469 Katipunan Road, Balaan, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)928-7200 Local 8130 or (02)928-6133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

2,005,642,466 Outstanding Common Shares
21,363,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

   Yes [X]    No [ ]

12. Indicate the item numbers reported herein:


   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

   MANILA WATER COMPANY, INC.  May 7, 2010
   Issuer

   By: ____________________________
   djoel P. Raquedan
   Head, Legal and Corporate Governance Dept.

   [Signature]
May 7, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Manila Water announces today its first quarter results for 2010. Please refer to the enclosed press release.

Sincerely,

[Signature]

Amiel P. Raquedan
Head, Legal and Corporate Governance Department
Manila Water reports strong results for the 1st Quarter of 2010

Manila Water reported a net income of P839.5 million for the first three months of 2010, a growth of 35% from the same period last year. The improvement in earnings was driven by higher water demand brought about by the increase in the company’s customer base and improvement in network efficiency.

As of the first quarter of the year, the company’s revenues grew by 18% to P2.5 billion. During the period, Manila Water connected 10,841 households to the distribution network, increasing its customer base to 1.1 million households. This increase in household connections, combined with the improvement in economic activity, increased water sales by 5% to 98.7 million cubic meters (mcm).

Manila Water further brought down system losses by another 1.71 percentage points to 13.7% as of March 31 this year. The continued improvement in the distribution system has enabled the company to provide 24/7 water service at good pressure to East Zone customers in spite of the El Niño phenomenon. As a result of these various initiatives to improve network efficiency, Manila Water was recently awarded the Water Efficiency Project of the year during the recently-held Global Water Awards in Paris, France.

Improvements in system efficiencies have also translated to an improvement in Manila Water’s earnings before interests, taxes, depreciation and amortization (EBITDA) to P1.8 billion. EBITDA margin continues to be maintained above the 70% level.

For 2010, the company has committed to invest approximately P10 billion in the East Zone with the aim of further improving service levels and expanding wastewater coverage. For the first three months of the year, the company has already invested around P2 billion in the concession.

“Our solid operational and financial performance reflects on our successful efforts to mitigate the impact of El Niño on our operations. Meanwhile, the investment plan for this year will allow us to continue providing world-class service levels to our customers even as we embark on the daunting task of cleaning our waterways through the expansion of wastewater investments in the East Zone,” according to Manila Water president Rene D. Almendras.

The company has also made significant progress in its efforts to expand its operations outside the East Zone with the start of operations of its subsidiary in Boracay Island last January. Recently, Manila Water signed a joint-venture agreement with the OP Jindal group of India and formed a holding company in Singapore to support the company’s international expansion.

Furthermore, Philippine Rating Services Corporation (PhilRatings) has assigned again the highest possible rating of “PRS Aaa” to the company. This reaffirms Manila Water’s strong capability to meet its financial commitment while generating strong cash flows and maintain a high level of liquidity and profitability.
### Financial Highlights

<table>
<thead>
<tr>
<th>(In million Pesos)</th>
<th>Q1 2010</th>
<th>Q1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>2,539</td>
<td>2,158</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>714</td>
<td>641</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,825</td>
<td>1,517</td>
</tr>
<tr>
<td>Net income</td>
<td>839</td>
<td>622</td>
</tr>
</tbody>
</table>

### Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>Q1 2010</th>
<th>Q1 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply (mcm)</td>
<td>115.3</td>
<td>118.0</td>
</tr>
<tr>
<td>Water sales (mcm)</td>
<td>98.7</td>
<td>93.8</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>13.7%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Households served (in thousands)</td>
<td>1,107</td>
<td>1,045</td>
</tr>
</tbody>
</table>
COVER SHEET

A199811593
S.E.C. Registration Number

MANILA WATER COMPANY INC
(Company's Full Name)

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA
(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 961-8129
Company Telephone Number

1 2 3 1
Month Day Fiscal Year

SEC Form 17-C STOCK
FORMATYPE 0 4 Any
Month Day
Annual Meeting

Secondary License Type, if applicable

A1996-11593
Amended Articles Numbered/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEcurities AND EXCHANGE COMMISSION

SEC FORM 17-C
CURREnT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 6, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1896-11592

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postai
   Code
   2F MWWSS Admin. Bldg., 489 Katipunan Road, Bicutan, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 0130 / or (02)981-6133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each = 2,030,906,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds = P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise.

---

1 2,030,906,476 Outstanding Common Shares
   25,000,000 Shares Under the Stock Ownership Plan, the Issuing of which has been approved in principle by the
   PSE
11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein.


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.  May 6, 2010
Issuer  Date

By: ________________________

__________________________
Joel P. Raquidan
Head, Legal and Corporate Governance Dept.
May 6, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina P. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Manila Water's Singapore unit incorporates a subsidiary

Gentlemen:

Please be informed that Manila Water Asia Pacific Pte. Ltd, a wholly-owned subsidiary of Manila Water Company, Inc. ("Manila Water") registered in Singapore, has incorporated a wholly-owned subsidiary in Singapore and registered as Manila Water South Asia Holdings Pte. Ltd ("MWSAH"). The incorporation of MWSAH is in line with the expansion program of Manila Water within the Asia-Pacific region.

Thank you.

Sincerely,

[Signature]

Jhuel P. Riquedan
Head, Legal and Corporate Governance Department
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

(Company's Full Name)

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Day Fiscal Year

STOCK
FORM TYPE

04
Month Day Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number-Section

Dept. Requesting this Doc

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

ICU

Document ID.

Cashier

STAMPS
1. April 28, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1986-11583

3. BIR Tax Identification No. 003-030-422

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization:  Quezon City, Phils.

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

7. Address of issuer’s principal office
   Postal Code
   2F NWSS Admin. Bldg., 483 Katipunan Road, Balaar, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)828-7888 local 8130 or (02)828-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,030,906,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds – P4,000,000,000.00

   Registrant has no other registered securities either in the form of shares, debt or
   otherwise.
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

Issuer  

April 29, 2010  

Date  

By:  

Thomson B. Ortega  

Legal and Corporate Governance Manager
28 April 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts' Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on May 7, 2010, at 1:00 PM at the South Room A & B, 25th Floor, Tower One, Ayala Triangle, Ayala Ave., Makati City.

Best regards.

Sincerely,

[Signature]
Lizette Zamora-Dumacula
Legal and Compliance Manager
1. April 28, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1986-11583

3. BIR Tax Identification No.: 003-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City,
   Phils.

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

7. Address of issuer’s principal office
   Code
   2F NWSS Admin. Bldg., 469 Katigumang Road, Balara, Quezon City
   Postal
   1105

8. Issuer’s telephone number, including area code
   (02) 826-7999 local 8130, or (02) 826-9133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,030,906,4761

    b. Amount of Debt Outstanding
       Fixed Rate Bonds – P4,000,000,000.00

       Registatant has no other registered securities either in the form of shares, debt or
       otherwise.

   1 2,005,635,656 Outstanding Common Shares
   25,381,916 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSU
11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


$SIGNATURE$

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

April 29, 2010

Date

By:

Thom Ryan Q. Ortega

Legal and Corporate Governance Manager
28 April 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Independent Director’s Certifications

Gentlemen:

Further to the Notice issued by SEC on October 20, 2006, we enclose the certifications from Manila Water Company’s independent directors, Messrs. Oscar S. Reyes and Jose L. Cuisia, Jr.

Best regards.

Sincerely,

[Signature]

Lilibeth Zamora-Dimaculuan
Legal and Corporate Governance Manager
CERTIFICATION OF INDEPENDENT DIRECTORS

I, OSCAR S. REYES, Filipino, of legal age, and resident of Unit 5 Kaeyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company.

2. I am affiliated with the following companies or organizations:

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of the Philippines Islands</td>
<td>Director</td>
<td>2003-present</td>
</tr>
<tr>
<td>Ayala Land, Inc.</td>
<td>Independent Director</td>
<td>2009-present</td>
</tr>
<tr>
<td>Philippine Long Distance Telephone Company</td>
<td>Independent Director</td>
<td>2001-present</td>
</tr>
<tr>
<td>SMART Communications, Inc.</td>
<td>Independent Director</td>
<td>2006-present</td>
</tr>
<tr>
<td>Sun Life of Financial Plans, Inc.</td>
<td>Independent Director</td>
<td>2006-present</td>
</tr>
<tr>
<td>Sun Life Prosperity Dollar Abundance Fund, Inc.</td>
<td>Independent Director</td>
<td>2004-present</td>
</tr>
<tr>
<td>Sun Life Prosperity Dollar Advantage Fund, Inc.</td>
<td>Independent Director</td>
<td>2002-present</td>
</tr>
<tr>
<td>Pepsi Cola Products Philippines, Inc.</td>
<td>Independent Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Alcom Gold Resources Corporation</td>
<td>Independent Director</td>
<td>2009-present</td>
</tr>
<tr>
<td>Basic Energy Corporation</td>
<td>Independent Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Basic EcoMarket Farms, Inc.</td>
<td>Chairman</td>
<td>2009-present</td>
</tr>
<tr>
<td>First Philippine Electric Company</td>
<td>Independent Director</td>
<td>2003-present</td>
</tr>
<tr>
<td>Petrolift Inc.</td>
<td>Independent Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Mindoro Resources Ltd.</td>
<td>Director</td>
<td>2002-present</td>
</tr>
<tr>
<td>MRL Gold Philippines, Inc.</td>
<td>Chairman</td>
<td>2008-present</td>
</tr>
<tr>
<td>Global Resources for Outsourced Workers (GROW), Inc.</td>
<td>Director</td>
<td>2003-present</td>
</tr>
<tr>
<td>Link Edge, Inc.</td>
<td>Chairman</td>
<td>2002-present</td>
</tr>
<tr>
<td>CEO's Inc.</td>
<td>Director</td>
<td>2008-present</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of the Manila Water Company as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Manila Water Company of any changes in the abovementioned information within five days of its occurrence.

Done this 24th day of April 2010 at Quezon City.

OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me the 24th day of April 2010, at Quezon City, affiant exhibited to me his Passport No. XX2143931 issued on 29 September 2006 in Manila.

Doc No. 72
Page No. 74
Book No. 30
Series of 2010.
CERTIFICATION OF INDEPENDENT DIRECTORS

I. JOSE L. CUISIA, JR., Filipino, of legal age, and resident of 1283 Gledina St., Dasmarinas Village, Makati City 1226, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company;

2. I am affiliated with the following companies or organizations:

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Philippine American Life &amp;</td>
<td>President &amp; CEO</td>
<td>Aug 1993 - July 2009</td>
</tr>
<tr>
<td>General Insurance Co.</td>
<td>Vice Chairman</td>
<td>Aug 2009 - present</td>
</tr>
<tr>
<td>BPI-Philam Life Assurance Co.</td>
<td>Chairman</td>
<td>Nov 2008 - present</td>
</tr>
<tr>
<td>The Covenant Car Company, Inc.</td>
<td>Chairman</td>
<td>Oct 2009 - present</td>
</tr>
<tr>
<td>ICCP Holdings, Inc.</td>
<td>Director</td>
<td>2007 - present</td>
</tr>
<tr>
<td>Philippine Dealing Systems</td>
<td>Director</td>
<td>2006 - present</td>
</tr>
<tr>
<td>Holdings Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tower Club, Inc.</td>
<td>Chairman</td>
<td>2001 - present</td>
</tr>
<tr>
<td>Phlom Foundation, Inc.</td>
<td>Chairman</td>
<td>1997 - present</td>
</tr>
<tr>
<td>Bauang Private Power Plant</td>
<td>Director</td>
<td>1995 - present</td>
</tr>
<tr>
<td>HOLCIV Philippines, Inc.</td>
<td>Director</td>
<td>1994 - present</td>
</tr>
<tr>
<td>SM Prime Holdings</td>
<td>Vice Chairman</td>
<td>1994 - present</td>
</tr>
<tr>
<td>Beacon Consolidated Industries, Inc.</td>
<td>Director</td>
<td>1994 - present</td>
</tr>
<tr>
<td>Union Oceanaial Corporation</td>
<td>Director</td>
<td>1994 - present</td>
</tr>
<tr>
<td>Asian Institute of Management</td>
<td>Chairman / Co-Chairman</td>
<td>1994 - present</td>
</tr>
<tr>
<td>Beacon Property Ventures, Inc.</td>
<td>Director</td>
<td>1994 - present</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of the Manila Water Company as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of Manila Water Company of any changes in the aforementioned information within five days of its occurrence.

Done this 24th day of April 2010 at Quezon City

JOSE L. CUISIA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 24th day of April 2010, at Quezon City, affiant exhibited to me his Passport No. XX2365712 valid until 27 October 2013 in Manila.

Doc No. : D-9
Page No. : A-4
Book No. : J-1
Series of 2010.

GUENCIO F. FULGUERAS
My Commission Expires Dec 31, 2011
ID No. 725391-2008 PASIG CITY
ROLL No. 30906
PTR No. 2505609-BS-26-09 B.C.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04 Any
Month Day
Annual Meeting

secondary License Type, if Applicable

A1996-11893
Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 28, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A1996-11593

3. BIR Tax Identification No.: 064-058-026

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of Issuer's principal office
   Postal Code

   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 928-7969 local 8130 / or (02) 881-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each - 2,030,906,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds - P4,000,000,000.00

       Registree has no other registered securities either in the form of shares, debt or otherwise.

1,006,625,466 Outstanding Common Shares
21,281,010 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,000,906,476 PSE
11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

By: ____________________________

Jhoel P. Raquedian
Head, Legal and Corporate Governance Department

April 28, 2010
Date
April 28, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Establishment of a holding company in Singapore

Gentlemen:

Please be informed that Manila Water Company, Inc. (Manila Water) has incorporated a holding company in Singapore registered as Manila Water Asia Pacific Pte. Ltd. (the "Company"). The incorporation of the Company is in line with the expansion of Manila Water in the Asia-Pacific region.

Thank you.

Sincerely,

Jhoel P. Baquedan
Head, Legal and Corporate Governance Department
COVER SHEET

MANILA WATER COMPANY INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

Contact Person

(632) 981-8129

Company Telephone Number

SEC Form 17-C
STOCK

FORM TYPE

04
Any

Month
Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11993

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17-2(e) THEREUNDER

1. April 16, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A199-11593

3. BIR Tax Identification No. 005-059-429

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.


7. Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 439 Katipunan Road, Balmora, Quezon City
   Postal
   1164

8. Issuer’s telephone number, including area code
   021820-7999 local 8130 / or 021820-8193

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 5 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock
       Common Shares, par value P1.00 each - 2,030,906,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds - P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise

       1,200,000,000 Outstanding Common Shares

       2,000,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated April 15, 2010 on the Small Claims against Manila Water and Mr. Jose Rene D. Almedras in his capacity as President.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

By: ____________________________

______________________________

Sincerely,

Head and Corporate Governance Head

April 16, 2010

Date
April 15, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention:    Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention:    Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention:    Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Small Claims Case against Manila Water and Mr. Jose Rene Almendras in his capacity as President

Gentlemen:

Please be informed that today, 15 April 2010, Manila Water Company, Inc. (the "Company") received a copy of the Summons in the Small Claims case filed in the Municipal Trial Court of Antipolo City against the Company and Mr. Jose Rene D. Almendras, in his capacity as President.

The Complaint alleges that the plaintiff is a motorcycle rider who met an accident in the vicinity of C. Lawis Street in Antipolo City where the Company previously had construction works done. Plaintiff is claiming damages in the amount of One Hundred Thousand Pesos (P100,000.00).

A cursory examination of the Complaint and the procedure undertaken by the Plaintiff shows that the same is highly questionable and utterly lacking merit considering that the issue of liability, if indeed there is, is yet to be determined. The Company is preparing all necessary documents and courses of action to question the merits of the Complaint and have the same dismissed.

Thank you very much.

Sincerely,

[Signature]
Leticia Zamora-Dumagata
Legal and Corporate Governance Officer
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOHNL P. RAQUEDAN

Contact Person

(032) 981-6129

Company Telephone Number

12 31
Month Day
Fiscal Year

04 Any
Month Day
Annual Meeting

SEC Form 17-C
STOCK
FORM TYPE

A1999-11593
Amended Articles Number/Section

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LOC

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **April 14, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1994-11593

3. BIR Tax Identification No. 005-097-625

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   **AF MANSS Admin. Bldg., 400 Katipunan Road, Balaraya, Quezon City 1106**

8. Issuer's telephone number, including area code
   (02) 284-2758/ local 8133 or (02) 281-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock
       Common Shares, par value Ph.00 each – 2,030,906,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds – Ph4,000,000,000.00

   Registrant has no other registered securities either in the form of shares, debt or
   otherwise.

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*2,030,425,036 Outstanding Common Shares
35,381,019 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,001,000,000 PSE*
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein.


Also attached is the revised Manual of Corporate Governance approved by the Board of Directors of Manila Water in its meeting on April 12, 2010.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  April 14, 2010
Issuer  Date

By: [Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head
PREAMBLE

The Manila Water Co., Inc. ("Manila Water" or the "Company") is committed to provide the highest quality of service to all its customers within the East Zone of Metro Manila and beyond. In the process of delivering its services, the Company consciously and continuously seeks to improve the well-being of every community it serves, as well as that of the natural environment in which it operates.

As the Company moves towards the accomplishment of its corporate goals and ultimately to create and sustain increased value for all its shareholders, the Board of Directors (the "Board"), the management, officers and employees of Manila Water believe that sound and effective corporate governance is fundamental to the Company's continued success and long-term existence.

This Manual of Corporate Governance (hereinafter the "Manual") recognizes and safeguards the rights of every shareholder. It promotes shareholders' rights, particularly the rights to information and to participate in the governance process. It supplements and complements the Articles of incorporation and By-Laws of the Company, which principally contain the basic structure of governance.

The rationale of this Manual is to improve, systematize, and make transparent the governance of Manila Water, and demonstrate the Company's commitment to good governance, by developing and furthering:

- Responsible, accountable, and value-based performance management;
- Effective oversight, with Board Committees that act in the best interests of the Company and its stakeholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and
- Adequate information disclosure and transparency, as well as effective system of risk management and internal control.
The members of the Board, the management, and employees understand this Manual as their joint obligation and obligate themselves to ensure that its provisions are fully implemented.


CORPORATE GOVERNANCE FRAMEWORK

The Company's corporate governance framework is based on the following principles:

- Accountability - This Manual establishes the Company's accountability to all its shareholders and guides the Board in setting strategies and monitoring the Company's management.

- Fairness - The Company obligates itself to safeguard shareholder rights and ensure the fair treatment of all shareholders, including minority shareholders.

- Transparency - The Company ensures that timely and accurate disclosures are made on all material matters, including the financial situation, performance, ownership, and governance, in a manner easily accessible to the public and all interested parties.

- Sustainability - The Company believes that its business goals are intertwined with the well-being of the communities that it serves, and that of the natural environment that supports its resources. It recognizes the value of working with all its stakeholders in order to achieve its social, environmental and business objectives.
ARTICLE I
GOVERNANCE

1. The Board of Directors

The Board oversees the management of the Company and provides directions towards the formulation of a sound corporate strategy. In the exercise of their duties, the members of the Board must exercise their best and unbiased judgment in the utmost interests of the Company. The Board is the guardian of fairness, transparency, and accountability in all of the major financial and business dealings of the Company, protecting the interests of investors and stakeholders.

1.1 Composition

The Board of Directors shall have eleven (11) members who shall be elected by the Company's stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Company.

Manila Water Company shall have a minimum of two (2) independent directors or at least 20% of the members of the board, at least one of whom shall serve in the Audit Committee. The independent directors shall be identified in the annual report.

1.2 Qualifications

A director of Manila Water Company shall have the following qualifications:

a) Ownership of at least one (1) share of the capital stock of the Company;

b) At least twenty-one (21) years of age;

c) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient
experience and competence in managing a business to substitute for such formal education;

d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.

e) Other relevant qualifications, such as membership in good standing in business, professional organizations or relevant industry.

1.3 Disqualifications

The following persons are disqualified from being a director of the Company:

a) Any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities as defined in the Securities Regulation Code, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Philippine Securities and Exchange Commission ("SEC") or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in
connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code ("SRC"), or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;

d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;

g) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a
violation of the Corporation Code, committed within five (5) years prior to
the date of his election or appointment; and,

h) No person shall qualify or be eligible for nomination or election to the
Board of Directors if he is engaged in any business which competes with
or is antagonistic to that of the Company. Without limiting the generality of
the foregoing, a person shall be deemed to be so engaged –

h.1) If he is an officer, manager or controlling person of, or the owner
(either of record or beneficially) of 10% or more of any outstanding
class of shares of, any corporation (other than one in which the
Company owns at least 30% of the capital stock) engaged in a
business which the Board, by at least three-fourths (3/4) vote,
determines to be competitive or antagonistic to that of the
Company, or

h.2) If he is an officer, manager or controlling person, or the owner
(either of record or beneficially) of 10% or more of any outstanding
class of shares of any other corporation or entity engaged in any
line of business of the Company, or when in the judgment of the
Board, by at least three-fourths (3/4) vote, seems that the laws
against combinations in restraint of trade shall be violated by such
person's membership in the Board of Directors; or

h.3) If the Board, in the exercise of its judgment in good faith,
determines by at least three-fourths (3/4) vote that he is the
nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person,
beneficial owner, or the nominee of another, the Board may take
into account such factors as business and family relations.
1.4 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.

c) Dismissal/termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Company for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A director shall have sixty (60) days upon the occurrence of any ground for temporary disqualification to remedy or correct the same otherwise, the disqualification shall become permanent.
1.5 **Independent Directors**

Independent directors shall hold no interests or relationships with the Company that may hinder their independence from the Company or its management, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An independent director shall, within thirty (30) days from his election or appointment, including any re-election or re-appointment, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Company, its management or controlling shareholder.

a) Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.

b) If a director elected or appointed as an independent director subsequently becomes an officer, employee or consultant of the Company, the Company shall forthwith cease to consider him as an independent director.

c) If the beneficial ownership of an independent director in the Company or its related corporations shall exceed 2% of the subscribed capital stock of such corporation, the Company shall forthwith cease to consider him as an independent director. However, should the independent director take the appropriate action to remedy or correct the disqualification within sixty (60) days from the occurrence of the ground he may still be considered an independent director.

The Company shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Company shall cover the reasonable expenses of providing such support.
1.6 Policy on Multiple Board Seats

a) A director shall exercise due discretion in accepting and holding directorships outside of the Company. A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Company.

1.7 Board Meetings and Quorum Requirements

a) Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the SEC.

b) The Board may, to promote transparency, require the presence of at least one independent director in all its meetings. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

1.8 General Responsibilities of the Board for Good Governance

a) A director's office is one of trust and confidence. He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.

b) Compliance with the principles of good governance shall start with the Board. It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.
c) To ensure good governance of the Company, the Board should establish the vision and mission and strategic objectives and key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance.

d) To the extent set forth above, the Board shall orient all its activities towards three general guidelines:

> All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Company's constitutive documents.

> All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Company in a sustainable manner.

> The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed company.

e) The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:

e.1) Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

e.2) Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

e.3) Defining the duties and responsibilities of the President who shall be ultimately accountable for the Company's organizational and operational controls; and appointing a
President with the appropriate ability, integrity, and experience to fill the role;

e.4) **Evaluation of proposed senior management appointments**;

e.5) Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Company’s personnel and human resources policies, compensation plan and the management succession plan;

e.6) Institutionalizing the internal audit and enterprise risk management functions;

e.7) Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

1.9 **Specific Duties of the Board of Directors**

The Board shall exert its best effort to ensure a high standard of best practice for the Company, its shareholders and stakeholders. To do so, it shall perform all the functions which it is required to perform in the Company's By-Laws, including those enumerated below, with honesty and integrity.

- **Implement a process for the selection of directors who can contribute independent judgment in the formulation and amendment of corporate strategies and policies:**

- **Appointment of competent, honest, professional and highly motivated President and other management officers:**

- **Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted:**
d) Constitute an Audit and Governance Committee and such other Committees as may be necessary to assist the Board in discharging its functions;

e) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Company;

f) Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

g) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices;

h) Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the SEC, the Philippine Stock Exchange ("PSE") and the Company’s shareholders and other stakeholders on matters of importance;

i) Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

j) Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

k) Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key
The Board should continuously monitor these factors, with due diligence, to enable the Company to anticipate and prepare for possible threats to its operational and financial viability.

1) The Board is primarily responsible to the stockholders for financial reporting and control, and should ensure that:

1.1) All stockholders are provided with relevant and timely information about the Company, including but not limited to a semestral report and an annual report of the Company’s performance, position and prospects through publicly available reports submitted to the SEC;

1.2) A balanced and understandable assessment of the Company's position and prospects is presented. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;

1.3) Their responsibility for preparing the accounts is explained and there should be a statement by the auditors about reporting responsibilities;

1.4) The business as a going concern is reported, with supporting assumptions or qualifications, if necessary.

1.5) Sound system of internal control to safeguard stakeholders’ investment and the Company’s assets is presented;

1.6) Based on the approved audit plans, scope and frequency of audits, internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization’s governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations,
safeguarding of assets, and compliance with laws, rules, regulations, and contracts;

1.7) The Chief Audit Executive renders to the Audit Committee an annual report on the internal audit department’s activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;

m) Adopt and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;

n) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit and Governance Committee;

o) Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company’s expense, which expense shall be reasonable;

1.10 Specific Responsibilities of each Director

The Company’s directors shall act in good faith, with due care and in the best interests of the Company and all its shareholders, including minority shareholders, based on all relevant information. Each director is expected to attend board
meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

In addition to the duties and responsibilities of a Director set forth above and in the Company's By-Laws and existing relevant statutes, a Director shall:

a) Conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual.

b) Devote time and attention necessary to properly discharge his duties and responsibilities. A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

c) Act judiciously. Before deciding on any matter brought before the Board of Directors, every director should carefully evaluate the issues, ask questions and seek clarifications as appropriate.

d) Exercise independent judgment. A director should view each problem/situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position regardless of such position's unpopularity. Corollarily, he should support plans and ideas which he believes are beneficial to the Company.

e) Have a working knowledge of the statutory and regulatory requirements affecting the Company, including its articles of
incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. The director should also keep abreast with industry developments and business trends in order to promote the Company’s competitiveness and sustained progress.

f) Observe confidentiality. A director shall keep secure and confidential all non-public information acquired or learned by reason of his position as a director. He should not reveal any confidential information to unauthorized persons without the authority of the Board.

g) Ensure the continuing soundness, effectiveness and adequacy of the Company’s control environment. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Company.

h) Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution. If necessary, funds shall be allocated by the Company for this purpose.

1.11 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting there from suffered by the Company, its stockholders and other persons.

When a director attempts to acquire or acquire, in violation of his duty, any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the
Company and must account for the profits which otherwise would have accrued to the Company.

1.12 Compensation and Liability Insurance Coverage of Directors

a) The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. The compensation which may be in the form of cash remuneration and/or stock option plans, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

b) From the effective date of this Manual, no director shall be involved in deciding his own remuneration during his incumbent term.

c) The Company, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

2. Board Committees

The Board of Directors may create such committees, as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Company and to aid in good governance. The Board shall be supported by the following committees, which are required to report to the Board a summary of the actions taken:

2.1 Executive Committee

a) The Board shall appoint from among its members an Executive Committee composed of not less than five (5) members, a majority of whom shall be
citizens of the Philippines, and shall designate one of such members as Chairman of the Executive Committee.

b) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members or members of such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Company's By-Laws, except with respect to —

i. approval of any action for which shareholders' approval is also required;
ii. the filling of vacancies on the Board or in the Executive Committee;
iii. the amendment or repeal of By-Laws or the adoption of new By-Laws;
iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

v. the distribution of cash dividends;
vi. the exercise of powers delegated by the Board exclusively to other committees, if any.

c) The attendance of at least four (4) members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided however that the Board may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board at the meeting thereof following such action and shall be subject to revision or alteration by the Board, provided that no rights or acts of third parties shall be affected by any such revision or alteration.
2.2 Audit and Governance Committee

a) There shall be an Audit and Governance Committee composed of four (4) members, and at least one of whom shall be an independent director. The independent director shall chair the Audit and Governance Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company's financial management systems and environment in particular.

b) The Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.

It shall have the following particular duties and responsibilities.

i. assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

ii. check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

iii. perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;

iv. be responsible for setting up an internal audit department and consider the appointment of the Chief Audit Executive; establish
and identify the reporting line of the Chief Audit Executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

v. ensure that internal auditors have free and full access to all the Company's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

vi. provide oversight of the Company's internal and external auditors, ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

vii. review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

viii. discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

ix. monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

x. ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.
xi. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xii. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xiii. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor's independence and freedom from interference by outside parties;

xiv. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major fundamental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xv. recommend and review the appointment of external auditors and their remuneration;

xvi. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xvii. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees
paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report.

xviii. conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board. Independent consultants may also be invited to assist the Committee in the process.

xix. develop and recommend to the Board corporate governance principles applicable to the Company.

xx. monitor and assess the Company's compliance with rules and regulations relating to corporate governance policies.

The Internal Audit group and the Office of the Compliance Officer of the Company shall support the Audit and Governance Committee in the rendition of its functions.

2.3 Nominations Committee

The Nominations Committee shall be composed of at least three (3) members including one (1) independent director. The Committee shall have the following functions:

a) install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications stated above;
b) encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;

c) review and evaluate the qualifications of all persons nominated to positions in the Company which require appointment by the Board.

2.4 Proxy Validation Committee

The Board shall appoint three (3) persons (who need not be stockholders) to act as Proxy Validation Committee which shall be empowered to pass on the validity of proxies. The Proxy Validation Committee shall be guided by existing laws, and rules and regulations of the SEC regarding proxies. The term of office of the Committee members shall be fixed by the Board. In the event of vacancy in the Committee membership, the Board may appoint another member to such vacancy.

2.5 Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members and Chaired by an independent director.

The Committee shall have the following functions:

i. establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates;

ii. determine and approve all matters relating to the remuneration and benefits of the Board and the Company's key officers;

iii. evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;
iv. periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and key officers of the Company;

v. disallow any director to decide his own remuneration during his incumbent term;

vi. provide in the Company’s Required Reportorial Requirements, a clear, concise and understandable disclosure of all compensation that may be paid to its directors and key officers during the preceding fiscal year;

vii. review the existing employee handbook to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies

ARTICLE II
MANAGEMENT

1. General Responsibilities of Management

a) Management is primarily responsible in deciding the day-to-day affairs of the Company. It determines the Company’s activities by putting the Company’s targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Company’s success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and the business goals of the Company; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.
b) Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company.

2 Executive Officers of the Company

The Executive Officers of the Company are the Chairman, the Vice-Chairman, the President, the Treasurer and/or the Chief Finance Officer, and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition:

i. The Board of Directors shall appoint (from time to time) one or more Group Directors, and such other officers, agents and employees as provided for in the Company's By-Laws.

ii. The Board of Directors may, in its discretion and in accordance with the By-Laws, elect two (2) Co-Vice-Chairmen of the Board from among its members.

iii. The roles of the Chairman and the President are separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Company shall disclose the relationship between the Chairman and the President, if any, in its annual report to the SEC.

a) Chairman of the Board

The Chairman of the Board, shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall –

i. schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;

ii. prepare the meeting agenda in consultation with the President;
iii. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board, and
iv. assist in ensuring compliance with the Company's guidelines on corporate governance.

The Chairman shall have such other responsibilities as the Board may impose upon him.

b) Co-Vice-Chairman

In the absence of the Chairman of the Board, one of the Co-Vice-Chairmen shall preside at meetings of the Board.

c) President

Minimum internal control mechanisms for management's operational responsibility shall center on the President, being ultimately accountable for the Company's organizational and procedural controls. In addition to the duties imposed on the President by the Board, the President shall

i. have general supervision of the business, affairs, and property of the Company, and over its employees and officers;
ii. see that all orders and resolutions of the Board are carried into effect;
iii. submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;
iv. report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice.

The President shall have such other responsibilities as the Board may impose upon him.
d) The Treasurer

The Treasurer of the Company shall have charge of the funds, securities, receipts and disbursements of the Company. He shall have the following functions:

i. deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Company in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;

ii. regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Company and of all his transactions as such;

iii. ensure funds availability on a timely basis and at the most economical means;

iv. optimize yields in temporary excess funds;

v. provide relevant and timely capital market information;

vi. ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

e) The Chief Finance Officer (CFO)

The Chief Finance Officer shall be appointed by the Board. The CFO who may also be the Treasurer of the Company shall be responsible for the following:

i. provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

ii. maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
promote investor confidence in the Company by addressing the various
information requirements of the investing public and ensuring that all other
legal reporting obligations to various entities are complied with;

iv. strengthen internal controls by monitoring compliance with policies;
recommend to management appropriate actions and changes in systems
and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board may impose upon him.

f) The Corporate Secretary

The Corporate Secretary shall be a resident and citizen of the Philippines, who possess
organizational and interpersonal skills, and the legal skills of a chief legal officer and the
following additional qualifications:

i. Be loyal to the mission, vision and objectives of the Company;

ii. Have a working knowledge of the operations of the Company;

iii. If he is not at the same time the Company’s legal counsel, be aware
of laws, rules and regulations necessary in the performance of his
duties and responsibilities;

iv. Has appropriate administrative and interpersonal skills.

The Corporate Secretary ensures that the Board and management follow internal and
external rules and regulations, and facilitates clear communications between the Board
and management. He also informs principal officers of latest corporate governance
developments.

The Corporate Secretary shall have the following functions:

i. Serve as an adviser to the directors on their responsibilities and
obligations;

ii. Be responsible for the safeguarding and preservation of the integrity
of the minutes of meetings of the stockholders, the Board, the Executive
Committee, and all other committees, as well as all other official records of the Company. He shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;

iii. Work fairly and objectively with the Board, management and stockholders;

iv. Keep in safe custody the seal of the Company and affix it to any instrument requiring the same;

v. Have charge of the stock certificate book and such other books and papers as the Board may direct;

vi. Attend to the giving and serving of notices of Board and shareholder meetings;

vii. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

viii. Be fully informed and be part of the scheduling process of other activities of the Board;

ix. Attend all Board meetings, except when justifiable causes prevent him from doing so. For this purpose, the Board shall have discretion of what causes are justifiable;

x. Ensure that all Board procedures, rules and regulations are strictly followed by the members;

xi. Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;

xii. Oversee the adequate flow of information to the Board prior to meetings;

xiii. Ensure fulfillment of disclosure requirements to the SEC and the PSE;
If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Manual.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary.

ARTICLE III
GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of directors and officers should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interest of all shareholders and the Company without regard to their own personal and selfish interests.

a) A conflict of interest exists when a director or an officer of the Company—

i. Supplies or is attempting or applying to supply goods or services to the Company;

ii. Supplies or is attempting to supply goods, services or information to an entity in competition with the Company;

iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Company;

iv. Is offered or receives consideration for delivering the Company's business to a third party;

v. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Company.

b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the
A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

c) A contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all the following conditions are present:

i. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;

ii. The vote of such director was not necessary for the approval of the contract;

iii. The contract is fair and reasonable under the circumstances;

iv. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

d) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, thereby obtaining profits to the prejudice of the Company, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.

e) The director is required to comply with all disclosure requirements of the SRC and its Implementing Rules and Regulations and voluntarily disclose any conflict of interest, whether actual or potential, upon its occurrence. The disclosure should be made fully and immediately.
The foregoing is without prejudice to the Company's existing Rules or Code of Conduct and Ethics for its officers, employees and staff.

ARTICLE IV
RELATED PARTY TRANSACTIONS

The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.

ARTICLE V
AUDIT AND COMPLIANCE

1. Internal Audit

a) The internal Audit Group shall provide independent and objective assurance and consulting activity to the Company designed to add value and improve on the organization's operations. It shall provide the Board, Management and the stockholders with reasonable assurance that the Company's key organizational and operational controls are effective, appropriate, and faithfully complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

b) It shall perform its auditing functions faithfully by maintaining independence from the management and controlling shareholders.
The Internal Audit Group shall be headed by a Chief Audit Executive. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report **periodically and as required by the Audit and Governance Committee of the Board of Directors on its performance, including the status of audit and consulting engagements, compliance with the Annual Audit Plan, significant interim changes, and the sufficiency and proficiency of Internal Audit resources.**

d) The Internal Auditors shall report that their activities are conducted in accordance with the **International Standards on Professional Practice of Internal Auditing.** Otherwise, the Chief Audit Executive shall disclose to the Board and Management that it has not yet achieved full compliance with the **said international standards.**

2. **External Audit**

a) The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.

b) The **External Auditor shall** -

i. perform fair audits independently from the Company, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Company's accounting information;

ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;

iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;

iv. perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
c) The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.

d) The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company’s annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

e) If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

3. Compliance System

To insure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer who shall hold the position of a Group Director. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

The Compliance Officer shall perform the following duties:

i. operationalize this Manual, and monitor compliance with the provisions and requirements of this Manual, as well as the rules and regulations of the regulatory agencies (“Regulatory Rules”);

ii. appear before the SEC upon summon on similar matters that need to be clarified by the same;

iii. determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;

iv. issue a certification every January 30th of the year on the extent of the Company’s compliance with this Manual for the completed year, explaining the reason/s of the latter’s deviation from the same, if any.
v. provide the SEC at the end of every fiscal year with a sworn certification that the requirement for independent directors and their attendance at meetings in accordance with Sec. 107 of SEC Memorandum Circular No. 2 has been complied with;

vi. identify, monitor and control compliance risks;

vii. determine violations of the Manual and Regulatory Rules and create a system for according due notice, hearing, and due process for dealing with violations of the Manual and Regulatory Rules;

viii. recommend the penalties for violations of the Manual and Regulatory Rules, for further review and approval of the Board, and adopt measures to prevent repetition of any violation.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC. All correspondence relative to his functions as such shall be addressed to said Officer.

ARTICLE VI

COMMUNICATION AND INFORMATION

1. Management's Responsibility for Information

a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

   > Present a balanced and understandable assessment of the Company's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;

   > Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

   > Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

   > Consistently comply with the financial reporting requirements of the SEC;
> Maintain a sound system of internal control to safeguard stakeholders’ investment and the Company’s assets;
> Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization’s governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
> Require the Chief Audit Executive to render to the Audit and Governance Committee an annual report on the internal audit department’s activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

b) Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

2 The Investor Relations Function

There shall be an Investor Relations Division within the Company, which shall be tasked with –

i. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;

ii. Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;
iii. Preparation of disclosure documents to the SEC and the Philippine Stock Exchange, and
iv. Dissemination of this Manual, and the conduct of an orientation program for the Board and Management.

The Investor Relations Division shall report to the Chief Financial Officer who shall oversee all reporting and disclosures to the SEC and PSE.

3. Communication of this Manual

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any stockholder of the Company at its principal office during reasonable hours on a business day.

All directors, executives and officers of the Company are required to ensure complete dissemination of this Manual to all employees and enjoin compliance in the process. If necessary, funds shall be allocated for orientation programs or workshops to implement this Manual.

ARTICLE VII
DISCLOSURE AND TRANSPARENCY

The Board shall commit at all times to adequately and timely disclose all material information that could potentially affect Manila Water's share price and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations as well as other relevant laws. These information include but are not limited to earnings results, acquisition or disposal of significant assets, off balance sheet transactions, changes in Board membership as well as changes in shareholdings of directors and officers, and remuneration of directors and officers and related party transactions.

The Company shall disclose its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.
ARTICLE VIII
EVALUATION SYSTEMS AND TRAINING

1. Evaluation Systems

The Compliance Officer shall establish an evaluation system to measure the performance of the Board and the Executive Officers of the Company in terms of good governance practices. This shall be annually conducted by the Audit and Governance Committee, which shall discuss the results thereof at a Board meeting. Independent consultants may also be invited to assist the Audit and Governance Committee in this process.

2. Training

The Company shall provide a comprehensive orientation program for new directors, including an understanding of the contribution that the Director is expected to make, an explanation of the Board and its committees, and an explanation of the Company's business, including corporate governance and other issues that will assist them in discharging their duties.

The Company shall also provide general access to training courses to its Directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Company's business. The Board Committees may also hire independent legal counsel, accounting, or other consultants to advise them when necessary.

ARTICLE IX
STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

The Board shall be committed to respect the following rights of the stockholders:
a) Voting Right

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Company.

b) Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation may provide the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

c) Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

d) Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company’s shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual
general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the SEC. The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

e) Right to Dividends

Shareholders have the right to receive dividends subject to the discretion of the Board. However, the SEC may direct the Company to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for a special reserve for probable contingencies.

f) Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

f.1) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding
shares of any class, or of extending or shortening the term of corporate existence;

1.2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

1.3) In case of merger or consolidation.

2. Duty of Directors to promote shareholders rights

It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

ARTICLE X

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Company's directors, officers, staff, in case of violation of any of the provisions of this Manual:

➢ In case of first violation, the subject person shall be reprimanded;
➢ In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
For third violation, removal from office. The commission of a third violation of this manual by any member of the Board shall be a sufficient cause for removal from directorship.

ARTICLE XI
REVIEW AND AMENDMENT OF MANUAL

1. The provisions of this Manual and the enforcement thereof shall be subject to annual review by the Office of the Compliance Officer in coordination with the Audit and Governance Committee, unless otherwise stated by the Board.

2. All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.

3. This Manual is subject to review and amendment to continuously improve the Company's corporate governance practices by assessing their effectiveness and comparing them with evolving best practices, standards identified by leading governance authorities and the Company's changing circumstances and needs.

ARTICLE XII
ADOPTION AND EFFECTIVITY

The Manual was first adopted by the Board of Directors of the Company on May 3, 2004, and was subsequently revised on November 15, 2007. The latest revision was approved by the Board on April 12, 2010.

SIGNED:

[Signature]

FERNANDO ZOBEL DE AYALA
Chairman of the Board

Date of Signing: April 12, 2010
Manila Water

13 April 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

We respectfully submit the Revised Manual of Corporate Governance of Manila Water Company, Inc. approved by its Board of Directors on 12 April 2010 in compliance with SEC Memorandum Circular No. 6, Series of 2009.

The revisions are highlighted and underscored for your reference.

Thank you very much.

Very truly yours,

Luis Juan B. Oreta
Chief Finance Officer & Treasurer
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17-2(c) THEREUNDER

1 April 14, 2010
Date of Report (Date of earliest event reported)

2. SEC Identification Number A1998-111528

3. BIR Tax Identification No. 063-030-422

4. MANILA WATER COMPANY, INC.
Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
Philippines.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal
Code
2F NWSS Admin. Bldg., 499 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code 02)242-2009/01 8160
or 02)987-8131

9. Former name or former address, if changed since last report Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
Code (SRC):

a. Shares of Stock

Common Shares, par value P1.00 each - 2,034,006,476

b. Amount of Debt Outstanding

Fixed Rate Bonds - P4,000,000,000.00

Registrant has no other registered securities either in the form of shares, debt or otherwise.

1 2,000,025,406 Outstanding Common Shares
21,310,010 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,034,006,476 PSE
17. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange dated April 12, 2010 on the clarification on the news article entitled "Manila Water seem to post double-digit profit growth" published in the Philippine Daily Inquirer on April 12, 2010.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer  

By /s/ [Signature]  

April 14, 2010  
Date  

Jhobel P. Raquedan  
Legal and Corporate Governance Head
12 April 2010

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion,
Head, Disclosure Department

Re: Clarification on News Article

Gentlemen:

We refer to your letter dated April 12, 2010 requesting for clarification on the news article entitled "Manila Water seems to post double-digit profit growth" published in the Philippine Daily Inquirer on April 12, 2010. The article reported in part that:

"DESPITE A REDUCTION IN BULK WATER supply due to the El Niño dry spell, Ayala-led Manila Water Co. expects higher net profit this year as it stepped up plugging water leakage in its network...Almendras said Manila Water could grow its net profit by "at least a high single digit to a low double digit level." ..."

We would like to clarify that Manila Water posted a double digit growth (16% earnings growth) in 2009, as earlier disclosed. The company expects to maintain this growth trajectory, provided that economic conditions continue to improve in 2010.

We trust that the foregoing clarifies the matter.

Best regards.

Sincerely,

[Signature]

Jheid P. Ruquedan
Head, Legal and Corporate Governance Department

cc: SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justin F. Callagan - Corporation Finance Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol - President and Chief Operating Officer
**COVER SHEET**

**MANILA WATER COMPANY INC.**

*(Company’s Full Name)*

**489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA***

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

**Atty. JHOEL P. RAQUEDAN**

*(Contact Person)*

**(632) 981-8123**

*(Company Telephone Number)*

**SEC Form 17-C**

**STOCK**

**FORM TYPE**

**04 Any**

*(Month Day)*

*(Annual Meeting)*

**Secondary License Type, if Applicable**

**A1996-11593**

*(Amended Article Number/Section)*

**Total Amount of Securities**

**Domestic**

**Foreign**

To be accomplished by SEC Personnel concerned

**File Number**

**LDU**

**Document I.D.**

**Casher**

**STAMPS**
1. **April 14, 2010**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number** A 1999-11583

3. **BIR Tax Identification No.** 007-035-422

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization** Quezon City, Phis.

6. **Industry Classification Code** (SEC Use Only)

7. **Address of Issuer’s principal office**
   **Postal Code**
   2F MWS9 Admin. Bldg., 499 Kalipunan Road, Salara, Quezon City 1165

8. **Issuer’s telephone number, including area code**
   027823-7929 local 8130 or 027824-9113

9. **Former name or former address, if changed since last report**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC).**
    
    a. **Share of Stock**
    
    Common Shares, par value P1.00 each – 2,030,906,476

    b. **Amount of Debt Outstanding**
    
    Fixed Rate Bonds – P4,000,000,000.00
    
    Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

\[2,030,906,476\] **Outstanding Common Shares**

\[2,030,906,476\] **PSE**

\[2,030,906,476\] **Under the Stock Ownership Plans, the listing of which has been approved in principle by the**
11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated April 12, 2010 on the results of the meetings of the Stockholders and Board of Directors.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.  

Issuer  

April 14, 2010  

Date

By: [Signature]

J. Noel P. Sesquidum  
Legal and Corporate Governance Head
12 April 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Meetings of the Stockholders and Board of Directors

Gentlemen:

Please be informed that at the annual meeting of the stockholders of Manila Water Company, Inc. ("Company") held today, the stockholders considered and approved the following:

1. Election of the following as members of the Board of Directors for the ensuing year:

   Fernando Zobel de Ayala
   Jaime Augusto Zobel de Ayala
   Jose Rene D. Almendras
   Defin L. Lazaro
   Antonino T. Aquino
   Gerardo C. Abaza, Jr.
   John Eric T. Francia
   Charles Thomas Cornish
   Takeaki Yamashita
   Jose L. Cuisia, Jr.
   Oscar S. Reyes

   Messrs. Cuisia and Reyes were elected as independent directors.

2. Appointment of SyCip Gorres Velayo & Co. as external auditors for the ensuing year

In the organizational meeting held after the stockholders' meeting, the Board of Directors elected or appointed the following:

1. Officers

   Chairman of the Board: Fernando Zobel de Ayala
   Vice Chairman of the Board: Jaime Augusto Zobel de Ayala
   President: Jose Rene D. Almendras
   Treasurer and Chief Finance Officer: Luis Juan B. Oreta
2. Committees and Memberships

Executive Committee
Fernando Zobel de Ayala - Chairman
Gerardo C. Ablaza, Jr. - Vice Chairman
Jose Rene D. Almendras - Member
Antonio T. Aquino - Member
John Eric T. Francia - Member

Audit and Governance Committee
Oscar S. Reyes - Chairman
Gerardo C. Ablaza, Jr. - Member
Takeaki Yamashita - Member
Jose L. Cuisia, Jr. - Member

Nomination Committee
Jose L. Cuisia, Jr. - Chairman
Jaime Augusto Zobel de Ayala - Member
John Eric T. Francia - Member
Oscar S. Reyes - Member

Proxy Validation Committee
MWC Chief Internal Auditor - Chairperson
(Ma. Lourdes P. Miranda)
MWC Legal & Corporate Governance - Member
(Atty. Jhoel P. Raquedan)
Representative of External Auditor - Member

Remuneration Committee
Oscar S. Reyes - Chairman
Gerardo C. Ablaza, Jr. - Member
Fernando Zobel de Ayala - Member
Jose L. Cuisia, Jr. - Member

Compliance Officer: Luis Juan B. Oreta
3. Declaration of Cash Dividends

The Board also declared the following first semester 2010 cash dividends: (i) P0.23 per share on the outstanding common shares, and (ii) P0.023 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of April 26, 2010, to be paid on May 19, 2010.

Enclosed is the press release in relation to the stockholders' meeting.

Best regards,

Sincerely,

[Signature]

Jhöel P. Bacueija
Head, Legal and Corporate Governance
Manila Water Declares Higher Dividends for 2010

Manila Water announced today that its Board of Directors approved the declaration of cash dividends amounting to P0.23 per common share. The increase reflects the 18% growth in earnings per share that the company posted for 2009. The Company regularly declares its cash dividends twice a year, corresponding to an annual pay-out ratio of 35% of previous year's net income. The dividend will be payable on May 19, 2010 to stockholders of record as of April 26, 2010.

During the company's recently concluded Annual Stockholders' Meeting, Manila Water reported a double-digit increase in net income to P3.2 billion by yearend 2009, brought about by a moderate growth in water sales volume and lower corporate income tax rates. Non-revenue water in the East Zone also registered a 3.8 percentage point decline resulting in a new low of 15.8%.

The Company also ended the year with a stronger balance sheet. Total assets grew by 20.3% due to aggressive capital investments, while operating cashflows remained robust due to higher collection efficiency. The Company reported a total cash balance (including investments in securities classified as available-for-sale) at P9.7 billion by the end of 2009 and a net debt to equity ratio of 0.27x.

"We continue to be optimistic about our business prospects, notwithstanding the challenges that we faced due to last year's economic slowdown and the recurrence of the El Niño this year. Because of our successful initiatives in bringing down our water losses, we have been able to sustain the delivery of the required service levels to our customers," according to Manila Water President Rene D. Almendras. "The declaration of cash dividends is an affirmation of our operational capabilities and strong financial position," Almendras added.

While the East Zone will continue to be Manila Water's main focus, the company has also set its sights on further growing the business outside the East Zone with operations in its Laguna and Boracay subsidiaries in full swing and the signing of joint venture agreements with REE Corporation and Mitsubishi, and the O. P. Jindal group for Vietnam and India respectively.

The Company also announced changes in its line up of board members. New members were elected to the board, namely Messrs. Jose L. Cuistle, Jr. (independent), Takeshi Yamashita, and John Eric T. Francia, replacing Messrs. Cielito F. Habito, Hiromu Nishimura, and Leslie A. Bell.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1106
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

1231

SEC Form 17-C
STOCK
FORM TYPE
04

Month
Day

Annual Meeting

Day

Secondary License Type, if Applicable

A1966-1153
Amended Articles Number/Election

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 12, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A-1986-11597

3. BIR Tax Identification No. 000-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phis.

6. Industry Classification Code: || (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSB Admin. Bldg., 469 Katipunan Road, Balaan, Quezon City 1108

8. Issuer's telephone number, including area code
   022122-7889 local 3139 / or 022122-8138

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each - 2,030,996,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds - P4,000,000,000.00

       Registrar has no other registered securities either in the form of shares, debt or
       otherwise.

1 2,006,625,666 Outstanding Common Shares
   2,030,996,476 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated April 6, 2010 on the Memorandum of Agreement between Manila Water and the Ayala Land Group. For more details, please see the attached letter.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

By: [Signature]  

April 6, 2010  

Jhoel P. Raquiedan  

Legal and Corporate Governance Head
April 6, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re Memorandum of Agreement with Ayala Land, Inc.

Gentlemen:

Please be informed that Manila Water Company, Inc. (Manila Water) has signed a Memorandum of Agreement (Agreement) with the Ayala Land Group composed of Ayala Land, Inc., Avida Land Corporation, Alveo Land Corporation, Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.

The Agreement established the commitment of the parties to jointly develop and operate a water and wastewater utility service company that will serve Ayala Land Group’s real estate developments south of Manila, including the Ayala Land Group’s showcase community – Nuvali. Aside from the properties of the Ayala Land Group, the Agreement intends to cover other property developments in the area.

Under the Agreement, the parties shall form a joint venture company (JVC) which will serve as the water and wastewater planning, developing and operating vehicle for the target real estate developments. Key management officers of both parties shall compose the JVC’s management and operations team who will be responsible for the overall direction and control of the JVC and the formulation of its policies.

Manila Water, under its concession agreement with the Metropolitan Waterworks and Sewerage System, has successfully provided 24-hour water supply to more than six million people in its concession area, composed of 23 cities and municipalities of eastern Metro Manila and the Rizal Province. Manila Water also provides sewerage and sanitation services to its customers, which currently operates the largest sewer network with full treatment and the most number of wastewater treatment plants with the biggest treatment capacity in the country.
The Ayala Land Group, on the other hand, has established itself as the most trusted and respected full-line real estate firm in the country, for over eight decades.

Through this partnership, Manila Water and the Ayala Land Group seek to leverage on their key strengths and core competencies, providing synergies in establishing a competent and reliable organization that will provide world-class water and wastewater services to its customers that will ensure quality living and enhance sustainable communities.

Thank you.

Sincerely,

Littel Zamora-Dimasuka
Legal and Corporate Governance Officer
COVER SHEET

MANILA WATER COMPANY INC

469 KATIPUNAN ROAD BALARA 1106
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1 2 3 1
Month
Day
Fiscal Year

STOCK
FORM TYPE

0 4
Month
Day
Annual Meeting

Secondary License Type, if applicable

A1996-11593
Amended Articles Number Section

Total Amount of Borrowing

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

RIS Number

LCU

Document ID

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.3(c) THEREUNDER

1. April 6, 2010
   Date of Report (Date of earliest event reported)

2. SEC identification Number A-1999-11593

3. BIR Tax Identification No. 224-038-629

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City, Phl.

6. Industry Classification Code: [SEC Use Only]

7. Address of Issuer's principal office
   Code
   2F NWSS Admin. Bldg., 429 Katipunan Road, Balares, Quezon City 1106

8. Issuer's telephone number, including area code
   0219867899 local 8139 or 0219918133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each -- 2,030,906,476

    b. Amount of Debt Outstanding:

       Fixed Rate Bonds -- P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise.

1 2,005,625,466 Outstanding Common Shares
   25,221,600 Shares Under the Stock Ownership Plan, the holding of which has been approved in principle by the
   2,030,906,476 PSE
11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated Apr 5, 2010 on the notice of analysts' briefing of the Company to be held on Apr 12, 2010, 12:30 in the afternoon at the 1st floor, Legaspi Room, Hotel Intercontinental Manila, Makati City

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  April 5, 2010
Issuer  Data

By: ________________________________

[Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head
5 April 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts' Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts' briefing on April 12, 2010, at 12:30 in the afternoon at the 1st floor, Legaspi Room, Hotel Intercontinental, Makati City.

Best regards.

Sincerely,

Lizelle Zamora Magalona
Legal and Compliance Officer
The following document has been received:

Receiving Officer/Encoder: Jollit Licudine
Receiving Branch: SEC Head Office
Receipt Date and Time: March 16, 2010 03:16:47 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A18961593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information
Document ID: 103162010001223
Document Type: 17-C (FORM 11-C: CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: March 16, 2010
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY INC

499 KATIPUNAN ROAD BALARA 1106
QUEZON CITY METRO MANILA

Atty. JOHLE P. RACEDAN

(Company's Full Name)

Contact Person

(632) 881-8129

Company Telephone Number

12 31
Month Day

Fiscal Year

SEC Form 17-C

STOCK

FORM TYPE

04 Any

Month Day

Annual Meeting

Secondary License Type, if Applicable

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **March 16, 2010**  
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number**  
   A000-11563

3. **BIR Tax Identification No.**  
   005-936-428

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization**  
   Quezon City, Phils.

6. **Industry Classification Code:**  
   (SEC Use Only)

7. **Address of issuer's principal office**  
   **Postal Code**
   2F MwSS Admin. Bldg., 4th Kanmeen Rd., Balais, Quezon City 1103

8. **Issuer's telephone number, including area code**  
   022925-7308 local 8130 or 022932-8133

9. **Former name or former address, if changed since last report**  
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC)**

   a. **Shares of Stock**
   
   Common Shares, par value Php1.00 each - 2,030,906,476

   b. **Amount of Debt Outstanding**
   
   Fixed Rate Bonds - Php4,000,000,000

   Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1. 2,005,629,466 Outstanding Common Shares
   
2. 25,281,910 Shares Under the Stock Ownership Plan, the timing of which has been approved in principle by the
   
3. 2,030,906,476 PSE
11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation dated March 15, 2010 on the company’s tariff adjustment for 2010. Effective April 1, 2010, water rates for Manila Water customers will have a downward adjustment of P0.08 per cubic meter due to the appreciation of the Philippine peso.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

Issuer

By: __________________________

Byel: Ariel P. Faquidan

Legal and Corporate Governance Head

March 16, 2010

Date
March 15, 2010

SECURITIES AND EXCHANGE COMMISSION  
Attention: Director Justina F. Callangan  
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.  
Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION  
Attention: Mr. Cesar B. Crisol  
President and Chief Operating Officer

Re: Manila Water Tariff Adjustment for 2010

Gentlemen:

Effective April 1, 2010, water rates for Manila Water customers will have a downward adjustment of P0.08 per cubic meter due to the appreciation of the Philippine peso based on the exchange rate of US$1:PhP46.851 to US$1:PhP46.028. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from 1.58% to 1.24% of the basic charge.

FCDA is a tariff mechanism that was formulated to recover or account for foreign exchange losses or gains arising from the payment of Manila Water of foreign currency-denominated concession fees to the MWSS as well as loans for its service expansion and improvement. Thus, the tariff adjustment has no impact on the projected net income of the company.

For more information, please see attached Notice.

Sincerely,

[Signature]
Lizelle Zamora-Dimaentha  
Legal and Compliance Officer
NOTICE TO
MANILA WATER CUSTOMERS

Effective April 1, 2010, water rates for Manila Water customers will be adjusted due to the improved performance of the Philippine Peso versus the other currencies during the first quarter of 2010. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from P0.35 to P0.27 per cubic meter, a decrease of P0.08 per cubic meter. This represents a 1.24% downward adjustment from 1.68% of the previous quarter.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2010-037 dated March 10, 2010, confirming MWSS Regulatory Office Resolution No. 10-001-CA dated March 8, 2010.

FCDA is a tariff mechanism that was formulated to recover or account for foreign exchange losses or gains arising from the payment of Manila Water of foreign currency-denominated concession fees to the MWSS as well as loans for its service expansion and improvement.

SERVICE ENHANCEMENT PROGRAMS

Manila Water continues to support government’s programs to protect the environment by accelerating projects to further increase wastewater coverage and provide sanitation services. Currently, Manila Water is embarking on the clean up of the three river systems of San Juan, Marikina and Pasig to effectively prevent further pollution of these water bodies.

Manila Water has also been very supportive of the MWSS roadmap to explore potential new water sources as well as programs that would further strengthen the company’s ability to mitigate impacts of environmental disasters.

Continuing rehabilitation programs are undertaken to further enhance service levels in areas with 24/7 water supply which include Mandaluyong, Pateros, Makati, Muntinlupa, or the central portion of Quezon City, and San Andres and Sta. Ana in Manila. With 100% coverage in these areas, aggressive service expansion programs are now underway in Taguig, San Mateo, Rodriguez, Antipolo, Cainta, Taytay, and Angono. Manila Water has also started providing water supply to the towns of Baras, Binangonan, and Jumali in Rizal province.
The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : February 23, 2010 12:35:21 PM
Received From : Head Office

Company Information

SEC Registration No. A199611593
Company Name MANILA WATER CO. INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 1022320100000709
Document Type 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code 17-C
Period Covered February 22, 2010
No. of Days Late 0
Department CFD
Remarks
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 22, 2018**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number** A-1888-11693

3. **BIR Tax Identification No.** 005-038-429

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization** Quezon City,
   Phils.

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

7. **Address of issuer's principal office**
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City 1106

8. **Issuer's telephone number, including area code**
   1021928-7999 local 8129 or 032481-9133

9. **Former name or former address, if changed since last report**
   Not Applicable

10. **Securities registered pursuant to Sections 6 and 12 of the Securities Regulation Code (SRC):**

    a. **Number of Shares Outstanding**
       Common Shares, par value P1.00 each - 2,030,906,476

    b. **Amount of Debt Outstanding**
       Fixed Rate Bonds - P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1. 2,004,935,966 Outstanding Common Shares
2. 22,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
3. 23,342,510 Shares Under Stock Ownership Plans, the listing of which has been approved in principle by the
   PSE
4. 2,000,906,476 PSE
11. Are any of Registrant's securities listed on Stock Exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein: Item 9.


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

February 22, 2010

By: ____________________________

[Signature]

Legal and Corporate Governance Head
February 19, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina P. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Manila Water announces today its financial and operating highlights for 2009. Please refer to the enclosed report and press release.

Sincerely,

[Signature]

Joel P. Rasquedan
Legal and Corporate Governance Head
Manila Water Registers Growth in 2009

Manila Water reported today a net income of P3.2 billion (unaudited) for 2009 on the back of a steady rise in billed volume sales and lower corporate income tax rates.

Billed volume grew by 2% year-on-year from 387.3 mcm to 396.0 mcm. Consequently, total revenues went up by 8.7% to P8.5 billion by the end of 2009. Meanwhile, operating costs increased by 10.5% to P2.8 billion as a result of ongoing expansion activities. Nevertheless, with EBITDA ending at P6.7 billion, the company registered an EBITDA margin of 79%.

With the implementation of its capex plan for the year, Manila Water was able to connect an additional 54,000 households to the network, helping minimize the impact of lower consumption brought about by the economic slowdown and the early onset of the rainy season.

Investments in the network also resulted in a further reduction in water losses, with the non-revenue water level declining from 19.7% in 2008 to 15.8% in 2009. This helped Manila Water maintain its service levels in the East Zone with 99% of its customers benefiting from 24-hours water availability with sufficient pressure.

On the wastewater front, the company commissioned the 4 million-liter-per-day (MLD) Pineda Sewage Treatment Plant. In addition, five additional sewage treatment facilities currently being constructed in the cities of Makati, Marikina, Quezon, and Taguig, will result in Manila Water achieving 30% sewerage coverage by the end of 2010. In the meantime, the company’s sanitation program was able to service an additional 291,000 households during the year, bringing the total number of households serviced to 747,000 since program inception.

Collection efficiency was maintained at 100% in 2009, indicating the high level of customer satisfaction in the East Zone. This has resulted in strong operating cash flows for the company, which stood at P6.7 billion. At the same time, Manila Water continued to maintain a strong balance sheet with cash reserves totaling P9.4 billion and net bank debt to equity at 0.29x as of the end of the year.

The company’s concession agreement was also renewed during the year, resulting in an extension of the concession period from 2022 to 2037. The extension will allow Manila Water to increase its investment plan to P450 billion while ensuring the affordability of water rates to its customers.

Outside of the concession area, Manila Water made major strides in its expansion initiatives with the acquisition of concessions in Boracay and Laguna. This will allow the company to replicate its success in the East Zone to other areas in need of improvements in the provision of water and wastewater services.
<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
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</thead>
<tbody>
<tr>
<td><strong>FINANCIAL HIGHLIGHTS (in million Pesos)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>9,514</td>
<td>8,914</td>
</tr>
<tr>
<td>Operating Costs &amp; Expenses</td>
<td>2,768</td>
<td>2,505</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6,745</td>
<td>6,408</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,225</td>
<td>2,788</td>
</tr>
<tr>
<td><strong>OPERATIONAL HIGHLIGHTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed water volume (in million cu.m.)</td>
<td>396</td>
<td>387</td>
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<td>NRW (%)</td>
<td>15.8</td>
<td>19.7</td>
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<td>Households served (in thousands)</td>
<td>1,086</td>
<td>1,032</td>
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</table>
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Rainer S. Antonio
Receiving Branch: SEC Head Office
Receipt Date and Time: February 10, 2010 04:02:02 PM
Received From: SEC Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A10961593
Company Name: MANILA WATER CO., INC.
Industry Classification
Company Type: Stock Corporation

Document Information

Document ID: 102102010001284
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: February 10, 2010
No. of Days Late: 0
Department: CFD
Remarks
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1 February 19, 2010
Date of Report (Date of earliest event reported)

2 SEC Identification Number A 1366-11593

3. BIR Tax Identification No. 096-038-428

4. MANILA WATER COMPANY, INC.
Exact name of issuer as specified in its charter

5 Province, country or other jurisdiction of incorporation or organization Quezon City,
Philippines.

6 Industry Classification Code: (SEC Use Only)

7. Address of issuer’s principal office
Address of Issuer’s Principal Office
AF MWSS Admin. Bldg., 489 Katipunan Road, Bel air, Quezon City
Postal Code 1106

8. Issuer’s telephone number, including area code
(02) 820-7999 Local 6139 or (02) 815-9133

9. Former name or former address, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

a. Number of Shares Outstanding

Common Shares, par value P1.00 each – 2,030,906,476

b. Amount of Debt Outstanding

Fixed Rate Bonds – P4,000,000,000.00

Registrant has no other registered securities either in the form of shares, debt or otherwise.

1. 2,004,355,466 Outstanding Common Shares
2. 37,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
3. 25,452,000 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
4. 2,030,906,476 PSE
11. Are any of Registrant's securities listed on Stock Exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein. Item 8.

Please see attached letter to the Philippine Stock Exchange ("PSE") dated February 8, 2010 in response to its request for additional information on the Joint Ventures Agreement with Jindal Water Infrastructure Limited

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.

February 10, 2019

By:__________________________

Jheaal O. Raquedan

Legal and Corporate Governance Head
February 9, 2010

PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Joint Venture Agreement with Jindal Water Infrastructure Limited

Gentlemen:

Further to our disclosure dated February 5, 2010, we wish to provide you the following information:

1. Through the Joint Venture Agreement ("JVA"), which is effective immediately upon signing, Manila Water Company, Inc. ("Manila Water") and Jindal Water Infrastructure Limited ("JWIL") commit to establish a Joint Venture Company ("JVC") to serve as a vehicle for the planning and development of water, wastewater and other environmental services in the states of Rajasthan, Gujarat and Maharashtra in India.

2. The JVC will purely be a development company wherein the primary purpose is to look for opportunities and participate in various water, wastewater and environmental projects in the aforesaid states in India through a pre-agreed development budget.

   a. Once the JVC is successfully awarded one or more projects, JWIL and Manila Water may enter into separate definitive agreements and form separate companies or special purpose vehicles ("SPV") which will carry out the implementation, development and operations of a particular project.

   b. The SPV shall pay the JVC a success fee and reimburse the same for all the development costs incurred for an awarded project.

   c. Should the JVC earn income in the future, the profits will be utilized to finance further project development activities.

3. The JVC will be led equally by Manila Water and JWIL wherein certain parameters have been agreed which include (a) roles of the parties i.e. Manila Water will be the
international operator and technical partner while JWIL will be the local sponsor, and, (b) the parameters in accepting and evaluating projects.

4. The Partners agree to initiate the incorporation of the JVC as a public company in India with registered office in New Delhi.

a. The Partners have set aside a total capitalization of 45,000,000 Indian Rupees ("Rs.") (approximately US$ 1 Million), which they will share equally, as their equity in the JVC.

b. The amount of investment by each party in the JVC will total Rs. 22,500,000 (approximately US$ 500,000) to be paid by each partner in tranches. This is equivalent to 2,250,000 shares with par value of Rs. 10 per share.

c. Authorized Capital Stock of the JVC upon incorporation is Rs.10,000,000 divided into 1,000,000 equity shares with a par value of Rs. 10 per share. The initial paid-up capital of the JVC shall be Rs. 500,000 divided equally among the partners with 25,000 shares each.

d. Target incorporation is within first quarter of 2010.

e. The partnership of Manila Water with Jindal will have no effect on Manila Water's current shareholdings or its operations. Aside from the foregoing, there is no other material relationship between MWC and JWIL, their directors/officers or any of their affiliates/associates.

5. Manila Water's joint venture partner, JWIL, is based in New Delhi, India and was formed as a service company focused on designing sustainable and innovative solutions in water and wastewater management. JWIL is a subsidiary of Jindal SAW Ltd. ("Jindal SAW"). Said companies are part of the O P Jindal Group.

a. O P Jindal Group is a US $10 Billion conglomerate and ranked sixth amongst the top Indian business houses in terms of assets. The Group includes India's largest stainless steel producer Jindal Stainless Ltd, Jindal Iron & Steel Company Ltd, Jindal Vijaynagar Steel Ltd, Jindal Steel & Power Ltd and Saw Pipes Ltd.

b. Jindal SAW is the flagship company of the O P Jindal Group and an undisputed leader in India's tubular market.

c. Jindal SAW has consistently created value by creating low-cost capacities in capital-intensive industries in businesses largely overlooked by other companies. Jindal SAW has recently launched its Jindal ITF (Infrastructure, Transportation and Fabrication) subsidiary.
6. We expect that the JVC will fast track the identification of opportunities in the aforesaid states in India to further Manila Water’s overseas expansion within the region. The financial condition of Manila Water will be enhanced by profits from new business opportunities and projects to be developed by the JVC in India.

Thank you.

Sincerely,

Lizelle Zamora-Dimacula
Legal and Corporate Governance Manager
The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : February 08, 2010 02:32:01 PM
Received From : Head Office

Company Information

SEC Registration No. A109811593
Company Name MANILA WATER CO. INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 102082010008577
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered February 08, 2010
No. of Days Late 0
Department CFD
Remarks
COVER SHEET

MANILA WATER COMPANY INC

459 KATIPUNAN ROAD BALARA 1106
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(Company's Full Name)

(Company Telephone Number)

1231
Month Day

04
Any
Month Day

SEC Form 17-C
STOCK
FORM TYPE

Secondary License Type, if Applicable

A1996-11593
Amended Affiliated Name/Section

To be accomplished by SEC Personnel concerned

File Number

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SEC RULE 17.2(e) THEREUNDER

1. February 8, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1996-11552

3. BIR Tax Identification No. 095-028-422

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer’s principal office
   Postal Code
   2F MWSS Admin, Bldg. 469 Kalayaan Road, Salara, Quezon City 1105

8. Issuer’s telephone number, including area code
   02/828-7999 Local 8130 or 02/828-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SEC):

   a. Number of Shares Outstanding
      Common Shares, par value P1.00 each – 2,030,906,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

1 2,004,543,446 Outstanding Common Shares
  226,400 Treasury Shares Listed at the Philippine Stock Exchange (PSE)
  22,412,540 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,030,906,476 PSE
11. Are any of Registrant's securities listed on Stock Exchange?

Yes [ ]  No [X]

12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated February 5, 2010 on the Joint Venture Agreement ("JVA") with Jindal Water Infrastructure Limited. Both parties will jointly develop new businesses in the field of water supply, wastewater and other environmental services in the states of Rajasthan, Gujarat and Maharashtra in India.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  February 8, 2010  Date

By: __________________________

Joel P. Requedan  
Legal and Corporate Governance Head
5 February 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Josefa F. Callagan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Joint Venture Agreement with Jindal Water Infrastructure Limited

Gentlemen:

Please be informed that Manila Water Company, Inc. (Manila Water) has signed a Joint Venture Agreement (JVA) with Jindal Water Infrastructure Limited (JWIL) which embody their commitments to jointly develop new businesses in the field of water supply, wastewater and other environmental services in the states of Rajasthan, Gujarat and Maharashtra in India.

Under the JVA, Manila Water and JWIL will form a Joint Venture Company (JVC) to serve as a vehicle for the planning and development of projects in the aforementioned states in India. Key management officers of both parties shall compose the JVC’s Management and Project Team where business development initiatives shall be carried out through a pre-agreed development budget.

The New Deli-based JWIL is part of the O P Jindal Group, one of India’s largest business houses. JWIL was formed as a service company to focus on designing sustainable and innovative solutions in water and wastewater management.

Through this partnership, Manila Water and JWIL seek to leverage on their key strengths and core competencies and eventually provide synergies in establishing a regional presence in India.

Thank you.

Sincerely,

[Signature]
Lilah Zamora-Dimasala
Legal and Corporate Governance Manager
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<td><strong>Company Name</strong></td>
<td>MANILA WATER CO. INC.</td>
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<td><strong>Document ID</strong></td>
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<td>17-C (FORM 11-C:CURRENT DISCL/RPT)</td>
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<td><strong>Document Code</strong></td>
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<td><strong>Period Covered</strong></td>
<td>February 03, 2010</td>
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<td><strong>No. of Days Late</strong></td>
<td>0</td>
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<td><strong>Department</strong></td>
<td>CFD</td>
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<td><strong>Remarks</strong></td>
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.3(c) THEREUNDER

1. **February 3, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A-1999-11593**

3. BIR Tax Identification No. **005-026-429**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Cavite City, Phils.**

6. Industry Classification Code: **SEC Use Only**

7. Address of Issuer's principal office
   Code
   **3F MWBS Admin. Bldg., 489 Katipunan Road, BGC, Taguig City**
   **1165**

8. Issuer's telephone number, including area code
   **(02)295-7999 Local 3130 or 492961-9133**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC)

   a. **Number of Shares Outstanding**
      Common Shares, par value P1.00 each = 2,030,926,476

   b. **Amount of Debt Outstanding**
      Fixed Rate Bonds = P4,000,000,000.00

Regellant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,004,935,466 Outstanding Common Shares
   12,560 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   15,682,516 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   2,920,940,476 PSE
11. Are any of Registrant’s securities listed on Stock Exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated February 3, 2010 on the Notice of Violation from the Laguna Lake Development Authority ("LLDA"). LLDA imposed a penalty of “One Thousand Pesos (P1,000.00) per day of discharging pollutive wastewater to be computed from 18 November 2009, the date of initial inspection until full cessation of discharging pollutive wastewater.” The Company is now preparing all legal documents and courses of action available to question the said imposition.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

By: ____________________________

February 3, 2010
Date

By: ____________________________

Shoel P. Raguadan

Legal and Corporate Governance Head
3 February 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Laguna Lake Development Authority Penalty

Gentlemen:

We wish to inform you that the Company received a Notice of Violation from the Laguna Lake Development Authority ("LLDA") dated 7 January 2010 imposing a penalty of "One Thousand Pesos (P1,000.00) per day of discharging pollutive wastewater to be computed from 18 November 2009, the date of initial inspection until full cessation of discharging pollutive wastewater." The Company is now preparing all legal documents and courses of action available to question the said imposition.

We will notify you of any update on this matter.

Best regards.

Sincerely,

Joiel P. Raquadan
Legal and Corporate Governance Head
SECURITIES AND EXCHANGE COMMISSION

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Rosenda C. Ayson
Receiving Branch: SEC Head Office
Receipt Date and Time: February 02, 2010 02:51:04 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A199811593
Company Name: MANILA WATER CO. INC.
Industry Classification:
Company Type: Stock Corporation

Document Information
Document ID: 102022010000786
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: February 01, 2010
No. of Days Late: 0
Department: CFD
Remarks:
MANILA WATER COMPANYING

489 KATIPUNAN ROAD, BALARA 1106
QUEZON CITY, METRO MANILA

Atty. JHOEL P. RAQUEDAN

9267999 loc. 8430

1231
SEC Form 17-C
STOCK

Any

Secondary License Type, if applicable

Depl. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SEC RULE 17.2(c) THEREUNDER

1. February 1, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A1999-11593

3. BIR Tax Identification No.: 004-036-629

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City,
   Phils.

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

7. Address of issuer's principal office
   Postal Code: 2F MWWB Admin. Bldg., 489 Katipunan Road, BHS, Quezon City
   
8. Issuer's telephone number, including area code:
   (02) 402-28-900 local 8130 or (02) 402-28-9133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Number of Shares Outstanding

    Common Shares, par value P1.00 each — 2,030,906,475

    b. Amount of Debt Outstanding

    Fixed Rate Bonds — P4,000,000,000.00

    Registrant has no other registered securities either in the form of shares, debt or
    otherwise.

   [Outstanding Common Shares
   2,030,906,475
   541,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   23,442,512 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,475 PSE]
11. Are any of Registrant's securities listed on Stock Exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein: Item 9


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

By: __________________________

Joel P. Marcedas

Legal and Corporate Governance Head

February 1, 2010

Date
February 1, 2010

SEcurities and EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILippINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILippINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Annual Meeting of Stockholders

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold its annual meeting of
stockholders on April 12, 2010 at 9:00 A.M. at the Grand Ballroom, Hotel Intercontinental,
Makati City. The record date for the meeting is February 15, 2010.

We attached the notice and agenda for your reference.

Best regards,

Sincerely,

Jhazel P. Raquedan
Legal and Corporate Governance Head
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MANILA WATER COMPANY, INC., will be held at the Grand Ballroom, Hotel Intercontinental Manila, Makati City, on Monday, April 12, 2010, at 9:00 A.M., with the following:

AGENDA

1. Determination of quorum
2. Approval of the minutes of the meeting of stockholders on March 30, 2009
3. Annual Report and approval of the Audited Financial Statements as of December 31, 2009
4. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Executive Committee, Management Committees, and officers
5. Election of directors, including independent directors
6. Election of the external auditor and fixing of its remuneration
7. Consideration of such other business as may properly come before the meeting
8. Adjournment

Only stockholders of record as of February 15, 2010 will be entitled to notice and to vote at this meeting.

The Annual Meeting of stockholders will be followed by an organizational meeting of the Board of Directors for the election of the officers of the Company and for the transaction of such other business as may properly come before the meeting.

Belara, Quezon City, February 1, 2010.

FOR THE BOARD OF DIRECTORS

SOLOMON M. HERMOSURA
Corporate Secretary
The following document has been received:

Receiving Officer/Encoder: Julius N. Salustiano
Receiving Branch: SEC Head Office
Receipt Date and Time: January 19, 2010 12:48:47 PM
Received From: SEC Head Office

Company Representative

Doc. Source

Company Information

SEC Registration No.: A198611593
Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information

Document ID: 101192010000492
Document Type: 17-C (FORM 17-C-CURRENT DISC/REP)
Document Code: 17-C
Period Covered: January 18, 2010
No. of Days Late: 0
Department: CFD
Remarks
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **January 18, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A 1996-11943**

3. BIR Tax Identification No.: **095-033-436**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: **Quezon City, Phils.**

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

7. Address of issuer’s principal office: **2F INWESS Admin. Bldg., 4th Katigbak Road, Balaan, Quezon City**
   Postal Code: **1105**

8. Issuer’s telephone number, including area code: **(02)838-7382 local 9132** or **(02)831-8133**

9. Former name or former address, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Authorized Capital Stock: **P 3,100,000,000.00**
      
      | Class                      | Number of Shares Outstanding |
      |---------------------------|------------------------------|
      | Common Shares             | 2,030,906,476 (P1.00 per value) |
      | Participating Preferred Shares | 4,000,000,000 (P0.10 per value) |

   b. Number of Shares Outstanding:

      | Class                      | Number of Shares |
      |---------------------------|------------------|
      | Common Shares             | 2,030,906,476    |
      | Participating Preferred Shares | 4,000,000,000 |

   c. Amount of Debt Outstanding

   1 2,004,920,465 Outstanding Common Shares
      545,910 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
      2,442,000 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the PSE
Fixed Rate Bonds – P4,000,000,000.00

Registrar has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of Registrar’s securities listed on Stock Exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein: Item 9.


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.  

Issuer

By: _____________________________  

______________________________  

January 18, 2010
Date

Jhooel P. Raquedan
Legal and Corporate Governance Head
January 18, 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Please see attached Certificate of Board Attendance in board meetings for 2009.

Thank you.

Sincerely,

[Signature]

Jhuel F. Buquedam
Legal and Corporate Governance Head
CERTIFICATE OF ATTENDANCE OF DIRECTORS IN BOARD MEETINGS

1. SOLOMON M. HERMOSURA, the Corporate Secretary of Manila Water Company, Inc. ("MWC"), do hereby certify that:

1. An independent director was in attendance in all the four meetings of MWC's Board of Directors in 2009. Both Messrs. Oscar Reyes and Cielito Haeito, the independent directors of MWC, attended all four meetings.

2. With the exception of Charles Thomas Cornish, each of the directors of MWC attended at least 50% of the four meetings of the Board. Below is the record of attendance of the directors in 2009:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Heard</th>
<th>% Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Delvin L. Lazaro</td>
<td>3/4</td>
<td>75%</td>
</tr>
<tr>
<td>Alberto L. Jugo</td>
<td>3/3</td>
<td>100%</td>
</tr>
<tr>
<td>Gerardo G. Ablaza, Jr.</td>
<td>3/3</td>
<td>100%</td>
</tr>
<tr>
<td>Jose Rene D. Almendras</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Hiroshi Nishimura</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Kevin Starling</td>
<td>2/2</td>
<td>100%</td>
</tr>
<tr>
<td>Charles Thomas Cornish</td>
<td>1/4</td>
<td>25%</td>
</tr>
<tr>
<td>Leslie Bell</td>
<td>3/2</td>
<td>50%</td>
</tr>
<tr>
<td>Cielito F. Haeito</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>4/4</td>
<td>100%</td>
</tr>
</tbody>
</table>


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1. In 2009 and during the incumbency of the director.
2. Mr. Jugo died October 8, 2009
3. Mr. Ablaza was elected November 26, 2009
4. Mr. Starling resigned Sept. 24, 2009
5. Mr. Bell was elected Sept. 24, 2009
IN WITNESS WHEREOF, I have hereunto affixed my signature and the corporate seal of Manila Water Co. Inc. at Quezon City, Philippines, on January 12, 2010.

SOLOMON M. HERMOSURA
Corporate Secretary

Countersigned by:


e

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

SUBSCRIBED AND SWORN to before me this 12th January 2010 at Quezon City, affiant, Solomon M. Hermosura, exhibiting to me his Passport No. ZZ225231 issued at Manila, Philippines on 24 May 2007 and expires on 24 May 2012.
SECURITIES AND EXCHANGE COMMISSION

Barcode Page

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Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 101132010000811
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Document Code: 17-C
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Remarks:
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.5(c) THEREUNDER

1. January 12, 2010
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A-1999-11692

3. BIR Tax Identification No.: 004-548-128

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City,
   PHIL.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office: Postal Code
   2F MVSS Adsua Bldg. 449 Katigburn Road, Salara, Quezon City 1105

8. Issuer's telephone number, including area code: 02-828-7999 local 6130 / or 02-821-6133

9. Former name or former address, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Authorized Capital Stock: P 1,100,000,000.00
       Common Shares: 2,030,906,476 (P1.00 per value)
       Participating Preferred Shares: 4,000,000,000 (P0.10 per value)
    b. Number of Shares Outstanding:
       Common Shares, per value P1.00 each – 2,030,906,476
       Participating Preferred Shares, per value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

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| 2,004,539,466 | Outstanding Common Shares |
| 543,500 | Treasury Shares listed on the Philippine Stock Exchange (PSE) |
| 25,442,913 | Shares under the Stock Ownership Plan, the listing of which has been approved in principle by the |
| 2,030,906,476 | PSE |
Fixed Rate Bonds - ₱4,000,000,000.00

Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of Registrant’s securities listed on Stock Exchange?  
   Yes [X]  No [ ]

12. Indicate the item numbers reported herein: Item 9:


   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

   MANILA WATER COMPANY, INC.  
   Issuer  
   By: ________________________________  
   ________________________________  
   Joel P. Raquedan  
   Legal and Corporate Governance Head

   January 12, 2010  
   Date
12 January 2010

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justin F. Callangan
               Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
               Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
               President and Chief Operating Officer

Compliance with the Manual of Corporate Governance

Gentlemen:

Please see attached Certification of Compliance with the company's Manual on
Corporate Governance for the year 2009.

Best regards.

Very truly yours,

LUIS JEAN B. ORETA
Compliance Officer
CERTIFICATION

1. Luis Juan B. Oreta, of legal age and with office address at MWSS Administration Building, 489 Katipunan Road Balara, Quezon City, Metro Manila, Philippines 1103, after being sworn in accordance with law, deposes and states that:

   1. I am the incumbent Compliance Officer/Associated Person of Manila Water Company (the "Company"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with office address at MWSS Administration Building, 489 Katipunan Road Balara, Quezon City, Metro Manila, Philippines 1103;

   2. In 2009, the Company substantially adopted all the provisions of the Manual on Corporate Governance of the Company, as prescribed by SEC Memorandum Circular No. 2, Series of 2002;

   3. The Company likewise adopted in its Manual of Corporate Governance the leading practices and principles on good corporate governance for the year 2009, including the requirements in relation to the board of directors, board committees, officers and stockholders' rights and interests.

   4. I am issuing this certificate in compliance with the requirement of the Securities and Exchange Commission on the annual reporting on the Company's compliance with the Manual of Corporate Governance.

IN WITNESS WHEREOF, I have signed this Certificate this 12th day of January, 2010 at Quezon City, Philippines.

[Signature]
LUIS JUAN B. ORETA
Compliance Officer

Countersigned by:

[Signature]
JOSE RENE D. ALMENDRAS
President
SUBSCRIBED AND SWORN to before me this 12th of January 2010 at Quezon City, affiant exhibiting to me his Passport No. XX2933903 issued at Manila, Philippines on February 4, 2009.

Doc. No. 15
Page No. 23
Book No. 2
Series of 2010.

JOVENCIO R. FOLGUERAS
MY COMMISSION EXPIRES DEC. 31 2011
UP No. 795351-2004, MUNICIPALITY
ROLL No. 30906
PTR No. 2605603-B 6-26-09 a.c.