1. **For the fiscal year ended:** December 31, 2009

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 – 2,030,906,476

   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. 2,004,940,466 Outstanding Common Shares
2. 523,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
3. 25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the PSE
4. 2,030,906,476
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 6, 2010 the aggregate market value of the voting stock held by non-affiliates of the Company is P 23,009,622,253.

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, 2009.
PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Manila Water Company, 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, comprising a broad range of residential, commercial and industrial customers. For the year ended December 31, 2009, the Company registered ₱9.5 billion of revenues and ₱3.2 billion of net income. Of the Company’s revenues during this period, 84% or ₱8.0 billion was generated from water delivery services in the East Zone. The Company’s total assets as of December 31, 2009 stood at ₱43.8 billion and shareholders’ equity at ₱17.0 billion.

Under the terms of the Concession Agreement entered into on February 21, 1997 (the “CA”) with the MWSS, a government-owned and controlled corporation, the Company was granted exclusive rights to service the East Zone as an agent and contractor of MWSS. Under the Concession Agreement, MWSS granted the Company the use of MWSS’s 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.

On October 22, 2009, the Company’s application for the 15-year renewal of the CA was acknowledged and approved by the Department of Finance following the special authority granted by the Office of the President. With the CA renewal, the term of the concession was extended for 15 years or from the original 2008-2022 to 2008-2037. 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.

The East Zone encompasses parts of Manila, San Juan, Taguig, Pateros, Antipolo, Taytay, Jala-Jala, Baras, Angono, San Mateo, Rodriguez, Marikina, Pasig, Mandaluyong, Makati and most of Quezon City. Despite a challenging business environment, the Company sustained its volume of water sales for 2009. The volume of water delivered to customers in 2009 totaled 396.0 million cubic meters (“MCM”), reflecting a 2.2% growth year-on-year. The increase was brought about by additional new service connections that reached 52,411 for 2009, coming largely from the expansion areas in Rizal and Taguig. The Company served a total of 1,086,296 households through 736,305 water service connections as of December 31, 2009, as compared to last year’s level of 1,031,895 households and 683,894 water service connections.

From August 1, 1997, at the commencement of the Concession Agreement, to December 31, 2009, the Company has increased the number of customers it serves by more than two million, most of whom belong to lower income communities in the East Zone. At the start of the Concession, only 26.0% of customers enjoyed water supply 24 hours a day, compared to 99.0% who enjoyed 24-hour availability as of December 31, 2009. 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 15.8% for the month ended December 31, 2009.

Since August 1, 1997 up to December 31, 2008, the Company spent over ₱32.4 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 2010 to 2014, the Company expects to spend ₱47.6 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 of Metro Manila. In July 2008, the Company won a contract for leakage reduction in Ho Chi Minh City, Vietnam. Prior to this, Manila Water already had an existing management contract in Tirupur, India. Through new joint venture companies, Manila Water acquired two (2) new concessions in Laguna and Boracay.


The Concession

The following are some of the key terms of the Concession Agreement:

- **Term and Service Area of Concession.** The Concession took effect on August 1, 1997 (“Commencement Date”) and will expire on May 6, 2037 or on an early termination date as provided by the Concession Agreement. By virtue of the Concession Agreement, 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 Concession Agreement, MWSS granted concessions for water distribution to private-sector corporations at least 60.0% 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 60.0% owned by citizens of the Philippines or by corporations that are themselves at least 60.0% 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 51.0%
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 10.0% each.

- **Operations and Performance.** The Company has the right, as an agent of MWSS, 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 Concession Agreement.

- **Concession Fees.** The Company is required to pay MWSS the following:
  - Concession Fees consisting of the Peso equivalent of (i) 10.0% of the
    payments due under any MWSS loan that was disbursed prior to the
    Commencement Date; (ii) 10.0% of payments due under any MWSS
    loan designated for the Umiray-Angat Transbasin Project (“UATP”) that
    was not disbursed prior to the Commencement Date; (iii) 10.0% of the
    local component costs and cost overruns related to the UATP; (iv)
    100.0% 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) 100.0% 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 invoices the Company monthly 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 Regulatory Office 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 is 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 Concession Agreement, which, in the reasonable opinion of the
  Regulatory Office, 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 Concession Agreement, 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 Concession Agreement, 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 Concession Agreement, the Company and the concessionaire of the West Zone of Metro Manila, Maynilad Water Services, Inc. (“Maynilad”), as Concessionaires, 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 certain common purpose facilities, 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 Concession Agreement also provided for the establishment of the Regulatory Office of MWSS under the jurisdiction of the MWSS Board of Trustees, to oversee and monitor the operations of the Concessionaires. The Regulatory Office is composed of five members with five-year terms, and no member of the Regulatory Office may have any present or prior affiliation with MWSS, the Company or Maynilad. The Regulatory Office is funded by MWSS through the Concession Fee payments of the Concessionaires. The Concession Agreement provides that major disputes between the Company and the Regulatory Office be referred to an appeals panel consisting of two members appointed by each of the Regulatory Office and the Company and a third member appointed by the Chairman of the International Chamber of Commerce. Under the Concession Agreement, both parties waive their right to contest decisions of the appeals panel through the courts.

**Key Performance Indicators and Business Efficiency Measures**

The Concession Agreement initially set service targets relating to the delivery of services by the Company. As part of the Company and Regulatory Office’s 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 Regulatory Office. 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 Regulatory Office 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 Regulatory Office 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 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 Board of Trustees for outperforming the target set by the Regulators in terms of KPI and other service obligations.

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

**Amendment to the Concession Agreement**

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

**Organization**

The Company is organized into six functional groups: (i) Project Delivery (formerly called Capital Works); (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, the Operations Group and the East Zone Business Group work together and form the backbone for the delivery of the Company's services stipulated under the Concession Agreement. The Project Delivery Group is responsible for developing the infrastructure for the supply and distribution of water as well as the treatment and conveyance of wastewater.

- The Operations Group, in turn, uses the Company’s existing facilities as well as any new facilities developed by the Project Delivery Group to handle day-to-day delivery of water and sewerage services to customers and monitor water demand and NRW levels against available water supply and other service targets set for the Company by the Regulatory Office. 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 Group deals directly with the Company’s customers, handling customer requests for water and sewerage connections, billing and collection, and the Company’s customer care center.

- The Regulation and Corporate Development Group interfaces with the Regulatory Office on all matters relating to the Concession Agreement, including submitting reports and disclosures to the Regulatory Office relating to compliance as well as handling negotiations with the Regulatory Office relating to the Company’s service targets. This 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 Regulatory Office 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. 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 Property Management section handles administration and maintenance of common facilities, office services delivery and the safety of employees and visitors in all offices and facilities during regular business hours. The Security Management section handles the development and implementation of the company’s overall control and physical security programs. It supervises security of Manila Water 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 Manila Water 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 eight departments: Treasury and Investor Relations, Contracts and Vendor Management, Accounting, Tax Management, Financial Planning, Systems and Control (“FPSCD”), Internal Audit, Legal and Corporate Governance, 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 Manila Water 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 over-all compliance to all tax rules and regulations. It 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 of the Company. It also aids in the Corporate Secretariat work of the Company. ERM facilitates, supports, and integrates the Enterprise Risk Management processes across Manila Water.

To better address customer concerns, the Company follows a decentralized approach in the provision of water and sewerage services. Under this approach, the East Concession Area was divided into eight Business Areas, each composed of several District Metering 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, Manila Water 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, subsequent treatment and distribution to customers’ premises. In 2009, the Company supplied approximately 1,341 million liters per day (“MLD”) and billed 396 MCM of water compared to 1,379 MLD of water supplied and 387 MCM billed in 2008. The Company serves a total of 1,086,296 households through 736,305 water service connections as of December 31, 2009, as compared to December 31, 2008 where a total of 1,031,895 households were served through 683,894 water service connections.

**Water Resources**

Under the Concession Agreement, 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 1,600 MLD. Should 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, 2009, the Company has 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 filter plants in Balara located seven kilometers away. Aqueducts enable either intake from three 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 separate treatment systems: Balara 1, which was commissioned in 1935 and Balara 2 which was commissioned 1958, with common use of chemical preparation and dosing facilities. The treatment process 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.

The plants are continuously being improved and upgraded. To date, both have been installed with an on-line monitoring system. This enables real-time monitoring of water quality data which in turn provide an enhancement in chemical dosing efficiency. The backwashing system of Filter 1, on the other hand, was upgraded to semi-automatic.

To further increase the efficiency of the plants, a pilot study to upgrade the process is currently being conducted. As planned, the existing sedimentation basin will be installed and fitted with tube settlers and an automatic sludge collection mechanism. The filter beds will also be modified using a multi-block underdrain system that will also include the adoption of an air-scour wash system to effect a better way of cleaning the media using less water. Also included in the upgrading is the modification of the chemical dosing system and construction of a sludge management plant.

The upgrading is expected to increase the total capacity of the plants by about 250 MLD.

**Water Distribution**

After treatment, water is distributed through the Company’s network of pipelines, pumping stations and mini-boosters. As of December 31, 2009, the Company’s network consisted of around 4,000 kms 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 25.0% of the total pipeline length. The Company has replaced a total of 552km of ACP as of December 31, 2009. From the start of the concession in 1997 until the end of 2009, 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 60.0% of the surface water supplied by the Company is pumped to ensure supply in high elevation areas. From the previous eight major pumping stations, the Company now operates an additional four major pumping stations. Three of those provide the supply for Antipolo area and the other one for Cainta, Taytay and Angono areas. The pumping stations’ combined maximum pumping capacity is now at 2686 MLD and an average plant output of 970 MLD. The Balara, San Juan, Pasig, Makati, and Fort Bonifacio pumping stations also have reservoirs with a combined capacity of 204 ML. The two new pumping stations at Antipolo namely Siruna and Lucban are also provided with reservoirs whose total volume is equal to 35 ML.

The Company operates 14 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.
Three additional pumping stations are in the process of completion which will increase the total number to 15.

*Non-Revenue Water*

Non-revenue water 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 Regulatory Office, 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 63.0% at the date of commencement of operations under the Concession Agreement to an average of 15.8% for the year ended December 31, 2009. 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 water quality guidelines. The Company’s rating was based on a series of tests conducted regularly at 922 (EO 2009) sampling points within the East Zone. The Company’s water samples scored an average bacteriological compliance of 100%, surpassing the threshold of 95.0% 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 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 Regulatory Office and DOH and each sample collected undergo monthly bacteriological and physical/chemical analyses.

The Department of Health, together with the MWSS Regulatory Office, confirmed that the Company’s water quality consistently exceeded the PNSDW. This record is further affirmed by an ISO 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 pilot package Sewage Treatment Plants (“STPs”) 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 pilot STPs, the Company implemented the Manila Second Sewerage Project (“MSSP”) funded by World Bank. Under the MSSP, twenty-six STPs were constructed. Sixteen 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 2009 has increased to 16% from just 3% coverage in 1997, totaling more than 72,000 households benefitting from this service. As of year-end 2009, the Company operates 31 STPs with a total capacity of 87 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 Septage Treatment Plants aimed at managing septic tank materials siphoned form 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 Concession population over the next five years. Since 1997, Manila Water has already provided such service to more than 455,000 households.
Manila Water will further implement the World Bank-funded MTSP until 2010. The MTSP is a follow-up to the MSSP and has the ultimate objective of improving sewerage and sanitation conditions in the East Zone concession area. It was developed as a means of achieving the 2010 service targets. The remaining components of the MTSP include the construction of sewer networks and treatment plants in several locations in the Manila Water concession area, including upgrading of existing communal septic tanks with secondary treatment levels. Some of the STPs will treat combined sewage and drainage flows, some will be dedicated for sewage.

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.

Manila Water in 2009 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 P50 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. More than twenty STPs will be constructed to treat these pollutants before safely discharging them to rivers.

In December 2009, Manila Water began pre-qualification for the bidding of a 100 MLD STP in Bgy. Concepcion I, Marikina City. Preparation for the bidding of a 40 MLD STP in Bgy. Hagonoy, Taguig City was also completed. 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 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 payable. As of December 31, 2009, 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 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 entered into a Capital Works Program Agreement with Water Capital Works Inc. (“WCWI”), a company owned by Ayala Corporation, United Utilities Pacific Holdings B.V., and BPI Capital Corporation, for services relating to the capital works program of the Company. The agreements are for a period of ten years and are renewable for successive periods of five 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 Corporation and Capital Works Agreement with WCWI for another five 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 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 what it believes to be 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 believes that all 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, 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, 2009, the Company had 1,595 employees. Approximately 45% were non-management employees and 55% held management positions. Five 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>Secended from Ayala</th>
<th>Secended from Bechtel and United Utilities</th>
<th>Consultants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1525</td>
<td>13</td>
<td>6</td>
<td>10</td>
<td>3</td>
<td>1557</td>
</tr>
<tr>
<td>2001</td>
<td>1476</td>
<td>56</td>
<td>7</td>
<td>8</td>
<td>3</td>
<td>1550</td>
</tr>
<tr>
<td>2002</td>
<td>1427</td>
<td>109</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>1547</td>
</tr>
<tr>
<td>2003</td>
<td>1407</td>
<td>109</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>1527</td>
</tr>
<tr>
<td>2004</td>
<td>1383</td>
<td>149</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1541</td>
</tr>
<tr>
<td>2005</td>
<td>1351</td>
<td>219</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1579</td>
</tr>
<tr>
<td>2006</td>
<td>1338</td>
<td>241</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1585</td>
</tr>
<tr>
<td>2007</td>
<td>1320</td>
<td>243</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1571</td>
</tr>
<tr>
<td>2008</td>
<td>1284</td>
<td>258</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1551</td>
</tr>
<tr>
<td>2009</td>
<td><strong>1254</strong></td>
<td><strong>329</strong></td>
<td><strong>5</strong></td>
<td><strong>2</strong></td>
<td><strong>5</strong></td>
<td><strong>1595</strong></td>
</tr>
</tbody>
</table>

The following table presents the number of employees by function as of the December 31, 2009:

<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>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Corporate Finance &amp; Governance</td>
<td>73</td>
<td>13</td>
<td>86</td>
</tr>
<tr>
<td>Regulation and Corporate Development</td>
<td>46</td>
<td>2</td>
<td>48</td>
</tr>
<tr>
<td>Corporate Resources</td>
<td>75</td>
<td>33</td>
<td>108</td>
</tr>
<tr>
<td>Eastzone Business Operations</td>
<td>391</td>
<td>464</td>
<td>855</td>
</tr>
<tr>
<td>Operations</td>
<td>205</td>
<td>166</td>
<td>371</td>
</tr>
<tr>
<td>Project Delivery</td>
<td>76</td>
<td>36</td>
<td>112</td>
</tr>
</tbody>
</table>

Before the privatization, MWSS had 8.4 employees per 1,000 service connections. The Company has improved this ratio to 1.5 employees per 1,000 service connections as of December 31, 2009, through improvements in productivity achieved through, among other things: value enhancement programs; improvements on work processes; employee coaching and mentoring; transformation to knowledge workers; and various training programs. The Company’s organizational structure has been streamlined, reducing the number of non-management rank levels from sixteen to six, and empowering employees through decentralized teams with responsibility for managing territories. In addition, the Company formed multi-functional working teams, called clusters, composed of members of management tasked with addressing corporate issues such as quality, risk and crisis management.

As of December 31, 2009, 635 or 40.11% of the employees of the Company belonged to the Manila Water Employees Union (“MWEU”). The Company and MWEU concluded negotiations on a new Collective Bargaining Agreement covering a 3-year period from 2008 to 2011. The agreement provides for a grant of ₱127.7 million compensation and benefits package to employees categorized as non-management Collective Bargaining Unit employees over three years. The Company believes that its management maintains a strong relationship with union officials and members. The Company has not had any strikes since its inception. Grievances are handled in management-led labor councils. The Collective Bargaining Agreement also provides for a mechanism for the settlement of grievances.
The Company provides training and development programs to its employees. The Company established its Customer Service Institute in August 2002 to ensure the development of customer service personnel, providing employees, particularly those with direct customer contact, with modules on delivering quality service. Other programs that provide training opportunities for the employees include: a Business Management Program or Manila Water School for leaders. The Company has also implemented several Performance Solutions and Innovations (PSI) camps to further equip the management team, given the new and expanded requirements of the business. Aside from these, the Company gives the opportunity to its employees for international exposure through the program for talent exchange (PRO TEXT), a three-month immersion to partner companies in United Kingdom, Australia, Bulgaria and Estonia. These programs aim to enhance the knowledge skills of personnel while improving their competencies in their preferred areas of specialization.

The Company recognizes customer service excellence of its employees through its “Serbisyo Mula sa Puso” or “Service from the Heart” program. Outstanding employees are also recognized through various corporate programs such as the Chairman’s Circle, President’s Pride and the “Huwarang Manggagawa” program. Six of the Company’s model employee awardees were also awarded the Outstanding Worker of the Republic (“Tower”) Award by the Rotary Club from 1999 to 2006.

For the year 2009, the Company garnered five awards in different categories in the 45th Anvil Awards. These are for its annual report entitled Chronicling Corporate Highlights: Rising Above the Waters, which earned a citation in the public relations tool category, the Sikap sa KabuhayanPara sa Dumagats program and the Water Trail Program: A Fun-Filled Water Education Trip, both for PR programs directed at a specific stakeholder, the Disaster Mitigation Measures: Prompt Action Saves Lives in the category of special public relations projects on a one-time basis, and the “Reforestation Equates to Watershed Protection” for public relations program on a sustained basis.

The Company is one of the most respected CSR practitioners in the region, winning the Intel–Asian Institute of Management (AIM) Corporate Responsibility Award (IACRA) at the 2009 Asian Forum on Corporate Social Responsibility (AFCSR). Furthermore, the Company earned various awards from different award-giving bodies for its outstanding professional practices. These are the following:

- 1st runner up at the 7th Management Association of the Philippines (“MAP”) Best Annual Report Award
- Most Integrated into the Core Business at the CSR Leadership Challenge by MAP and League of Corporate Foundations
- INTEL-AIM Corporate Responsibility Award at the 2009 Asian Forum on Corporate Social Responsibility
- Best in Corporate Governance in the last Corporate Governance Scorecard by the Institute of Corporate Directors
- One of the awardees in Asia’s Best Companies 2009 in various categories given by Finance Asia, garnering citations in the following categories:
  - Best Managed Company (4th place)
  - Best Mid-cap Company (1st place)
  - Best in Corporate Governance (5th place)
  - Best in Corporate Responsibility (2nd place)
Best in Investor Relations (9th place)

Pursuant to the Concession Agreement the Company adopted an Employee Stock Option Plan (“ESOP”). The ESOP was instituted to allow employees of the Company to participate directly in the growth of the Company and enhance the employee’s commitment toward its long-term profitability.

In 2005, the Company adopted an Employee Stock Ownership Plan (ESOWN) as part of the incentives and rewards system of the Company.

The Concession Agreement also mandates that the Company institute a welfare fund to which it must contribute no less than 5.0% of the monthly basic salary of a member of the fund who has authorized the Company to contribute to the fund. 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.

**Risk Factors**

Manila Water, being a water utility under concession from the Metropolitan Waterworks and Sewerage System (MWSS), operates on a highly-regulated business environment. The Company has to obtain all necessary regulatory approvals in order to implement projects. Possible challenges by other government entities on new business initiatives have to be properly managed. The Company must anticipate, understand and respond to the communication needs of regulatory bodies to be able to establish and maintain good relationships. 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 has to address increased regulatory scrutiny of wastewater discharges as it becomes more aggressive in expanding its wastewater services. Failure to manage the disposal of wastewater properly in accordance with public health and safety standards would lead to unfavorable public perception and cancellation of permits and licenses.

The Company is bound under the Concession Agreement to comply with certain service obligations and is required to meet numerous performance and business efficiency targets. Achieving these performance targets will require substantial capital expenditures, which could become difficult should the Company fail to raise the funding required for its capital works. Failure to obtain the requisite funds could delay or prevent the completion of capital expenditure programs.

Natural and environmental disasters such as earthquakes, floods and typhoons could result in significant losses as water, wastewater, office and other facilities may be severely damaged which would ultimately lead to extended water service interruptions. Natural and environmental disasters such as, but not limited to, earthquakes, floods and typhoons could result in significant losses due to damage of water and wastewater facilities and service interruptions. Prolonged droughts could result in water supply shortage, which would limit the ability of the Company to meet customer demand for potable water.
The Company continues to expand to other provinces in the Philippines and to neighboring Asian countries as well. 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 structure that would allow for an 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 in the Company’s reputation.

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

In order to support and implement initiatives of various units and subsidiaries, the Company must prioritize technology programs and effectively allocate IT resources in a timely manner. Failure to adequately plan and assess significant investments and changes in infrastructure assets as a necessary to support Company programs and projects may lead to failure in developing and monitoring operations.

Management of Risks

Managing Enterprise-wide Risks

Manila Water embarked on an Enterprise Risk Management (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. Since its launch in 2001, ERM has steadily gained firmer footing into the Company’s risk culture with the establishment of an independent and dedicated Risk Management Department (RMD). The RMD, headed by the Chief Risk Officer (CRO), acts as specialists and consultants on matters relating to ERM and is responsible for coordinating the several ERM initiatives across the organization.

As ERM is an enterprise-wide endeavor involving everyone in the organization, 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 on 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 Resource, Finance, Project Delivery, Operations and Regulatory 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.

Managing Planning Risks

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.

*Managing Corporate Resources Risks*

The Cadetship Training Program which started in 1999 continues to infuse “fresh blood” into the Company’s workforce through the hiring of highly-competent talents from the country’s most respected colleges and universities. These cadets, numbering approximately 200, are honed and trained to become capable Water System Managers who shall take the reins of managing the Company in the near future.

The Company also implements a talent management program that will address human resource requirements of current operations as well as new business initiatives. Recruitment and retention plans of qualified employees were put in place to ensure optimal staffing levels and a balanced workforce. The Company creates and implements a succession plan for management and key positions in the functional and business units.

As part of its succession planning program, the Company has instituted various employee development programs including inter- and intra-department cross-postings, foreign immersions through its foreign partner United Utilities, Plc. and several leadership development trainings. These programs help equip the middle-managers with the right tools needed to assume critical positions in the organization.

*Managing Operational and Environmental Risks*

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 is expanding its pool of quality contractors to accommodate the additional workload as mandated by the Regulators’ Capital Expenditure requirements. These contractors are selected based on their track record and financial and technical capabilities.

Operational risks are being addressed by the Company’s Business Continuity and Incident Management and Response Teams. Recent typhoon Ondoy and Pepeng saw these teams being quickly mobilized to provide aid and potable water to affected residents within the concession area and beyond.

In addition to its strong Business Continuity Plan, Manila Water 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 effects of climate change and take advantage of the resulting opportunities.

Manila Water encounters challenges in water supply with the bouts of dry spells and the changing 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 to its more than five million customers amidst the drought condition. 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. These measures will ensure that the Company, its customers and other stakeholders, weather the adverse effects of El Niño.

Managing New Business Risks

Manila Water is enhancing 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 locally and internationally. To ensure the success of new projects, Manila Water has appointed an Integration Manager to oversee the start-up of new projects and ensure the transfer of Manila Water best practices and processes to its projects.

Managing Regulatory Risks

To maintain the excellent relationship with its Regulators, Manila Water 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 operations through regular site visits, lakbayan trips and invitations to events, workshops and capacity-enhancing local and international fora.

Apart from relationship management activities, the Company ensures that all requirements of regulatory bodies are complied with. Internal compliance targets like the water and wastewater effluent quality are set higher than regulatory standards.

Managing Financial Risks

The Company strives to maintain the highest local credit rating given by Philratings through the timely payment of interest and principal amortization of loans and its strict compliance with all lender covenants and reports. Through regular and targeted communication with investors, analysts and creditors, the Company is able to sustain good relationships with these stakeholders. Sufficient funding is made available for corporate requirements at better than market rates as a result of its superior credit rating and relationship with its lenders.

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. 35-91, Series of 1993 (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

• DENR Administrative Order No. 26-92, Series of 1992 (Appointment/Designation of Pollution Control Officers).

• Clean Water Act - Republic Act No. 9275

Other Matters

The Company has not been involved in any bankruptcy, receivership or similar proceeding as of December 31, 2009. 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.1 The Company is not engaged in sales to foreign markets. The Company also has no publicly-announced new product or service nor own any patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

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. Except as discussed above, government approval is not necessary for the Company’s principal products or services. The Company has not engaged in any research and development activities for the last three years.

Item 2. Properties

The Concession Agreement grants the Company the right to manage, operate, repair, decommission, and refurbish the MWSS facilities in the East Zone designated in the Concession Agreement, 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 ₱17.20 billion. These assets are not reflected in the financial statements of the Company.

Pursuant to the terms of the Concession Agreement, new assets contributed to the MWSS system by the Company during the term of the Concession Agreement are reflected in the Company’s financial statements and remain with the Company until the Expiration Date (as defined in the Concession Agreement), at which time all right, title and interest in such assets automatically pertain to MWSS. The Concession Agreement 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 Concession Agreement, and (ii) be subject to foreclosure except following an event of termination as defined under the Concession Agreement.

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, acting as trustee, for the benefit of certain Philippine banks and financial institutions, Deutsche Investitions-Und Entwicklungsgesellschaft Mbh (“DEG”) and IFC pursuant to certain loan agreements.

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1 An initial public offering of shares by the Company and certain selling shareholders took place in February and March 2005 and culminated in the listing of the Company with the Philippine Stock Exchange on 18 March 2005.
The Company’s corporate head office located in Balara, Quezon City is leased from MWSS and is subject to yearly renewal. In 2009, rent expense of the Company to MWSS amounted to ₱16.8 million.

For 2010, the Company expects to spend capital expenditures amounting to ₱8,991 million. These capital expenditures are to be partially funded by proceeds of the Company’s cash from operations and debt. The two 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 of Metro Manila which are currently unserved, and to ensure sufficient water supply in response to the increased demand due to population growth.

<table>
<thead>
<tr>
<th>Project</th>
<th>(₱ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability Capex</td>
<td></td>
</tr>
<tr>
<td>Service Sustainability</td>
<td>2,299</td>
</tr>
<tr>
<td>Earthquake Contingency</td>
<td>1,203</td>
</tr>
<tr>
<td>Expansion</td>
<td></td>
</tr>
<tr>
<td>New Water Sources</td>
<td>1,354</td>
</tr>
<tr>
<td>Network Expansion</td>
<td>2,011</td>
</tr>
<tr>
<td>Wastewater</td>
<td>2,002</td>
</tr>
<tr>
<td>Other Capex</td>
<td>122</td>
</tr>
<tr>
<td>Total</td>
<td>8,991</td>
</tr>
</tbody>
</table>

**Item 3. Legal Proceedings**

Except as disclosed herein, 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.


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.

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

This is an appeal from the denial, by the Local Board of Assessment Appeals of Bulacan Province, of the Company’s (and Maynilad’s) appeal to it from the Notice of Assessment and Notice of Demand for Payment of Real Property Tax in the amount of ₱357,110,945 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 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 CBAA ordered the case to be heard on the merits before it on June 25, 2009. At that hearing, parties were given the opportunity and time to exchange pleadings on a motion for reconsideration filed beforehand by the Municipality to have the case remanded to and heard by the LBAA, rather than by the CBAA.

The Company is awaiting from the CBAA for its resolution of the motion for reconsideration and whether the hearing on the merits before it will ensue.


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 before 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.
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 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 with regard to the Notice of Violation and the complaints of the Regional Directors of EMB. In the said conference, it was considered that DENR has a great role to play in order 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 made by 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, 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. The Petition remains pending.

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

No matter was submitted during the fourth quarter of 2009 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 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>2008 High</td>
</tr>
<tr>
<td>1st Qtr</td>
<td>19.25</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>18.50</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>18.25</td>
</tr>
<tr>
<td>4th Qtr</td>
<td>16.75</td>
</tr>
</tbody>
</table>

The price per share information as of the close of the latest practicable trading date, April 6, 2010, is ₱15.75.

**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 participation preferred shares with a par value of ₱0.10 per share and 500 million redeemable preferred shares with a par value of ₱1.00 per share.

The RPS are non-voting, non-convertible, non-participating, shall earn cumulative cash dividends of 8% per annum, shall be redeemable at the option of the Company over a period of five years from date of issue in five equal annual installments, and shall enjoy priority over common shares and PPS in the distribution of dividends and in the assets of the Company upon its dissolution and liquidation, but subordinated to term loans of the Company. On August 2007, the Board approved the redemption of the outstanding 200 million RPS.

The Company had a total of 1,015 common stockholders of record as of December 31, 2009. (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, 2009, outstanding shares of the Company consisted of 2,030 million common shares (including 523.5 million common shares held in treasury and 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 equity interest in the Company.

*Mitsubishi Corporation*

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. 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 10.0% 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 (₱ thousands)</th>
<th>Nature of Dividends Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 2009</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Oct. 2009</td>
<td>80,000</td>
<td>₱0.02 cash dividends to PPS</td>
</tr>
<tr>
<td>Oct. 2009</td>
<td>406,181</td>
<td>₱0.20 cash dividends to common shares</td>
</tr>
<tr>
<td>April 2009</td>
<td>80,000</td>
<td>₱0.02 cash dividends to PPS</td>
</tr>
<tr>
<td>April 2009</td>
<td>404,621</td>
<td>₱0.20 cash dividends to common shares</td>
</tr>
<tr>
<td>Dec. 2008</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Jul. 2008</td>
<td>352,950</td>
<td>₱0.175 cash dividends to common shares</td>
</tr>
<tr>
<td>Jul. 2008</td>
<td>70,000</td>
<td>₱0.0175 cash dividends to PPS</td>
</tr>
<tr>
<td>Mar. 2008</td>
<td>352,669</td>
<td>₱0.175 cash dividends to common shares</td>
</tr>
<tr>
<td>Mar. 2008</td>
<td>70,000</td>
<td>₱0.0175 cash dividends to PPS</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.

For its grant of 23.6 million shares under the Executive SOP, Manila Water sought the SEC’s confirmation 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 for 2010

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 ₱36.7 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 by a moderate 3% largely from residents of 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.

Manila Water will also accelerate the completion of new water and sewerage treatment plants continue to expand the water and sewer network, improve existing facilities and implement more stringent safety measures.

The Company will continue to explore other business opportunities outside its regulated business to include environmental initiatives such as bio-solids, water recycling, waste to energy and the treatment of effluent from industrial and commercial establishments. It will also be actively
engaged in seeking new business developments within the Asian region 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 and operating expenses, a more efficient financing strategy will be adopted. The Company will acquire new loan facilities in mixed currencies and examine the possible second issue of local currency bonds.

As part of the efficiency program, continuous review and improvement of business systems and processes will be done, including the formulation of cost saving initiatives. Rationalization of existing roles and structures will also be studied along with the implementation of tested programs such as training, cross posting, immersion and benchmarking.

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 to widen the investor base with socially responsible investment funds.

With these strategies plus 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 Concession Agreement 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 22, 2009, the Company’s application for the 15-year renewal of the CA was acknowledged and approved by the Department of Finance following the special authority granted by the Office of the President. With the CA renewal, the term of the concession was extended for 15 years or from the original 2008-2022 to 2008-2037. 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. Prior to this, Manila Water already had an existing management contract in Tirupur, India. Through new
joint venture companies, Manila Water acquired two (2) new concessions in Laguna and Boracay.

**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 2% from 387 mcm to 396 mcm. Average consumption per customer decreased from 55 to 52 cu.m. per connection driven largely from commercial accounts.

**Collection efficiency**

Year to date collection efficiency was 100%, while average accounts receivable days was at 18 days. This is better than the previous year’s collection efficiency of 99%.

**Service connections**

As a result of the completion of various expansion projects, new service connections increased by 52,411 and brought total service connections to 736,305 as of year end, serving a total of 1,086,296 households.

**Non-revenue water ratio**

Non-revenue water (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 15.8%, down by 3.8% points from the year-ago figure, mainly due to the effective supply and pressure management.

**Water quality**

The Company continued to exceed the Department of Health (DOH) bacteriological compliance standard of 100%. For a number of years now, water quality compliance has been maintained at 100%. An average of 921 water samples per month 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 2009 amounted to P9,533 million, 7% higher from the same period a year ago. This increase was driven by lower effective income tax rates and lower depreciation expense resulting from the approval of the CA renewal.

**EBITDA and EBITDA margin**

Earnings before interest, tax, depreciation and amortization (EBITDA) grew by 6% to P6,803 million as of year end 2009, resulting in an EBITDA margin of 71%. This was brought about by the increase in revenues and the management of operating costs (excluding depreciation) which grew by 9% year on year.

**Net income and net income margin**

Net income grew by 16% for year 2009, to P3,231 million. Net income margin was at 34%, from only 31% in the prior year. The improvement in net income was a result of higher EBITDA, higher interest income and the lower corporate income tax rate in 2009.

**Results of Operations**

**Financial Highlights**

- Operating revenues as of December 2009 registered at P9,533 million, P620 million higher than the previous year. The increase in revenues is due to the 2% growth in water sales volume and the CPI increase in tariff implemented beginning February 2009. Core revenues (composed of water, environmental and sewer revenues) amounted to P9,442 million, 7% higher than the 2008 level. The Company registered around P24 million of revenues from its business outside of the East Zone, coming largely from its venture in Ho Chi Minh City, Vietnam. For the first time, the Company recognized around P20 million as its share in the water revenue from its Laguna venture.

- Total operating costs increased by P225 million or 9%, to P2,730 million for the year 2009. Depreciation, which accounts for 42% of total operating costs increased by 3% to P1,956 million. Other operating cost drivers were power, insurance, wastewater costs and premises cost which increased due to the expansion in service coverage, as additional wastewater facilities and services were put in place.

- EBITDA, which essentially measures the Group’s operating cash earnings for the period, improved by 6% to P6,803 million, from P6,408 million last year. EBITDA margin was steady at 71% of operating revenues.

- The Group ended the year 2009 with P3,231 million in net income after tax, 16% higher than last year. The figure was also higher than plan for the year, as a result of lower effective income tax rates and lower depreciation expense resulting from the approval of the CA renewal. Net income margin improved to 34% compared with the year-ago level of 31%. Earnings per share was P1.31 per share.
- Cash reserves and investments amounted to P9,729 million, at year end. This was P821 million higher than the cash balance at the end of 2008. 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.

- Liquidity was bolstered by the sustained collection efficiency, averaging 100% for the year 2009, while days receivable was at 18 days. Total current assets exceeded total current liabilities by a ratio of 1.69 times (current ratio). Total assets grew by P7.39 billion as of December 2009, due to strong cash flows.

- Service concession assets stood at P30.2 billion, approximately P6.3 billion (net of amortization) higher than the end of year level in 2008. Service concession assets were 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 P14.4 billion, an increase by P1 billion since December 2008. Net long term debt-to-equity was at 0.27, slightly lower as compared to the prior year’s level of 0.30. The Group maintained a favorable level of total liabilities/equity ratio at 60:40 (or 1.5 times).

- Stockholders’ equity increased by P2.5 billion since December 31, 2008, as a result of higher retained earnings. Book value per share was computed at P7.91 per share. There were no new equity shares issued in 2009, except for the exercise of stock options in relation to the Group’s employee benefits.

- The following table summarizes the key financial highlights of the Group:

<table>
<thead>
<tr>
<th>As of December 31 (In Million Pesos)</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>9,533</td>
<td>8,913</td>
<td>7,332</td>
</tr>
<tr>
<td>Operating costs</td>
<td>2,730</td>
<td>2,505</td>
<td>2,458</td>
</tr>
<tr>
<td>Earnings before interest, taxes, depreciation and amortization (EBITDA)</td>
<td>6,803</td>
<td>6,408</td>
<td>4,874</td>
</tr>
<tr>
<td>Net income</td>
<td>3,231</td>
<td>2,788</td>
<td>2,597</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.31</td>
<td>1.13</td>
<td>1.06</td>
</tr>
<tr>
<td>Total assets</td>
<td>43,758</td>
<td>36,368</td>
<td>27,942</td>
</tr>
<tr>
<td>Total cash reserves*</td>
<td>9,729</td>
<td>8,908</td>
<td>3,523</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>14,361</td>
<td>13,352</td>
<td>6,237</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>16,971</td>
<td>14,458</td>
<td>12,479</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 396 million cubic meters for the year 2009. This figure was 2% higher or 9mem
compared to last year’s level of 387 mcm. While the number of connections increased by 8% year-on-year, average consumption per connection decreased by 6% to 52 cubic meters, driven largely from commercial accounts.

- NRW was further reduced by 3.8 percentage points to 15.8% by the end of 2009, from 19.6% in 2008. This was attained largely through more efficient management of the network flows and pressure, as the water saved from the NRW reduction efforts was re-channeled 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 1.46 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></th>
<th>As of December 31</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Connections ('000)</td>
<td>1,086</td>
<td>1,032</td>
<td>986</td>
<td></td>
</tr>
<tr>
<td>Water Connections ('000)</td>
<td>736</td>
<td>684</td>
<td>639</td>
<td></td>
</tr>
<tr>
<td>Sewer Connections ('000)</td>
<td>50.8</td>
<td>46.6</td>
<td>46.5</td>
<td></td>
</tr>
<tr>
<td>Billed Volume (in million cubic meters)</td>
<td>396.0</td>
<td>387.3</td>
<td>373.0</td>
<td></td>
</tr>
<tr>
<td>Non Revenue Water (water losses) Ratio</td>
<td>15.8%</td>
<td>19.6%</td>
<td>23.9%</td>
<td></td>
</tr>
<tr>
<td>24-hour Availability</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
<td></td>
</tr>
<tr>
<td>Staff per 1000 connections</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>Water Quality Compliance</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Households served thru Desludging Services ('000)</td>
<td>291</td>
<td>188</td>
<td>105</td>
<td></td>
</tr>
</tbody>
</table>

Analysis of operating revenues

The Group derived up to 85% of its operating revenues from water billings, 14.4% from environmental and sewer charges, and 0.95% from other miscellaneous charges. The increase in operating revenue, driven by the increase in tariff and billed volume, was 7% lower from plan brought about by the staggered implementation of the tariff adjustment and the decrease in the average consumption per connection. Change in average consumption is broken down as follows:

<table>
<thead>
<tr>
<th>Average consumption per connection</th>
<th>In cubic meters per month</th>
<th>31-Dec</th>
<th>2008</th>
<th>Incr/(Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>38.3</td>
<td>39.9</td>
<td>-2</td>
<td>-4.0</td>
</tr>
<tr>
<td>Semi-commercial</td>
<td>108.6</td>
<td>104.2</td>
<td>4</td>
<td>4.2</td>
</tr>
<tr>
<td>Commercial</td>
<td>230.0</td>
<td>252.7</td>
<td>-23</td>
<td>-9.0</td>
</tr>
<tr>
<td>Industrial</td>
<td>295.2</td>
<td>287.0</td>
<td>8</td>
<td>2.9</td>
</tr>
<tr>
<td>Overall</td>
<td><strong>52.0</strong></td>
<td><strong>54.7</strong></td>
<td>3</td>
<td><strong>-5.0</strong></td>
</tr>
</tbody>
</table>
The Company registered around P24 million of revenues from its business outside of the East Zone, coming largely from its venture in Ho Chi Minh City, Vietnam. For the first time, the Company recognized around P20 million as its share in the water revenue from its Laguna concession.

**Water Tariff**

The Company’s water rates are determined according to the Concession Agreement. Different water tariff schedules apply to the four main categories of retail customers: residential, small business, large commercial and industrial. Each category has its own rising 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 2008, the Company generated 84.59% of its revenue from water tariff charges to customers, 9.98% of its revenue from environmental charges, 4.32% of its revenue from sewerage charges and 1.11% 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 sewage services. Under the Concession Agreement, 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 Concession Agreement; 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 Concession Agreement. 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 Concession Agreement, 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 Appropriate Discount Rate on these expenditures for the remaining term of the Concession.

**Effects of Philippine Economic Conditions**

As a company with all of its operations in the Philippines, the Company’s results of operations and financial condition are affected by general economic conditions in the Philippines, 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 Concession Agreement 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.** After the onset of the Asian economic crisis in mid-1997, the Philippines experienced economic turmoil characterized by currency depreciation, a decline in the performance of the banking sector, interest rate volatility, a significant decline in share prices in the Philippine Stock Exchange and a reduction of the country’s foreign currency reserves. These factors led to a slowdown in the Philippine economy in 1997 and 1998. In response, the Government adopted a number of policies in an attempt to address the effects of the Asian economic crisis by strengthening the country’s economic fundamentals. In 1999 and 2000, a number of the Philippines’ economic indicators showed more favorable results, though the pace of economic growth slowed again in 2001 after the impeachment of then President Joseph Estrada. Since 2001, when current President Gloria Macapagal-Arroyo came to power, the economy has seen generally stable growth although it has been negatively affected by several political scandals, coup threats and the uncertainty generated by alleged massive cheating in the May 2004 presidential election. Additionally, the Philippine Government’s inability 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.
**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 Concession Agreement. 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 to its tariff rates to fully reimburse it for 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 reduced its total water production by approximately 20.0%. As a result, the Company rationed water to customers located in high elevation areas in the East Zone.

Additionally, since the Company is dependent on MWSS for its raw water supply, other factors beyond the Company’s control could reduce the availability of raw water.

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

Depreciation and amortization of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset or the remaining term of the Concession, whichever comes first. With the Concession Agreement renewal, the term of concession was extended for 15 years or from the original 2008-2022 to 2008-2037. As a result, the allowable years for depreciation and amortization expense will correspondingly increase. This will allow the Company to depreciate and amortize its existing long-lived property, plant, and equipment over the extended period, which will lower the depreciation and amortization expense throughout the end of the term of the Concession.

Amortization of concession assets is derived from the Company’s estimated billable water volume, based on the period over which the Company’s concession agreement with MWSS is in force. A reduction in the estimated billable water volume would increase amortization.

**Results of Operations**

The Company’s revenue is comprised of:

- water charges from customers;
- sewer charges from customers;
- an Environmental Charge equivalent to 12.0% 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>2009</th>
<th>2008</th>
<th>2007</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>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Sewer Revenue</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Environmental Charge</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Other Income</td>
<td>1</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>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Salaries Wages and Employee Benefits</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Power, Light and Water</td>
<td>5</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>
<tr>
<td>Repairs and Maintenance</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>
Year ended December 31, 2009 compared to year ended December 31, 2008

Revenues

*Water / Environmental revenues – 7% increase*
This was the combined effect of the 2% growth in water sales volume and the 6% increase in average tariff as a result of the CPI driven tariff increase implemented in February 2009.

*Revenue from management contracts – 43% increase*
This was due to the 2009 progress billing corresponding to the formation of the several District Meter Areas under the Company’s Performance Based Leakage Reduction contract in Ho Chi Minh, Vietnam.

*Other income – 18% decrease*
This was due to the recognition of Meralco refund in 2008 on bills covering the period 1994-2003.

Operating costs and expenses

*Salaries, wages & employee benefits – 10% increase*
This was due to annual increases in basic pay, other employees’ benefits, performance based incentives and rewards. In addition, 41 new employees were hired during the year.

*Power, light and water – 8% increase*
This was due to additional consumption for new water and wastewater facilities. Total consumption increased by 6.5 million kwh or 9%, while effective cost per kilowatt hour (kwh) decreased by P0.16 or 3% compared with last year.

*Repairs and maintenance – 78% increase*
This was due to the increased maintenance cost because of the additional water and wastewater facilities commissioned during the year. Major repairs were also done on facilities affected by typhoons.

*Wastewater costs – 23% increase*
This was due to the 10% increase in unit cost per cubic meter desludged based on contract plus the 1% increase in volume of sludge materials. The cost also includes cost for disposal of biosolids and regular grit removal to keep the equipment and facilities in good working condition.

*Business meetings and representation – 28% increase*
This was due to the increase in activities in support of the various business expansion programs of the Company.
Regulatory costs – 21% increase
This was due to the annual CPI rate adjustment of Regulatory fees payable to MWSS as provided under the Concession Agreement.

Taxes and licenses – 54% increase
This was due to increase in local business taxes as a result of higher revenue base and real property taxes.

Provision for probable losses – 87% decrease
This was due to improvement in collection efficiency from 99% in 2008 to 100% which reduced the bad debts provision for the year.

Occupancy – 46% increase
This was due to increase in number and rate adjustments of security guards deployed in various facilities.

Water treatment chemicals – 25% increase
This was a result of additional requirements in chemicals due to the effect of typhoon “Ondoy”.

Transportation and travel – 7% increase
This was due to the assignment of more field personnel to attend to customer's concerns and monitor various expansion projects.

Insurance – 9% increase
This was due to the increase in the value of insured assets.

Advertising – 13% decrease
This was a result of lower advertising expenses due to various public awareness campaign already conducted on various programs such as environmental and other expansion projects.

Premium on performance bond – 21% increase
This was due to the posting of additional performance bonds as required in the bidding procedures and acquisition for new projects.

Others – 24% decrease
This was due to lower litigation cost and other overhead expenses.

Other Income (Expenses)

Interest income – 77% increase
This was due to additional placements in money market investments as a result of improved collection.

Amortization of deferred credits – 86% decrease
This was due to the refund of meter deposit to the customers starting 2008.

Interest expense – 18% increase
This was due to additional drawdown from the Manila Third Sewerage Project facility.
Mark-to-market gain (loss) on derivatives – 308% decrease
This was due to the decline in the fair market value of the embedded call option related to the P4 billion peso bonds.

Balance Sheet Items (End-2009 vs. End-2008)

Current assets

Short-term cash investments – 11% increase
This was due to additional placements in short term money market.

Receivables – 14% decrease
This was due to improved collection efficiency and lower provision for bad debts.

Materials and supplies – 1235% increase
This was due to additional acquisitions of materials for the projects outside the East Zone.

Other current assets – 33% increase
This was due to increase in mobilization cost and materials issued in advance to contractors for various projects.

Non-current assets

Property and equipment – 36% increase
This was due to additional capitalization of completed projects.

Service concession assets – 26% increase
This was due to the capitalization of additional regulatory costs as a result of the Concession Agreement Renewal which extends the concession period from 2022 to 2037.

Deferred income tax assets – 13% increase
This was due to recognition of deferred tax assets related to service concession assets.

Available-for-sale financial assets – 27% increase
This was due to additional placements in securities.

Other noncurrent assets – 13% decrease
This was due to the decline in the bond call option value and FCDA adjustment.

Current liabilities

Accounts and other payables – 9% increase
This was due to additional obligations to suppliers and contractors as a result of expansion activities.

Current portion of long-term debt – 133% increase
This was due to the payment of the current portion of Manila Third Sewerage Project and European Investment Bank loans.
Current portion of service concession obligation – 94% increase
This was due to increase in regulatory fee as a result of the approval of the Concession Agreement Renewal.

Income tax payable – 48% decrease
This was due to reversal of deferred tax item recognized in 2008.

Noncurrent Liabilities

Service concession obligation - net of current portion – 83% increase
This was due to increase in regulatory fee as a result of the approval of the Concession Agreement Renewal.

Customers’ guaranty and other deposits – 25% increase
This was due to payment of guaranty deposits of new customers.

Pension liabilities – 76% increase
This was due to additional allocation for retirement fund as a result of an updated actuarial computation.

Deferred credits – 25% increase
This represents advances from principal for Performance-Based Leakage Reduction contract in Ho Chi Minh Vietnam.

Stockholders’ equity

Subscription receivable – 26% increase
This was due to additional grant in 2009.

Common stock options outstanding – 197% increase
This was due to the additional approval and issuances of Employee Stock Ownership Plan.

Retained earnings – 25%
This represents net income for the year net of dividends declared.

Unrealized gain on available-for-sale – 688% increase
This was mainly due to the increase in market value of available-for-sale financial assets.

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 2009 from cash and cash equivalents, cash flow from operations and cash flow from financing.

Capital Sources

Manila Water’s cash and cash equivalents totaled P4,038 million as of December 31, 2009. 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 P9,729 million by year-end.
2009. The Company has sufficient sources of liquidity from available loan facilities and the cash expected to be generated from operating activities in addition to its current financial position to meet its liquidity and capital requirements for the next several years.

**Cash Provided by Operating Activities.** Net cash from operating activities of P5,850 millions fully covered the Company’s outlay for service improvement and service concession for 2009 in the amount of P4,951. The Company believes that cash from operating activities will remain the single largest source of its liquidity and capital resources for the foreseeable future.

**Cash Provided by Investing Activities.** Net investments for the year reached P5,561 million net of interest received. This was made up of P4,951 million in capital expenditures used for the expansion and upgrade of both the water and wastewater networks, including additional facilities, and concession fee payments.

**Cash Provided by Financing Activities.** Net cash used in financing activities registered an inflow totaling P240.9 million in 2009. The Company paid out a regular cash dividend of P0.35 per share or a total of P886 million, representing 35 percent of prior year’s net income.

**Debt Financing.** Manila Water had approximately P13,300 million in long-term debt outstanding (net of the current portion of long-term debt), of which approximately 50 percent consists of foreign currency-denominated long-term debt. The Company’s current portion of long-term debt was approximately P1,061 million on December 31, 2009. Foreign currency debt was denominated in US$468 and US$73M (in Japanese Yen).

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, 2009 and 2008, outstanding loans amounted to US$0.29 million and US$0.57 million, respectively.

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, 2009 and 2008, outstanding loans amounted to US$6.79 million and US$9.50 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 will be 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, 2009 and 2008, outstanding loans amounted to JPY¥2,442.29 million and JPY¥2,729.62 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, 2009 and 2008, outstanding loans amounted to US$26.00 million and US$30.00 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 JP¥6.59 billion payable via semi-annual installments after the five-year grace period. As of December 31, 2009 and 2008, outstanding loans amounted to JP¥2,516.42 million and JP¥1,882.26 million, respectively.

On August 22, 2006, the Parent 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 Parent Company pursuant to the Concession Agreement. 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 P=1.50 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 (5th) 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, 2009 and 2008, the outstanding balance for this loan amounted to P1.40 billion. On October 9, 2006, the Parent 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 Parent 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 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 prepayed a portion of the P2 billion loan from one financial institution amounting to P400.00 million. As of December 31, 2009 and 2008, the outstanding balance for this loan amounted to P1.10 billion.

On June 20, 2007, the Parent Company entered into a Finance Contract (the “EIB Loan”) with the European Investment Bank (EIB) to partially finance the capital expenditures of the Parent Company 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.

The outstanding balance of the EIB loan amounted to JPYY5,423.93 million and US$28.13 million in 2009 and JPYY2,050.00 and US$30.00 million in 2008.

On October 22, 2008, the Parent 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 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, 2009 and 2008, 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, 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 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.

**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, 2009 included approximately P648 million due in 2010, and approximately P6,961 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 P4,951 million in 2009. The Company’s capital expenditure program will require total expenditures of approximately P48 billion in the period from 2010 through 2014.

**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, 2009:

<table>
<thead>
<tr>
<th>Payments due by period</th>
<th>2010</th>
<th>2011-2012</th>
<th>2013-2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual Obligations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, including current portion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>–</td>
<td>52.0</td>
<td>2,446.0</td>
<td>2,498.0</td>
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<tr>
<td>Foreign</td>
<td>1,002.8</td>
<td>1,852.9</td>
<td>1,607.5</td>
<td>4,463.2</td>
</tr>
<tr>
<td>Concession Fees</td>
<td>1,023.0</td>
<td>3,434.0</td>
<td>4,140.00</td>
<td>8,597.0</td>
</tr>
<tr>
<td>Capital Expenditure Commitments</td>
<td>8,991.0</td>
<td>16,586.0</td>
<td>13,459.0</td>
<td>39,036.0</td>
</tr>
<tr>
<td>Total Contractual Obligations</td>
<td>11,016.8</td>
<td>21,924.9</td>
<td>21,652.5</td>
<td>54,594.2</td>
</tr>
</tbody>
</table>

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 2010 performance bond) was issued by China Banking Corporation for the full amount of US$60 million prior to the expiry of the 2009 performance bond in December 31, 2009.

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 and Co.") 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 and Co. as external auditor. Ms. Jessie D. Cabaluna has been the partner in charge effective 2009.

<table>
<thead>
<tr>
<th>External Audit Fees</th>
<th>(Audit and Audit-Related Fees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services:</td>
<td>2009</td>
</tr>
<tr>
<td>Audit of Financial Statements</td>
<td>1,500,000.00</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 management.

### PART III - CONTROL AND COMPENSATION INFORMATION

**Item 9. Directors and Executive Officers**

**Board of Directors**

The Board of Directors (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. Cielito F. Habito and Mr. Oscar S. Reyes.

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, 2009:

<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>49</td>
<td>Chairman of the Board and Executive Committee</td>
<td>12</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>50</td>
<td>Vice Chairman</td>
<td>12</td>
</tr>
<tr>
<td>Jose Rene D. Almendras</td>
<td>49</td>
<td>President</td>
<td>0</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>62</td>
<td>Director</td>
<td>11</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>63</td>
<td>Director</td>
<td>7</td>
</tr>
<tr>
<td>Leslie A. Bell</td>
<td>59</td>
<td>Director</td>
<td>6</td>
</tr>
<tr>
<td>Hiromu Nishimura</td>
<td>52</td>
<td>Director</td>
<td>8</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>56</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Charles Thomas Cornish</td>
<td>50</td>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>Cielito P. Habito</td>
<td>57</td>
<td>Independent Director</td>
<td>5</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>62</td>
<td>Independent Director</td>
<td>4</td>
</tr>
</tbody>
</table>

\(^2\) The Audit and Governance Committee is composed of the following: Cielito F. Habito (Chairman), Oscar S. Reyes (Member), Gerardo C. Ablaza, Jr. (Member), and Hiromu Nishimura (Member).
Fernando Zobel de Ayala, Chairman of the Board and Executive Committee, Filipino, 49 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., Ayala Automotive Holdings, Inc. and Ayala DBS Holdings, Inc.; Vice Chairman of Aurora Properties, Inc., Azalea Technology Investments, Inc., Ceci Realty, Inc. and Vesta Property Holdings, 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., Ayala Hotels, Inc., and Caritas Manila; Member of INSEAD, East Asia Council, World Economic Forum, Habitat for Humanity International Asia-Pacific Steering Committee and Trustee of International Council of Shopping Centers. 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, 50 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; Chairman of Harvard Business School Asia-Pacific Advisory Board, Member of Harvard University Asia Center Advisory Committee, Member of the Board of Trustees of The Singapore Management University and Asian Institute of Management; Member of the Asia Business Council, The Asia Society, the International Business Council of the World Economic Forum; Trustee of Ramon Magsaysay Awards Foundation; Chairman of the World Wildlife Fund Philippine Advisory Council; Vice Chairman of Asia Society Philippines Foundation, Inc.; Co-Vice Chair of the Makati Business Club, Asia Society Philippines Foundation, Inc., and Member of 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.

Jose Rene D. Almendras, President, Filipino, 49 years old. Director of the Company since March 30, 2009 and became the President also on March 30, 2009. He joined the Company on January 1, 2007 as a Group Director for Business. He was previously connected with Ayala Land, Inc. as a member of the Management Committee and concurrently Head of the Visayas Mindanao Business and Operations Transformation Group. He was President and CEO of Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp., both publicly listed companies managed by the Ayala Land Group. He served as Chairman of the Ayala Land Group Bidding Committee and head of its Strategic Procurement Division. Prior to joining the Ayala Group, Mr. Almendras served as Treasurer for both Aboitiz & Company, and the publicly listed Aboitiz Equity Ventures. While at the Aboitiz Group, he was appointed President and CEO of City Savings Bank, also owned by the Aboitiz Group. Mr. Almendras also worked in various capacities with Citytrust Banking Corporation, Citibank, and the Bank of the Philippine Islands. Mr. Almendras obtained his Business Management degree from the Ateneo de Manila University and completed the Strategic Business Economics Program in the University of Asia and the Pacific.
Antonino T. Aquino, Director, Filipino, 62 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 Manila Water 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 29 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, 63 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 AI 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.

Hiromu Nishimura, Japanese, 52 years old. Director of the Company since February 6, 2001. Mr. Nishimura is Deputy General Manager, Environment and Water Business Unit of Mitsubishi Corporation since 2002. He served as a Department Head for Business Development of Mitsubishi Corporation Singapore Branch from 1994 to 1998. He also served as representative of Japan in the ISO Committee formulating Standards for Wastewater Services. He graduated from the University of Tokyo, Faculty of Economics, in 1981.

Leslie A. Bell, British, 59 years old. Director of the Company from June 2001 to August 2007 and was re-elected on July 9, 2009. Mr. Bell is currently Managing Director of the Asset Owner Business since May 2009 and is a member of the executive board of Utility Solutions. He was formerly the Managing Director of United Utilities International Ltd. from 2001 to 2007 and Regional Managing Director for the Middle East from 2007 to 2009. Before joining United Utilities in 2001, Mr. Bell spent 16 years with the engineering and construction firm, AMEC Plc in a variety of senior management roles. These included Director for European Operations and Operations Director of AMEC Project Investments. He has particular experience in private finance and joint venture projects, including schemes to provide water/wastewater treatment works, roads, hospitals and rail systems. He is a graduate of Civil Engineering and has a masters degree in Engineering Geology. He is a Member of the Institute of Civil Engineers with over 40 years experience in the construction and utilities industries.

Charles Thomas Cornish, British, 50 years old. Director of the Company since October 23, 2008. Mr. Cornish is currently the Managing Director of Utility Solutions. He has also assumed a number of HR, planning and operational roles in the utility and manufacturing sectors. He worked for British Aerospace, Plessey Telecommunications and Associated British Foods and also served
as an Executive Director of NHS Trusts. In 1998, he joined the West of Scotland Water Authority as Human Resources Director and was involved in major change programmes. He went on to become its Customer Services Director and later Chief Executive. He joined Thames Water in 2002 as Global Business Performance Director, working across Europe, the Asia-Pacific and the Americas, eventually becoming Chief Operating Officer for Thames Water UK and Ireland. He graduated with a B.A. in Economics/Business Studies degree from the University of Strathclyde, with a Post Graduate Diploma in Personnel Management.

Gerardo C. Ablaza, Jr., Filipino, 56 years old. Director of the Company since November 26, 2009. 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 is the Co-Vice Chairman of Globe Telecom, Inc. and a board director of Bank of the Philippine Islands, BPI Family Savings Bank, BPI Card Finance Corporation, Azalea Technology Investments, Inc., Asiacom Philippines, Inc., and Integrated Micro-Electronics, Inc. He is also the Chief Executive Officer of AC Capital with directorship position in HR Mall Holdings Limited, LiveIT Investments Limited, Integreon, Inc., Affinity Express Holdings Limited, NewBridge International Investments Ltd., Stream Global Services, and Renewable Energy Test Center (RETC). He was the 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 A.B. 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 rewarded by Telecom Asia as the Best Asian Telecom CEO.

Cielito F. Habito, Filipino, 57 years old. Director of the Company since May 2004. At present, he also holds the following positions: Professor, Department of Economics, and Director of Ateneo Center for Economic Research and Development (ACERD), Ateneo de Manila University; Columnist of Philippine Daily Inquirer; Director of Metrobank Card Corporation; Chairman of the Board of Trustees of Operation Compassion International; Chairman of the Board of Trustees of Cahirriha Alternative School Foundation, Inc.; Board Director of Galing Pook Foundation; Board Trustee of Clean Air Initiative-Asia; Founding Board Member (Trustee) of Ramos Peace and Development Foundation, Inc.; Board Trustee, PSHS Foundation. He graduated with a B.S. in Agriculture degree (Summa Cum Laude) from the University of the Philippines-Los Baños. He took his Master of Economics from the University of New England, Armidale, New South Wales, Australia in 1978 and Master of Arts in Economics and Ph.D. in Economics at Harvard University, Cambridge, Massachusetts, USA in 1984.

Oscar S. Reyes, Filipino, 62 years old. 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 Phils., Inc. and Link Edge, Inc.; Member of the Board of Philippine Long Distance Telephone Company, Pepsi Cola Products Philippines Inc., and First Philippine Electric Corporation. 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, Inc. He finished his B.A. degree major in Economics (Cum
Laude) at the Ateneo de Manila University in 1965. He also finished post-graduate studies in Waterloo University and Harvard Business School, among other schools abroad.

**Corporate Secretary**

*Solomon M. Hermosura, Corporate Secretary, Filipino, 47 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 effective January 1, 2009; Assistant Corporate Secretary of Ayala Land Inc.; Director of Pameka Holdings, Inc., Water Capital Works, Inc. and West Zone Water Service, Inc.; Corporate Secretary of Integreon Managed Solutions (Philippines), Inc., Philwater Holdings Company, Inc., Northern Waterworks and Rivers of Cebu Inc., Integrated Micro-Electronics, Inc. and Ayala Foundation, Inc.; Company Secretary of Integreon, Inc. and Affinity Express Holdings Ltd.; Director of Michigan Holdings, Inc.; Company Secretary of AC International Finance Ltd. and AYC Finance Ltd. effective February 2009; and Director of Manila Water Total Solutions, Inc. 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, 2009:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jose Rene D. Almendras</td>
<td>49</td>
<td>President</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>53</td>
<td>Chief Finance Officer and Treasurer</td>
</tr>
<tr>
<td>Virgilio C. Rivera, Jr.</td>
<td>48</td>
<td>Group Director, Regulation and Corporate Development</td>
</tr>
<tr>
<td>Frank Beaumont</td>
<td>61</td>
<td>Group Director, Operations &amp; Project Delivery</td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>47</td>
<td>Group Director, Corporate Resources</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>49</td>
<td>Group Director, Project Delivery</td>
</tr>
</tbody>
</table>

*Jose Rene D. Almendras, President.* Please see biography above under “Directors”.

*Luis Juan B. Oreta, Chief Finance Officer and Treasurer, Filipino, 53 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 Micro-Electronics, 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 Philippine Islands 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 B.S. degree in Business Economics and has a Masters Degree in Business Administration from Rutgers University, Graduate School of Management.

*Virgilio C. Rivera, Jr., Group Director, Regulation and Corporate Development, Filipino, 48 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 Micro-Electronics, Inc. Prior to being seconded to Manila Water, he played a key role in the planning
and development of the Company's bid for the MWSS concessions in 1996, as well as the evaluation of major acquisition opportunities for Ayala in the field of natural gas, food chain and infrastructure. Mr. Rivera provides advice on corporate and regulatory strategy to Manila Water Board. Because of his extensive experience in Public-Private Partnership (PPP), he is also consulted by various donor institutions and host governments in Asian emerging markets on their PPP strategy. Mr. Rivera was recently appointed President of three newly organized subsidiaries of Manila Water, namely: Manila Water Total Solutions Corp., Laguna Water Company, Inc. and Boracay Island Water Company, Inc. Mr. Rivera also acted as Chairman of the Management's negotiating panel for the 2006 and 2008 Collective Bargaining Agreement (CBA). Mr. Rivera holds university degrees in Economics and Behavioral Science from the University of Sto. Tomas. He has also completed the course work on graduate level (M.S.) Economics Program at De La Salle University.

Frank Beaumont, Group Director, Operations & Project Delivery Group, British, 61 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, 47 years old. Mr. Maranan joined the organization in January 2004. He came from Globe Telecom as the Division Head for Strategic Staffing and Employee Services. At present, he is the Chairman of the Ayala Multi-Purpose Cooperative and the immediate past Vice President of the People Management Association of the Philippines (PMAP). On top of his professional concerns, he is also committed to doing his share in community building. He is the Battalion Commander of the 503rd Water Battalion and holds the rank of lieutenant colonel. He earned his A.B. Social Sciences degree from the Ateneo de Manila University and his law degree from the University of Santo Tomas. He finished the Harvard Leadership Management Program as well.

Geodino V. Carpio, Group Director, Project Delivery Group, Filipino, 49 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.

**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>Jose Rene D. Almendras</td>
<td>President</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>CFO &amp; Treasurer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virgilio C. Rivera, Jr.</td>
<td>Group Director - Regulation &amp; Corporate Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frank Beaumont</td>
<td>Group Director - Operations &amp; Project Delivery</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 - Project Delivery</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 - Regulations Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roberto L. Licup</td>
<td>Director - Chief Operating Officer, Laguna AAA Water Corporation</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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other Annual Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>68.5</td>
<td>9.3</td>
<td>13.1</td>
</tr>
<tr>
<td>2009</td>
<td>74.5</td>
<td>9.0</td>
<td>33.2</td>
</tr>
<tr>
<td>Estimated 2010</td>
<td>83.0</td>
<td>10.7</td>
<td>23.5</td>
</tr>
</tbody>
</table>

All other officers as a group unnamed:

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other Annual Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>213.3</td>
<td>63.7</td>
<td>63.5</td>
</tr>
<tr>
<td>2009</td>
<td>264.1</td>
<td>78.3</td>
<td>97.2</td>
</tr>
<tr>
<td>Estimated 2010</td>
<td>292.6</td>
<td>86.8</td>
<td>111.7</td>
</tr>
</tbody>
</table>
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, 2009, 42.873 million subscriptions are outstanding under the Company’s Employee Stock Ownership Plan (ESOWN) which was approved by the Securities and Exchange Commission 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, 2009, 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>PCD Nominee Corporation * G/F MSE Bldg. Ayala Ave., Makati City (Not related)</td>
<td>Standard Chartered Bank and Citibank N.A. **</td>
<td>Filipino and Non-Filipino</td>
<td>890,958,596</td>
<td>43.87%</td>
</tr>
<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>569,978,079</td>
<td>28.10%</td>
</tr>
<tr>
<td>Common</td>
<td>United Utilities Pacific Holdings B.V. Teleportboulevard 140, 1043 EJ Amsterdam, Netherlands (Principal shareholder)</td>
<td>United Utilities Pacific Holdings B.V. **** (The same as the record owner)</td>
<td>British</td>
<td>81,934,915</td>
<td>4.03%</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>8.32%</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>127,095,100</td>
<td>6.26%</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>119,779,900</td>
<td>5.90%</td>
</tr>
<tr>
<td>Preferred</td>
<td>Philwater Holdings Company, Inc. MWSS Admin. Bldg., 489 Katipunan Rd., 1105 Balara, QC</td>
<td>Philwater Holdings Company, Inc.**** (The same as the record owner)</td>
<td>Filipino</td>
<td>3,333,333,330</td>
<td>83.30%</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:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Proxy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>Fernando Zobel de Ayala or the Chairman</td>
</tr>
<tr>
<td>Philwater Holdings Company, Inc.</td>
<td>Rufino Luis T. Manotok or the Chairman of</td>
</tr>
<tr>
<td>United Utilities Pacific Holdings BV</td>
<td>the Meeting</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>Leslie A. Bell and Charles Thomas Cornish</td>
</tr>
<tr>
<td></td>
<td>Hiromu Nishimura or the Chairman of the</td>
</tr>
<tr>
<td></td>
<td>Meeting</td>
</tr>
</tbody>
</table>

Security Ownership of Directors and Management

The following table sets forth, as of December 31, 2009, 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 Common</td>
<td>Fernando Zobel de Ayala</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common Common</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Filipino</td>
<td>200,001 (direct and indirect)</td>
<td>0.00984787%</td>
</tr>
<tr>
<td>Common Common</td>
<td>Delfin L. Lazaro</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common Common</td>
<td>Antonino T. Aquino</td>
<td>Filipino</td>
<td>200,001 (direct and indirect)</td>
<td>0.00984787%</td>
</tr>
</tbody>
</table>

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.”)
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, United Utilities Pacific Holdings B.V., and BPI Capital 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.

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

Manila Water’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 amended in November 2007, as endorsed by the Audit Committee and approved by the Board.

There has been no deviation from the Manual since its adoption. In a certification submitted to the SEC on January 12, 2010, the Company’s Compliance Officer, Luis Juan B. Oreta, stated that Manila Water 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 2009, including the requirements in relation to the board of directors, board committees, officers and stockholders’ rights and interests.

The revised Manual formalized the role of the Audit and Governance Committee in corporate governance, pursuant to the Audit Charter and existing practice in the Company. The Audit and Governance Committee was given additional functions, including the conduct of an annual evaluation of the Board and executive officers. Furthermore, the revised Manual also enhanced the role of the Corporate Secretary in corporate governance. In fact, the Corporate Secretary is tasked to ensure that the Board follows internal rules and external regulations, to facilitate clear communication between the Board and management, and to inform key officers of latest corporate governance developments. Finally, the revised Manual further strengthens the Company’s policy on disclosures and disclosures on related-party transactions.

Manila Water 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, Manila Water has re-organized 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.

Manila Water 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 a Risk Management Department (RMD) to be in charge of identifying major risks in the company’s business operations and development projects. The Company launched the Enterprise Risk Management (ERM) Project, taking the existing risk management process to a higher level and developing a common risk language and framework that is easily understandable. The ERM is a way of managing risk and uncertainty in the new economy. 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 every one 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 Framework across the entire organization.

As a validation of its corporate governance initiatives, the Company was cited by the Corporate Governance Asia in its Annual Recognition Awards as one of the best in Corporate Governance in the Philippines. This is the third straight year that Manila Water was cited by Corporate Governance Asia. Furthermore, the Company also received the Gold Award from the Institute of Corporate Directors (ICD) in its Corporate Governance Scorecard Project. For the third 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**

Manila Water 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*

Manila Water sees it important to make 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, more than 1.6 million people now enjoy 24-hour supply of clean, safe-to-drink and affordable water, as well as improved overall health and sanitation conditions.

Manila Water 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*

Manila Water’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 supply and wastewater services, stakeholders are exposed to the entire water cycle – from the raw water source, the treatment process, distribution, up to wastewater treatment process.

To date, more than 400 groups and 15,000 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

Manila Water 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. From the calculated figures, Manila Water set carbon footprint reduction targets.

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

**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, 2009 and 2008
- Statements of Income for the Years ended December 31, 2009, 2008 and 2007
- Statement of Changes in Stockholders Equity for the years ended December 31, 2009, 2008 and 2007
- 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, 2009 – 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 ____ April 2010.

By:

Jose Rene D. Almendras
President

Luis Juan B. Oreta
Chief Finance Officer & Treasurer

Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 14th day of April 2010, 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>Jose Rene D. Almendras</td>
<td>XX4280971</td>
<td>August 2, 2014</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. ;
Page No. ;
Book No. ;
Series of 2010.
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, 2009, 2008 and 2007. 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  JOSE RENE D. ALMENDRAS  LUIS JUAN B. ORETA
Chairman of the Board  President  Chief Finance Officer

SUBSCRIBED AND SWORN to before me on this 23rd day of February 2010, 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>Jose Rene D. Almendras</td>
<td>XX4280971</td>
<td>02 August 2014</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>XX2933903</td>
<td>03 February 2014</td>
</tr>
</tbody>
</table>

Doc. No. 63
Page No. 13
Book No. 2
Series of 2010.
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, 2009 and 2008, 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, 2009, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the 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 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 of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 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
PTR No. 2087369, January 4, 2010, Makati City

February 15, 2010
Manila Water Company, Inc. and Subsidiaries  
Consolidated Statements of Financial Position  
December 31  

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 4, 5, 26 and 27)</td>
<td>₱4,037,840,706</td>
<td>₱3,989,080,400</td>
</tr>
<tr>
<td>Short-term cash investments (Notes 5, 26 and 27)</td>
<td>3,724,421,813</td>
<td>3,368,007,005</td>
</tr>
<tr>
<td>Receivables - net (Notes 4, 6, 21, 26 and 27)</td>
<td>508,871,992</td>
<td>593,137,541</td>
</tr>
<tr>
<td>Materials and supplies - at cost (Notes 4 and 7)</td>
<td>38,434,722</td>
<td>2,879,069</td>
</tr>
<tr>
<td>Other current assets - net (Notes 4 and 8)</td>
<td>868,364,086</td>
<td>652,135,176</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>9,177,933,319</td>
<td>8,605,239,191</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>986,655,925</td>
<td>722,897,730</td>
</tr>
<tr>
<td>Service concession assets - net (Notes 1, 4 and 10)</td>
<td>30,165,141,351</td>
<td>23,913,788,976</td>
</tr>
<tr>
<td>Deferred tax assets - net (Note 18)</td>
<td>371,050,184</td>
<td>327,660,587</td>
</tr>
<tr>
<td>Available-for-sale financial assets (Notes 11, 26 and 27)</td>
<td>1,967,127,526</td>
<td>1,551,316,379</td>
</tr>
<tr>
<td>Other noncurrent assets (Notes 4, 12 and 27)</td>
<td>1,090,498,897</td>
<td>1,247,564,445</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>34,580,473,883</td>
<td>27,763,228,117</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITY AND EQUITY</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables (Notes 4, 13, 26 and 27)</td>
<td>₱2,981,342,704</td>
<td>₱2,739,940,537</td>
</tr>
<tr>
<td>Current portion of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt (Notes 14, 26 and 27)</td>
<td>1,060,783,617</td>
<td>454,755,376</td>
</tr>
<tr>
<td>Service concession obligation (Notes 10 and 27)</td>
<td>1,081,580,082</td>
<td>558,278,658</td>
</tr>
<tr>
<td>Income tax payable (Notes 4 and 18)</td>
<td>191,725,176</td>
<td>368,150,534</td>
</tr>
<tr>
<td>Payables to stockholders (Notes 21, 26 and 27)</td>
<td>111,467,535</td>
<td>110,170,458</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>5,426,899,114</td>
<td>4,231,295,563</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Long-term debt - net of current portion  
(Notes 14, 26 and 27) | 13,300,366,623 | 12,897,232,245 |
| Service concession obligation - net of current portion  
(Notes 1, 10 and 27) | 6,368,081,712 | 3,475,379,305 |
| Customers’ guaranty and other deposits (Notes 16, 26 and 27) | 1,293,930,914 | 1,034,164,494 |
| Pension liabilities (Notes 4 and 15) | 201,418,504 | 114,669,873 |
| Deferred credits | 196,984,093 | 158,130,458 |
| **Total Noncurrent Liabilities** | 21,360,781,846 | 17,679,585,669 |
| **Total Liabilities** | 26,787,680,960 | 21,910,881,232 |

(Forward)
### Equity

**Attributable to equity holders of Manila Water Company, Inc.**

<table>
<thead>
<tr>
<th>Capital stock (Note 19)</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>₱2,030,677,818</td>
<td>₱2,022,878,793</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>900,000,000</td>
<td>900,000,000</td>
</tr>
<tr>
<td></td>
<td>₱2,930,677,818</td>
<td>₱2,922,878,793</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>3,451,156,783</td>
<td>3,345,448,824</td>
</tr>
<tr>
<td>Subscriptions receivable</td>
<td>(136,053,636)</td>
<td>(108,260,650)</td>
</tr>
<tr>
<td></td>
<td>6,245,780,965</td>
<td>6,160,066,967</td>
</tr>
<tr>
<td>Common stock options outstanding (Note 19)</td>
<td>22,109,614</td>
<td>7,445,858</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated for capital expenditures (Note 19)</td>
<td>7,000,000,000</td>
<td>4,000,000,000</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>3,996,463,265</td>
<td>4,775,852,924</td>
</tr>
<tr>
<td></td>
<td>10,996,463,265</td>
<td>8,775,852,924</td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale financial assets (Notes 11 and 27)</td>
<td>52,548,379</td>
<td>6,670,143</td>
</tr>
<tr>
<td></td>
<td>17,316,902,223</td>
<td>14,950,035,892</td>
</tr>
<tr>
<td>Treasury shares - at cost (Notes 1 and 19)</td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
</tr>
<tr>
<td></td>
<td>16,816,902,223</td>
<td>14,450,035,892</td>
</tr>
<tr>
<td>Noncontrolling interests (Notes 1 and 4)</td>
<td>153,824,019</td>
<td>7,550,184</td>
</tr>
<tr>
<td></td>
<td>16,970,726,242</td>
<td>14,457,586,076</td>
</tr>
<tr>
<td>Total Equity</td>
<td>₱43,758,407,202</td>
<td>₱36,368,467,308</td>
</tr>
</tbody>
</table>

*See accompanying Notes to Consolidated Financial Statements.*
## MANILA WATER COMPANY, INC. AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water (Note 21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>₱8,044,609,483</td>
<td>₱7,540,086,522</td>
<td>₱6,241,051,038</td>
</tr>
<tr>
<td>Outside East Zone</td>
<td>₱19,992,737</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Environmental charges (Note 21)</td>
<td>₱980,168,610</td>
<td>₱889,922,526</td>
<td>₱637,258,409</td>
</tr>
<tr>
<td>Sewer (Note 21)</td>
<td>₱396,848,889</td>
<td>₱384,836,308</td>
<td>₱348,718,965</td>
</tr>
<tr>
<td>Revenue from management contracts (Note 22)</td>
<td>₱23,709,284</td>
<td>₱16,523,679</td>
<td>–</td>
</tr>
<tr>
<td>Other income (Note 17)</td>
<td>₱67,228,294</td>
<td>₱82,221,060</td>
<td>₱104,874,150</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>₱9,532,557,297</td>
<td>₱8,913,590,095</td>
<td>₱7,331,902,562</td>
</tr>
<tr>
<td><strong>COSTS AND EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>₱1,956,339,628</td>
<td>₱1,890,509,326</td>
<td>₱1,405,857,421</td>
</tr>
<tr>
<td>Salaries, wages and employee benefits (Notes 15, 19 and 21)</td>
<td>₱1,024,639,562</td>
<td>₱934,554,765</td>
<td>₱917,123,438</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>₱482,434,061</td>
<td>₱447,934,228</td>
<td>₱446,558,592</td>
</tr>
<tr>
<td>Management, technical and professional fees (Note 21)</td>
<td>₱255,132,073</td>
<td>₱250,810,129</td>
<td>₱247,918,896</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>₱152,896,910</td>
<td>₱86,101,941</td>
<td>₱135,571,565</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>₱104,613,326</td>
<td>₱84,983,177</td>
<td>₱39,434,407</td>
</tr>
<tr>
<td>Collection fees</td>
<td>₱103,117,802</td>
<td>₱94,833,177</td>
<td>₱39,434,407</td>
</tr>
<tr>
<td>Business meetings and representation</td>
<td>₱100,160,652</td>
<td>₱78,444,510</td>
<td>₱58,764,671</td>
</tr>
<tr>
<td>Regulatory costs (Notes 1 and 21)</td>
<td>₱98,278,386</td>
<td>₱81,035,813</td>
<td>₱76,263,265</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>₱95,211,129</td>
<td>₱61,844,785</td>
<td>₱57,173,375</td>
</tr>
<tr>
<td>Occupancy costs (Note 24)</td>
<td>₱68,855,092</td>
<td>₱47,002,897</td>
<td>₱42,724,394</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>₱67,264,658</td>
<td>₱53,804,074</td>
<td>₱39,812,351</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>₱60,212,698</td>
<td>₱56,263,761</td>
<td>₱40,749,284</td>
</tr>
<tr>
<td>Insurance</td>
<td>₱29,891,360</td>
<td>₱27,478,356</td>
<td>₱24,413,526</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>₱27,551,847</td>
<td>₱27,105,710</td>
<td>₱25,254,047</td>
</tr>
<tr>
<td>Advertising</td>
<td>₱15,408,136</td>
<td>₱17,654,899</td>
<td>₱25,531,700</td>
</tr>
<tr>
<td>Provision for probable losses (Notes 6, 7, and 8)</td>
<td>₱14,671,432</td>
<td>₱115,719,486</td>
<td>₱130,161,196</td>
</tr>
<tr>
<td>Premium on performance bond (Note 28)</td>
<td>₱8,637,216</td>
<td>₱7,137,869</td>
<td>₱21,659,421</td>
</tr>
<tr>
<td>Other expenses</td>
<td>₱21,259,990</td>
<td>₱27,896,066</td>
<td>₱38,119,027</td>
</tr>
<tr>
<td><strong>Total Costs and Expenses</strong></td>
<td>₱4,866,371,958</td>
<td>₱4,395,575,159</td>
<td>₱3,864,322,245</td>
</tr>
<tr>
<td><strong>Income Before Other Income (Expenses)</strong></td>
<td>₱4,846,185,339</td>
<td>₱4,518,014,936</td>
<td>₱3,467,580,317</td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>₱4,173,327,870</td>
<td>₱3,051,228,506</td>
<td>₱3,998,699,281</td>
</tr>
<tr>
<td>Cost of rehabilitation works (Note 21)</td>
<td>(₱4,171,750,859)</td>
<td>(₱3,051,228,506)</td>
<td>(₱3,998,699,281)</td>
</tr>
<tr>
<td>Foreign currency differentials (Note 1)</td>
<td>(₱361,884,765)</td>
<td>1,424,380,822</td>
<td>(728,135,966)</td>
</tr>
<tr>
<td>Foreign exchange gains (losses)</td>
<td>₱269,451,776</td>
<td>(1,452,035,855)</td>
<td>₱1,211,233,434</td>
</tr>
<tr>
<td>Interest income (Notes 11 and 17)</td>
<td>₱361,970,533</td>
<td>204,888,655</td>
<td>152,749,791</td>
</tr>
<tr>
<td>Amortization of deferred credits (Note 16)</td>
<td>₱29,337,629</td>
<td>202,903,685</td>
<td>9,659,567</td>
</tr>
<tr>
<td>Interest expense (Notes 14 and 17) (Note 28)</td>
<td>(₱811,520,800)</td>
<td>(689,266,684)</td>
<td>(528,794,345)</td>
</tr>
<tr>
<td>Mark-to-market gain (loss) on derivatives (Notes 12 and 26)</td>
<td>(₱99,586,433)</td>
<td>47,847,293</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Other Income (Expenses)</strong></td>
<td>(₱610,655,049)</td>
<td>(261,282,084)</td>
<td>116,708,851</td>
</tr>
<tr>
<td><strong>Income Before Income Tax</strong></td>
<td>₱4,235,530,290</td>
<td>₱4,256,732,852</td>
<td>₱3,584,289,168</td>
</tr>
<tr>
<td><strong>PROVISION FOR INCOME TAX</strong> (Note 18)</td>
<td>₱1,005,011,154</td>
<td>₱1,468,665,210</td>
<td>₱987,343,057</td>
</tr>
</tbody>
</table>

(Forward)
### Years Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INCOME</strong></td>
<td>₱3,230,519,136</td>
<td>₱2,788,067,642</td>
<td>₱2,596,946,111</td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale financial assets (Note 11)</td>
<td>45,878,236</td>
<td>1,959,975</td>
<td>860,061</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME</strong></td>
<td>₱3,276,397,372</td>
<td>₱2,790,027,617</td>
<td>₱2,597,806,172</td>
</tr>
</tbody>
</table>

Net Income Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>₱3,231,413,126</td>
<td>₱2,788,020,190</td>
<td>₱2,596,946,111</td>
</tr>
<tr>
<td>Noncontrolling interests (Notes 1 and 4)</td>
<td>(893,990)</td>
<td>47,452</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income Attributable to:</strong></td>
<td>₱3,230,519,136</td>
<td>₱2,788,067,642</td>
<td>₱2,596,946,111</td>
</tr>
</tbody>
</table>

**Earnings Per Share** (Note 20)

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>₱1.31</td>
<td>₱1.31</td>
</tr>
<tr>
<td>2008</td>
<td>₱1.13</td>
<td>₱1.13</td>
</tr>
<tr>
<td>2007</td>
<td>₱1.06</td>
<td>₱1.06</td>
</tr>
</tbody>
</table>

*See accompanying Notes to Consolidated Financial Statements.*
## MANILA WATER COMPANY, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
</table>

### ATTRIBUTABLE TO EQUITY HOLDERS OF MANILA WATER COMPANY, INC.

#### CAPITAL STOCK (Note 19)

**Common stock - P=1 par value**
- Authorized - 3,100,000,000 shares
- Issued and outstanding - 2,005,443,965 shares
  - Balance at beginning of year: **P=2,005,443,965**
  - Additions during the year: **P=2,005,443,965**
  - Balance at end of year: **P=2,005,443,965**

**Subscribed common stock - 25,233,853 shares in 2009, 17,434,828 shares in 2008 and 12,741,345 shares in 2007**
- Balance at beginning of year: **17,434,828**
- Additions during the year: **7,799,025**
- Balance at end of year: **25,233,853**

**Preferred stock - P=0.10 par value, 10% cumulative, voting participating, nonredeemable and nonconvertible**
- Authorized, issued and outstanding - 4,000,000,000 shares
  - Balance at beginning of year: **400,000,000**
  - Additions during the year: **400,000,000**
  - Balance at end of year: **400,000,000**

**Preferred stock - P=1 par value, 8% cumulative, nonvoting, nonparticipating, nonconvertible, redeemable at the Company’s option**
- Authorized and issued - 500,000,000 shares
  - Balance at beginning of year: **500,000,000**
  - Additions during the year: **900,000,000**
  - Balance at end of year: **900,000,000**

**ADDITIONAL PAID-IN CAPITAL**
- Balance at beginning of year: **3,345,448,824**
- Additions during the year: **105,707,959**
- Balance at end of year: **3,451,156,783**

**SUBSCRIPTIONS RECEIVABLE**
- Balance at beginning of year: **(108,260,650)**
- Additions during the year: **(39,553,904)**
- Collections during the year: **11,760,918**
- Balance at end of year: **(136,053,636)**

**COMMON STOCK OPTIONS OUTSTANDING (Note 19)**
- Balance at beginning of year: **7,445,858**
- Granted: **75,493,303**
- Exercised: **(60,829,547)**
- Balance at end of year: **22,109,614**

(Forward)
### Years Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RETAINED EARNINGS</strong> (Note 19)</td>
<td></td>
<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><strong>P4,000,000,000</strong></td>
<td><strong>P2,000,000,000</strong></td>
<td><strong>P–</strong></td>
</tr>
<tr>
<td>Additional appropriations during the year</td>
<td><strong>3,000,000,000</strong></td>
<td><strong>2,000,000,000</strong></td>
<td><strong>2,000,000,000</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>7,000,000,000</strong></td>
<td><strong>4,000,000,000</strong></td>
<td><strong>2,000,000,000</strong></td>
</tr>
<tr>
<td>Unappropriated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>4,775,852,924</strong></td>
<td><strong>4,873,451,623</strong></td>
<td><strong>5,053,080,202</strong></td>
</tr>
<tr>
<td>Net income</td>
<td><strong>3,231,413,126</strong></td>
<td><strong>2,788,020,190</strong></td>
<td><strong>2,596,946,111</strong></td>
</tr>
<tr>
<td>Appropriation for capital expenditures</td>
<td><strong>(3,000,000,000)</strong></td>
<td><strong>(2,000,000,000)</strong></td>
<td><strong>(2,000,000,000)</strong></td>
</tr>
<tr>
<td>Dividends declared</td>
<td><strong>(1,010,802,785)</strong></td>
<td><strong>(885,618,889)</strong></td>
<td><strong>(776,574,690)</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>3,996,463,265</strong></td>
<td><strong>8,775,852,924</strong></td>
<td><strong>6,873,451,623</strong></td>
</tr>
</tbody>
</table>

**UNREALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS** (Note 11)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>6,670,143</strong></td>
<td><strong>4,710,168</strong></td>
<td><strong>3,850,107</strong></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td><strong>45,878,236</strong></td>
<td><strong>1,959,975</strong></td>
<td><strong>860,061</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>52,548,379</strong></td>
<td><strong>6,670,143</strong></td>
<td><strong>4,710,168</strong></td>
</tr>
</tbody>
</table>

**TREASURY SHARES - AT COST** (Note 19)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>(500,000,000)</strong></td>
<td><strong>(503,760,751)</strong></td>
<td><strong>(304,122,551)</strong></td>
</tr>
<tr>
<td>Issuance of treasury shares</td>
<td>–</td>
<td><strong>3,760,751</strong></td>
<td><strong>361,800</strong></td>
</tr>
<tr>
<td>Redemption of preferred shares</td>
<td>–</td>
<td>–</td>
<td><strong>(200,000,000)</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>(500,000,000)</strong></td>
<td><strong>(500,000,000)</strong></td>
<td><strong>(503,760,751)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>16,816,902,223</strong></td>
<td><strong>14,450,035,892</strong></td>
<td><strong>12,479,069,576</strong></td>
</tr>
</tbody>
</table>

**NONCONTROLLING INTERESTS** (Notes 1 and 4)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>7,550,184</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Additions from business combinations</td>
<td><strong>147,167,825</strong></td>
<td><strong>7,502,732</strong></td>
<td>–</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td><strong>(893,990)</strong></td>
<td><strong>47,452</strong></td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>153,824,019</strong></td>
<td><strong>7,550,184</strong></td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>P16,970,726,242</strong></td>
<td><strong>P14,457,586,076</strong></td>
<td><strong>P12,479,069,576</strong></td>
</tr>
</tbody>
</table>

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

Years Ended December 31

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Income before income tax</th>
<th>₱4,235,530,290</th>
<th>₱4,256,732,852</th>
<th>₱3,584,289,168</th>
</tr>
</thead>
</table>

Adjustments for:

- Depreciation and amortization (Notes 9 and 10) | ₱1,956,339,628 | ₱1,890,509,326 | ₱1,405,857,421 |
- Interest expense (Notes 14 and 17) | ₱811,520,800 | ₱689,266,684 | ₱528,794,345 |
- Share-based payments (Note 19) | ₱75,493,303 | ₱42,479,726 | ₱36,443,830 |
- Loss on early retirement of loans (Note 14) | - | ₱8,893,450 | - |
- Loss (gain) on sale of property and equipment | ₱44,504 | (₱11,364) | (₱1,127,644) |
- Interest income (Note 17) | (₱361,970,533) | (₱204,888,655) | (₱152,745,791) |

Operating income before changes in operating assets and liabilities | ₱6,716,957,992 | ₱6,682,982,019 | ₱5,401,511,329 |

Changes in operating assets and liabilities:

- Decrease (increase) in:
  - Receivables | ₱83,554,408 | (₱176,500,885) | (₱86,977,429) |
  - Materials and supplies | (₱34,887,704) | ₱38,455,293 | ₱30,488,247 |
  - Other current assets | (₱216,226,552) | ₱142,774,105 | (₱287,492,821) |

- Increase (decrease) in:
  - Accounts and other payables | ₱527,281,066 | ₱511,980,737 | (₱1,250,761,006) |
  - Payables to stockholders | ₱1,297,077 | (₱15,255,975) | ₱7,465,760 |

Net cash generated from operations | ₱7,077,976,287 | ₱7,184,435,294 | ₱3,814,234,080 |

Income taxes paid | (₱1,227,693,768) | (₱951,272,350) | (₱645,342,291) |

Net cash provided by operating activities | ₱5,850,282,519 | ₱6,233,162,944 | ₱3,168,891,789 |

### CASH FLOWS FROM INVESTING ACTIVITIES

- Interest received | ₱371,182,281 | ₱159,840,130 | ₱163,294,300 |
- Proceeds from sale of property and equipment | ₱131,181 | ₱387,348 | ₱1,193,921 |
- Acquisition through business combination of a subsidiary - net of cash acquired (Note 4) | (₱169,272,606) | - | - |

- Additions to:
  - Property and equipment (Note 9) | (₱443,362,599) | (₱331,931,602) | (₱303,357,262) |
  - Service concession assets (Note 10) | (₱4,507,166,262) | (₱3,494,068,555) | (₱3,644,499,340) |

- Increase in:
  - Short-term cash investments | (₱356,414,808) | (₱1,980,096,301) | (₱1,210,910,704) |
  - Available-for-sale financial assets | (₱369,932,911) | (₱951,680,424) | (₱299,076,730) |
  - Other noncurrent assets | (₱85,732,624) | (₱997,529,820) | (₱14,518,096) |

Net cash used in investing activities | (₱5,560,568,348) | (₱7,595,079,224) | (₱5,307,873,911) |

### CASH FLOWS FROM FINANCING ACTIVITIES

- Increase in customers’ guaranty and other deposits | ₱295,493,991 | 89,258,112 | ₱528,326,225 |
- Increase in noncontrolling interests of consolidated subsidiaries (Note 4) | ₱60,000,000 | - | - |
- Long-term debt (Note 14):
  - Availments | ₱2,140,278,024 | ₱6,703,740,073 | ₱1,252,984,067 |
  - Payments | (₱720,218,235) | (₱1,274,679,901) | (₱2,633,831,329) |
- Payments of service concession obligation | (₱380,761,898) | (₱463,282,801) | (₱430,878,672) |
- Payments of dividends (Note 19) | (₱969,151,630) | (₱885,694,826) | (₱775,364,216) |
- Collection of subscriptions receivable | (₱24,884,451) | 24,125,314 | 10,362,749 |
- Redemption of preferred shares (Note 19) | - | - | (₱200,000,000) |
- Interest paid | (₱691,478,568) | (₱379,090,138) | (₱531,202,382) |

Net cash provided by (used in) financing activities | (₱240,953,865) | 3,814,375,833 | (₱2,779,603,558) |

### NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Net increase (decrease) in cash and cash equivalents | ₱48,760,306 | 2,452,459,553 | (₱4,918,585,680) |

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | ₱3,989,080,400 | 1,536,620,847 | 6,455,206,527 |

CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5) | ₱4,037,840,706 | ₱3,989,080,400 | ₱1,536,620,847 |

See accompanying Notes to Consolidated Financial Statements.
1. Corporate Information

Manila Water Company, Inc. (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 joint venture among Ayala Corporation (AC), United Utilities Pacific Holdings, BV (United Utilities), a subsidiary of United Utilities PLC and Mitsubishi Corporation. 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.

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 assigned and transferred their participating preferred shares in the Parent Company comprising of 200.00 million and 133.33 million 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 United Utilities, the principal assets of which are the 333.33 million participating preferred shares of the Parent Company. As of December 31, 2009 and 2008, Philwater owns 333.33 million participating preferred shares of the Parent Company.

The accompanying 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>2009</td>
</tr>
<tr>
<td>Manila Water International Solutions</td>
</tr>
<tr>
<td>Manila Water Total Solutions</td>
</tr>
<tr>
<td>AAA Water Corporation (AWC) (see Note 4)</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 Corporation (BIWC) (see Note 4)</td>
</tr>
</tbody>
</table>

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

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 Concessionnaires - 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 14).

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of Consumer Price index published in the Philippines, Extraordinary Price Adjustment 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 on these expenditures for the remaining term of the concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.
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, 2009, 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 (15) 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 ₱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 ₱187 billion for the periods 2008 to 2022 to ₱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 ₱3.36 billion and ₱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.

**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.
Under the terms of the concession agreement, POL grants LAWC (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 LAWC 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 LAWC in the performance of its obligations under the agreement shall remain with LAWC and shall not pass to POL. LAWC 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, 2008.

BIWC’s Concession Agreement with Philippine Tourism Authority (PTA)

On December 17, 2009, BIWC entered into a Concession Agreement with 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 necessity of bidding.

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

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 2009 consolidated financial statements. The Audit and Governance Committee approved and authorized the issuance of the accompanying consolidated financial statements on February 15, 2010.
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 (₱).

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the International Accounting Standards Board (IASB).

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 in the consolidation.

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.

Minority interests 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 minority interests 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, 2009. Unless otherwise indicated, the adoption of the following new and amended PFRS and Philippine Interpretations did not have an impact on the Group’s consolidated financial statements.

New Standards and Interpretations
• Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements
This Amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with ‘other comprehensive income’. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and owner’s equity as well as additional disclosures to be included in the financial statements. The Group has elected to present a single statement of comprehensive income.
• **PFRS 8, Operating Segments**

PFRS 8 replaced PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity’s operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated statement of financial position and consolidated statement of comprehensive income, and the entity will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The adoption of this Standard resulted to additional disclosures related to the Group’s segment information in Note 25.

• **Philippine Interpretation IFRIC 13, Customer Loyalty Programmes**

This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or have expired.

• **Philippine Interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation**

This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

• **Philippine Interpretation IFRIC 18, Transfers of Assets from Customers**

This Interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. When the transferred item meets the definition of an asset, the asset is measured at fair value on initial recognition as part of an exchange transaction. The service(s) delivered are identified and the consideration received (the fair value of the asset) allocated to each identifiable service. Revenue is recognized as each service is delivered by the entity.

**Amendments to Standards**

• **Amendments to PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements**

These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity’s net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder’s right to a pro rata share of the entity’s net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.
Amendments to PFRS 1, *First-Time Adoption of Philippine Financial Reporting Standards* and PAS 27, *Consolidated and Separate Financial Statements*

The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

The amendments to PAS 27 provide changes in respect of the holding companies, separate financial statements including (a) the deletion of ‘cost method’, making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

Amendment to PFRS 2, *Share-based Payment*

The Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion as market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.

Amendments to PFRS 7, *Financial Instruments: Disclosures*

The amendments to PFRS 7 require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 26. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 27.

Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement*

The amendment to Philippine Interpretation IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.
• Improvements to PFRS
The omnibus amendments to PFRS were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Group.

• PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interest (previously referred to as ‘minority interests’) in the subsidiary after the sale.

• PAS 1, Presentation of Financial Statements
Assets and liabilities classified as held for trading are not automatically classified as current in the statement of financial position.

• PAS 16, Property, Plant and Equipment
The amendment replaces the term ‘net selling price’ with ‘fair value less costs to sell’, to be consistent with PFRS 5 and PAS 36, Impairment of Assets.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

• PAS 19, Employee Benefits
The standard revises the definition of ‘past service cost’ to include reduction in benefits related to past services (‘negative past service cost’) and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

It also revises the definition of ‘return on plan assets’ to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.

It also revises the definition of ‘short-term’ and ‘other long-term’ employee benefits to focus on the point in time at which the liability is due to be settled.

This deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, Provisions, Contingent Liabilities and Contingent Assets.

• PAS 23, Borrowing Costs
This standard revises the definition of borrowing costs to consolidate the types of items that are considered components of ‘borrowing costs’, i.e., components of the interest expense calculated using the effective interest rate method.

• PAS 36, Impairment of Assets
When discounted cash flows are used to estimate ‘fair value less costs to sell’, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’.
PAS 38, Intangible Assets
Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

This also deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit-of-production method.

PAS 39, Financial Instruments: Recognition and Measurement
Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications. When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, Insurance Contracts, this is a change in circumstance, not a reclassification. It also removes the reference to a ‘segment’ when determining whether an instrument qualifies as a hedge. It requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 18, Revenue
The amendment adds guidance to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition policy has been updated accordingly.

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, 2009. 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 2010
- Revised PFRS 3, Business Combinations and PAS 27, Consolidated and Separate Financial Statements
Revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as ‘minority interests’); even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by revised PFRS 3 will be applied
prospectively while the amendments to PAS 27 must be applied retrospectively, with a few exceptions. These changes will affect future acquisitions or loss of control of subsidiaries and transactions with noncontrolling interests.

- Philippine Interpretation IFRIC 17, *Distributions of Noncash Assets to Owners*
  This 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 Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement*
  This amendment to PAS 39, which became effective on July 1, 2009, 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.

- Amendments to PFRS 2, *Share-based Payment*
  The amendments to PFRS 2, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

- Improvements to PFRS
  The omnibus amendments to PFRSs issued in 2009 are effective for annual periods beginning on or after January 1, 2010 except otherwise stated.

  - PFRS 2, *Share-based Payment*
    The amendment to PFRS 2 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, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.

  - PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
    The amendment to PFRS 5 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*
    The amendment to PFRS 8 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*
    The amendment to PAS 1 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*
    The amendment to PAS 7 explicitly states that only expenditure that results in a recognized asset can be classified as cash flow from investing activities.
- PAS 17, *Leases*
The amendment to PAS 17 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. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*
The amendment to PAS 36 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*
The amendment to PAS 38 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. 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*
The amendment to PAS 39 clarifies the following:
  - that 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;
  - that 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
  - that 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*
The amendment to Philippine Interpretation IFRIC 9 clarifies that it does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*
The amendment to Philippine Interpretation IFRIC 16 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.
Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This 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.

**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 (1) 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 asking 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.

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.

Derivatives recorded at FVPL
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, 2009 and 2008, the Group has recognized the value of the embedded prepayment option in one of its long-term debt (see Notes 12 and 26).

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 designated at FVPL consists of a derivative asset on the Group’s prepayment option on the ₱4.0 billion bonds that the Parent Company issued in 2008 (see Note 12).

**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, 2009 and 2008, no financial assets have been designated as HTM.

**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 statement of financial position 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.

The details of the Group’s AFS financial assets are disclosed in Note 11.

**Other financial liabilities**

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 risk 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.

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 assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

Evidence of impairment may 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.
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:

- **Office furniture and equipment:** 3 to 5 years
- **Transportation equipment:** 5 years

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 and POL, a local government unit organized and existing under Philippines laws, 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 and POL 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.

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. Twelve percent of the water revenue are recognized as environmental charges as provided for in the Agreement.

Interest income is recognized as it accrues, taking into account the effective yield of the assets.
When the Group provides construction or upgrade services, the consideration received or receivable is recognized at its fair value. The Company 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 ₱44.00: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.

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 Transactions**
Certain employees and officers of the Group receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for shares or rights over shares (‘equity-settled transactions’) (see Note 19).

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 19.

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 20).

**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 balance sheet 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.

**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 and POL 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 24).

**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 auditor’s report that provide additional information about the Group’s 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 P=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 19 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).

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 29).
Use of Estimates
Key assumptions concerning the future and other sources of estimation uncertainty at the statement of financial position 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 Notes 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, 10 and 12 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 18 for the related balances.

**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 19 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 15) 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 rates 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 26).

Derivative asset on bond call option was valued using the Black’s option model. Valuation inputs such as discount rate were based on credit adjusted spot rate as of value date while interest rate volatility was computed based on historical rates or data (see Note 26).
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>P</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</td>
<td>2,292,774</td>
</tr>
<tr>
<td>Service concession assets</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</td>
<td>1,836,544</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>38,308,811</strong></td>
</tr>
<tr>
<td>Net assets</td>
<td>266,714,694</td>
</tr>
<tr>
<td>Less minority interest</td>
<td>87,167,825</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>179,546,869</strong></td>
</tr>
<tr>
<td>Goodwill arising from acquisition</td>
<td>–</td>
</tr>
<tr>
<td><strong>Acquisition cost</strong></td>
<td><strong>P=179,546,869</strong></td>
</tr>
</tbody>
</table>

Cash flows from acquisition follow:

<table>
<thead>
<tr>
<th>Cash flows from acquisition follow:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash acquired with the subsidiary</td>
<td>P=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>P=169,272,606</strong></td>
</tr>
</tbody>
</table>

From the date of acquisition, AWC has contributed P=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 P=2.43 million and revenue would have increased by P=43.14 million.

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

BIWC was incorporated on December 7, 2009, in which the Group owns 80% and PTA owns 20% of BIWC’s total outstanding capital of P=300.00 million.
On December 17, 2009, BIWC entered into a Concession Agreement with 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 necessity of bidding.

As part of the agreement, BIWC advanced concession fees to PTA amounting to ₱60.00 million, which will be applied as payment of, and shall be offset against the annual concession fees payable to PTA 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 28).

BIWC and LAWC are treated as subsidiaries because the Group 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></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>₱1,198,748,489</td>
<td>₱96,853,126</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>2,839,092,217</td>
<td>3,892,227,274</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱4,037,840,706</strong></td>
<td><strong>₱3,989,080,400</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 (1) year and earn interest of 0% to 11.5% in 2009 and 3.4% to 7.0% in 2008.

6. **Receivables**

This account consists of receivables from:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>₱656,788,230</td>
<td>₱671,338,344</td>
</tr>
<tr>
<td>Commercial</td>
<td>178,804,293</td>
<td>328,819,265</td>
</tr>
<tr>
<td>Semi-business</td>
<td>49,168,679</td>
<td>52,339,598</td>
</tr>
<tr>
<td>Industrial</td>
<td>17,311,841</td>
<td>25,245,387</td>
</tr>
<tr>
<td>Employees</td>
<td>59,720,050</td>
<td>38,433,481</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>47,094,069</td>
<td>56,305,817</td>
</tr>
<tr>
<td>Receivable from Saigon Water Corporation (SAWACO)</td>
<td>8,954,910</td>
<td>5,981,607</td>
</tr>
<tr>
<td>Others</td>
<td>49,427,896</td>
<td>27,706,129</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,067,269,968</strong></td>
<td><strong>1,206,169,628</strong></td>
</tr>
<tr>
<td>Less allowance for doubtful accounts (see Note 18)</td>
<td><em>(558,397,976)</em></td>
<td><em>(613,032,087)</em></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱508,871,992</strong></td>
<td><strong>₱593,137,541</strong></td>
</tr>
</tbody>
</table>
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 22).

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

<table>
<thead>
<tr>
<th></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 Recoveries</td>
<td>P=361,803,082</td>
<td>P=193,217,960</td>
<td>P=38,195,048</td>
<td>P=12,696,521</td>
<td>P=7,119,476</td>
<td>P=613,032,087</td>
</tr>
<tr>
<td>At December 31</td>
<td>P=333,324,184</td>
<td>P=175,898,906</td>
<td>P=35,469,596</td>
<td>P=11,736,914</td>
<td>P=1,968,376</td>
<td>P=558,397,976</td>
</tr>
</tbody>
</table>

**Individual**
- Impairment: 245,933,143
- Collectiv: 174,442,145
- Total: 31,051,360
- 10,231,654
- 461,658,302

7. Materials and Supplies

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance materials</td>
<td>P=33,596,832</td>
<td>P=—</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>2,928,841</td>
<td>2,879,069</td>
</tr>
<tr>
<td>Water meters</td>
<td>834,384</td>
<td>—</td>
</tr>
<tr>
<td>Water connection supplies</td>
<td>802,002</td>
<td>—</td>
</tr>
<tr>
<td>Other operations supplies</td>
<td>272,663</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=38,434,722</td>
<td>P=2,879,069</td>
</tr>
</tbody>
</table>
In 2008, the Group provided full allowance of ₱28.72 million allowance for maintenance materials and water meters. These maintenance materials and water meters were subsequently disposed of in 2008.

8. Other Current Assets

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to contractors</td>
<td>₱668,010,059</td>
<td>₱201,240,910</td>
</tr>
<tr>
<td>Input value-added tax</td>
<td>194,627,240</td>
<td>294,294,982</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>45,331,680</td>
<td>143,977,522</td>
</tr>
<tr>
<td>Others</td>
<td>29,496,650</td>
<td>12,621,762</td>
</tr>
<tr>
<td>Total</td>
<td>₱937,465,629</td>
<td>652,135,176</td>
</tr>
</tbody>
</table>

Less allowance for impairment losses (see Note 18) (69,101,543) –

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.

9. Property and Equipment

The rollforward analysis of this account follows:

### 2009

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land and Leasehold Improvements</th>
<th>Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>₱568,294,396</td>
<td>₱289,179,433</td>
<td>₱447,189,522</td>
<td>–</td>
<td>₱1,304,663,351</td>
</tr>
<tr>
<td>At January 1</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>Disposals</td>
<td>(38,400)</td>
<td>(1,590,546)</td>
<td>–</td>
<td>–</td>
<td>(1,628,946)</td>
</tr>
<tr>
<td>At December 31</td>
<td>702,844,927</td>
<td>315,490,433</td>
<td>725,292,996</td>
<td>5,061,422</td>
<td>1,748,689,778</td>
</tr>
</tbody>
</table>

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>Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>₱406,922,108</td>
<td>₱100,456,300</td>
<td>₱74,387,213</td>
<td>–</td>
<td>₱581,765,621</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>181,721,493</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>At December 31</td>
<td>512,716,902</td>
<td>155,104,563</td>
<td>93,341,735</td>
<td>870,653</td>
<td>762,033,853</td>
</tr>
</tbody>
</table>

Net book value at December 31 ₱190,128,025 ₱160,385,870 ₱631,951,261 ₱4,190,769 ₱986,655,925

### 2008

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land and Leasehold Improvements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>₱465,954,194</td>
<td>₱266,518,067</td>
<td>₱244,332,215</td>
<td>₱976,804,476</td>
</tr>
<tr>
<td>At January 1</td>
<td>102,340,202</td>
<td>26,734,093</td>
<td>202,857,307</td>
<td>331,931,602</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(4,072,727)</td>
<td>–</td>
<td>(4,072,727)</td>
</tr>
<tr>
<td>At December 31</td>
<td>568,294,396</td>
<td>289,179,433</td>
<td>447,189,522</td>
<td>1,304,663,351</td>
</tr>
</tbody>
</table>

(Forward)
10. Service Concession Assets and Obligations

Service Concession Assets

The movements in this account follow:

<table>
<thead>
<tr>
<th>Cost</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱30,902,632,568</td>
<td>₱27,179,334,606</td>
</tr>
<tr>
<td>Acquired through business combination (see Note 4)</td>
<td>282,482,865</td>
<td>–</td>
</tr>
<tr>
<td>Additions during the year (see Note 1)</td>
<td>7,743,487,645</td>
<td>3,723,297,962</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>38,928,603,078</td>
<td>30,902,632,568</td>
</tr>
</tbody>
</table>

Accumulated amortization

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>6,988,843,592</td>
<td>5,264,963,376</td>
</tr>
<tr>
<td>Amortization</td>
<td>1,774,618,135</td>
<td>1,723,880,216</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>8,763,461,727</td>
<td>6,988,843,592</td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₱30,165,141,351</td>
<td>₱23,913,788,976</td>
</tr>
</tbody>
</table>

Service concession assets 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 ₱168.70 million in 2009 and ₱192.89 million in 2008. The capitalization rates used ranged from 3.98% to 6.29% in 2009 and 4.96% to 6.12% in 2008.

In 2009, the Parent Company recognized additional concession fees pertaining to its share in the current operating budget 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.

**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:

a. 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;

b. 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;

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

d. 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

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

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 Local Support</th>
<th>Total Peso Equivalent*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$13,762,656</td>
<td>P395,714,907</td>
<td>P1,031,549,631</td>
</tr>
<tr>
<td>2011</td>
<td>24,398,464</td>
<td>395,714,907</td>
<td>1,522,923,940</td>
</tr>
<tr>
<td>2012</td>
<td>11,331,395</td>
<td>395,714,907</td>
<td>919,225,375</td>
</tr>
<tr>
<td>2013</td>
<td>10,966,039</td>
<td>395,714,907</td>
<td>902,345,887</td>
</tr>
<tr>
<td>2014</td>
<td>10,591,231</td>
<td>395,714,907</td>
<td>885,029,791</td>
</tr>
<tr>
<td>2015 onwards</td>
<td>25,241,508</td>
<td>8,903,585,403</td>
<td>10,069,743,058</td>
</tr>
<tr>
<td></td>
<td>$96,291,293</td>
<td>P10,882,159,938</td>
<td>P15,330,817,682</td>
</tr>
</tbody>
</table>

*Peso equivalent is translated using the closing rate as of December 31, 2009 amounting to P=46.20 to US$1.
Estimated concession fee payments, excluding the Parent Company’ 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>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted investments - at fair value (see Note 21)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>₱640,852,323</td>
<td>₱319,785,212</td>
</tr>
<tr>
<td>Equity</td>
<td>156,000,000</td>
<td>149,250,000</td>
</tr>
<tr>
<td>Investment Management Agreement (IMA) accounts</td>
<td>639,162,815</td>
<td>600,000,000</td>
</tr>
<tr>
<td>Unquoted investments (see Note 21)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>524,048,438</td>
<td>470,000,000</td>
</tr>
<tr>
<td>Equity</td>
<td>7,063,950</td>
<td>10,637,000</td>
</tr>
<tr>
<td>Time deposits</td>
<td>–</td>
<td>1,644,167</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱1,967,127,526</td>
<td>₱1,551,316,379</td>
</tr>
</tbody>
</table>

Quoted investments in debt securities consist mainly of government securities such as fixed rate treasury notes and retail treasury bonds. These bonds earn interest ranging from 6% to 11% in 2009 and 5% to 15% in 2008 with various maturity dates of up to five (5) years.

Unquoted debt securities include the Group’s investments in corporate bonds, with interest rates from 0% to 9% in 2009 and 6% to 9% in 2008 with varying maturity dates of up to eight (8) years.

Quoted investments in equities pertain to listed preferred shares of a shareholder (see Note 21).

Unquoted investments in equities pertain to unlisted preferred shares in a public utility company which the Group will continue to carry as part of its operations. These are carried at cost less impairment, if any.

Quoted investments in IMA accounts pertain to the Group’s funds that are managed by certain banks, including an affiliate (see Note 21).

The Group’s time deposits earn interest ranging from 4% to 6% in 2008 with varying maturity dates of up to three (3) years.

The rollforward analysis of unrealized gain on available-for-sale financial assets for 2009 and 2008 follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱6,670,143</td>
<td>₱4,710,168</td>
</tr>
<tr>
<td>Gain recognized in other comprehensive income</td>
<td>45,911,386</td>
<td>2,285,352</td>
</tr>
<tr>
<td>Gain removed from other comprehensive income and recognized in profit and loss included under interest income</td>
<td>(33,150)</td>
<td>(325,377)</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td>₱52,548,379</td>
<td>₱6,670,143</td>
</tr>
</tbody>
</table>
12. Other Noncurrent Assets

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred FCDA (see Notes 1 and 2)</td>
<td>₱827,006,852</td>
<td>₱943,933,148</td>
</tr>
<tr>
<td>Derivative asset (see Note 26)</td>
<td>158,817,648</td>
<td>258,404,081</td>
</tr>
<tr>
<td>Advances to PTA (see Note 4)</td>
<td>60,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>44,674,397</td>
<td>45,227,216</td>
</tr>
<tr>
<td></td>
<td>₱1,090,498,897</td>
<td>₱1,247,564,445</td>
</tr>
</tbody>
</table>

Deferred FCDA is the difference between the closing rate over the rebased rate for service concession obligations and the closing rate over the drawdown rates for long-term debt which have not been billed to the customers (see Notes 1 and 2). This also refers to the foreign exchange gains or losses arising from the valuation of the loans, accrual of interest and other charges and actual payments made.

Derivative asset pertains to the embedded call option on the ₱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 26).

Advances to PTA pertains to the advance payment of concession fees to PTA by BIWC which will be applied as payment of, and shall be offset against the annual concession fees payable to PTA (see Note 4).

13. Accounts and Other Payables

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>₱1,606,005,112</td>
<td>₱1,088,535,727</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>289,675,169</td>
<td>335,908,022</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>202,439,983</td>
<td>117,513,801</td>
</tr>
<tr>
<td>Utilities</td>
<td>80,777,987</td>
<td>127,070,815</td>
</tr>
<tr>
<td>Management and professional fees</td>
<td>55,079,696</td>
<td>59,839,506</td>
</tr>
<tr>
<td>Collection fees</td>
<td>43,431,615</td>
<td>34,846,728</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>40,540,926</td>
<td>13,610,097</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>28,748,758</td>
<td>4,678,551</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>20,967,378</td>
<td>13,708,150</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>45,568,028</td>
<td>45,360,097</td>
</tr>
<tr>
<td>Interest payable</td>
<td>217,104,950</td>
<td>492,739,231</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>199,246,683</td>
<td>134,530,000</td>
</tr>
<tr>
<td>Advances from SAWACO</td>
<td>62,219,480</td>
<td>–</td>
</tr>
<tr>
<td>Dividends payable (Note 19)</td>
<td>43,765,598</td>
<td>2,114,443</td>
</tr>
<tr>
<td>Notes payable</td>
<td>5,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Meter deposits payable</td>
<td>2,193,323</td>
<td>246,129,415</td>
</tr>
<tr>
<td>Others</td>
<td>38,578,018</td>
<td>23,355,954</td>
</tr>
<tr>
<td></td>
<td>₱2,981,342,704</td>
<td>₱2,739,940,537</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 22). 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, 2009, substantially 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 on September 17, 2007 for a term of one (1) year and bears an annual interest rate of 8.25%. On September 11, 2008, the note was renewed for another year with an annual interest rate of 8.75%. On October 5, 2009, the note was renewed for another year with an annual interest rate of 5.00%.

14. Long-term Debt

This account consists of:

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB loan</td>
<td>₱1,284,289,953</td>
<td>₱1,393,015,728</td>
</tr>
<tr>
<td>Second IFC loan</td>
<td>1,101,954,878</td>
<td>1,387,449,503</td>
</tr>
<tr>
<td>DEG loan</td>
<td>311,441,955</td>
<td>447,638,659</td>
</tr>
<tr>
<td>DANIDA loan</td>
<td>13,015,620</td>
<td>26,122,211</td>
</tr>
<tr>
<td><strong>Yen loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First IFC loan</td>
<td>1,200,436,076</td>
<td>1,410,224,494</td>
</tr>
<tr>
<td>EIB loan</td>
<td>2,595,483,913</td>
<td>1,059,928,626</td>
</tr>
<tr>
<td>LBP loan</td>
<td>1,258,253,125</td>
<td>991,486,722</td>
</tr>
<tr>
<td><strong>Peso loans (see Note 26)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>₱4.0 billion bonds</td>
<td>4,128,152,766</td>
<td>4,156,463,232</td>
</tr>
<tr>
<td>₱2.0 billion loan</td>
<td>1,393,901,300</td>
<td>1,388,696,357</td>
</tr>
<tr>
<td>₱1.5 billion loan</td>
<td>1,074,220,654</td>
<td>1,090,962,089</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,361,150,240</td>
<td>13,351,987,621</td>
</tr>
<tr>
<td><strong>Less current portion</strong></td>
<td>1,060,783,617</td>
<td>454,755,376</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td>₱13,300,366,623</td>
<td>₱12,897,232,245</td>
</tr>
</tbody>
</table>
Unamortized debt discounts and issuance costs (premiums) included in the following long-term debts as of December 31, 2009 and 2008 follow:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yen loans</td>
<td>¥198,403,792</td>
<td>¥46,558,149</td>
</tr>
<tr>
<td>US Dollar loans</td>
<td>116,703,758</td>
<td>75,599,860</td>
</tr>
<tr>
<td>Peso loans</td>
<td>(96,274,720)</td>
<td>(136,121,678)</td>
</tr>
<tr>
<td></td>
<td>¥218,832,830</td>
<td>(¥13,963,669)</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>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>(¥13,963,669)</td>
<td>¥73,580,465</td>
</tr>
<tr>
<td>Availments</td>
<td>249,478,919</td>
<td>(74,346,151)</td>
</tr>
<tr>
<td>Amortization of transaction costs (see Note 18)</td>
<td>(16,682,420)</td>
<td>(13,197,983)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>¥218,832,830</td>
<td>(¥13,963,669)</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, 2009 and 2008, outstanding loans amounted to US$0.29 million and US$0.57 million, respectively.

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, 2009 and 2008, outstanding loans amounted to US$6.79 million and US$9.50 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 will be 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, 2009 and 2008, outstanding loans amounted to JPY¥2,442.29 million and JPY¥2,729.62 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, 2009 and 2008, outstanding loans amounted to US$26.00 million and US$30.00 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, 2009 and 2008, outstanding loans amounted to JPY¥2,516.42 million and JPY¥1,882.26 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 P=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 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.

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

On October 9, 2006, the Parent Company entered into a Credit Facility Agreement (the “P=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 P=1.5 billion consists of the following:

- Tranche 1: 7-year term loan amounting to P=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 P=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 P=2 billion loan from one financial institution amounting to P=400.00 million. As of December 31, 2009 and 2008, the outstanding balance for this loan amounted to P=1.10 billion.
On June 20, 2007, the Parent Company entered into a Finance Contract (the “EIB Loan”) with the European Investment Bank (EIB) to partially finance the capital expenditures of the Parent Company 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.

The outstanding balance of the EIB loan amounted to JPY¥5,423.93 million and US$28.13 million in 2009 and JPY¥2,050.00 and US$30.00 million in 2008.

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, 2009 and 2008, 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, 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 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.

15. 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, 2009 follow:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>10,629</td>
<td>43,905</td>
<td>38,564</td>
</tr>
<tr>
<td>Interest cost on benefit obligation</td>
<td>83,564</td>
<td>28,736</td>
<td>22,798</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(9,281)</td>
<td>(9,568)</td>
<td>(7,262)</td>
</tr>
<tr>
<td>Actuarial losses</td>
<td>4,001</td>
<td>5,836</td>
<td></td>
</tr>
<tr>
<td>Total pension expense</td>
<td>84,912</td>
<td>67,074</td>
<td>59,936</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>27,439</td>
<td>(12,730)</td>
<td>9,792</td>
</tr>
</tbody>
</table>

The funded status and amounts recognized in the statements of financial position for the pension plan as of December 31, 2009 and 2008 follow:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligations</td>
<td>496,219</td>
<td>296,439</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(155,845)</td>
<td>(157,308)</td>
</tr>
<tr>
<td>Unrecognized actuarial losses</td>
<td>340,374</td>
<td>139,131</td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td>201,419</td>
<td>114,670</td>
</tr>
</tbody>
</table>

As of December 31, 2009 and 2008, pension liability pertaining to qualified retirees in the next year amounted to P=8.17 million and P=8.29 million, respectively.
Changes in the present value of the defined benefit obligation are as follows:

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>₱296,439</td>
</tr>
<tr>
<td>Current service cost</td>
<td>10,629</td>
</tr>
<tr>
<td>Interest cost</td>
<td>83,564</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(28,902)</td>
</tr>
<tr>
<td>Addition through business combination</td>
<td>1,837</td>
</tr>
<tr>
<td>Actuarial losses (gains)</td>
<td>132,652</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱496,219</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>₱157,308</td>
</tr>
<tr>
<td>Expected return</td>
<td>9,281</td>
</tr>
<tr>
<td>Contributions</td>
<td>–</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(28,902)</td>
</tr>
<tr>
<td>Actuarial gains (losses)</td>
<td>18,158</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱155,845</td>
</tr>
</tbody>
</table>

Changes in the net unrecognized actuarial losses are as follows:

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>(₱24,461)</td>
</tr>
<tr>
<td>Actuarial gains (losses) on:</td>
<td></td>
</tr>
<tr>
<td>Obligation</td>
<td>(132,652)</td>
</tr>
<tr>
<td>Plan assets</td>
<td>18,158</td>
</tr>
<tr>
<td>Actuarial losses recognized</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(₱138,955)</td>
</tr>
</tbody>
</table>

The Group expects to contribute ₱80.00 million to its benefit pension plan in 2010.

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

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in:</td>
<td></td>
</tr>
<tr>
<td>Government securities</td>
<td>36.9%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>23.6%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>39.4%</td>
</tr>
<tr>
<td>Others</td>
<td>0.1%</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, 2009, 2008 and 2007 follow:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>8.75% to 11.09%</td>
<td>28.17%</td>
<td>7.80%</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>5.00% to 9.00%</td>
<td>10.70%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
<td>8.50%</td>
<td>5.90%</td>
<td>9.00%</td>
</tr>
</tbody>
</table>

The average expected future working lives of employees of the Group as of December 31, 2009 is eleven (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></td>
<td>(In Thousand Pesos)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit obligation</td>
<td>₱496,219</td>
<td>₱296,439</td>
<td>₱348,321</td>
<td>₱312,301</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(155,845)</td>
<td>(157,308)</td>
<td>(137,878)</td>
<td>(80,687)</td>
</tr>
<tr>
<td>Deficiency</td>
<td>₱340,374</td>
<td>₱139,131</td>
<td>₱210,443</td>
<td>₱231,614</td>
</tr>
<tr>
<td>Experience adjustments on plan liabilities</td>
<td>₱211,743</td>
<td>₱13,858</td>
<td>₱15,798</td>
<td>₱1,567</td>
</tr>
<tr>
<td>Experience adjustments on plan assets</td>
<td>18,158</td>
<td>(22,298)</td>
<td>2,530</td>
<td>3,069</td>
</tr>
</tbody>
</table>

16. Customers’ Guaranty and Other Deposits

This account pertains to the guaranty and other deposits paid by the Group’s customers amounting to ₱1.29 billion and ₱1.03 billion as of December 31, 2009 and 2008, respectively.

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

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>₱162,364,029</td>
<td>₱336,631,225</td>
</tr>
<tr>
<td>Addition</td>
<td>63,959,493</td>
<td>28,636,489</td>
</tr>
<tr>
<td>Amortization of discount (see Note 17)</td>
<td>(29,337,629)</td>
<td>(202,903,685)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>₱196,985,893</td>
<td>₱162,364,029</td>
</tr>
</tbody>
</table>

17. Interest Income, Interest Expense and Other Income

Interest income consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</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>₱359,917,512</td>
<td>₱204,008,942</td>
<td>₱151,063,380</td>
</tr>
<tr>
<td>Others</td>
<td>2,053,021</td>
<td>879,713</td>
<td>1,682,411</td>
</tr>
<tr>
<td></td>
<td>₱361,970,533</td>
<td>₱204,888,655</td>
<td>₱152,745,791</td>
</tr>
</tbody>
</table>
Interest expense consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</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>₱368,829,048</td>
<td>₱535,621,669</td>
<td>₱297,372,960</td>
</tr>
<tr>
<td>Long-term debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon interest</td>
<td>426,009,332</td>
<td>140,447,032</td>
<td>199,050,173</td>
</tr>
<tr>
<td>Amortization of debt discount, issuance costs and premium (see Note 14)</td>
<td>16,682,420</td>
<td>13,197,983</td>
<td>32,371,212</td>
</tr>
<tr>
<td></td>
<td>₱811,520,800</td>
<td>₱689,266,684</td>
<td>₱528,794,345</td>
</tr>
</tbody>
</table>

Other income includes income from septic sludge disposal and bacteriological water analysis.

18. Income Taxes

Provision for income tax consists of:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₱1,048,400,751</td>
<td>₱1,096,678,717</td>
<td>₱867,814,458</td>
</tr>
<tr>
<td>Deferred</td>
<td>(43,389,597)</td>
<td>371,986,493</td>
<td>119,528,599</td>
</tr>
<tr>
<td></td>
<td>₱1,005,011,154</td>
<td>₱1,468,665,210</td>
<td>₱987,343,057</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>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td>30.00%</td>
<td>35.00%</td>
<td>35.00%</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>(2.56)</td>
<td>(1.77)</td>
<td>(1.61)</td>
</tr>
<tr>
<td>Nondeductible interest expense</td>
<td>1.05</td>
<td>0.93</td>
<td>0.84</td>
</tr>
<tr>
<td>Change in unrecognized deferred tax</td>
<td>(0.87)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Others - net</td>
<td>(3.89)</td>
<td>0.34</td>
<td>(6.68)</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>23.73%</td>
<td>34.50%</td>
<td>27.55%</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></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service concession obligation - net</td>
<td>₱392,208,319</td>
<td>₱274,938,333</td>
</tr>
<tr>
<td>NOLCO</td>
<td>1,567,550</td>
<td>–</td>
</tr>
<tr>
<td>Unrealized foreign exchange losses</td>
<td>26,867</td>
<td>–</td>
</tr>
<tr>
<td>Capitalized borrowing cost</td>
<td>(22,752,552)</td>
<td>(126,256,818)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (see Note 6)</td>
<td>–</td>
<td>183,909,626</td>
</tr>
<tr>
<td>Pension liabilities (see Note 15)</td>
<td>–</td>
<td>50,724,898</td>
</tr>
<tr>
<td>Unamortized costs on financial assets</td>
<td>–</td>
<td>10,249,908</td>
</tr>
<tr>
<td>Common stock options outstanding</td>
<td>–</td>
<td>7,426,763</td>
</tr>
<tr>
<td>Unamortized premium of long-term debt (see Note 14)</td>
<td>–</td>
<td>4,189,101</td>
</tr>
<tr>
<td>Derivative asset on prepayment option (see Note 12)</td>
<td>–</td>
<td>(77,521,224)</td>
</tr>
<tr>
<td>Total</td>
<td>₱371,050,184</td>
<td>₱327,660,587</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 year ended December 31, 2009.

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 as of December 31, 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 to 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, 2009 follow:

- Allowance for doubtful accounts (see Note 6) ₱558,397,976
- Pension liabilities 246,278,168
- Allowance for impairment losses (see Note 8) 69,101,543
- Unamortized costs on financial assets 36,470,138
- Derivative asset on prepayment option (see Note 12) (158,817,648)
- Unamortized debt discounts and issuance costs of long-term debt (see Note 14) (218,842,830)

Total ₱532,587,347

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 ₱406.08 million as of December 31, 2009.

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>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOLCO</td>
<td>₱30,200,403</td>
<td>₱21,386,629</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>1,974,804</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>₱32,175,207</td>
<td>₱21,386,629</td>
</tr>
</tbody>
</table>

As of December 31, 2009 and 2008, the unrecognized deferred tax assets on the above temporary differences amounted to ₱9.06 million and ₱6.42 million, respectively.
The movements of the Group’s NOLCO as of December 31, 2009, 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>2006</td>
<td>₱93,995</td>
<td>₱93,995</td>
<td>₱–</td>
<td>2009</td>
</tr>
<tr>
<td>2007</td>
<td>469,743</td>
<td>–</td>
<td>469,743</td>
<td>2010</td>
</tr>
<tr>
<td>2008</td>
<td>20,822,891</td>
<td>–</td>
<td>20,822,891</td>
<td>2011</td>
</tr>
<tr>
<td>2009</td>
<td>14,132,936</td>
<td>–</td>
<td>14,132,936</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>₱35,519,565</td>
<td>₱93,995</td>
<td>₱35,425,570</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.

19. **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></td>
<td>(In Thousands Except Per Share Figures)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock - ₱1 per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>3,100,000</td>
<td>₱3,100,000</td>
<td>3,100,000</td>
</tr>
<tr>
<td>Issued and subscribed</td>
<td>2,030,678</td>
<td>2,030,678</td>
<td>2,022,879</td>
</tr>
<tr>
<td>Outstanding</td>
<td>2,030,678</td>
<td>2,030,678</td>
<td>2,022,879</td>
</tr>
<tr>
<td>Preferred stock - ₱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 - ₱1 par value, 8% cumulative, nonvoting, nonparticipating, nonconvertible, redeemable 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>

The movements in treasury shares follow:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>(In Thousands)</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redeemable Preferred</td>
<td></td>
<td></td>
<td>Redeemable Preferred</td>
<td></td>
</tr>
<tr>
<td>Common</td>
<td></td>
<td></td>
<td>Common</td>
<td></td>
</tr>
<tr>
<td>Number of shares at beginning of year</td>
<td>500,000</td>
<td>–</td>
<td>500,000</td>
<td>1,391</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,391)</td>
</tr>
<tr>
<td>Number of shares at end of year</td>
<td>500,000</td>
<td>–</td>
<td>500,000</td>
<td>–</td>
</tr>
</tbody>
</table>

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.

On August 16, 2007, the Parent Company’s BOD approved the full redemption of the outstanding ₱200.00 million redeemable preferred shares on September 30, 2007. The shares were redeemed at par value.

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, 2009:

<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>February 15, 2007</td>
<td>March 1, 2007</td>
<td>₱0.150</td>
<td>₱0.0150</td>
</tr>
<tr>
<td>August 16, 2007</td>
<td>September 3, 2007</td>
<td>₱0.150</td>
<td>₱0.0150</td>
</tr>
<tr>
<td>November 15, 2007</td>
<td>November 15, 2007</td>
<td>–</td>
<td>₱0.0100</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>
</tbody>
</table>

There are no dividends in arrears for the Parent Company’s participating preferred shares and redeemable preferred shares as of December 31, 2009.

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, 2009 amounted to ₱5.54 billion.

Appropriation for capital expenditures
On February 15, 2007, the Parent Company’s BOD approved the appropriation of a portion of its retained earnings amounting to ₱2.0 billion for future expansion projects.

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>₱8.08</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>

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>Weighted average exercise price</th>
<th>Weighted average exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 At January 1</td>
<td>5,920,000 15.13</td>
<td>4,340,000 8.08</td>
</tr>
<tr>
<td>2009 Granted</td>
<td>9,241,025 9.63</td>
<td>7,798,483 15.13</td>
</tr>
<tr>
<td>2009 Exercised</td>
<td>(7,799,025) 9.63</td>
<td>(6,218,483) 15.13</td>
</tr>
<tr>
<td>2009 At December 31</td>
<td>7,362,000 9.63</td>
<td>5,920,000 8.08</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 ₱75.49 million in 2009, ₱42.48 million in 2008 and ₱36.44 million in 2007.

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 and 2008 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.
20. **Earnings Per Share**

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2009, 2008 and 2007 were computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to equity holders of the Parent Company</td>
<td>P=3,231,413</td>
<td>P=2,788,020</td>
<td>P=2,596,946</td>
</tr>
<tr>
<td>Less dividends on preferred shares*</td>
<td>569,792</td>
<td>496,967</td>
<td>465,193</td>
</tr>
<tr>
<td>Net income attributable to common shareholders for basic and diluted earnings per share</td>
<td>P=2,661,621</td>
<td>P=2,291,053</td>
<td>P=2,131,753</td>
</tr>
<tr>
<td>Weighted average number of shares for basic earnings per share</td>
<td>2,028,078</td>
<td>2,019,834</td>
<td>2,016,054</td>
</tr>
<tr>
<td>Dilutive shares arising from stock options</td>
<td>2,455</td>
<td>2,885</td>
<td>2,582</td>
</tr>
<tr>
<td>Adjusted weighted average number of common stock for diluted earnings per share</td>
<td>2,030,533</td>
<td>2,022,719</td>
<td>2,018,636</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>P=1.31</td>
<td>P=1.13</td>
<td>P=1.06</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>P=1.31</td>
<td>P=1.13</td>
<td>P=1.06</td>
</tr>
</tbody>
</table>

*Including participating preferred shares’ participation in earnings.

21. **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, 2009 and 2008, 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 principal stockholder, AC, another 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 last 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 fees charged to operations amounted to P=215.80 million, P=204.10 million and
P206.62 million in 2009, 2008 and 2007, respectively. Total outstanding payables amounted to P111.47 million, P110.17 million and P125.43 million as of December 31, 2009, 2008 and 2007, respectively (see Note 13).

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>2009</td>
<td>2008</td>
</tr>
<tr>
<td>AC</td>
<td>P200,000,000</td>
<td>P200,000,000</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td>130,000,000</td>
<td>130,000,000</td>
</tr>
<tr>
<td>Globe</td>
<td>100,000,000</td>
<td>–</td>
</tr>
<tr>
<td>ALI</td>
<td>90,000,000</td>
<td>90,000,000</td>
</tr>
<tr>
<td></td>
<td>320,000,000</td>
<td>220,000,000</td>
</tr>
<tr>
<td></td>
<td>P520,000,000</td>
<td>P420,000,000</td>
</tr>
</tbody>
</table>

In addition, the Parent Company has entered into an IMA with BPI, an affiliate, in 2008. As of December 31, 2009 and 2008, the fair values of the IMA account with BPI amounted to P303.67 million and P300.00 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></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>P5,738,946</td>
<td>P4,864,159</td>
<td>P3,480,441</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Land, Inc.(ALI) and Subsidiaries</td>
<td>97,136,181</td>
<td>95,792,452</td>
<td>127,576,725</td>
</tr>
<tr>
<td>Bank of the Philippine Islands (BPI) and Subsidiaries</td>
<td>9,919,923</td>
<td>8,816,589</td>
<td>7,607,515</td>
</tr>
<tr>
<td>Globe Telecom, Inc. (Globe) and Subsidiaries</td>
<td>2,080,734</td>
<td>1,402,594</td>
<td>1,547,271</td>
</tr>
<tr>
<td>Honda Cars Makati, Inc. (HCMI)</td>
<td>324,601</td>
<td>354,121</td>
<td>204,438</td>
</tr>
<tr>
<td></td>
<td>109,461,439</td>
<td>106,365,756</td>
<td>136,935,949</td>
</tr>
<tr>
<td></td>
<td>P115,200,385</td>
<td>P111,229,915</td>
<td>P140,416,390</td>
</tr>
</tbody>
</table>

Purchases from related parties:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BPI and Subsidiaries</td>
<td>P4,126,258</td>
<td>P4,413,720</td>
<td>P4,805,939</td>
</tr>
<tr>
<td>ALI and Subsidiaries</td>
<td>1,775,033</td>
<td>2,024,516</td>
<td>2,788,339</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>9,757,459</td>
<td>18,156,028</td>
<td>23,784,727</td>
</tr>
<tr>
<td>HCMI</td>
<td>6,250</td>
<td>–</td>
<td>726,737</td>
</tr>
<tr>
<td></td>
<td>P15,665,000</td>
<td>P24,594,264</td>
<td>P32,105,742</td>
</tr>
</tbody>
</table>
Outstanding receivables from related parties as of December 31:

<table>
<thead>
<tr>
<th>Shareholder:</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>P85,005</td>
<td>P83,509</td>
</tr>
</tbody>
</table>

**Affiliates:**

<table>
<thead>
<tr>
<th>Affiliates:</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALI and Subsidiaries</td>
<td>106,749</td>
<td>657,685</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>9,823</td>
<td>13,467</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>2,911</td>
<td>–</td>
</tr>
</tbody>
</table>

| Total                      | 119,483    | 671,152    |

| Total                      | P204,488   | P754,661   |

d. On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004) with POL, one of its shareholders. Regulatory costs paid to POL amounted to P0.24 million in 2009 (see Notes 1 and 28).

e. On December 17, 2009, BIWC entered into a concession agreement with PTA, 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, 2009, BIWC has outstanding advances to PTA, amounting to P60.00 million (see Notes 4, 12 and 28).

f. Compensation of key management personnel of the Group by benefit type follows:

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>P268,650,001</td>
<td>P107,570,044</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>7,200,081</td>
<td>18,482,905</td>
</tr>
<tr>
<td>Share-based payment (see Note 19)</td>
<td>3,129,956</td>
<td>37,243,253</td>
</tr>
</tbody>
</table>

| Total                         | P278,980,038 | P163,296,202 |

22. **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;
d. System expansion work;
e. Emergency and unforeseen works; and
f. Daywork schedule

In 2009 and 2008, total revenue from the Vietnam Project amounted to P18.87 million and P5.98 million, respectively. Total costs related to the Vietnam Project amounted to P47.95 million and P8.06 million in 2009 and 2008, 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 2009 and 2008 amounted to ₱4.84 million and ₱10.54 million, respectively, while the corresponding costs amounted to ₱2.87 million and ₱11.77 million in 2009 and 2008, respectively.

Cebu Project
Following the execution of the Memorandum of Understanding last 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 to 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.

23. 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.

24. 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 ₱4.60 billion with a sound value of ₱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 last 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 2009, 2008 and 2007, 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.

25. 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, 2009 and 2008 are as follows:

### 2009

<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>P9,485,857,121</td>
<td>P22,990,892</td>
<td>P23,709,284</td>
<td>P9,532,557,297</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>4,597,204,731</td>
<td>38,345,907</td>
<td>50,821,320</td>
<td>4,686,371,958</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>4,888,652,390</td>
<td>(15,355,015)</td>
<td>(27,112,036)</td>
<td>4,846,185,339</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>4,164,107,746</td>
<td>9,220,124</td>
<td>–</td>
<td>4,173,327,870</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(4,164,107,746)</td>
<td>(7,643,113)</td>
<td>–</td>
<td>(4,171,750,859)</td>
</tr>
<tr>
<td>Interest income</td>
<td>360,358,398</td>
<td>1,612,135</td>
<td>–</td>
<td>361,970,533</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(811,310,124)</td>
<td>(210,676)</td>
<td>–</td>
<td>(811,520,800)</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>4,275,503,503</td>
<td>(12,861,177)</td>
<td>(27,112,036)</td>
<td>4,235,530,290</td>
</tr>
<tr>
<td>Provision for (benefit from) income tax</td>
<td>1,006,147,669</td>
<td>(1,136,515)</td>
<td>–</td>
<td>1,005,011,154</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>P3,269,355,834</td>
<td>(P11,724,662)</td>
<td>(P27,112,036)</td>
<td>P3,230,519,136</td>
</tr>
</tbody>
</table>

#### Other information

- **Segment assets, exclusive of deferred tax assets**
  - East Zone: P42,588,431,683
  - Outside East Zone: P725,292,275
  - Management Contracts: P73,633,060
  - Consolidated: P43,878,357,018

- **Deferred tax assets**
  - East Zone: P369,455,767
  - Outside East Zone: 1,594,417
  - Management Contracts: 689,266,684
  - Consolidated: 437,050,184

- **Segment liabilities**
  - East Zone: P42,957,887,450
  - Outside East Zone: P726,886,692
  - Management Contracts: P73,633,060
  - Consolidated: 43,758,407,202

- **Segment additions to property and equipment and SCA**
  - East Zone: P8,157,211,978
  - Outside East Zone: P24,576,842
  - Management Contracts: P5,061,422
  - Consolidated: P8,186,850,242

- **Depreciation and amortization**
  - East Zone: P1,952,924,512
  - Outside East Zone: 2,544,463
  - Management Contracts: 870,653
  - Consolidated: 2,195,339,628

- **Noncash expenses other than depreciation and amortization**
  - East Zone: P14,467,432
  - Outside East Zone: P-
  - Management Contracts: P-
  - Consolidated: P14,467,432

*Pertains to the amount of impairment loss recognized during the year*

### 2008

<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>P8,897,066,416</td>
<td>P-</td>
<td>P16,523,679</td>
<td>P8,913,590,095</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>4,375,743,688</td>
<td>–</td>
<td>19,831,471</td>
<td>4,395,575,159</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>4,521,322,728</td>
<td>–</td>
<td>(3,007,792)</td>
<td>4,518,014,936</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>3,051,228,506</td>
<td>–</td>
<td>–</td>
<td>3,051,228,506</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(3,051,228,506)</td>
<td>–</td>
<td>–</td>
<td>(3,051,228,506)</td>
</tr>
<tr>
<td>Interest income</td>
<td>204,410,954</td>
<td>477,701</td>
<td>–</td>
<td>204,888,655</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(689,266,684)</td>
<td>–</td>
<td>(689,266,684)</td>
<td>–</td>
</tr>
<tr>
<td>Other income</td>
<td>223,095,945</td>
<td>–</td>
<td>–</td>
<td>223,095,945</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>4,259,562,943</td>
<td>477,701</td>
<td>(3,007,792)</td>
<td>4,256,732,852</td>
</tr>
<tr>
<td>Provision for (benefit from) income tax</td>
<td>1,468,665,210</td>
<td>–</td>
<td>–</td>
<td>1,468,665,210</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>P2,790,897,733</td>
<td>P477,701</td>
<td>(P3,007,792)</td>
<td>P2,788,067,642</td>
</tr>
</tbody>
</table>

#### Other information

- **Segment assets, exclusive of deferred tax assets**
  - East Zone: P35,964,687,104
  - Outside East Zone: P76,119,617
  - Management Contracts: 430,249
  - Consolidated: P3,037,792

- **Deferred tax assets**
  - East Zone: 327,660,587
  - Outside East Zone: 47,452
  - Management Contracts: 47,452
  - Consolidated: 327,660,587

- **Segment liabilities**
  - East Zone: P36,292,347,691
  - Outside East Zone: P76,119,617
  - Management Contracts: P36,040,806,721
  - Consolidated: 36,368,467,308

- **Segment additions to property and equipment and SCA**
  - East Zone: P4,055,229,564
  - Outside East Zone: P24,576,842
  - Management Contracts: 5,061,422
  - Consolidated: P4,084,867,828

- **Depreciation and amortization**
  - East Zone: P1,890,509,326
  - Outside East Zone: P-
  - Management Contracts: P-
  - Consolidated: P1,890,509,326

- **Noncash expenses other than depreciation and amortization**
  - East Zone: P115,719,486
  - Outside East Zone: P-
  - Management Contracts: P-
  - Consolidated: P115,719,486

*Pertains to the amount of impairment loss recognized during the year*
In 2007, the Group only has the East Zone as its sole business segment.

Total revenue derived from India and Vietnam amounted to ₱23.71 million and ₱16.52 million in 2009 and 2008, 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.

26. 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, 2009 and 2008:

<table>
<thead>
<tr>
<th></th>
<th>2009 Carrying Value</th>
<th>2009 Fair Value</th>
<th>2008 Carrying Value</th>
<th>2008 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₱4,037,841</td>
<td>₱4,037,841</td>
<td>₱3,989,080</td>
<td>₱3,989,080</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>₱3,724,422</td>
<td>₱3,724,422</td>
<td>₱3,368,007</td>
<td>₱3,368,007</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>₱323,464</td>
<td>₱323,464</td>
<td>₱309,535</td>
<td>₱309,535</td>
</tr>
<tr>
<td>Commercial</td>
<td>₱2,905</td>
<td>₱2,905</td>
<td>₱135,601</td>
<td>₱135,601</td>
</tr>
<tr>
<td>Semi-business</td>
<td>₱13,699</td>
<td>₱13,699</td>
<td>₱12,548</td>
<td>₱12,548</td>
</tr>
<tr>
<td>Industrial</td>
<td>₱5,575</td>
<td>₱5,575</td>
<td>₱14,145</td>
<td>₱14,145</td>
</tr>
<tr>
<td>Others</td>
<td>₱5,853</td>
<td>₱5,853</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Employees</td>
<td>₱59,720</td>
<td>₱59,720</td>
<td>₱38,433</td>
<td>₱38,433</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>₱47,094</td>
<td>₱47,094</td>
<td>₱66,306</td>
<td>₱66,306</td>
</tr>
<tr>
<td>Others</td>
<td>₱50,561</td>
<td>₱50,561</td>
<td>₱26,569</td>
<td>₱26,569</td>
</tr>
<tr>
<td></td>
<td>₱8,271,134</td>
<td>₱8,271,134</td>
<td>₱7,950,224</td>
<td>₱7,950,224</td>
</tr>
<tr>
<td>Available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted investments</td>
<td>₱1,436,015</td>
<td>₱1,246,015</td>
<td>₱1,069,035</td>
<td>₱1,069,035</td>
</tr>
<tr>
<td>Unquoted investments</td>
<td>₱531,112</td>
<td>₱721,112</td>
<td>₱482,281</td>
<td>₱482,281</td>
</tr>
<tr>
<td></td>
<td>₱1,967,127</td>
<td>₱1,967,127</td>
<td>₱1,551,316</td>
<td>₱1,551,316</td>
</tr>
<tr>
<td>At FVPL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative assets</td>
<td>₱158,818</td>
<td>₱158,818</td>
<td>₱258,404</td>
<td>₱258,404</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>₱1,606,005</td>
<td>₱1,606,005</td>
<td>₱1,088,536</td>
<td>₱1,088,536</td>
</tr>
<tr>
<td>Trade payables</td>
<td>₱901,573</td>
<td>₱901,573</td>
<td>₱782,446</td>
<td>₱782,446</td>
</tr>
<tr>
<td>Interest payable</td>
<td>₱217,105</td>
<td>₱217,105</td>
<td>₱492,739</td>
<td>₱492,739</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>₱199,247</td>
<td>₱199,247</td>
<td>₱134,530</td>
<td>₱134,530</td>
</tr>
<tr>
<td>Notes payable</td>
<td>₱5,000</td>
<td>₱5,000</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Meter deposits payable</td>
<td>₱2,193</td>
<td>₱2,193</td>
<td>246,129</td>
<td>246,129</td>
</tr>
<tr>
<td>Others</td>
<td>₱82,344</td>
<td>₱82,344</td>
<td>25,470</td>
<td>25,470</td>
</tr>
<tr>
<td>Payables to stockholders</td>
<td>₱111,468</td>
<td>₱111,468</td>
<td>110,170</td>
<td>110,170</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>₱14,361,150</td>
<td>₱13,914,810</td>
<td>₱13,351,988</td>
<td>₱13,930,539</td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>₱1,293,931</td>
<td>₱1,228,776</td>
<td>₱1,032,763</td>
<td>₱1,044,447</td>
</tr>
<tr>
<td></td>
<td>₱18,780,816</td>
<td>₱18,268,521</td>
<td>₱17,264,771</td>
<td>₱17,855,006</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 investments.

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 5% to 9% in 2009 and 6% to 10% in 2008.

Derivative assets - Fair value of prepayment option was determined using Black's option model. Valuation inputs such as discount rates were based on credit adjusted spot rates ranging from 6% to 8% in 2009 and 5% to 8% in 2008 while interest rate volatility was computed based on historical rates or data.

Accounts and other payables and payable to stockholders - 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 4.16% to 6.14% in 2009 and 5.50% to 6.67% in 2008 while the discount rates used for foreign currency-denominated loans ranged from about 0.17% to 4.54% in 2008 and 0.12% to 2.09% in 2008.

Fair Value Hierarchy
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.

As of December 31, 2009, the Group held the following financial assets measured at fair value:

<table>
<thead>
<tr>
<th></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>156,000,000</td>
<td>–</td>
<td>–</td>
<td>156,000,000</td>
</tr>
<tr>
<td>Equity shares</td>
<td>640,852,323</td>
<td>524,048,438</td>
<td>–</td>
<td>1,164,900,761</td>
</tr>
<tr>
<td>Debt</td>
<td>639,162,815</td>
<td>–</td>
<td>–</td>
<td>639,162,815</td>
</tr>
<tr>
<td>IMA accounts</td>
<td>–</td>
<td>–</td>
<td>158,817,648</td>
<td>158,817,648</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>1,436,015,138</td>
<td>524,048,438</td>
<td>158,817,648</td>
<td>2,118,881,224</td>
</tr>
</tbody>
</table>

During the year ended December 31, 2009, 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 rollforward analysis of financial instrument classified as Level 3 follows:

At January 1, 2009 258,409,081
Mark-to-market loss recognized in profit and loss (99,586,433)
At December 31, 2009 158,817,648
The Group has assessed that its derivative asset belongs to Level 3 because of the credit spread used which has a significant impact in its valuation. To assess its impact, the Group assumed an increase (decrease) of 25 basis points in the credit spread, the effect of which in 2009 is 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>+25</td>
<td><em>(P8,625,908)</em></td>
</tr>
<tr>
<td>-25</td>
<td>9,004,004</td>
</tr>
</tbody>
</table>

**Embedded Derivatives**

**Embedded Prepayment Options**

1. **P2.0 Billion and P1.5 Billion Loans**

   The Group has two 7-year loans with an aggregate amount of P3.5 billion (see Note 14) 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 in a net payoff of zero. Consequently, no value for the embedded derivatives is recognized.

2. **P4.0 Billion Bonds**

   The Group has an embedded call option on the P4.0 billion Peso Bonds issued on October 22, 2008 (see Note 14). 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, 2009 and 2008, the embedded option’s fair value is P=158.82 million and P=258.40 million, respectively (see Note 12). The mark-to-market loss amounting to P=99.59 million in 2009 and the mark-to-market gain amounting to P=47.85 million in 2008 were recognized in the consolidated statements of comprehensive income.

*Embedded Put Option*

The lenders of the P=2.0 billion and P=1.5 billion loans (see Note 14) 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.

27. **Financial Risk Management Objectives and Policies**

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 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*

The Group’s exposure to market risk for changes in interest rates relates primarily to the Group’s long-term debt obligations.

The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. As of December 31, 2009 and 2008, approximately 74% and 71%, respectively, of the Group’s borrowings have fixed rates of interest.
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.

### 2009

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</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><strong>Cash equivalents and Short-term cash investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>0.00% to 11.50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>P=6,563,514</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=6,563,514</strong></td>
</tr>
<tr>
<td><strong>AFS Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTBN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>6.25% to 8.50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>160,780</strong></td>
<td><strong>51,857</strong></td>
<td>–</td>
<td><strong>53,934</strong></td>
<td><strong>49,792</strong></td>
<td><strong>316,363</strong></td>
</tr>
<tr>
<td>FXTN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>5.50% to 10.88%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>134,489</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>134,489</strong></td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>4.90% to 8.80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>–</td>
<td><strong>94,048</strong></td>
<td><strong>400,000</strong></td>
<td><strong>110,000</strong></td>
<td><strong>110,000</strong></td>
<td><strong>714,048</strong></td>
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<tr>
<td></td>
<td><strong>295,269</strong></td>
<td><strong>145,905</strong></td>
<td><strong>400,000</strong></td>
<td><strong>163,934</strong></td>
<td><strong>159,792</strong></td>
<td><strong>1,164,900</strong></td>
</tr>
<tr>
<td></td>
<td><strong>P=6,858,783</strong></td>
<td><strong>P=145,905</strong></td>
<td><strong>P=400,000</strong></td>
<td><strong>P=163,934</strong></td>
<td><strong>P=159,792</strong></td>
<td><strong>P=7,728,414</strong></td>
</tr>
</tbody>
</table>

### 2008

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</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>
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<tbody>
<tr>
<td><strong>Cash equivalents and Short-term cash investments</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>5.69% to 6.37%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>P=7,260,234</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=–</strong></td>
<td><strong>P=7,260,234</strong></td>
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<tr>
<td><strong>AFS Financial Assets</strong></td>
<td></td>
<td></td>
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<td>Government Securities</td>
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</tr>
<tr>
<td>RTBN</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>6.88% to 9.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>–</td>
<td><strong>100,766</strong></td>
<td>–</td>
<td><strong>52,294</strong></td>
<td><strong>54,285</strong></td>
<td><strong>207,345</strong></td>
</tr>
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<td>FXTN</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>5.25% to 14.66%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td><strong>82,689</strong></td>
<td><strong>29,751</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>112,440</strong></td>
</tr>
<tr>
<td>Corporate Bonds</td>
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</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>4.90% to 8.80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>300,000</strong></td>
<td><strong>170,000</strong></td>
<td><strong>470,000</strong></td>
</tr>
<tr>
<td>Time deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td>11.86% to 11.99%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>–</td>
<td><strong>1,644</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>1,644</strong></td>
</tr>
<tr>
<td></td>
<td><strong>82,689</strong></td>
<td><strong>132,161</strong></td>
<td>–</td>
<td><strong>352,294</strong></td>
<td><strong>224,285</strong></td>
<td><strong>791,429</strong></td>
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<tr>
<td></td>
<td><strong>P=7,342,923</strong></td>
<td><strong>P=132,161</strong></td>
<td><strong>P=352,294</strong></td>
<td><strong>P=224,285</strong></td>
<td><strong>P=8,051,663</strong></td>
<td><strong>P=8,051,663</strong></td>
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<tr>
<td>Liabilities:</td>
<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>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Rate (exposed to fair value risk)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEG Loan</td>
<td>$2,714,500</td>
<td>$2,715,000</td>
<td>$1,357,500</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.5 - 7.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DANIDA Loan</td>
<td>$287,268</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.5 - 7.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0 Billion Loan</td>
<td>–</td>
<td>$16,000,000</td>
<td>$16,000,000</td>
<td>$1,368,000,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>8.0 - 9.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5 Billion Loan</td>
<td>–</td>
<td>$11,000,000</td>
<td>$11,000,000</td>
<td>$1,078,000,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.5 - 7.5%</td>
<td></td>
<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>
</tr>
<tr>
<td>Interest rate</td>
<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>$9,375,000</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>5.08%</td>
<td></td>
<td></td>
<td></td>
<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>¥374,408,000</td>
<td>–</td>
</tr>
<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>$3,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds Payable</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥4,000,000,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>8.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Floating Rate (exposed to cash flow risk)</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>
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<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
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<td></td>
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</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>¥940,625,000</td>
<td>¥1,921,875,000</td>
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<tr>
<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 - 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>
</tr>
<tr>
<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>$3,000,000</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>
</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.
<table>
<thead>
<tr>
<th>Year</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>2008</td>
<td>$2,714,000</td>
<td>$2,714,500</td>
<td>$2,715,000</td>
<td>$1,357,500</td>
<td>–</td>
<td>–</td>
<td>$9,501,000</td>
<td>$451,487,520</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$287,447</td>
<td>$287,268</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$574,715</td>
</tr>
<tr>
<td></td>
<td>$2,714,000</td>
<td>$2,714,500</td>
<td>$2,715,000</td>
<td>$1,357,500</td>
<td>–</td>
<td>–</td>
<td>$9,501,000</td>
<td>$451,487,520</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$287,447</td>
<td>$287,268</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$574,715</td>
</tr>
<tr>
<td></td>
<td>$2,714,000</td>
<td>$2,714,500</td>
<td>$2,715,000</td>
<td>$1,357,500</td>
<td>–</td>
<td>–</td>
<td>$9,501,000</td>
<td>$451,487,520</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$287,447</td>
<td>$287,268</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$574,715</td>
</tr>
</tbody>
</table>

Liabilities:

**Long-Term Debt**

*Fixed Rate (exposed to fair value risk)*

- **DEG Loan**
  - Interest rate: 6.5 - 7.5%
  - Total (In JPY): $9,501,000
- **DANIDA Loan**
  - Interest rate: 0%
  - Total (In JPY): $1,368,000
- **$2 Billion Loan**
  - Interest rate: 8.0 - 9.0%
  - Total (In JPY): $1,400,000
- **$1.5 Billion Loan**
  - Interest rate: 6.5 - 7.5%
  - Total (In JPY): $1,425,600
- **EIB Loan**
  - Interest rate: 4.33%
  - Total (In JPY): $1,312,500
- **IFC Loan - JPY**
  - Interest rate: 4.66%
  - Total (In JPY): $1,206,656,636
- **IFC Loan - USD**
  - Interest rate: 4.57%
  - Total (In JPY): $1,218,475,878
- **Bonds Payable**
  - Interest rate: 8.25%
  - Total (In JPY): $4,000,000

*Floating Rate (exposed to cash flow risk)*

- **LBP Loan**
  - Interest rate: 6m Libor plus margin
  - Total (In JPY): $982,727,501
- **EIB Loan**
  - Interest rate: 6m Libor plus margin
  - Total (In JPY): $1,070,305,000
- **IFC Loan - JPY**
  - Interest rate: 6m Libor plus margin
  - Total (In JPY): $1,206,656,636
- **IFC Loan - USD**
  - Interest rate: 6m Libor plus margin
  - Total (In JPY): $1,070,305,000

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, 2009 and 2008, with all variables held constant (through the impact on cash equivalents, short-term cash investments, floating rate borrowings, derivative asset and AFS debt securities).

### 2009

<table>
<thead>
<tr>
<th>Changes in basis points (bps)</th>
<th>Effect on income before income tax (In thousands)</th>
<th>Effect on other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating rate borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td><em>(P=39,168)</em></td>
<td><em>(P=–)</em></td>
</tr>
<tr>
<td>-100</td>
<td>39,168</td>
<td>–</td>
</tr>
<tr>
<td>Derivative asset on prepayment option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td><em>(32,328)</em></td>
<td>–</td>
</tr>
<tr>
<td>-100</td>
<td>38,375</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>–</td>
<td><em>(1,366)</em></td>
</tr>
<tr>
<td>-100</td>
<td>–</td>
<td>13,599</td>
</tr>
</tbody>
</table>

### 2008

<table>
<thead>
<tr>
<th>Changes in basis points (bps)</th>
<th>Effect on income before income tax (In thousands)</th>
<th>Effect on other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group - floating rate borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td><em>(P=14,931)</em></td>
<td><em>(P=–)</em></td>
</tr>
<tr>
<td>-100</td>
<td>14,931</td>
<td>–</td>
</tr>
<tr>
<td>Derivative asset on prepayment option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td><em>(34,675)</em></td>
<td>–</td>
</tr>
<tr>
<td>-100</td>
<td>39,349</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+100</td>
<td>–</td>
<td><em>(5,466)</em></td>
</tr>
<tr>
<td>-100</td>
<td>–</td>
<td>5,636</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 42% of debt as of December 31, 2009 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:

### December 31, 2009

<table>
<thead>
<tr>
<th>Currency</th>
<th>Original Amount (Thousands)</th>
<th>Peso Equivalent (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>$2,199</td>
<td>101,603</td>
</tr>
<tr>
<td>YEN</td>
<td>720</td>
<td>367</td>
</tr>
<tr>
<td>Vietnamese Dong (VND)</td>
<td>2,159,365</td>
<td>5,398</td>
</tr>
</tbody>
</table>

### December 31, 2008

<table>
<thead>
<tr>
<th>Currency</th>
<th>Original Amount (Thousands)</th>
<th>Peso Equivalent (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>$3,462</td>
<td>164,514</td>
</tr>
<tr>
<td>YEN</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Vietnamese Dong (VND)</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The spot exchange rates used were P =46.20 to US$1, P =0.51 to JPY 1, P =10.04 to FRF1 and P =0.0025 to VND1 in 2009 and P=47.52 to US$1, P =0.52 to JPY 1 and P =10.25 to FRF1 in 2008.

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, 2009 and 2008:

#### 2009

<table>
<thead>
<tr>
<th>Increase/decrease in foreign exchange rates</th>
<th>Effect on profit before tax (Amounts in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar</td>
<td>P1.00 (P2,199)</td>
</tr>
<tr>
<td>(P1.00)</td>
<td>(P2,199)</td>
</tr>
<tr>
<td>Yen</td>
<td>P0.02 (P14)</td>
</tr>
<tr>
<td>(P0.02)</td>
<td>(P14)</td>
</tr>
</tbody>
</table>

#### 2008

<table>
<thead>
<tr>
<th>Increase/decrease in foreign exchange rates</th>
<th>Effect on profit before tax (Amounts in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar</td>
<td>P1.00 (P65,020)</td>
</tr>
<tr>
<td>(P1.00)</td>
<td>(P65,020)</td>
</tr>
<tr>
<td>Yen</td>
<td>P0.02 (P107,418)</td>
</tr>
<tr>
<td>(P0.02)</td>
<td>(P107,418)</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.
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 table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position.

<table>
<thead>
<tr>
<th>Gross maximum exposure</th>
<th>2009</th>
<th>Gross maximum exposure</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>₱4,037,824,509</td>
<td>₱3,989,064,203</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>3,724,421,813</td>
<td>3,368,007,005</td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>323,464,046</td>
<td>309,535,262</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>2,905,387</td>
<td>135,601,305</td>
<td></td>
</tr>
<tr>
<td>Semi-industrial</td>
<td>13,699,083</td>
<td>14,144,550</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>5,574,927</td>
<td>12,548,866</td>
<td></td>
</tr>
<tr>
<td>Interest from banks</td>
<td>47,094,069</td>
<td>56,305,817</td>
<td></td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>8,954,910</td>
<td>5,981,607</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>47,459,520</td>
<td>26,568,260</td>
<td></td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>1,967,127,526</td>
<td>1,551,316,379</td>
<td></td>
</tr>
<tr>
<td>Total credit risk exposure</td>
<td>₱10,178,525,790</td>
<td>₱9,469,073,254</td>
<td></td>
</tr>
</tbody>
</table>
As of December 31, 2009 and 2008, the credit quality per class of the Group’s financial assets are as follows:

### 2009

<table>
<thead>
<tr>
<th></th>
<th>Neither past due nor impaired</th>
<th>Past due or impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High grade</td>
<td>Standard</td>
<td>Impaired</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₱4,037,824,509</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>3,724,421,813</td>
<td>₱–</td>
<td>₱–</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>263,823,037</td>
<td>59,641,008</td>
<td>333,324,184</td>
</tr>
<tr>
<td>Commercial</td>
<td>–</td>
<td>2,905,386</td>
<td>175,898,096</td>
</tr>
<tr>
<td>Semi-business</td>
<td>8,643,688</td>
<td>5,055,397</td>
<td>35,469,596</td>
</tr>
<tr>
<td>Industrial</td>
<td>4,550,294</td>
<td>1,024,633</td>
<td>11,736,914</td>
</tr>
<tr>
<td>Employees</td>
<td>–</td>
<td>59,720,050</td>
<td>₱–</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>47,094,069</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>8,954,910</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Others</td>
<td>47,459,520</td>
<td>₱–</td>
<td>1,968,376</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>1,436,015,138</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Unquoted</td>
<td>531,112,388</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Derivative asset</td>
<td>158,817,648</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Total</td>
<td>₱10,268,717,014</td>
<td>₱128,346,474</td>
<td>₱558,397,976</td>
</tr>
</tbody>
</table>

### 2008

<table>
<thead>
<tr>
<th></th>
<th>Neither past due nor impaired</th>
<th>Past due or impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High grade</td>
<td>Standard</td>
<td>Impaired</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>₱3,989,064,203</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>3,368,007,005</td>
<td>₱–</td>
<td>₱–</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>229,903,040</td>
<td>79,632,222</td>
<td>361,803,082</td>
</tr>
<tr>
<td>Commercial</td>
<td>86,052,517</td>
<td>49,548,788</td>
<td>193,217,960</td>
</tr>
<tr>
<td>Semi-business</td>
<td>7,197,124</td>
<td>6,947,426</td>
<td>38,195,048</td>
</tr>
<tr>
<td>Industrial</td>
<td>10,673,002</td>
<td>1,875,864</td>
<td>12,696,521</td>
</tr>
<tr>
<td>Employees</td>
<td>–</td>
<td>38,433,481</td>
<td>₱–</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>43,388,936</td>
<td>12,916,882</td>
<td>₱–</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>5,981,607</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>20,586,654</td>
<td>7,119,475</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>1,069,035,212</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Unquoted</td>
<td>482,281,167</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Derivative asset</td>
<td>258,404,081</td>
<td>₱–</td>
<td>₱–</td>
</tr>
<tr>
<td>Total</td>
<td>₱9,549,987,894</td>
<td>₱209,941,317</td>
<td>₱613,032,086</td>
</tr>
</tbody>
</table>

As of December 31, 2009 and 2008, 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 following table shows the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments:

<table>
<thead>
<tr>
<th></th>
<th>2009 (in Thousands)</th>
<th>2008 (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within 1 Year</td>
<td>1-5 years</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>P 2,919,123</td>
<td>P –</td>
</tr>
<tr>
<td>Payables to stockholders</td>
<td>111,468</td>
<td>–</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>1,895,759</td>
<td>12,945,466</td>
</tr>
<tr>
<td>Service concession obligations</td>
<td>1,031,550</td>
<td>4,229,525</td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>P 5,957,900</td>
<td>P 17,174,991</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>P 2,739,941</td>
<td>P –</td>
</tr>
<tr>
<td>Payables to stockholders</td>
<td>110,170</td>
<td>–</td>
</tr>
<tr>
<td>Long-term debts</td>
<td>1,083,678</td>
<td>7,164,213</td>
</tr>
<tr>
<td>Service concession obligations</td>
<td>523,575</td>
<td>2,531,688</td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>P 4,457,364</td>
<td>P 9,695,901</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 50%. 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).

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>P14,361,150,240</td>
<td>P13,351,987,620</td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>2,981,342,704</td>
<td>2,739,940,537</td>
</tr>
<tr>
<td></td>
<td>17,342,492,944</td>
<td>16,091,928,157</td>
</tr>
<tr>
<td>Less cash and cash equivalents, short-term cash investments and AFS financial assets</td>
<td>9,729,390,045</td>
<td>8,908,403,784</td>
</tr>
<tr>
<td>Net debt</td>
<td>7,613,102,899</td>
<td>7,183,524,373</td>
</tr>
<tr>
<td>Equity</td>
<td>16,816,902,223</td>
<td>14,450,035,892</td>
</tr>
<tr>
<td>Less net unrealized gain on AFS financial assets</td>
<td>52,548,379</td>
<td>6,670,143</td>
</tr>
<tr>
<td>Total capital</td>
<td>16,764,353,844</td>
<td>14,443,365,749</td>
</tr>
<tr>
<td>Capital and net debt</td>
<td>P24,377,456,743</td>
<td>P21,626,890,122</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>31%</td>
<td>33%</td>
</tr>
</tbody>
</table>

28. 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 ₱100 million to ₱395 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 LAWC 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 PTA 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 PTA Regulatory Office (PTA-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 Boracay Water Supply and Sewerage System (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 with the island of Boracay 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 PTA 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 PTA-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</td>
</tr>
<tr>
<td></td>
<td>CPI adjustments</td>
</tr>
</tbody>
</table>

c. To establish, at Boracay Island, a PTA-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 PTA-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 MWCI 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, PTA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to PTA 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 PTA 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 PTA-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 shall execute a Technical Services Agreement by which, the Parent Company shall be 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.

29. Contingencies

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.

30. Notes to Cash Flow Statements

The Group’s noncash investing activities pertain to the increase in SCA and service concession obligation arising from the Extension amounting to P=3.36 billion and P=3.17 billion, respectively, in 2009 (see Note 1) and accrual of project costs amounting to P=199 million, P=135 million and P=155 million for the years ended December 31, 2009, 2008 and 2007, respectively.

31. Events After Financial Reporting Date

On February 5, 2010, the Parent Company entered into a Joint Venture Agreement (JVA) with Jindal Water Infrastructure Limited (JWIL), a company incorporated in India. The JVA sets for the commitment of the Parent Company and JWIL to establish a joint venture company 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.

On March 4, 2010, AC completed the acquisition of United Utilities’ 81.90 million common shares and economic interest in 2.00 billion preferred shares in MWCI. The acquisition increased AC’s interest in MWCI from 31.7% to 43.3%. 
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 15, 2010. 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
PTR No. 2087369, January 4, 2010, Makati City

February 15, 2010
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>Notes Receivable</th>
<th>Accounts Receivable*</th>
<th>Deductions</th>
<th>Ending Balance</th>
<th>Notes Receivable*</th>
<th>Accounts Receivable*</th>
<th>Non-Current</th>
<th>Current</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>0</td>
<td>66,139,609</td>
<td>43,008,338</td>
<td>0</td>
<td>109,147,947</td>
<td>109,147,947</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Stockholder:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Corporation</td>
<td>83,509</td>
<td>1,496</td>
<td></td>
<td>85,005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Land Inc.</td>
<td>657,685</td>
<td>(550,936)</td>
<td>106,749</td>
<td>106,749</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td>13,467</td>
<td>(3,644)</td>
<td></td>
<td>9,823</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Globe Telecom</td>
<td>0</td>
<td>2,911</td>
<td></td>
<td>2,911</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>754,661</strong></td>
<td><strong>4,407</strong></td>
<td><strong>(554,380)</strong></td>
<td><strong>204,488</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>204,488</strong></td>
<td></td>
<td></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, 2009

<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></td>
<td></td>
<td></td>
<td>Distribution of Earnings by Investees</td>
<td>Others-Cost &amp; Equity Adj</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>% of</td>
<td></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>149,250,000.00</td>
<td>6,750,000.00</td>
<td></td>
</tr>
<tr>
<td>Meralco Preferred Shares</td>
<td>10,637,000.00</td>
<td>0</td>
<td>3,573,050</td>
<td></td>
</tr>
<tr>
<td>Sub-total - at cost</td>
<td>-</td>
<td>159,887,000.00</td>
<td>0.00</td>
<td>6,750,000.00</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>200,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALI Bond</td>
<td>90,000,000.00</td>
<td>90,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI-LTNCD</td>
<td>100,000,000.00</td>
<td>100,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI-Tier 2</td>
<td>30,000,000.00</td>
<td>30,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 2 Note- BDO Private</td>
<td>20,000,000.00</td>
<td>20,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 2 Note- DBP (thru MIB)</td>
<td>30,000,000.00</td>
<td>30,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Globe Bonds (ABON)</td>
<td>100,000,000.00</td>
<td>100,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMIC Bond</td>
<td>50,000,000.00</td>
<td>50,000,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAPOCOR 2011 Zero Coupon Bond</td>
<td>94,048,438.44</td>
<td>94,048,438.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FXTN</td>
<td>112,440,223.67</td>
<td>22,048,719.38</td>
<td>134,488,943.05</td>
<td></td>
</tr>
<tr>
<td>Retail Treasury Bond</td>
<td>207,344,988.36</td>
<td>316,363,379.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMA</td>
<td>600,000,000.00</td>
<td>639,162,815.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUB-TOTAL</td>
<td>1,389,785,212.03</td>
<td>0.00</td>
<td>414,278,363.94</td>
<td>0.00</td>
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<tr>
<td>PESO INVESTMENTS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special deposit accounts</td>
<td>1,644,167.07</td>
<td>1,644,167.07</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>SUB-TOTAL</td>
<td>1,644,167.07</td>
<td>1,644,167.07</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,551,316,379.10</td>
<td>0.00</td>
<td>421,028,363.94</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
## SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES & RELATED PARTIES

As of December 31, 2009

<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></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Schedule E - Other Assets

As of December 31, 2009

<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>NOT APPLICABLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Title & Type of Obligation

<table>
<thead>
<tr>
<th>Title of Issue &amp; Type of Obligation</th>
<th>Interest Rate</th>
<th>No. of Periodic Payments</th>
<th>Maturity</th>
<th>Current Portion of Long-Term Debt</th>
<th>Long-Term Debt Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREIGN CURRENCY DENOMINATED LOANS</strong></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>
</tr>
<tr>
<td>EIB (tranche 1) 1.11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB (tranche 2) 1.5B Peso loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1A (EIB) 7.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1A (ING) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1A (Insular) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1B (EIB) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1B (ING) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1B (Insular) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2A (EIB) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2A (ING) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2A (Insular) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2B (EIB) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2B (ING) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2B (Insular) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1B (Insular-fixed) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2B (EPCIB) 8.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2B (CBC) 8.327%</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>
</tr>
<tr>
<td>EIB (tranche 1) 1.5B Peso loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1A 7.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 1B 7.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2A 7.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2B 7.327%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL USD Equivalent</strong></td>
<td></td>
<td></td>
<td></td>
<td>1,046,783,417</td>
<td>13,290,366,823</td>
</tr>
<tr>
<td><strong>TOTAL JPY Equivalent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,046,783,417</td>
</tr>
<tr>
<td>TITLE OF ISSUE &amp; TYPE OF OBLIGATION</td>
<td>Interest Rates</td>
<td>No. of periodic payments</td>
<td>Maturity</td>
<td>Within 1 Year (2009)</td>
<td>2-5 Years (2010-2013)</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------</td>
<td>----------</td>
<td>----------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>FOREIGN CURRENCY DENOMINATED LOANS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</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>38,717,245</td>
<td>26,331,967</td>
</tr>
<tr>
<td>ADB 1746 Libor plus 1% spread</td>
<td>Semi-annual(20 yrs)</td>
<td>Feb. 2023</td>
<td>-</td>
<td>974,139</td>
<td>3,442,848</td>
</tr>
<tr>
<td>ADB 2012 6-month USD Libor plus .60% spread</td>
<td>Semi-annual(2 yrs)</td>
<td>Aug. 2013</td>
<td>-</td>
<td>454,195</td>
<td>23,536,732</td>
</tr>
<tr>
<td>ADB 808 5% annually</td>
<td>Semi-annual(10 yrs)</td>
<td>May 2022</td>
<td>-</td>
<td>105,327</td>
<td>329,147</td>
</tr>
<tr>
<td>ADB 947 Latest interest rates</td>
<td>Semi-annual(20 yrs)</td>
<td>Dec. 2012</td>
<td>-</td>
<td>780,920</td>
<td>780,920</td>
</tr>
<tr>
<td>IBRD 6014 Latest interest rates</td>
<td>Semi-annual(15 yrs)</td>
<td>Dec. 2009</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IBRD 4010 Latest interest rates</td>
<td>Semi-annual(15 yrs)</td>
<td>July 2016</td>
<td>0</td>
<td>5,517,563</td>
<td>4,239,888</td>
</tr>
<tr>
<td>BNP 7.39% of BNAQ6 Share on $150M BNP Paribas 7-yr guaranteed notes</td>
<td>Balloon payment March 2011</td>
<td>-</td>
<td>11,088,606</td>
<td>11,088,606</td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBRD-110 Latest interest rates</td>
<td>Semi-annual(20 1/2 yrs)</td>
<td>Feb. 2020</td>
<td>-</td>
<td>311,886,695</td>
<td>506,855,881</td>
</tr>
<tr>
<td>French Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Loan</td>
<td>Semi-annual(20 yrs)</td>
<td>Dec. 2018</td>
<td>0</td>
<td>2,170,945</td>
<td>2,088,922</td>
</tr>
<tr>
<td><strong>TOTAL Php Equivalent</strong></td>
<td></td>
<td></td>
<td></td>
<td>1,968,316,503</td>
<td>1,493,907,790</td>
</tr>
</tbody>
</table>

Principal Balances only

Exchange Rates Used (Dec. 31, 2009):

<table>
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<tr>
<th>Currency</th>
<th>Php Exchange Rate</th>
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</thead>
<tbody>
<tr>
<td>USD</td>
<td>46.2000</td>
</tr>
<tr>
<td>JPY</td>
<td>0.50590</td>
</tr>
<tr>
<td>Euro</td>
<td>10.04</td>
</tr>
</tbody>
</table>
MANILA WATER COMPANY, INC.
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
As of December 31, 2009

<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></td>
<td>(Less than 5% of the total assets)</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 - P, 1 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 - P, 1 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>2,030,677,818</td>
</tr>
<tr>
<td>Less: Treasury Stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding Common Stock</td>
<td>2,030,677,818</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, 2009:

<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>50.78%</td>
<td>Filipino</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Non-Filipino)</td>
<td>121,335,907</td>
<td>24.35%</td>
<td>Various</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>52,564,617</td>
<td>10.55%</td>
<td>Japanese</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Filipino)</td>
<td>36,394,098</td>
<td>7.30%</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, 2009 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>200,029,997</td>
<td>60.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>United Utilities Pacific Holdings BV</td>
<td>133,353,331</td>
<td>40.00%</td>
<td>Dutch</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Rufino Luis T. Manotok</td>
<td>1</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>1</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Simeon Ken R. Ferrer</td>
<td>1</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Jennifer I. Lim</td>
<td>1</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
</tbody>
</table>

(3) United Utilities Pacific Holdings BV

United Utilities Pacific Holdings BV is registered in the Netherlands as a wholly owned subsidiary of United Utilities PLC, a British company.

(4) Mitsubishi Corporation

Mitsubishi Corporation is a Japanese corporation and one of Japan’s premier general trading and investment companies.

(5) 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.

(6) 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.
## Schedule K - Retained Earnings Available for Dividends Declaration

As of December 31, 2009

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unappropriated Retained Earnings as adjusted to available for dividends distribution, beginning</td>
<td>5,868,146,374</td>
</tr>
<tr>
<td>Net income during the period closed to Retained Earnings</td>
<td>3,242,243,798</td>
</tr>
<tr>
<td>Less: Deferred tax benefit during the period</td>
<td>-41,795,181</td>
</tr>
<tr>
<td>Add: Mark-to-market loss on derivatives</td>
<td>99,586,433</td>
</tr>
<tr>
<td>Accretion of long term debt discount</td>
<td>16,682,420</td>
</tr>
<tr>
<td>Accretion of service concession obligation and deposits</td>
<td>368,829,048</td>
</tr>
<tr>
<td>Net income actually earned during the period</td>
<td>3,685,546,518</td>
</tr>
<tr>
<td>Less: Dividends declared during the period</td>
<td>-1,010,802,785</td>
</tr>
<tr>
<td>Appropriations during the period</td>
<td>-3,000,000,000</td>
</tr>
<tr>
<td>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</td>
<td>5,542,890,107</td>
</tr>
</tbody>
</table>
### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</strong></td>
<td>43,758,407</td>
<td>36,368,467</td>
</tr>
<tr>
<td>A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)</td>
<td>9,177,933</td>
<td>8,605,239</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>4,037,841</td>
<td>3,989,080</td>
</tr>
<tr>
<td>A.1.1.1 On hand</td>
<td>3,210</td>
<td>2,243</td>
</tr>
<tr>
<td>A.1.1.2 In domestic banks/entities</td>
<td>4,034,631</td>
<td>3,986,837</td>
</tr>
<tr>
<td>A.1.1.3 In foreign banks/entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)</td>
<td>508,072</td>
<td>593,138</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 +</td>
<td>508,072</td>
<td>593,138</td>
</tr>
<tr>
<td>A.1.2.1.1 Due from customers (trade)</td>
<td>902,074</td>
<td>1,077,743</td>
</tr>
<tr>
<td>A.1.2.1.2 Due from related parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)</td>
<td>165,196</td>
<td>128,427</td>
</tr>
<tr>
<td>A.1.2.1.3.1 West Zone Service Operator</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.2.1.3.2 Receivables from banks/employees, etc.</td>
<td>165,196</td>
<td>128,427</td>
</tr>
<tr>
<td>A.1.2.1.4 Allowance for doubtful accounts (negative entry)</td>
<td>(558,398)</td>
<td>(613,032)</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>
</tr>
<tr>
<td>A.1.2.2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<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>38,434</td>
<td>2,879</td>
</tr>
<tr>
<td>A.1.3.1 Raw materials and supplies</td>
<td>38,434</td>
<td>2,879</td>
</tr>
<tr>
<td>A.1.3.2 Goods in process (including unfinished goods, growing crops,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.3.3 Finished goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.3.4 Merchandise/Goods in transit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.3.5 Unbilled Services (in case of service providers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.3.6.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.3.6.2</td>
<td></td>
<td></td>
</tr>
<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>3,724,222</td>
<td>3,368,007</td>
</tr>
<tr>
<td>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>domestic entities</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>A.1.4.1.1 National Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.1.2 Public Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.1.3 Public Non-Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.1.4 Private Financial Institutions</td>
<td></td>
<td></td>
</tr>
<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:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(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>
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<td></td>
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<tr>
<td>A.1.4.2.1 National Government</td>
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<td></td>
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<tr>
<td>A.1.4.2.2 Public Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.2.3 Public Non-Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.2.4 Private Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.2.5 Private Non-Financial Institutions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Note:
This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.
## TABLE 1. Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.1.4.3 Loans and Receivables - issued by domestic entities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(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)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.1 National Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.2 Public Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.3 Private Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.3 Public Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4 Private Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4.1 National Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4.2 Public Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4.3 Public Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4.4 Private Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4.4.1 National Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.3.4.5 Private Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.4 Available-for-sale financial assets - issued by domestic entities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)</td>
<td>3,724,422</td>
<td>3,368,007</td>
</tr>
<tr>
<td><strong>A.1.4.4.1 National Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.4.2 Public Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.4.3 Public Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.4.4 Private Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.4.5 Private Non-Financial Institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.5 Financial Assets issued by foreign entities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.5.1 Financial Assets at fair value through profit or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.5.2 Held-to-maturity investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.5.3 Loans and Receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.5.4 Available-for-sale financial assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.4.6 Allowance for decline in market value (negative entry)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)</strong></td>
<td>868,364</td>
<td>652,135</td>
</tr>
<tr>
<td><strong>A.1.5.1 Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.1.5.2</strong></td>
<td>868,364</td>
<td>652,135</td>
</tr>
<tr>
<td><strong>A.1.5.3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>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)</strong></td>
<td>986,656</td>
<td>722,897</td>
</tr>
<tr>
<td><strong>A.2.1 Land</strong></td>
<td>725,293</td>
<td>447,190</td>
</tr>
<tr>
<td><strong>A.2.2 Building and improvements including leasehold improvement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.3 Machinery and equipment (on hand and in transit)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery</strong></td>
<td>707,906</td>
<td>568,294</td>
</tr>
<tr>
<td><strong>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)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.5.1 Construction in progress</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.5.2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.5.3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.5.4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.5.5</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>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)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.6.1</strong></td>
<td></td>
<td></td>
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<td><strong>A.2.6.2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.6.3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.6.4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.6.5</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.2.7 Accumulated Depreciation (negative entry)</strong></td>
<td>(762,033)</td>
<td>(581,786)</td>
</tr>
<tr>
<td><strong>A.2.8 Impairment Loss or Reversal if loss, negative entry</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.3.1 Equity in domestic subsidiaries/affiliates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.3.2 Equity in foreign branches/subsidiaries/affiliates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>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)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.3.3.1</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>A.3.3.2</strong></td>
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</tr>
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<td><strong>A.3.3.3</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>A.3.3.4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.3.3.5</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.4 Investment Property</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.5 Biological Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.6 Intangible Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)</strong></td>
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<tr>
<td><strong>A.6.1.1 Intangible concession assets</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>A.6.2 Others, specify (A.6.2.1 + A.6.2.2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.6.2.1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.6.2.2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.7 Assets Classified as Held for Sale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A.8 Assets included in Disposal Groups Classified as Held for Sale</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 1: Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.9 Long-term receivables (net of current portion)</td>
<td>21,910,881</td>
<td>26,787,681</td>
</tr>
<tr>
<td>A.9.1 From domestic entities (A.9.1.1 + A.9.1.2 + A.9.1.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.9.1.1</td>
<td></td>
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<td>A.9.1.2</td>
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</tr>
<tr>
<td>A.9.1.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.9.2 From foreign entities (A.9.2.1 + A.9.2.2 + A.9.2.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.9.2.1</td>
<td></td>
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<tr>
<td>A.9.2.2</td>
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<tr>
<td>A.9.2.3</td>
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<td></td>
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<tr>
<td>A.9.3 Allowance for doubtful accounts (net of current portion) (negative entry)</td>
<td></td>
<td></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>
<td>3,126,542</td>
<td>3,426,877</td>
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<tr>
<td>A.10.1 Deferred charges - net of amortization</td>
<td></td>
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<tr>
<td>A.10.2 Deferred Income Tax - net</td>
<td>327,661</td>
<td>371,050</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 (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)</td>
<td>2,798,881</td>
<td>3,057,627</td>
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<tr>
<td>A.10.4.1 Available-for-sale financial assets</td>
<td>1,551,316</td>
<td>1,967,128</td>
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<tr>
<td>A.10.4.2 Others</td>
<td>1,247,565</td>
<td>1,090,499</td>
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<td>A.10.4.5</td>
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<tr>
<td>A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)</td>
<td></td>
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<tr>
<td>B. Liabilities (B.1 + B.2 + B.3 + B.4 + B.5)</td>
<td>21,910,881</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>
<td>4,237,296</td>
<td>5,426,899</td>
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<tr>
<td>B.1.1 Trade and Other Payables to Domestic Entities (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>1,013,035</td>
<td>2,147,363</td>
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<td>B.1.1.2 Trade Payables</td>
<td>1,088,536</td>
<td>1,606,005</td>
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<td>B.1.1.3 Payables to Related Parties</td>
<td>110,170</td>
<td>111,467</td>
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<tr>
<td>B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders</td>
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<tr>
<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>
<td>887,066</td>
<td>1,006,476</td>
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<tr>
<td>B.1.1.5.1 Accruals</td>
<td>792,536</td>
<td>807,231</td>
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<td>B.1.1.5.2 Contracts payables</td>
<td>134,530</td>
<td>199,247</td>
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<td>B.1.1.5.3 Others</td>
<td>704,338</td>
<td>363,361</td>
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<td>B.1.1.6 Others (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)</td>
<td>492,739</td>
<td>217,105</td>
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<tr>
<td>B.1.1.6.1 Interest payable</td>
<td>271,599</td>
<td>146,756</td>
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<td>B.1.1.6.2 Others</td>
<td></td>
<td></td>
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<td>B.1.1.6.3</td>
<td></td>
<td></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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<tr>
<td>B.1.2.1</td>
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<td>B.1.2.3</td>
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<tr>
<td>B.1.3 Provisions</td>
<td></td>
<td></td>
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<tr>
<td>B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)</td>
<td></td>
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<tr>
<td>B.1.4.1</td>
<td></td>
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<td>B.1.4.2</td>
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<td>B.1.4.4</td>
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<td>B.1.4.5</td>
<td></td>
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<tr>
<td>B.1.5 Liabilities for Current Tax</td>
<td>368,151</td>
<td>191,725</td>
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<td>B.1.6 Deferred Tax Liabilities</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7 Others (specify)</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.1 Dividends declared and not paid at balance sheet date</td>
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<td></td>
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<tr>
<td>B.1.7.2 Acceptances Payable</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.3 Liabilities under Trust Receipts</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.4 Portion of Long-term Debt Due within one year</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.5 Deferred Income</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities</td>
<td></td>
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<tr>
<td>B.1.7.6.1</td>
<td></td>
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<td>B.1.7.6.2</td>
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<td>B.1.7.6.3</td>
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</table>
Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.2 Long-term Debt - Non-current Interest-bearing Liabilities</td>
<td>19,668,449</td>
<td>16,372,611</td>
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<tr>
<td>B.2.1 Domestic Public Financial Institutions</td>
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<td></td>
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<tr>
<td>B.2.2 Domestic Public Non-Financial Institutions</td>
<td>6,368,082</td>
<td>3,475,379</td>
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<tr>
<td>B.2.3 Domestic Private Financial Institutions</td>
<td>13,300,367</td>
<td>12,897,232</td>
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<tr>
<td>B.2.4 Domestic Private Non-Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.5 Foreign Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.3 Indebtedness to Affiliates and Related Parties (Non-Current)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.5 Other Liabilities (B.5.1 + B.5.2)</td>
<td>1,692,333</td>
<td>1,306,974</td>
</tr>
<tr>
<td>B.5.1 Deferred Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>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)</td>
<td>1,692,333</td>
<td>1,306,974</td>
</tr>
<tr>
<td>B.5.2.1 Customers Guaranty and Other Deposits</td>
<td>1,293,931</td>
<td>1,034,164</td>
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<tr>
<td>B.5.2.2 Deferred Credits</td>
<td>196,984</td>
<td>158,140</td>
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<tr>
<td>B.5.2.3 Pension liabilities</td>
<td>201,418</td>
<td>114,670</td>
</tr>
<tr>
<td>B.5.2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.5.2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1)</td>
<td>16,970,726</td>
<td>14,457,586</td>
</tr>
<tr>
<td>C.1.1 Common shares</td>
<td>3,100,000</td>
<td>3,100,000</td>
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<tr>
<td>C.1.2 Preferred shares</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>C.1.3 Others</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3 + C.2.4 + C.2.5)</td>
<td>2,930,678</td>
<td>2,922,879</td>
</tr>
<tr>
<td>C.2.1 Common shares</td>
<td>2,030,678</td>
<td>2,022,879</td>
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<tr>
<td>C.2.2 Preferred shares</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>C.2.3 Others</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>C.3 Paid-up Capital Stock (C.3.1 + C.3.2)</td>
<td>2,905,444</td>
<td>2,905,444</td>
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<tr>
<td>C.3.1 Common shares</td>
<td>2,005,444</td>
<td>2,005,444</td>
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<tr>
<td>C.3.2 Preferred shares</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
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<tr>
<td>C.5 Minority Interest</td>
<td>153,824</td>
<td>7,550</td>
</tr>
<tr>
<td>C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)</td>
<td>(36,162)</td>
<td>(76,710)</td>
</tr>
<tr>
<td>C.6.1 Common stocks options outstanding</td>
<td>22,110</td>
<td>7,446</td>
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<tr>
<td>C.6.2 Unrealized gain on available-for-sale financial assets</td>
<td>52,548</td>
<td>6,670</td>
</tr>
<tr>
<td>C.6.3 Subscription receivable</td>
<td>(136,054)</td>
<td>(108,261)</td>
</tr>
<tr>
<td>C.6.4 Subscribed capital stock</td>
<td>25,234</td>
<td>17,435</td>
</tr>
<tr>
<td>C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus</td>
<td></td>
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<tr>
<td>C.8 Retained Earnings (C.8.1 + C.8.2)</td>
<td>10,996,463</td>
<td>8,775,853</td>
</tr>
<tr>
<td>C.8.1 Appropriated</td>
<td>7,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>C.8.2 Unappropriated</td>
<td>3,996,463</td>
<td>4,775,853</td>
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<tr>
<td>C.9 Head / Home Office Account (for Foreign Branches only):</td>
<td></td>
<td></td>
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<tr>
<td>C.10 Cost of Stocks Held in Treasury (negative entry)</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND EQUITY (B + C)</td>
<td>43,758,407</td>
<td>36,368,467</td>
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</table>
### Table 2. Income Statement

<table>
<thead>
<tr>
<th>A. REVENUE / INCOME (A.1 + A.2 + A.3)</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)</td>
<td>9,733,423</td>
<td>9,341,575</td>
</tr>
<tr>
<td>A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for</td>
<td>9,441,620</td>
<td>8,814,845</td>
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<tr>
<td>A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)</td>
<td>90,937</td>
<td>98,745</td>
</tr>
<tr>
<td>A.3.1 Rental Income from Land and Buildings</td>
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<td></td>
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<tr>
<td>A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)</td>
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<tr>
<td>A.3.3 Sale of Real Estate or other Property and Equipment</td>
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<tr>
<td>A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)</td>
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<td></td>
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<tr>
<td>A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.6 + A.3.5.7 + A.3.5.8)</td>
<td>90,937</td>
<td>98,745</td>
</tr>
<tr>
<td>A.3.5.1 Revenue from management contracts</td>
<td>23,709</td>
<td>16,524</td>
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<tr>
<td>A.3.5.2 Miscellaneous</td>
<td>67,226</td>
<td>82,221</td>
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<td>A.3.5.7</td>
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</tr>
<tr>
<td>A.3.5.8</td>
<td></td>
<td></td>
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<tr>
<td>A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)</td>
<td>200,866</td>
<td>427,985</td>
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<tr>
<td>A.4.1 Interest Income</td>
<td>361,971</td>
<td>204,889</td>
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<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 (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)</td>
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<tr>
<td>A.4.3.1</td>
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<td>A.4.3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)</td>
<td>161,105.00</td>
<td>223,096.00</td>
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<tr>
<td>A.4.4.1 Gain / (Loss) on Foreign Exchange</td>
<td>(92,433.00)</td>
<td>(27,655.00)</td>
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<tr>
<td>A.4.4.2 Mark-to-market loss on derivatives</td>
<td>(99,586.00)</td>
<td>47,847.00</td>
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<tr>
<td>A.4.4.3 Amortization of deferred credits</td>
<td>29,337.00</td>
<td>202,904.00</td>
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<tr>
<td>A.4.4.4 Revenue/(cost) from rehabilitation works</td>
<td>1,577.00</td>
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</tbody>
</table>

#### B. COST OF GOODS SOLD (B.1 + B.2 + B.3)

<table>
<thead>
<tr>
<th>B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.1.1 Direct Material Used</td>
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<td></td>
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<tr>
<td>B.1.2 Direct Labor</td>
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<td></td>
</tr>
<tr>
<td>B.1.3 Other Manufacturing Cost / Overhead</td>
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<td></td>
</tr>
<tr>
<td>B.1.4 Goods in Process, Beginning</td>
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<tr>
<td>B.1.5 Goods in Process, End (negative entry)</td>
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<td></td>
</tr>
<tr>
<td>B.2 Finished Goods, Beginning</td>
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</tr>
<tr>
<td>B.3 Finished Goods, End (negative entry)</td>
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</table>

#### C. COST OF SALES (C.1 + C.2 + C.3)

<table>
<thead>
<tr>
<th>C.1 Purchases</th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
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</thead>
<tbody>
<tr>
<td>C.2 Merchandise Inventory, Beginning</td>
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</tr>
<tr>
<td>C.3 Merchandise Inventory, End (negative entry)</td>
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</table>

#### D. GROSS PROFIT (A - B - C)

<table>
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<tr>
<th></th>
<th>2009 (in P'000)</th>
<th>2008 (in P'000)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>9,733,423</td>
<td>9,341,575</td>
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### Table 2. Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2008 (in P'000)</th>
<th>2007 (in P'000)</th>
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<tbody>
<tr>
<td><strong>F.  FINANCE COSTS</strong></td>
<td></td>
<td></td>
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<tr>
<td>F.1 Interest on Short-Term Promissory Notes</td>
<td>811,521</td>
<td>689,267</td>
</tr>
<tr>
<td>F.2 Interest on Long-Term Promissory Notes</td>
<td>811,521</td>
<td>689,267</td>
</tr>
<tr>
<td>F.3 Interest on bonds, mortgages and other long-term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F.4 Amortization</td>
<td></td>
<td></td>
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<tr>
<td>F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)</td>
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<tr>
<td>F.5.1</td>
<td></td>
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<td>F.5.2</td>
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<tr>
<td>F.5.3</td>
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<tr>
<td>F.5.4</td>
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<tr>
<td>F.5.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>G.  NET INCOME (LOSS) BEFORE TAX</strong> (D - E - F)</td>
<td>4,235,530</td>
<td>4,256,733</td>
</tr>
<tr>
<td><strong>H.  INCOME TAX EXPENSE</strong></td>
<td>(negative entry)</td>
<td>(1,005,011)</td>
</tr>
<tr>
<td><strong>I.  INCOME (LOSS) AFTER TAX</strong></td>
<td>3,230,519</td>
<td>2,788,068</td>
</tr>
<tr>
<td><strong>J.</strong> 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><strong>K.  PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST</strong></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>L.  PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</strong></td>
<td>3,230,519</td>
<td>2,788,068</td>
</tr>
<tr>
<td><strong>M.  EARNINGS (LOSS) PER SHARE</strong></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., Kalikasan Road, Balara, Quezon City

**TEL. NO.:** 977-39-00 **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.

### Financial Data

#### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2009 (in P’000)</th>
<th>2008 (in P’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Loss) Before Tax and Extraordinary Items</td>
<td>4,235,530</td>
<td>4,256,733</td>
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<tr>
<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</td>
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<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,956,340</td>
<td>1,890,509</td>
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<tr>
<td>Amortization, specify</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared-based payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on early retirement of loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of property and equipment</td>
<td>45</td>
<td>(11)</td>
</tr>
</tbody>
</table>

#### Write-down of Property, Plant, and Equipment

| Changes in Assets and Liabilities: | | |
| Decrease (Increase) in: | | |
| Receivables | 83,554 | (176,501) |
| Materials and supplies | (34,888) | 38,455 |
| Other Current Assets | (218,226) | 142,774 |
| Others, specify: | | |

| Increase (Decrease) in: | | |
| Accounts and Other Payables | 527,281 | 511,981 |
| Income and Other Taxes Payable | | |
| Others, specify: | | |
| Payable to stockholders | 1,297 | (15,256) |
| Income Taxes paid | (1,227,894) | (951,272) |

**A. Net Cash Provided by (Used in) Operating Activities (sum of above rows) | 5,850,282 | 6,233,163**

#### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) Decrease in Long-Term Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in Investment</td>
<td>(356,415)</td>
<td>(1,980,096)</td>
</tr>
<tr>
<td>Reductions/Additions to Property, Plant, and Equipment</td>
<td>(443,362)</td>
<td>(331,932)</td>
</tr>
<tr>
<td>Acquisition through business combination of a subsidiary-net of cash acquired</td>
<td>(169,273)</td>
<td></td>
</tr>
<tr>
<td>Others, specify: Service Concession Assets</td>
<td>(4,507,166)</td>
<td>(3,494,068)</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>(369,933)</td>
<td>(851,880)</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>(85,732)</td>
<td>(997,530)</td>
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<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>131</td>
<td>387</td>
</tr>
<tr>
<td>Interest received</td>
<td>371,182</td>
<td>159,840</td>
</tr>
</tbody>
</table>

**B. Net Cash Provided by (Used in) Investing Activities (sum of above rows) | (5,560,568) | (7,595,079)**

#### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<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>2,140,278</td>
<td>6,703,740</td>
</tr>
<tr>
<td>Issuance of Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others, specify: Customers’ guaranty and other deposits</td>
<td>295,494</td>
<td>89,258</td>
</tr>
<tr>
<td>Collection of subscriptions</td>
<td>24,884</td>
<td>24,125</td>
</tr>
<tr>
<td>Noncontrolling interests of consolidated subsidiaries</td>
<td>60,000</td>
<td></td>
</tr>
<tr>
<td>Payments of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Long-term Debt)</td>
<td>(720,218)</td>
<td>(1,274,880)</td>
</tr>
<tr>
<td>Service concession obligation</td>
<td>(380,782)</td>
<td>(463,282)</td>
</tr>
<tr>
<td>Others, specify: (negative entry): Interest paid</td>
<td>(691,479)</td>
<td>(379,090)</td>
</tr>
<tr>
<td>Redemption of own shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>(969,151)</td>
<td>(885,895)</td>
</tr>
</tbody>
</table>

**C. Net Cash Provided by (Used in) Financing Activities (sum of above rows) | (240,954) | 3,814,376**

### NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>3,989,081</td>
<td>1,536,621</td>
</tr>
<tr>
<td>End of year</td>
<td>4,037,641</td>
<td>3,989,081</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>
<thead>
<tr>
<th>F I N A N C I A L   D A T A</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>
</thead>
<tbody>
<tr>
<td>A. Balance, 2008</td>
<td>2,322,063</td>
<td>3,345,449</td>
<td>0</td>
<td>6,670</td>
<td>8,775,853</td>
<td>14,450,036</td>
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<tr>
<td>A.1 Correction of Error(s)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>A.2 Changes in Accounting Policy</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>B. Restated Balance</td>
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<tr>
<td>C. Surplus</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>C.1 Surplus (Deficit) on Revaluation of Properties</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>C.2 Surplus (Deficit) on Revaluation of Investments</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>C.3 Currency Translation Differences</td>
<td></td>
<td>45,878</td>
<td></td>
<td>45,878</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.4 Other Surplus (specify)</td>
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<tr>
<td>C.4.1</td>
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<td>C.4.2</td>
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<td>C.4.3</td>
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<td>C.4.4</td>
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<td>C.4.5</td>
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<tr>
<td>D. Net Income (Loss) for the Period</td>
<td></td>
<td>3,231,413</td>
<td></td>
<td>3,231,413</td>
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<tr>
<td>E. Dividends (negative entry)</td>
<td></td>
<td>(1,010,803)</td>
<td></td>
<td>(1,010,803)</td>
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<tr>
<td>F. Appropriation for (specify)</td>
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<tr>
<td>F.1 Appropriation for capital expenditures</td>
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<tr>
<td>F.2</td>
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<td>F.5</td>
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<tr>
<td>G. Issuance of Capital Stock</td>
<td></td>
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<tr>
<td>G.1 Common Stock</td>
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<tr>
<td>G.2 Preferred Stock</td>
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<tr>
<td>G.3 Others</td>
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<tr>
<td>H. Balance, 2004</td>
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<tr>
<td>H.1 Correction of Error(s)</td>
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<tr>
<td>H.2 Changes in Accounting Policy</td>
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<tr>
<td>I. Restated Balance</td>
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<tr>
<td>J. Surplus</td>
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</tr>
<tr>
<td>J.1 Surplus (Deficit) on Revaluation of Properties</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>J.2 Surplus (Deficit) on Revaluation of Investments</td>
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<td></td>
</tr>
<tr>
<td>J.3 Currency Translation Differences</td>
<td></td>
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<tr>
<td>J.4 Other Surplus (specify)</td>
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<tr>
<td>J.4.1</td>
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<td>J.4.2</td>
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<td>J.4.3</td>
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<td>J.4.4</td>
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<tr>
<td>J.4.5</td>
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</tr>
<tr>
<td>K. Net Income (Loss) for the Period</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>L. Dividends (negative entry)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>M. Appropriation for (specify)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>M.1</td>
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<td>M.2</td>
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<td>M.3</td>
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<td>M.4</td>
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<td>M.5</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>N. Issuance of Capital Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.1 Common Stock</td>
<td>(19,994)</td>
<td>105,708</td>
<td></td>
<td></td>
<td>85,714</td>
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</tr>
<tr>
<td>N.2 Preferred Stock</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.3 Treasury shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N.3 Shared-based payment</td>
<td>14,664</td>
<td></td>
<td></td>
<td></td>
<td>14,664</td>
<td></td>
</tr>
<tr>
<td>O. Balance, 2009</td>
<td>2,316,733</td>
<td>3,451,157</td>
<td>0</td>
<td>52,548</td>
<td>10,996,463</td>
<td>16,816,902</td>
</tr>
</tbody>
</table>
Table 5. Details of Income and Expenses, by source
(applicable to corporations transacting with foreign corporations/entities)

<table>
<thead>
<tr>
<th>F I N A N C I A L   D A T A</th>
<th>2005 (in P'000)</th>
<th>2004 (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>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.1 Domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.2 Foreign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2 Other Revenue (A.2.1 + A.2.2)</td>
<td></td>
<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>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.2</td>
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<td>A.2.2.3</td>
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<td>A.2.2.4</td>
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<td>A.2.2.5</td>
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<td>A.2.2.9</td>
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</tr>
<tr>
<td>A.2.2.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. EXPENSES (B.1 + B.2)</strong></td>
<td></td>
<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>
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<tr>
<td>B.2.1</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.2.5</td>
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<td>B.2.7</td>
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<td>B.2.8</td>
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<td>B.2.10</td>
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<td></td>
</tr>
</tbody>
</table>
COMPTROLLER’S CERTIFICATION

I, LUI S JUAN B. ORETA, of legal age, Filipino and with office address at 489 Katipunan Road, Balara, Quezon City, after being sworn in accordance with law, hereby certify that:

1. I am the Comptroller of MANILA WATER COMPANY, INC. (the “Corporation”) a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. A1996-11593, with principal address at 489 Katipunan Road, Balara, Quezon City.

2. The Financial Statement ("GFFS") diskette submitted contains the exact data stated in the hard copies of the F/S of the Corporation.

3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this 14th of April, 2010 at Quezon City.

LUIS JUAN B. ORETA
Comptroller

SUBSCRIBED AND SWORN to before me this 14th day of April 2010, affiant exhibiting to me his Passport No. XX2933903 valid until February 3, 2014.

Doc. No. 6/;
Page No. 13;
Book No. 26;
Series of 2010.
## List of Top 20 Stockholders (Exhibit 4)
### As of December 31, 2009

<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>1,137,833,596</td>
<td>56.0259%</td>
</tr>
<tr>
<td>2</td>
<td>AYALA CORPORATION</td>
<td>569,978,079</td>
<td>28.0652%</td>
</tr>
<tr>
<td>3</td>
<td>MITSUBISHI CORPORATION</td>
<td>168,999,999</td>
<td>8.3214%</td>
</tr>
<tr>
<td>4</td>
<td>UNITED UTILITIES PACIFIC HOLDINGS BV</td>
<td>81,934,915</td>
<td>4.0344%</td>
</tr>
<tr>
<td>5</td>
<td>ESOWN ADMINISTRATOR 2005**</td>
<td>17,102,500</td>
<td>0.8421%</td>
</tr>
<tr>
<td>6</td>
<td>ESOWN ADMINISTRATOR 2006**</td>
<td>9,835,001</td>
<td>0.4843%</td>
</tr>
<tr>
<td>7</td>
<td>ESOWN ADMINISTRATOR 2009**</td>
<td>7,799,025</td>
<td>0.3840%</td>
</tr>
<tr>
<td>8</td>
<td>ESOWN ADMINISTRATOR 2008**</td>
<td>6,218,483</td>
<td>0.3062%</td>
</tr>
<tr>
<td>9</td>
<td>RUEL T. MARANAN (AS MWCI ESOP ADMINISTRATOR)</td>
<td>4,644,924</td>
<td>0.2287%</td>
</tr>
<tr>
<td>10</td>
<td>ERNESTO O. CHUA CHIACO AND/OR MARGARET SY CHUA CHIACO</td>
<td>2,240,000</td>
<td>0.1103%</td>
</tr>
<tr>
<td>11</td>
<td>ESOWN ADMINISTRATOR 2007**</td>
<td>1,590,000</td>
<td>0.0783%</td>
</tr>
<tr>
<td>12</td>
<td>LOZANO A. TAN</td>
<td>740,000</td>
<td>0.0364%</td>
</tr>
<tr>
<td>13</td>
<td>MAGDALENO B. ALBARRACIN AND/OR TRINIDAD ALBARRACIN</td>
<td>705,000</td>
<td>0.0347%</td>
</tr>
<tr>
<td>14</td>
<td>FORESIGHT REALTY &amp; DEVELOPMENT CORPORATION</td>
<td>618,000</td>
<td>0.0304%</td>
</tr>
<tr>
<td>15</td>
<td>ADMINISTRATOR 2006 ESOWN II**</td>
<td>573,499</td>
<td>0.0282%</td>
</tr>
<tr>
<td>16</td>
<td>CONSTANTINO CHUA AND/OR WILLINGTON AND/OR GEORGE WY CHUA</td>
<td>500,000</td>
<td>0.0246%</td>
</tr>
<tr>
<td>17</td>
<td>WILCAR MANAGEMENT &amp; DEVELOPMENT CORPORATION</td>
<td>440,000</td>
<td>0.0217%</td>
</tr>
<tr>
<td>18</td>
<td>INSULAR LIFE ASSURANCE CO. LTD</td>
<td>418,000</td>
<td>0.0206%</td>
</tr>
<tr>
<td>19</td>
<td>ALFREDO HENARES</td>
<td>400,000</td>
<td>0.0197%</td>
</tr>
<tr>
<td>20</td>
<td>ROGER C ANG</td>
<td>300,000</td>
<td>0.0148%</td>
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</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
2009
SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0981 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Received From: Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 1122120090000381
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 18, 2009
No. of Days Late: 0
Department: CFD
Remarks:
**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

**9267999 loc. 8130**

Company Telephone Number

**SEC Form 17-C**

**STOCK**

FORM TYPE

**04**

Any

Month Day Annual Meeting

Secondary License Type, if Applicable

**A1996-11593**

Amended Articles Number/Section

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<th>Total No. of Stockholders</th>
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<th>Domestic</th>
<th>Foreign</th>
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**To be accomplished by SEC Personnel concerned**

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<th>Cashier</th>
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**STAMPS**
1. **December 18, 2009**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  **A1996-11593**

3. BIR Tax Identification No.  **905-038-428**

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 MWSS Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City 1106**

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. Authorized Capital Stock  
       **P 3,100,000,000.00**
       
       Common Shares  
       **2,030,906,476 (P1.00 par value)**
       Participating Preferred Shares  
       **4,000,000,000 (P0.10 par value)**

    b. Number of Shares Outstanding  
       **Common Shares, par value P1.00 each – 2,030,906,476**
       **Participating Preferred Shares, par value P0.10 each – 4,000,000,000**

    c. Amount of Debt Outstanding

---

\[1\] 2,004,495,466 Outstanding Common Shares  
568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)  
25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the  
2,030,906,476 PSE
December 17, 2009

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 press release and tariff table which contains the new water rates to be implemented starting January 2, 2010 considering that the publication of the said rates will be on December 18, 2009. The water rates shall be effective fifteen (15) days after such publication.

Sincerely,

[Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head
MANILA WATER 2010 WATER RATES APPROVED

Manila Water, water and wastewater provider in the East Zone of Metro Manila and parts of the Rizal Province, will implement a new water tariff beginning January 2010 as approved by the Metropolitan Waterworks and Sewerage System (MWSS).

In 2008, the MWSS Board and Manila Water agreed to implement the 2008 Rate Rebasing adjustment on a staggered basis over the next five years (2008-2012).

In the midst of the global financial crisis during the same year, the Government mandated that further tariff mitigation measures be adopted. NO adjustment in the base tariff was implemented in 2009.

To help pump prime the economy, accelerate waste water projects and pursue projects to clean up Manila Bay pursuant to the Supreme Court ruling, MWSS approved a 15-year renewal/extension of the Concession Agreement with Manila Water or up to year 2037. The Secretary of the Department of Finance acting in behalf of the Republic issued the Letter of Undertaking. The original agreement ends in year 2022.

As a result of the renewal/extension of the Concession Agreement, effective January 2, 2010, the average base tariff will increase by P1.16 per cubic meter only. However, in line with the government program to protect low-income household, residential customers consuming 10 cubic meters or less shall continue to be exempt from tariff adjustment which they have been enjoying since 2008.

Water bills of residential customers consuming 15 cubic meters shall increase by P0.47 per day only; while majority of customers consuming 30 cubic meters per month shall increase P1.30 per day.

Consistent with the government's goal to provide efficient water and wastewater services, a longer recovery period would allow Manila Water to ensure the implementation of its Service Improvement Plan until 2037. The plan aims to ensure 24-hour water supply for Metro Manila and parts of Rizal, mitigate impact of natural calamities and improve the reliability of Angat as the only source of water for Metro Manila while supporting MWSS in its pursuit to develop new water sources.

Manila Water will also be able to implement accelerated wastewater expansion programs through the clean-up of the 3 river systems of San Juan, Marikina and Pasig by way of a combined drainage and sewer system.
NOTICE TO MANILA WATER CUSTOMERS AND THE PUBLIC NEW WATER RATES FOR THE EAST ZONE

Pursuant to the recommendation of the MWSSE Regulatory Office(RO), in RO Resolution No. 09-011-CA dated December 8, 2005, as approved by the MWSSE Board of Trustees (BOT) in MWSSE Board Resolution No. 2005-33 dated December 19, 2005, effective 15 days after publication in a newspaper of general circulation, Manila Water Company, Inc. (MWC) will implement the revised water rates in the approved tariff结构调整 as of Dec. 31, 2006 and the 2.0% increase in the Consumer Price Index of the Old Rate, effective January 1, 2007, consistent with the MWSSE Concession Agreement Tariff Establishment with MWSSE BOT Resolution No. 2005-07 dated April 27, 2006 and confirmed on April 28, 2006.

Marta Water Company, the East Zone concessionaire, covers the following areas: Manila (San Juan, Manila City, Pasay City and Parañaque), Caloocan City (west of San Juan River, South Avenue, EDCA, Congressional and Molino), Mandaue City, (east of South Avenue, Cebu), Mandaluyong City, Marikina City, Parañaque City, Valenzuela City, Malabon City, and Mandaluyong City, all in Metro Manila, Rizal Province.

The new scheme of water and sewer rates for all MWSSE customers is as follows:

1. WATER CHARGE

   A. BASIC CHARGE

   RESIDENTIAL

   a. Consuming 10 cu. m. or less
   
<table>
<thead>
<tr>
<th>Rate</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>P 95</td>
<td>P 105.00</td>
<td>P 107.70</td>
</tr>
</tbody>
</table>

   b. Consuming more than 10 cu. m.

<table>
<thead>
<tr>
<th>Rate</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>P 114</td>
<td>P 119.40</td>
<td>P 122.80</td>
</tr>
</tbody>
</table>

   BUSINESS

<table>
<thead>
<tr>
<th>Rate</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>P 122.80</td>
<td>P 127.80</td>
<td>P 131.40</td>
</tr>
</tbody>
</table>

   C. MAINTENANCE SERVICE CHARGE

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>P 1.05</th>
<th>P 3.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2&quot; or 12.5 mm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/4&quot; or 25 mm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1&quot; or 25 mm</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   D. VALUE ADDED TAX (VAT) 12% of the Charges 1, 2, and 3

   E. MONTHLY BILL IS THE SUM OF 1, 2, 3, and 4.

   F. WE RESERVE THE RIGHT TO MAKE CHANGES IN WATER RATES FROM TIME TO TIME WITHOUT ADVANCE NOTICE.

   SIGNED:

   MANUEL E. DRILON
   MWSSE Regulatory Office

   JASPER E. R. RAMIREZ
   MWSSE Regulatory Office

WHAT EAST CONCESSION CUSTOMERS SHOULD KNOW

- Approval of the 15-year renewal/extension of the Concession Agreement benefits customers.
- Manila Water will invest P456 billion in the next 28 years while the remaining balance of the approved 2008 rate raising tariff was reduced by 60%.

We will continue to provide services that will further enhance services to our customers.

- Reliability - to ensure 24-hour water supply for Metro Manila and parts of Rizal, mitigate impact of natural calamities like Ondoy, adapt to climate change and improve the reliability of Angat Dam.
- Expansion - to deliver water and wastewater services to currently unserved areas and ensure sufficient water supply to cater to the additional 2 million population in parts of Rizal and Taguig in the next 5 years. Support the development of new water sources that will result to long term water supply reliability and tariff affordability.

We will PROTECT the environment and ADAPT programs to mitigate impacts of climate change.

- Water source development to secure the future water supply today.
- Wastewater management to accelerate wastewater projects in support of the Clean Water Act and the Supreme Court decision to clean up Manila Bay.

We will remain committed to provide and deliver EXCELLENT services to our customers as we continue to make our operations more efficient.

- Reduced system losses from 85% in 1967 to less than 20%.
- Increased 24-hour water availability from 26% of the population to more than 99%.
- Ensured the highest quality of water with consistent 100% compliance with the Philippine National Standard for Drinking Water.
- Provided efficient and affordable water supply to more than 1.5 million people from low-income communities through the Tubig Para Sa Bangungot (TPSB) program.
- Increased sewer coverage from 3% in 1967 to 18% in 2006.
- Provided septic tank desludging services to more than 550,000 households.

For further inquiries, please call our Customer Care Hotline 1827 or log on to www.manilawater.com

Thank you for your understanding.

MWSSE

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: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated December 17, 2009 on the press release and tariff table which contains the new water rates to be implemented starting January 2, 2010 considering that the publication of the said rates will be on December 18, 2009. The water rates shall be effective fifteen (15) days after such publication.

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 18, 2009

By: ____________________________ Date

Jhoel P. Ra quedan
Legal and Corporate Governance Head
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: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated December 17, 2009 on the press release and tariff table which contains the new water rates to be implemented starting January 2, 2010 considering that the publication of the said rates will be on December 18, 2009. The water rates shall be effective fifteen (15) days after such publication.

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

Legal and Corporate Governance Head

December 18, 2009
Date
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Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information

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Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 18, 2009
No. of Days Late: 0
Department: CFD
Remarks: RE: CONCESSION AGREEMENT FOR THE DESIGN CONSTRUCTION AN
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
Month Day Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month Day Annual Meeting

A1996-11593
Amended Articles Number/Section

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **December 18, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code
   **2F MWSS Admin. Bldg., 488 Katipunan Road, Balara, Quezon City**
   Postal
   **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. Authorized Capital Stock **P 3,100,000,000.00**
       Common Shares **2,030,906,476** (P1.00 par value)
       Participating Preferred Shares **4,000,000,000** (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – **2,030,906,476**
       Participating Preferred Shares, par value P0.10 each – **4,000,000,000**

    c. Amount of Debt Outstanding

---

1 2,004,895,466 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,442,510 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 – 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: 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: __________________________

Jhoel P. Raquedan
Legal and Corporate Governance Head

December 16, 2009
Date
17 December 2009

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: Concession Agreement for the Design, Financing, Construction and Operation of the Boracay Water Supply and Sewerage Systems

Gentlemen:

In relation to our previous disclosures dated April 21 and April 22, 2009, please be informed that Manila Water Company, Inc. ("Manila Water") subsidiary — Boracay Island Water Company, Inc. ("BIWC") has concluded a 25-year Concession Agreement with the Philippine Tourism Authority ("PTA") for the operation, management, rehabilitation, expansion and financing of water and sewerage services in Boracay Island. The agreement includes the operation and management of the drainage system upon PTA’s completion of the construction of the same. Under the Concession Agreement, the parties are to fulfill certain conditions for its effectiveness.

BIWC is a joint venture company of Manila Water and PTA, with Manila Water owning 80% of the equity and PTA owning 20%.

The agreement between Manila Water and PTA is the first successful joint venture under the 2008 National Economic and Development Joint Venture Guidelines for Government-Owned and Controlled Corporations. Manila Water believes that this agreement will encourage other private companies to enter into similar arrangements with the government to support the financing of infrastructure projects necessary to fuel the economic growth in the country.

Thank you.

Sincerely,

Joel P. Raquedan
Legal and Corporate Governance Head
**SEcurities and Exchange Commission**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 38 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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   1105

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      2,030,906,476 (P1.00 par value)
      4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding
      Common Shares, par value P1.00 each - 2,030,906,476
      Participating Preferred Shares, par value P0.10 each - 4,000,000,000

   c. Amount of Debt Outstanding

---

1 2,004,895,466 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,462,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSE
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: 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.       December 14, 2008
Issuer

By: ____________________________

______________________________
Jhoel P. Raquedan
Legal and Corporate Governance Head
December 11, 2009

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: Denial of Motion for Reconsideration for the DENR-PAB case

Gentlemen:

Please be informed that we received a copy of the Order of the Pollution Adjudication Board (PAB) of the Department of Environment and Natural Resources (DENR) dated 2 December 2009 on our Motion for Reconsideration filed last October 22, 2009. The PAB denied our motion but the same will be appealed by the Company to the Court of Appeals within the reglementary period.

Thank you.

Sincerely,

[Signature]

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
December 11, 2009

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: Denial of Motion for Reconsideration for the DENR-PAB case

Gentlemen:

Please be informed that we received a copy of the Order of the Pollution Adjudication Board (PAB) of the Department of Environment and Natural Resources (DENR) dated 2 December 2009 on our Motion for Reconsideration filed last October 22, 2009. The PAB denied our motion but the same will be appealed by the Company to the Court of Appeals within the reglementary period.

Thank you.

Sincerely,

[Signature]
Lizelle Zamora-Dimacula
Legal and Compliance Officer
Barcode Page

The following document has been received:

Receiving Officer/Encoder : Rosenda C. Ayson
Receiving Branch : SEC Head Office
Receipt Date and Time : December 14, 2009 01:26:30 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 : 112142009000203
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : December 14, 2009
No. of Days Late : 0
Department : CFD
Remarks
COVER SHEET

A19611593

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1106
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
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

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. **December 14, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1986-11593**

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: **[Redacted]** (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City, 1106**

8. Issuer's telephone number, including area code
   **(02)928-7998 local 8130** 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. Authorized Capital Stock
       P 3,100,000,000,00

       Common Shares
       P 2,030,906,476 (P1.00 par value)

       Participating Preferred Shares
       P 4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1 2,004,895,466 Outstanding Common Shares
2,004,895,466 Outstanding Common Shares
568,590 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,030,906,476 PSE
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: 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.                                          December 14, 2009
   Issuer
   By: [Signature]

   Eshoel P. Raquedan
   Legal and Corporate Governance Head
December 10, 2009

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: Iloilo Bulk Water Supply Project

Gentlemen:

In relation to our clarification letter last September 29, 2009 regarding the Iloilo Water Supply Project, please be informed that Manila Water Company has withdrawn its bid for the said project as the conditions the company requires for such investment were not present.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
**MANILA WATER COMPANY INC.**

**489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA**

**Atty. JHOEL P. RAQUEDAN**

**9267999 loc. 8130**

**1231**

**04**

**A1996-11593**

**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 3, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

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
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105
   Postal

8. Issuer’s telephone number, including area code
   (02)826-7999 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. Authorized Capital Stock
       P 3,100,000,000.00

       Common Shares
       Participating Preferred Shares 2,030,906,476 (P1.00 par value)
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding

       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1   2,004,895,466 Outstanding Common Shares
    568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
    25,642,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
    2,030,906,476 PSE
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: 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

December 3, 2009

By: ____________________________

Joel P. Raquedan

Legal and Corporate Governance Head
December 3, 2009

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: Development Agreement with REE Corporation and Mitsubishi Corporation

Gentlemen:

Please be informed that Manila Water Company has signed a development agreement
with REE Corporation and Mitsubishi Corporation to study and evaluate private
participation in water, wastewater and other environmental services projects in Vietnam,
with particular focus in Ho Chi Minh City and its surrounding areas.

The agreement sets forth the principles which will govern the relationship among Manila
Water, REE Corporation and Mitsubishi Corporation with respect to the projects that they
will pursue during the development period.

Based in Ho Chi Minh City, REE Corporation is one of the largest mechanical and civil
engineering groups incorporated in Vietnam while Mitsubishi Corporation is one of the
world’s largest technological groups.

Through this initiative, Manila Water looks forward to complementing its existing
management contract to reduce leakage in Ho Chi Minh City, as it expands its footprint
in Vietnam.

Thank you.

Sincerely,

[Signature]

Lizette Zamora-Dimaculha
Legal and Compliance Officer
SEcurities And Exchange Commission

BarCode Page

The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : November 27, 2009 03:30:42 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 : 111272009000752
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : November 26, 2009
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

9267999 loc. 8130
Company Telephone Number

1231
Month Day Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month Day 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. **November 26, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A 1996-11593**

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 MWSS Admin. Bldg., 489 Katipunan Road, Balara, 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. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares
       Participating Preferred Shares
       2,030,906,476 (P1.00 par value)
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476¹
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

---

¹ 2,004,895,466 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,449,510 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 – 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: Item 9.

   Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated November 26, 2008 on the results of the regular board meeting of Manila Water held today.

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:

Jhoel P. Raquedan

Legal and Corporate Governance Head

November 26, 2008
November 26, 2009

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 (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% (₱0.01) per annum, for the one year period from January 1, 2009 to December 31, 2009, 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 31, 2009, and distributable on January 4, 2010.

2. Setting of 2010 Annual Stockholders’ Meeting

The Board set April 12, 2010 as the date of the 2010 Manila Water Annual Stockholders’ Meeting. The record date for the determination of stockholders entitled to notice and to vote at the meeting is February 15, 2010.

3. Other Matters

The Board elected Mr. Gerardo C. Ablaza, Jr. 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]

Joel P. Raquedan
Legal and Corporate Governance Head
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. **November 11, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1986-11593**

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
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1106**

8. Issuer's telephone number, including area code
   **(02)826-7999 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. Authorized Capital Stock
      P 3,100,000,000.00
      Common Shares
      Participating Preferred Shares
      2,030,906,476 (P1.00 par value)
      4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding
      Common Shares, par value P1.00 each – 2,030,906,476
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. Amount of Debt Outstanding

---

1 2,004,895,466 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSE
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: Item 9.
   Please see attached letter to the Philippine Stock Exchange on the clarification on the news article entitled "Manila Water expansion price tag seen at $200M, set to raise funding" posted in the Business Mirror (Internet Edition) on November 9, 2009.

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 11, 2009
Issuer  Date

By: ____________________________

[Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head
10 November 2009

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 November 10, 2009 requesting for clarification on the news article entitled “Manila Water expansion price tag seen at $200M, set to raise funding” posted in the Business Mirror (Internet Edition) on November 9, 2009. The article reported in part that:

“MANILA Water Co. Inc. is planning to raise $200 million next year to fund its expansion plans for 2011…”

We would like to confirm that the Company is planning to raise up to a maximum of $200 million to fund its approved investment plans and its expansion commitments after 2010 as the Company continues its pursuit to provide better water and wastewater services within its concession and expansion areas.

We trust that the foregoing clarifies the matter.

Best regards.

Sincerely,

Lilelle Zamora-Dimacuha
Legal and Compliance Officer
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Rosenda C. Ayson
Receiving Branch: SEC Head Office
Receipt Date and Time: November 11, 2009 03:38:37 PM
Received From: Head Office

Company Information

SEC Registration No.: A199611593
Company Name: MANILA WATER CO. INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 111112009000851
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 11, 2009
No. of Days Late: 0
Department: CFD
Remarks: RE: CLARIFICATION ON NEWS ARTICLE
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

S.E.C. Registration Number
A 1996 1 15 93

Company Telephone Number
9267999 loc. 8130

Month
1231
Day
Fiscal Year
FORM TYPE
SEC Form 17-C
STOCK

0 4
Month
Any
Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total Amount of Borrowings
Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **November 11, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal 1106

8. Issuer's telephone number, including area code
   **(02)826-7999 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. **Authorized Capital Stock**
      P 3,100,000,000.00
      Common Shares 2,030,906,476 (P1.00 par value)
      Participating Preferred Shares 4,000,000,000 (P0.10 par value)

   b. **Number of Shares Outstanding**
      Common Shares, par value P1.00 each – 2,030,906,476
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. **Amount of Debt Outstanding**

1. 2,004,895,466 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   35,442,510 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 – 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: Item 9.

Please see attached letter to the Philippine Stock Exchange on the clarification on the news article entitled "Manila Water looks overseas for new deals" posted in the Business Mirror (Internet Edition) on November 11, 2009.

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 11, 2009
Issuer  Date

By: ____________________________

[Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head
11 November 2009

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 November 11, 2009 requesting for clarification on the news article entitled “Manila Water looks overseas for new deals” posted in the Business Mirror (Internet Edition) on November 11, 2009. The article reported in part that:

“... During the firm’s quarterly briefing on Monday, chief finance officer Luis B. Oreta said Manila Water is currently in early talks with a partner in India to set up a joint-venture company to explore prospects in that country. He declined to name the company, only saying that it is one of the larger players in the industry. He said if a deal proceeds as planned, the joint-venture company will be used to identify viable projects in the country, home to over 1 billion people ....”

We would like to confirm that the Company continuously explores possible business opportunities outside its concession area as part of its business development efforts which includes discussions on possible joint ventures with both local and international partners.

We trust that the foregoing clarifies the matter.

Best regards.

Sincerely,

Lizette Zamora-Dimacuha
Legal and Compliance Officer
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 38 Fax: (632) 725-5293 Email: mis@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 09, 2009 04:23:01 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. : A199611593
Company Name : MANILA WATER CO. INC.
Industry Classification : Stock Corporation
Company Type : Stock Corporation

Document Information

Document ID : 111092009000493
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : November 09, 2009
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

9267999 loc. 8130

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

Dept. Requiring this Doc.

Total No. of Shareholders

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. November 9, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1996-11593

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
   2F NWSS Admin. Bldq., 489 Katipunan Road, Bala, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)826-7999 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 3,100,000,000.00
      Common Shares 2,030,906,476 (P1.00 par value)
      Participating Preferred Shares 4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding
      Common Shares, par value P1.00 each – 2,030,906,476¹
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. Amount of Debt Outstanding

¹ 2,004,895,456 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,442,510 Shares Under the Stock Ownership Plans, 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.  

November 9, 2009

By: ________________________________

Jhoel P. Raquedan

Issuer

Legal and Corporate Governance Head
November 9, 2009

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:

Manila Water announces today its third quarter results for 2009. Please refer to the enclosed press release.

Sincerely,

[Signature]

Jirol P. Raquedan
Legal and Corporate Governance Head
Manila Water Q3 performance on track

Manila Water’s net income increased by 14% year-on-year to P2.3 billion, driven by a 6% increase in core revenues and better tax and operating efficiency.

For the first three quarters of the year, the Company managed to sustain its level of water sales on a cumulative basis, which stood at 294.5 million cubic meters ("mcm"), 1% higher than the same period last year.

"The reason behind the stability of the business can be attributed to our ability to adjust to the changing business environment. The completion of some of our expansion projects helped us meet the growing demand, as we increased our customer base. Likewise, the strong focus on cost management further improved our operating margins," according to Manila Water president Rene D. Almendras.

As compared to a year ago, the Company has connected approximately 54,000 new households to the network. As of end of September 2009, Manila Water’s customer base reached 1.07 million households.

The Company's continued operational efficiency also contributed favorably to its financial performance for the period. Manila Water’s network remains as one of the most efficient in the region, as the non-revenue water ("NRW") level continued to decline. As of September 2009, NRW has dropped to a record low at 15.4%, 4.8 percentage points lower than last year's level.

Operating costs as of September 2009 grew by only 3% versus the same period last year. Manila Water’s EBITDA increased 7% year-on-year to P5.1 billion. The Company’s EBITDA margin remains strong at 72%.

The Metropolitan Waterworks and Sewerage System had earlier granted an extension of Manila Water’s Concession Agreement by another 15 years to 2037. The extension will allow the Company to implement an investment plan costing P450 billion, while tempering the increases in water tariffs over the next several years.

Manila Water has also made initial progress in its efforts to expand outside of the East Zone. The Company has formally assumed operation of its recently acquired concession in Laguna covering the city of Sta. Rosa and the municipalities of Biñan and Cabuyao. Additional resources have also been deployed in Boracay as part of the ongoing turnover process.

Aside from the Laguna and Boracay projects, the Company has also submitted a proposal to provide 35 million liters per day ("MLD") in treated bulk water supply for Cebu province. The said proposal is currently being evaluated by the provincial government of Cebu.
### Financial Highlights

<table>
<thead>
<tr>
<th>(In million Pesos)</th>
<th>YTD Sept 2009</th>
<th>YTD Sept 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>7,035</td>
<td>6,634</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>1,964</td>
<td>1,902</td>
</tr>
<tr>
<td>EBITDA</td>
<td>5,071</td>
<td>4,733</td>
</tr>
<tr>
<td>Net income after tax</td>
<td>2,273</td>
<td>1,990</td>
</tr>
</tbody>
</table>

### Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>End-Sept 2009</th>
<th>End- Sept 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water sales (mcm)</td>
<td>294.5</td>
<td>291.4</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>15.4%</td>
<td>20.2%</td>
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<tr>
<td>Households served</td>
<td>1,073,225</td>
<td>1,019,175</td>
</tr>
</tbody>
</table>
COVER SHEET

A19961-1593
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

9267999 loc. 8130
Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04 Any
Month Day
Annual Meeting

A1996-11593
Amended Articles Number/Section

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. **November 5, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City** 1105

8. Issuer's telephone number, including area code
   (02)826-7999 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. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares
       Participating Preferred Shares
       2,030,906,476 (P1.00 par value)
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

---

1 2,004,895,466 Outstanding Common Shares
   568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSE
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: Item 9.

   Please see attached letter to the Philippine Stock Exchange dated November 5, 2009 on the clarification to the news article entitled "P29.4-M fine imposed on water concessionaires".

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: __________________________

Jhoel P. Raquedan
Legal and Corporate Governance Head

November 5, 2009  
Date
5 November 2009

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 November 5, 2009 requesting for clarification on the news article entitled “P29.4-M fine imposed on water concessionaires” posted in the BusinessWorld Online on November 5, 2009. The article reported in part that:

“THE TWO water concessionaires in Metro Manila were slapped with a total of P29.4 million in fines by the Environment department for failing to install sufficient wastewater treatment facilities within a period specified by law. In a statement yesterday, Jose L. Atienza, Jr., Environment secretary and Chairman of the Pollution Adjudication Board, said he issued the order for Maynilad Water Services, Inc. and the Manila Water Co. to pay the fines with the department. Mr. Atienza said the agencies failed to install and maintain sufficient wastewater treatment facilities within five years after Republic Act (RA) 9275 or the Clean Water Act, which took effect in May 2004... Sought for comment, Luis Juan B. Ortega, chief finance officer of Manila Water, said: “We are asking [the department] to reconsider [its] decision.”...

The article relates to a pending case, docketed as DENR-PAB NCR-00794-09, before the Pollution Adjudication Board (PAB) of the Department of Environment and Natural Resources (DENR) filed by the Regional Directors of DENR against Metropolitan Waterworks and Sewerage System (MWSS), Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI) for violation of Republic Act No. 9275 otherwise known as the “Clean Water Act”.

Under the Rules of Procedure of the PAB, MWCI has fifteen (15) days from receipt of the Order within which to file its motion for reconsideration. On 29 October 2009, MWCI timely filed its Motion for Reconsideration dated 22 October 2009 before the
PAB. Hence, for all intents and purposes, the case is still pending and the Order of the PAB imposing the fine against MWCI is not final and executory and cannot be enforced.

We will keep you updated on any progress in this case.

We hope we have sufficiently clarified the above article as required by your letter dated 5 November 2009.

Best regards.

Sincerely,

Joshel P. Roquedan
Legal and Corporate Governance Head
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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The following document has been received:

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Receiving Branch: SEC Head Office
Receipt Date and Time: November 05, 2009 03:08:09 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: 111052009000445
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 04, 2009
No. of Days Late: 0
Department: CFD
Remarks
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 loc. 8130
Company Telephone Number

12 31
Month Day Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04
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
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. **November 4, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A 1996-11593**

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
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balaor, Quezon City 1105**

8. Issuer’s telephone number, including area code
   **(02)928-7999 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. **Authorized Capital Stock**
       P 3,100,000,000.00
       Common Shares 2,030,906,476 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)
    b. **Number of Shares Outstanding**
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. **Amount of Debt Outstanding**

1. **2,004,895,466 Outstanding Common Shares**
   **568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)**
   **25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the**
   **2,030,906,476 PSE**
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: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated November 4, 2009 on the notice of the company’s analysts’ briefing which will be on November 9, 2009 at 3:00 PM at the South Room A & B, 25th floor, Tower One, Ayala Triangle, Ayala Ave., 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:

[Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head

November 4, 2009
Date
4 November 2009

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: Analysts' Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on November 9, 2009, at
3:00 PM at the South Room A & B, 25th Floor, Tower One, Ayala Triangle, Ayala Ave.,
Makati City.

Best regards.

Sincerely,

[Signature]

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
SECURITIES AND EXCHANGE COMMISSION
SECBuilding, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0331 to 39 Fax: (632) 725-5283 Email: mios@sec.gov.ph

Barcode Page
The following document has been received:

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Receiving Branch: SEC Head Office
Receipt Date and Time: October 22, 2009 02:21:38 PM
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Company Representative

Doc Source

Company Information
SEC Registration No.: A190611593
Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information
Document ID: 110222009000399
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: October 22, 2009
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

9267999 loc. 8130
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1231
Month Day Fiscal Year

04
Month Day Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

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. October 22, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1966-11503

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 MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)928-7999 local 8130 / or (02)988-8133

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
       Common Shares  2,030,906,476 (P1.00 par value)
       Participating Preferred Shares  4,000,000,000 (P0.10 par value)
    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

1 2,004,895,466 Outstanding Common Shares
   588,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,442,310 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSE
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: 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

October 22, 2009
Date

By: ____________________________

Jhoel P. Raquedan
Legal and Corporate Governance Head
October 22, 2009

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: Renewal of the Concession Agreement and Department of Finance’s Letter of Undertaking

Gentlemen:

This is in relation to our previous disclosure dated April 20, 2009 on the extension of the Concession Agreement dated February 21, 1997 between Manila Water Company, Inc. (MWCI) and Metropolitan Waterworks and Sewerage System (MWSS).

Please be informed that the Department of Finance (DOF) has acknowledged and approved the extension of the said Concession Agreement for another fifteen (15) years from its original term. The approval of the DOF confirms the government’s guarantee of its contractual obligation relative to the extension. MWCI has officially received the signed copy and corresponding documents to this effect and shall now proceed to complete its own contractual obligations. In view thereof, since all the contingent conditions have been fulfilled and all legal requirements completed, the Concession Agreement renewal is now in full force and effect.

Thank you.

Sincerely,

[Signature]

JROEL P. RAQUEDAN
Legal and Corporate Governance Head
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 Loc. 8130
Company Telephone Number

SEC Form 17-C
STOCK FORM TYPE

Month Day Fiscal Year
12 31

04
Any
Month Day Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Dept. Requiring this Doc.

Total Amount of Borrowings

Total No. of Stockholders

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. **October 9, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  **A 1996-11593**

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., 489 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. Authorized Capital Stock
      P 3,100,000,000.00
      Common Shares 2,030,906,476 (P1.00 par value)
      Participating Preferred Shares 4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding
      Common Shares, par value P1.00 each – 2,030,906,476
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. Amount of Debt Outstanding

---

1 2,004,895,466 Outstanding Common Shares
568,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
2,030,906,476 PSE
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: Item 9.
   Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated October 9, 2009 on the demise of Alberto L. Jugo, a member 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.  October 9, 2009
Issuer  Date

By  

Jhoel P. Raquedan  
Legal and Corporate Governance Head
October 9, 2009

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: Demise of Board Director Alberto L. Jugo

Gentlemen:

Please be informed that Mr. Alberto L. Jugo, a member of the Board of Directors of Manila Water Company, Inc. ("Manila Water"), passed away yesterday afternoon, October 8, 2009. Mr. Jugo was intimately associated with Manila Water’s success since its inception in 1997. Mr. Jugo served as Manila Water’s first Chief Finance Officer, later as a Senior Director for the Business Group, and thereafter as a Board Director.

Thank you.

Sincerely,

[Signature]

Joel P. Raquidan
Legal and Corporate Governance Head
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0031 to 38 Fax: (632) 725-5283 Email: mis@sec.gov.ph

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Company Representative

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Company Information
SEC Registration No. A189611593
Company Name MANILA WATER CO. INC.
Industry Classification
Company Type Stock Corporation

Document Information
Document ID 110062009000609
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered October 02, 2009
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

9267999 loc. 8130
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1231
Month Day Fiscal Year

04
Month 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
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 2, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A 1986-11593**

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
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, 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. Authorized Capital Stock
       **P 3,100,000,000.00**
       Common Shares
       **2,030,906,476 (P1.00 par value)**
       Participating Preferred Shares
       **4,000,000,000 (P0.10 par value)**
    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

---

1 2,084,705,466  Outstanding Common Shares
    758,500  Treasury Shares Listed in the Philippine Stock Exchange (PSE)
    25,442,510  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 – 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: 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:  [Signature]

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer

October 2, 2009
Date
October 2, 2009

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: Manila Water Tariff Adjustment for 2009

Gentlemen:

In consideration of the devastating effects brought about by typhoon Ondoy, the approved Tariff Adjustment for 2009 on the Foreign Currency Differential Adjustment (FCDA) component of the water bills of Manila Water customers due to the appreciation of the Japanese yen vs. the Philippine peso, amounting to an increase of P0.19 per cubic meter, shall be postponed from October 2, 2009 to November 1, 2009. We hope this postponement will further ease the burden on the customers affected by the disaster.

Thank you.

Sincerely,

Lizette Zamora-Dimacula
Legal and Corporate Governance Officer
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 728-0931 to 39 Fax: (632) 725-5263 Email: min@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Jojit Licudine
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Company Representative

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Company Information

SEC Registration No. A199611593
Company Name MANILA WATER CO. INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 109302009000471
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered September 29, 2009
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

9267999 loc. 8130
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE
1231
Month
Fiscal Year

04
Month
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
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 loc. 8130
Company Telephone Number

A1996-11593
Amended Articles Number/Section

SEC Form 17-C
STOCK FORM TYPE

Secondary License Type, if Applicable

04
Month
Any
Day
Annual Meeting

1231
Month Fiscal Year

Dept. Requiring this Doc.

Total No. of Stockholders

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

FILE NUMBER

STAMPS
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: Item 9.

Please see attached letter to the Philippine Stock Exchange dated September 29, 2009 on the clarification on the news article entitled “Maynilad, Manila Water lead bidders for Iloilo supply project” in the BusinessWorld Online on September 29, 2009.

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.  September 29, 2009
issuer  

By:  ____________________________

Lizelle Zamora-Dimacuha  
Legal and Corporate Governance Officer
PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion,
Head, Disclosure Department

Clarification on News Article

We refer to your letter dated September 29, 2009 requesting for clarification on the news article entitled “Maynilad, Manila Water lead bidders for Iloilo supply project” in the BusinessWorld Online on September 29, 2009 which reported that:

"ILOILO CITY – Five bulk water suppliers have been accredited to join a bidding next month for the bulk water supply contract of Metro Iloilo Water District (MIWD). The utility wants to contract some 20,000 cubic meters of water to serve part of its 31,000 consumers in Iloilo City and neighboring towns and address a supply shortfall caused by system losses and pilferages. Adrian N. Moncada, a member of the MIWD board of directors, said five suppliers that intend to join the bidding are Maynilad Water Services Inc., Manila Water Co., Rio Verde Water Consortium, Inc., Abejo Builders Corp., and Solerex Water Technologies, Inc. These companies have submitted pre-bidding requirements to the MIWD ...."

We would like to confirm that we have submitted pre-qualification documents to join the bidding for the Bulk Water Supply Contract (Project) of Metro Iloilo Water District but we have yet to receive any formal confirmation of our pre-qualification for the Project.

We trust that the foregoing clarifies the matter.

Respectfully yours,

Lizelle Zamora-Dimacuha
Legal and Compliance Officer

cc: Director Justina F. Callangan, Securities and Exchange Commission
    Mr. Cesar B. Crisol, Philippine Dealing & Exchange Corporation
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, GreenHills,Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mts@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Dharriv Cureñas
Receiving Branch : SEC Head Office
Receipt Date and Time : September 25, 2009 02:47:30 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 : 109252009000656
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : September 24, 2009
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

9267999 loc. 8130
Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month
Any
Day
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
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 24, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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.**


7. Address of issuer's principal office
   Postal Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, 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. Authorized Capital Stock
       P 3,100,000,000.00
       
       Common Shares
       2,030,906,476 (P1.00 par value)
       Participating Preferred Shares
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

---

1. **2,004,705,666**
   Outstanding Common Shares

   **758,500**
   Treasury Shares Listed in the Philippine Stock Exchange (PSE)

   **25,442,110**
   Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the

   **2,030,906,476**
   PSE
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: 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

   September 24, 2009

   Date

   By:

   Lizelle Zamora-Dimacuha

   Legal and Corporate Governance Officer
September 24, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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 (Board) of Manila Water Company, Inc. (Company) today, the Board considered and approved the following:

1. Declaration of Cash Dividends on Common and Participating Preferred Shares

The Board declared the following second semester 2009 cash dividends: (i) ₱0.20 per share on the outstanding common shares, and (ii) ₱0.02 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of October 8, 2009, to be paid on October 30, 2009.

2. Other Matters

The Board also discussed (i) Manila Water’s financial and operating highlights; (ii) Financial risk management policy; (iii) updates on expansion projects; (iv) the election of assistant corporate secretary; and (v) administrative matters.

Best regards,

Sincerely,

[Signature]
Lilanie Zamora-Dimacul
Legal and Corporate Governance Manager
SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving Officer/Encoder: Dharril Curañes
Receiving Branch: SEC Head Office
Receipt Date and Time: September 23, 2009 10:05:54 AM
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: 109232009733431
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: September 22, 2009
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 src rule 17.2(c) thereunder

1. September 22, 2009
   date of report (date of earliest event reported)

2. SEC identification number A 1996-11593

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
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1106

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. Authorized Capital Stock P 3,100,000,000.00

      Common Shares 2,030,906,476 (P1.00 par value)
      Participating Preferred Shares 4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding

      Common Shares, par value P1.00 each – 2,030,906,476
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. Amount of Debt Outstanding

   2,004,705,466 Outstanding Common Shares
   758,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   23,412,310 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476 PSE
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: 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.  September 22, 2009
Issuer  Date

By:  [Signature]

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer
September 22, 2009

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: Cebu Bulk Water Supply Project

Gentlemen:

Please be informed that Cebu Governor Gwendolyn F. Garcia has accepted the unsolicited proposal of the Manila Water Consortium (composed of Manila Water Company, Inc. and Stateland, Inc.) for a joint venture or investment with the Provincial Government of Cebu (PGC) for the development of a treated bulk water supply project in Cebu Province.

In an earlier disclosure dated August 12, 2009, Manila Water Company, Inc. (Manila Water) stated that the submission of the unsolicited proposal was made pursuant to the Joint Investment Ordinance (JI Ordinance) issued by PGC. The said ordinance recognizes the authority of the province to enter into a joint venture or investment with the private sector and provides guidelines and procedures for its exercise.

Under the JI Ordinance, the acceptance of the unsolicited proposal by the Governor will trigger the detailed negotiations between PGC and the Manila Water Consortium regarding the specific terms and conditions that will govern their joint investment.

Thereafter, the joint investment activity shall be subjected by PGC to a “swiss challenge” or competitive challenge from other interested parties.

In the proposal, the joint investment will involve the supply of 35 million liters per day of potable bulk water sourced from the Luyang River of the Municipality of Carmen. This aims to meet the growing water supply requirements of several northern cities and municipalities of the province. Currently, only 50% of these areas are being served.
Salient features of the proposal include a no "take or pay" provision and the turnover of all the joint investment company's assets to the province once the initial 25-year cooperation period has lapsed.

The joint investment proposal with PGC aims to replicate the improvements that Manila Water made in the East Zone as concessionaire of the Metropolitan Waterworks and Sewerage System and help alleviate the critical over-extraction of groundwater in Cebu Province.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
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<td>Company Name</td>
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</tr>
<tr>
<td>Business Address</td>
<td>489 Katipunan Road Balara 1105 Quezon City Metro Manila</td>
</tr>
<tr>
<td>Contact Person</td>
<td>Atty. JHOEL P. RAQUEDAN</td>
</tr>
<tr>
<td>Company Telephone Number</td>
<td>9267999 loc. 8130</td>
</tr>
<tr>
<td>SEC Form 17-C</td>
<td>04</td>
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<tr>
<td>Month Fiscal Year</td>
<td>12 31</td>
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<td>Secondary License Type, If Applicable</td>
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<td>Total No. of Stockholders</td>
<td></td>
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<tr>
<td>Total Amount of Borrowings</td>
<td></td>
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<tr>
<td>Amended Articles Number/Section</td>
<td>A1996-11593</td>
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<td>To be accomplished by SEC Personnel concerned</td>
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<td>File Number</td>
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1. **September 17, 2009**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  **A 1996-11593**

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:** [Redacted]  
   (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)926-7899 local 8130 / or (02)921-8133**

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**
       
       Common Shares  
       **2,030,906,476 (P1.00 par value)**
       Participating Preferred Shares  
       **4,000,000,000 (P0.10 par value)**
    
    b. Number of Shares Outstanding  
       Common Shares, par value P1.00 each – **2,030,906,476**
       Participating Preferred Shares, par value P0.10 each – **4,000,000,000**
    
    c. Amount of Debt Outstanding

---

1 2,004,705,466  Outstanding Common Shares
   758,500  Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   2,542,310  Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,030,906,476  PSE
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: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated September 17, 2009 on the Foreign Currency Differential Adjustment (FCDA) tariff adjustment from 1% to 1.89% of the basic charge or P0.21 to P0.40 per cubic meter.

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:

Jhoel P. Raquedan
Head, Legal and Corporate Governance

September 17, 2009
Date
September 17, 2009

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: Manila Water Tariff Adjustment for 2009

Gentlemen:

Effective October 2, 2009, water rates for Manila Water customers will be adjusted due to the appreciation of the Japanese yen vs. the Philippine peso. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from 1% to 1.89% of the basic charge or P0.21 to P0.40 per cubic meter, an increase of P0.19 per cubic meter.

In line with the government’s program to protect low-income household, residential customers consuming 10 cubic meters or less a month, shall be exempted from the said adjustment.

The FCDA is a “pass-through” mechanism which allows Manila Water to recover its foreign currency losses or pass on foreign currency gains, resulting from payments of concession loans and foreign currency-denominated borrowings, which were used to fund its service expansion and improvement. Thus, the tariff adjustment has no impact on the projected net income of the company.

For more details please see attached Notice to Manila Water Customers.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer
NOTICE TO
MANILA WATER CUSTOMERS

Effective October 2, 2009, water rates for Manila Water customers will be adjusted due to the appreciation of the Japanese Yen over the Philippine Peso. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from 1% to 1.89% of the basic charge or P0.21 to P0.40 per cubic meter, an increase of P0.19 per cubic meter.

In line with the government’s program to protect low-income households, residential customers consuming 10 cubic meters or less a month, shall continue to be exempted from the said adjustment.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2009-189 dated September 17, 2009; confirming MWSS Regulatory Office Resolution No. 09-010-CA dated September 4, 2009.

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 IMPROVEMENT PROGRAMS

In support of the government’s programs to protect the environment, Manila Water continues to intensify its wastewater and sanitation services by way of innovative combined drainage and sewer systems. These programs will greatly contribute to the clean-up of the three river systems of San Juan, Marikina and Pasig to prevent further pollution of water bodies.

Manila Water also continues to explore potential new water sources and undertakes reliability programs to ensure service continuity as well as mitigate impacts of calamities and other natural calamities.

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 underway in Taguig, Antipolo, San Mateo, Rodriguez, Cainta, Taytay, and Angono. Manila Water has also started providing water supply to the towns of Baras, Binangonan, and Jalajala in Rizal Province.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 loc. 8130
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

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

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(c) THEREUNDER

1. September 17, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A1996-11593

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 MWSS Admin. Bldg., 489 Katipunan Road, Balaan, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)826-7999 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. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares
       Participating Preferred Shares

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1

- 2,004,705,466 Outstanding Common Shares
- 758,500 Treasury Shares listed in the Philippine Stock Exchange (PSE)
- 2,642,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
- 2,030,906,476 PSE
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: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation dated September 17, 2009 on the Acquisition of 100% equity in AAA Water Corporation.

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.  September 17, 2009
Issuer  Date

By:  

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer
17 September 2009

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: Acquisition of 100% equity in AAA Water Corporation

Gentlemen:

In relation to its previous disclosure dated 21 July 2009, please be informed that Manila Water Company, Inc. (Manila Water) completed the acquisition of 100% equity in AAA Water Corporation (AAA). The acquisition was pursuant to the Share Purchase Agreements that Manila Water entered separately with sellers Asia Water Limited (AWL) and All Asia Development Corporation (AADC).

AWL sold its entire interest in AAA comprising 65% of the outstanding capital stock in AAA, while AADC sold the remaining 35%.

This paves the way for Manila Water to take-over control and management of AAA.

AAA owns 70% of Laguna AAA Water Corporation (Laguna AAA), a joint venture company with the Province of Laguna that has a 25-year concession, which started in 2007, for the provision of water supply services to the city of Sta. Rosa and the municipalities of Biñan and Cabuyao in Laguna province.

Laguna AAA currently serves around 120,000 customers (out of around 600,000 population which it expects to increase to around 1 million within fifteen years). Total capital expenditures for the period are estimated at Php2.5 billion, which shall be used for the expansion and improvement of water services in the concession area for the next ten (10) years.
As has been previously disclosed, the acquisition of AWL and AADC interests in AAA is not equal to or more than ten percent (10%) of Manila Water’s book value.

Please see attached press release for more details.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer
Manila Water expands to Cabuyao, Sta Rosa and Biñan, forges landmark joint venture with Provincial Government of Laguna

Manila Water is expanding further south of Metro Manila to Laguna.

A milestone joint venture agreement (JVA) was entered into by Manila Water with the Provincial Government of Laguna (PGL) paving the way for a new joint venture company to develop and operate the water supply system of two Laguna municipalities and one city.

The new subsidiary company of Manila Water called the “Laguna Water Company, Incorporated” (Laguna Water), will be operating under a Concession Agreement (CA) framework patterned after Manila Water’s own CA with the Metropolitan Waterworks and Sewerage System (MWSS) when the latter entered into a Public-Private Partnership agreement in 1997.

Under the CA, Laguna Water will have a 25-year exclusive right, renewable for another 25 years, to service the water requirements of the entire Cabuyao, Sta Rosa City and Biñan as agent and contractor of the Provincial Government of Laguna (PGL). PGL will be the asset owner and franchisee.

The National Water Resources Board (NWRB), on the other hand, will set the tariff rates.

The Province of Laguna has been experiencing robust growth and development over the years as one of the most progressive destinations south of Metro Manila. Laguna, particularly Cabuyao Sta Rosa City and Biñan, is bustling with urban centers and technology parks, that have encouraged varied property development due to its strategic location as the gateway to the adjacent provinces of the CALABARZON areas. To support this growth, Laguna Water has earmarked a comprehensive Php 2.5 Billion capital infrastructure program which will include pipeline replacements and construction of water treatment facilities for the next ten years.
Laguna Water president Virgilio C. Rivera said that under the joint venture, the authorized capital stock of the JV Company shall be PhP 500 million whereby Manila Water's equity contribution shall be 70% while the Provincial Government of Laguna's equity contribution shall be 30%. He also added that the JV Company shall design, build, operate and upgrade the water facilities of Cabuyao, Sta Rosa City and Biñan.

“We are happy and excited to have been given the opportunity to branch out to Laguna. Laguna has experienced sustained growth as the gateway to South Luzon with rapid development of commercial centers, modern techno parks and expanding infrastructure development. We are confident Laguna Water will provide these areas with the huge improvements similar to what Manila Water has been able to do in the East Zone of Metro Manila and Rizal Province,” says Rivera.

Manila Water for the past 12 years has blazed a trail of impressive achievements under a very successful Public-Private-Partnership arrangement with MWSS. Water coverage has greatly improved in the East Zone from only 26% in 1997 to more than 99% as of June 2009, with almost 6 million people now enjoying 24 by 7 water supply compared to only 3.1 million in 1997. Sewerage coverage in the East Concession area has likewise increased by more than 500% from only 3% at the start of the concession period to 16% at yearend 2008.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
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

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. August 12, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1998-11593

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,
   Phile.

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

7. Address of issuer's principal office
   Postal Code
   2F NWSS Admin. Bldg., 489 Katipunan Road, Baclaran, Quezon City 1106

8. Issuer's telephone number, including area code
   (02)826-999 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. Authorized Capital Stock
        P 3,100,000,000.00

        Common Shares
        2,030,906,476 (P1.00 par value)

        Participating Preferred Shares
        4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding

        Common Shares, par value P1.00 each – 2,030,906,476

        Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1 2,004,657,966 Outstanding Common Shares
   806,000 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   25,442,510 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: Item 9.
   Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation on the submission of an unsolicited proposal for a joint investment with the Provincial Government of Cebu for the development and delivery of treated bulk water to the province dated August 12, 2009.

**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]

By: [Signature]

Lizelle Zamora-Dimacuha

Legal and Compliance Officer

August 12, 2009

Date
August 12, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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: Cebu Bulk Water Supply Project

Gentlemen:

Please be informed that Manila Water Company, Inc. has submitted an unsolicited proposal for a joint investment with the Provincial Government of Cebu (PGC) for the development and delivery of treated bulk water to the province.

For more details, please see attached press release.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
Manila Water Proposes Bulk Water Supply Project for Cebu

Manila Water Company, Inc. submitted an unsolicited proposal for a joint investment (JI) with the Provincial Government of Cebu (PGC) for the development and delivery of treated bulk water to the province.

Under the proposal called the Cebu Bulk Water Supply Project (CBWSP), Manila Water will supply 35 million liters per day (mld) of potable bulk water sourced from the Luyang River of the Municipality of Carmen, to meet the growing water supply requirements of several cities and municipalities of Cebu Province, namely: Danao, Compostela, Liloan, Consolacion, Mandaue, Lapu-Lapu and Cordova. Currently, only 50 percent of these areas are being served.

The Project will be implemented under the framework of the Joint Investment Guidelines issued by the Provincial Sanggunian of Cebu which provides for the guidelines and procedures in entering into a joint investment activity with the province. Salient features of the proposal include a no “take or pay” provision and the turnover of all the JI company’s assets to the province once the initial 25-year cooperation period has lapsed.

The joint investment proposal with the province of Cebu aims to replicate the improvements that Manila Water made in the East Zone as concessionaire of the Metropolitan Waterworks and Sewerage System and help alleviate the critical over-extraction of groundwater in Cebu.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

9287999 loc. 8130

S.E.C. Registration Number

1231
Month Day Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **August 10, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **905-038-428**

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
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **1105**

8. Issuer's telephone number, including area code
   (02)928-7999 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. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares 2,030,906,476 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)
    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

---

1. 2,004,657,966 Outstanding Common Shares
    806,000 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
    25,442,510 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
    2,030,906,476 PSE
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: 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: 

Lizelle Zamora-Dimacuha
Legal and Compliance Officer

August 10, 2009
Date
August 10, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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:

Manila Water announces today its first semester results for 2009. Please refer to the enclosed press release.

Sincerely,

Lizette Zamora-Dimacuha
Legal and Compliance Officer
Manila Water reports higher earnings as expansion drive continues

Manila Water reported a 16% increase in its first half net earnings year-on-year, to ₱1.5 billion, resulting from a stable growth in core revenues and better tax and operating efficiency.

Water sales volumes amounted to 194.4 million cubic meters ("mcm"), slightly lower than the same period last year. Quarterly sales volume, however, has improved by 7% from 93.8 mcm in Q1 2009 to 100.63 mcm in Q2 of the same year.

"Due to the economic slowdown, consumption by commercial and industrial customers in the East Zone has been weak compared to the same period last year. Nevertheless, water sales were buoyed by an increase in the company’s residential customer base as Manila Water continued to aggressively expand in Rizal province and Taguig City," according to Manila Water president and COO Rene D. Almendras.

As of June 2009, the company has already connected approximately 29,000 new service connections to the network. These have helped Manila Water increase its service coverage by almost 50,000 households to 1.06 million households, 99% of whom are now benefiting from 24-hour water availability.

Complementing the company’s expansion initiatives were efforts to minimize operating costs especially major items like manpower and electricity. Network efficiency also continues to improve as Manila Water’s non-revenue water level has been reduced by approximately four percentage points to the current level of 16.4% from 20.2% in the first quarter. Operating costs as of June 2009 grew by only 5% versus the same period last year. As a result, EBITDA improved by 6% to ₱3.3 billion from ₱3.1 billion last year. EBITDA margin continues to remain strong at 71%.

With the renewal of its concession, Manila Water is committed to spend around ₱10 billion in capex investments over the next 12 months. The amount will be used to further improve and expand both the water and wastewater networks in the East Zone.

Among the company’s major projects will be the implementation of the Three River Master Plan. Estimated to cost around ₱50 billion, the project will increase sewerage coverage to 100% of the catchment areas of the Pasig, San Juan and Marikina rivers.

Manila Water also continues to search for new projects outside of the East Zone. Recently, the company has announced the signing of a share purchase agreement covering the acquisition of a concession in Laguna covering the city of Sta. Rosa and the municipalities of Biñan and Cabuyao. Along with its Boracay project, the Laguna acquisition is in line with the company’s strategy of further building the business by leveraging on its extensive experience and track record in the East Zone.
<table>
<thead>
<tr>
<th></th>
<th>Q2 2009</th>
<th>Q2 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Highlights</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(In million Pesos)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>4,642</td>
<td>4,384</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>1,339</td>
<td>1,276</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,303</td>
<td>3,108</td>
</tr>
<tr>
<td>Net income after tax</td>
<td>1,465</td>
<td>1,262</td>
</tr>
<tr>
<td><strong>Operating Highlights</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water sales (mcm)</td>
<td>194.4</td>
<td>194.8</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>16.4%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Households served</td>
<td>1,060,602</td>
<td>1,010,096</td>
</tr>
</tbody>
</table>
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALAARA 1105
QUEZON CITY METRO MANILA

Atty. GLORIA P. DE CASTRO
Contact Person

SEC Form 17-C
Stock
FORM TYPE

12 31
Month Day
Fiscal Year

04
Any
Month Day
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
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, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal **1105**

8. Issuer's telephone number, including area code
   **(02)926-7998 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. Authorized Capital Stock
       **P 3,100,000,000.00**

       Common Shares
       **2,030,906,476** (P1.00 par value)

       Participating Preferred Shares
       **4,000,000,000** (P0.10 par value)

    b. Number of Shares Outstanding

       Common Shares, par value P1.00 each – **2,030,906,476**

       Participating Preferred Shares, par value P0.10 each – **4,000,000,000**

    c. Amount of Debt Outstanding

---

*2,004,657,966* Outstanding Common Shares

*206,000* Treasury Shares Listed in the Philippine Stock Exchange (PSE)

*25,422,510* Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the

*2,030,906,476* PSE
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: 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: ____________________________
   Lizelle Zamora-Dimacuha
   Legal and Compliance Officer

August 3, 2009
   Date
3 August 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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: Analysts' Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts' briefing on August 10, 2009, at 2:00 PM at the South Room A & B, 25th Floor, Tower One, Ayala Triangle, Ayala Ave., Makati City.

Best regards.

Sincerely,

Lizelle Zamora-Dimaculna
Legal and Compliance Officer
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Company's Full Name)

(Securities and Exchange Commission Registration Number)

Atty. GLORINA P. DE CASTRO
Contact Person

9267998 loc. 8130
Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

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
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **July 21, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **005-038-426**

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., 489 Katipunan Road, Balara, Quezon City**
   Postal **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 6 and 12 of the Securities Regulation Code (SRC):
    a. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares 2,030,906,476 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,030,906,476
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

---

1. **2,004,657,966** Outstanding Common Shares
   **806,000** Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   **2,030,906,476** Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the PSE
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: Item 9.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange, and Philippine Dealing and Exchange Corporation on the acquisition of 100% equity in AAA Water Corporation dated July 21, 2009. AAA Water Corporation owns 70% of Laguna AAA Water Corporation which is a joint venture company with the province of Laguna that has a 25-year concession for the provision of water supply services to the city of Sta. Rosa and the municipalities of Biñan and Cabuyao in Laguna province.

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

July 21, 2009
Date

By: [Signature]

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
21 July 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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: Acquisition of 100% equity in AAA Water Corporation

Gentlemen:

Please be informed that Manila Water Company, Inc. (Manila Water) has concluded the relevant agreements for the acquisition of 100% ownership in AAA Water Corporation.

AAA Water Corporation owns 70% of Laguna AAA Water Corporation, a joint venture company with the Province of Laguna, that has a 25-year concession for the provision of water supply services to the city of Sta. Rosa and the municipalities of Biñan and Cabuyao in Laguna province. The concession started in 2007.

Manila Water signed and executed a Share Purchase Agreement (SPA) with Asia Water Limited to acquire the latter's 65% ownership of AAA Water Corporation. Under the SPA, the parties are to fulfill certain conditions for the effectivity of the sale.

An agreement was likewise concluded with All Asia Development Corporation for the acquisition of the remaining 35% of the outstanding capital stock in AAA Water Corporation.

Laguna AAA Water Corporation currently serves around 120,000 customers (out of around 600,000 population which it expects to increase to around 1 million within fifteen years). Total capital expenditures for the period are estimated at Php2.5 billion, which shall be used for the expansion and improvement of water services in the concession area for the next 10 years.
Please see attached press release, for more details.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuhu
Legal and Compliance Officer
Manila Water Acquires Concession in Laguna Province

Manila Water has just recently acquired 100% of AAA Water Corporation (AWC), which correspondingly owns 70% of Laguna AAA Water Corporation (LAC). The latter, which is a joint venture between AWC and the provincial government of Laguna, is responsible for the operation of the provincial government's water facilities through the granting of a 25-year concession. Since the start of the concession in 2007, LAC is responsible for the provision of water services to the city of Sta. Rosa, and the municipalities of Bifian and Cabuyao, located to the south of Metro Manila. Upon the satisfaction of several conditions precedent, Manila Water will take over the concession within the year.

Sta. Rosa, Bifian and Cabuyao are currently home to the operations of well-known companies such as Nestle, Coca-Cola and Ford Motors. In addition, a number of residential and commercial projects are being undertaken here by some of the country's biggest real estate developers such as Ayala Land, Vista land and Eton Properties.

The potential for growth is extremely high as the area is currently underserved. At the moment, only 120,000 people, out of a total 600,000 population, are currently being served by the existing water network. In addition, the new developments in the area will further drive sales growth over the next several years. Projected population growth for the said city and municipalities are placed at an average of at least five percent. Not counting the inflow of new residents to ongoing and proposed residential and commercial developments, the population of the concession is expected to grow to as much as 1 million people over the next 15 years.

Manila Water's entry seeks to ensure that the increasing demand for 24-hour potable water supply in these communities will be sufficiently addressed. The total investment cost for the area is estimated at around P2.5 billion ($50 million), the bulk of which will be spent over the next ten years. The Company believes that it has the necessary manpower, technical, and financial resources to make this goal a reality.

Manila Water currently has an existing concession in the East Zone of Metro Manila with a customer base of around 5.6 million people. Since the start of operations in 1997, the Company has already increased 24-hour water coverage to 99% from 28% and reduced water losses from 63% to less than 20% at present.

From a strategic perspective, the Laguna acquisition, along with Manila Water's takeover of water and wastewater operations in Boracay Island, will further help open up more public-private partnership opportunities in the local water and wastewater sector. More specifically, the acquisition of this concession will also help allow the Company to look at the possibility of expanding its services to other cities in Laguna, one of the most developed provinces in the country today.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

S.E.C. Registration Number

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
Month Fiscal Year

04
Month Annual Meeting

SEC Form 17-C
STOCK FORM TYPE

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU

Cashier

STAMPS
July 9, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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 (Board) of Manila Water Company, Inc. (Company) today, the Board considered and approved the following:

1. Election of Director

The Board elected Mr. Leslie Bell to the Board to replace Mr. Kevin Starling, who resigned effective today, and to serve for the remainder of the latter’s term. The Board also elected Mr. Bell as member of the Executive Committee and Nomination Committee.

2. Other Matters

The Board also discussed (i) the Company’s financial and operating highlights; (ii) challenges and strategic initiatives; (iii) updates on expansion projects; and (iv) administrative matters including the appointment of the company’s Chief Risk Officer.

Best regards.

Sincerely,

[Signature]
Luis Juan B. Oreta
Chief Finance Officer and 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. July 9, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

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
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105
   Postal

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. Authorized Capital Stock
       P 3,100,000,000.00

       Common Shares 2,030,906,476 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding

       Common Shares, par value P1.00 each – 2,030,906,476¹
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

¹ 2,004,657,966 Outstanding Common Shares
  896,000 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
  25,442,510 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 – 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: 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: 

Lizette Zamora-Dimacuha
Legal and Compliance Officer

July 9, 2009
Date
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO

9267999 loc. 8130

Contact Person
Company Telephone Number

SEC Form 17-C
STOCK FORM TYPE

1231
Month Day Fiscal Year

04
Month Day Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Dept. Requiring this Doc.

Total Amount of Borrowings

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. **June 17, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

3. BIR Tax Identification No. **805-038-428**

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., 489 Katipunan Road, Balara, Quezon City** 1105

8. Issuer's telephone number, including area code
   **(02)826-7999 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. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares 2,023,107,451 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)
    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

---

1 2,004,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,643,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: 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

June 17, 2009
Date

By: [Signature]
Lizelle Zamora-Dimacuha
Legal and Compliance Officer
June 16, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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: Manila Water Tariff Adjustment for 2009

Gentlemen:

The MWSS Board of Trustees and its Regulatory Office recently approved the Foreign Currency Differential Adjustment ("FCDA") for the 3rd quarter of 2009, applicable to all Manila Water customers effective July 2, 2009, from Php 0.22 to Php 0.21 per cubic meter. This slight reduction in water rates was due to the relatively stronger Philippine peso versus other foreign currencies in recent weeks, compared to the previous quarter.

In line with the government’s program to protect low-income households, residential customers consuming 10 cubic meters or less a month, will still be exempted from paying the FCDA.

The FCDA is a “pass-through” mechanism which allows Manila Water to recover its foreign currency losses or pass on foreign currency gains, resulting from payments of concession loans and foreign currency-denominated borrowings, which were used to fund its service expansion and improvement. Thus, such tariff adjustments have no real significant impact on the projected net income of the Manila Water Company.

Please see attached publication for more details.

Sincerely,

Lizelle Zamora-Dimaculha
Legal and Compliance Officer
NOTICE TO
MANILA WATER CUSTOMERS

Effective July 2, 2009, water rates for Manila Water customers will slightly decrease when the Foreign Currency Differential Adjustment (FCDA) component of the water bill is adjusted from Ph0.22 to Ph0.21 per cubic meter. This was the result of the strengthening of peso versus other foreign currencies based on the exchange rate of US$1:PhP49.186 to US$1:PhP48.217.

In line with the government's program to protect low-income households, residential customers consuming 10 cubic meters or less a month shall continue to be exempted from paying FCDA.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2009-111 dated June 11, 2009; confirming MWSS Regulatory Office Resolution No. 09-006-CA dated June 5, 2009.

FCDA is a tariff mechanism that was formulated to recover or account for future 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 IMPROVEMENT PLANS

Manila Water Company continues to undertake service improvement and rehabilitation programs to further improve service levels in areas with 100% water coverage which include the southeastern part of Quezon City, Mandaluyong City, San Juan City, Marikina City, Pasig City, Pateros, Manila (San Andres and Sta. Ana only) and Makati City (east of South Super Highway). It also continues to embark on aggressive service expansion programs to reach the fringe areas of Taguig, Antipolo, San Mateo, Rodriguez, Cainta, Taytay and Angono, in Rizal Province. Manila Water has also started providing water supply to the towns of Baras, Binangonan and Jala-jala, also in Rizal.

Likewise, as part of the Company's mandate, Manila Water is further expanding its wastewater operations and sanitation services all over the East Concession area to promote health and safety of its customers as well as ensure the protection of the environment. Manila Water has also started construction of combined drainage and sewer systems for selected areas within its concession to further increase its sewer coverage.

To ensure the sustainability and reliability of water services in the East Zone, Manila Water is also exploring potential new water sources as well as implementing programs for service continuity in the event of calamities and other natural disasters.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORIA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

SEC Form 17-C
STOCK FORM TYPE

1231
Month Day Fiscal Year

04
Month Day Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECG10IES 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, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11583

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
   Postal
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02) 826-7999 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. Authorized Capital Stock
       P 3,100,000,000.00
       Common Shares 2,023,107,451 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1 2,004,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   12,643,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.

Please see attached letter to the Philippine Stock Exchange (PSE) on the clarification on the Bulacan Bulk Water Supply Project dated May 11, 2009.

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: ________________
Lizelle Zamora-Dimacuha
Legal and Compliance Officer

May 11, 2009
Date
11 May 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion,
Head, Disclosure Department

Clarification on News Article

We refer to your letter dated May 11, 2009 requesting for clarification on the news article entitled “Water concessionaires eye joint venture in Bulacan water project” in Business Mirror (Internet Edition) on May 10, 2009 which reported that:

“Manila Water Service, Inc. (MWSI), a subsidiary of Ayala Corp. and DMCI-MPIC Water Company Inc. (DMWCI), are now finalizing their negotiations to jointly undertake the P11-billion Bulacan Bulk Water Supply Project. “It is going to be 50-50 partnership. I think the companies are willing to put in P2.5 billion each to get the project going,” said the source…”

We would like to confirm that the Bulacan Bulk Water Supply Project is part of our 2008 approved business plan. Currently, Manila Water is exploring, together with Metropolitan Water and Sewerage System, the best option possible to implement the project with the objective of completing major portions by mid 2010.

We trust that the foregoing clarifies the matter.

Respectfully yours,

[Signature]
Lizelle Zamora-Dimacuha
Legal and Compliance Officer

cc: Director Justina F. Callangan, Securities and Exchange Commission
    Mr. Cesar B. Crisol, Philippine Dealing & Exchange Corporation
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
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

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **May 8, 2009**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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: **[Redacted]** (SEC Use Only)

7. **Address of issuer’s principal office**  
   **Postal**  
   **Code**  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105**

8. **Issuer’s telephone number, including area code**  
   **(02)926-7898 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. Authorized Capital Stock  
       **P 3,100,000,000.00**  
       
       Common Shares  
       **2,023,107,451 (P1.00 par value)**
       
       Participating Preferred Shares  
       **4,000,000,000 (P0.10 par value)**

    b. Number of Shares Outstanding  
       **Common Shares, par value P1.00 each – 2,023,107,451**
       **Participating Preferred Shares, par value P0.10 each – 4,000,000,000**

    c. Amount of Debt Outstanding

---

1  
2,004,585,466  
878,500  
17,643,485  
**2,023,107,451**  
Outstanding Common Shares  
Treasury Shares Listed in the Philippine Stock Exchange (PSE)  
Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the  
PSE
Fixed Rate Bonds – Php4,000,000,000.00

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.

   Please see attached letter to the Philippine Stock Exchange on the 2009 first quarter results of Manila Water dated May 8, 2009.

   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: ____________________________
   LIZETTE G. ZAMORA-DIMACUHA
   Legal and Compliance Officer

   May 8, 2009
   Date
May 8, 2009

Securities & Exchange Commission
Attention: Director Justina F. Callangan
Corporation & Finance Department
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange
Attention: Janet A. Encarnacion
Head, Disclosure Department
4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Philippine Dealing & Exchange Corporation
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Gentlemen:

Manila Water announces today its first quarter-end results for 2009. Please refer to the enclosed press release.

Sincerely,

[Signature]
Lizelle Zamora-Dimacuha
Legal and Compliance Officer
Manila Water Posts Stable Earnings for Q1 2009

For the first quarter of 2009, the company posted operating revenues amounting to P2.2 billion. Efficiency gains in operations and tax management helped push net income to P622 million.

“We continue to prioritize the expansion of our customer base. In addition, efficiency gains will be a key focus to further improve margins. These efforts will be complemented by initiatives to ensure the long-term viability of the business in the East Zone and beyond,” said Manila Water president Rene D. Almendras.

The company has increased its customer base by 11,000 households in the first quarter to approximately 1.04 million households on water sales of 93.7 million cubic meters (mcm).

Investments in the water network also kept the company’s water losses at a minimum. As of March, non-revenue water has been stable at the 20% level. As a result, operating costs were well-managed, thus improving earnings before interests, taxes, depreciation and amortization (EBITDA) to P1.5 billion. The company’s EBITDA margin remained stable at 70%.

With the renewal of the concession, the company has committed to increase its level of investments to a total amount of P450 billion until 2037 to accelerate the implementation of wastewater projects, expansion of the water network, and development of new water sources.

Manila Water also continued to plant the seeds of growth of its business outside of the East Zone. Last April, the company entered into an agreement to form a joint venture with the Philippine Tourism Authority to manage water and wastewater services for Boracay, one of the country’s premiere tourist destinations. The joint venture will be pouring in around P1.2 billion over the next three years to help improve the island’s water and wastewater networks.

“Our concession in Boracay affirms Manila Water’s capability to develop world-class water and wastewater systems for its customers. This is just one of the many thrusts that we are pursuing in order to contribute towards the well-being of our client communities and at the same time generate more value for the company,” added Mr. Almendras.

The Boracay project will add to the company’s growing business portfolio outside the concession. Manila Water currently has existing projects in Tiripur, India and Ho Chi Minh, Vietnam.
### Financial Highlights

*(In million Pesos)*

<table>
<thead>
<tr>
<th></th>
<th>Q1 2009</th>
<th>Q1 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>2,158</td>
<td>2,004</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,517</td>
<td>1,414</td>
</tr>
<tr>
<td>Net income</td>
<td>622</td>
<td>548</td>
</tr>
</tbody>
</table>

### Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>Q1 2009</th>
<th>Q1 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply (mcm)</td>
<td>118.0</td>
<td>123.6</td>
</tr>
<tr>
<td>Water sales (mcm)</td>
<td>93.8</td>
<td>94.9</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Households served</td>
<td>1,044,673</td>
<td>1,000,460</td>
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</table>
# COVER SHEET

**S.E.C. Registration Number**

A199611593

**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. GLORINA P. DE CASTRO**

Contact Person

9267999 loc. 8130

Company Telephone Number

**SEC Form 17-C**

FORM TYPE

STOCK

Month 12 Fiscal Year 31

Day

Month 04 Any

Day Monthly

Annual Meeting

Secondary License Type, if Applicable

A1996-11593

Amended Articles Number/Section

**Total Amount of Borrowings**

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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 5, 2009**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1896-11593**

3. BIR Tax Identification No. **905-038-428**

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 MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code  
   (02)926-7999 local 8138 / or (02)865-8133

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

      Common Shares  
      2,023,107,451 (P1.00 par value)

      Participating Preferred Shares  
      4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding

      Common Shares, par value P1.00 each – 2,023,107,451
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. Amount of Debt Outstanding

   **2,004,585,466** Outstanding Common Shares  
   **878,500** Treasury Shares Listed in the Philippine Stock Exchange (PSE)  
   **17,643,485** Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the  
   **2,023,107,451** PSE
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: Item 9.
   Please see attached letter to the Philippine Stock Exchange on the notice of analysts' briefing dated May 4, 2009.

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: ____________________________
Lizelle G. Zamora-Dimacuha
Legal and Compliance Officer

May 5, 2009  Date
4 May 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Analysts' Briefing

Dear Ma'am:


Best regards.

Sincerely,

Glorina P. de Castro
Treasury and Investor Relations Head
**COVER SHEET**

**MANILA WATER COMPANY INC**

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

SEC Form 17-C
STOCK FORM TYPE

12 31
Month Day Fiscal Year

04 Any
Month Day Annual Meeting

Secondary License Type, if Applicable

9267999 loc. 8130
Company Telephone Number

A1996-11593
Amended Articles Number/Section

To be accomplished by SEC Personnel concerned

File Number

Total No. of Stockholders

Domestic

Foreign

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, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

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: 6929 (SEC Use Only)

7. Address of issuer's principal office  Postal
   Code
   
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaen, Quezon City  1105

8. Issuer's telephone number, including area code
   (02)826-7999 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. Authorized Capital Stock  P 3,100,000,000.00
       Common Shares  2,023,107,451 (P1.00 par value)
       Participating Preferred Shares  4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1  2,004,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,543,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.

Please see attached letter to the Securities and Exchange Commission and the Philippine Stock Exchange on the independent directors' certification dated April 28, 2009.

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]

Glorina P. de Castro  
Treasury and Investor Relations Head

April 28, 2009  
Date
28 April 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Atty. Justina Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

Independent Director’s Certifications

Dear Sir/Madam:

Further to the Notice issued by SEC on October 20, 2006, we enclose the certifications from Manila Water Company’s independent directors, Messrs. Cielito F. Habito and Oscar S. Reyes.

Best regards.

Sincerely,

[Signature]
Gloria P. de Castro
Treasury and Investor Relations Head
CERTIFICATION OF INDEPENDENT DIRECTOR

I, OSCAR S. REYES, Filipino, of legal age and a resident of Unit 6, Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn in accordance with law, 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 Philippine Islands</td>
<td>Director</td>
<td>2003-present</td>
</tr>
<tr>
<td>Ayala Land, Inc</td>
<td>Director</td>
<td>2009</td>
</tr>
<tr>
<td>Philippine Long Distance Telephone Company</td>
<td>Director</td>
<td>2001-present</td>
</tr>
<tr>
<td>SMART Communications Inc</td>
<td>Director</td>
<td>2006-present</td>
</tr>
<tr>
<td>Sun Life of Canada Philippines, Inc.</td>
<td>Director</td>
<td>2004-present</td>
</tr>
<tr>
<td>Sun Life Financial Plans Inc.</td>
<td>Director</td>
<td>2006-present</td>
</tr>
<tr>
<td>Sun Life Prosperity Dollar Abundance Fund Inc.</td>
<td>Director</td>
<td>2003-present</td>
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<td>Sun Life Prosperity Dollar Advantage Fund Inc.</td>
<td>Director</td>
<td>2003-present</td>
</tr>
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<td>Pepsi Cola Products Philippines, Inc.</td>
<td>Director</td>
<td>2007-present</td>
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<td>Basic Energy Corporation</td>
<td>Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Basic EcoMarket Farms, Inc.</td>
<td>Chairman</td>
<td>2009</td>
</tr>
<tr>
<td>First Philippine Electric Company</td>
<td>Director</td>
<td>2003-present</td>
</tr>
<tr>
<td>Petrolift Inc.</td>
<td>Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Mindoro Resources Ltd.</td>
<td>Director</td>
<td>2003-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>Chairman</td>
<td>2002-present</td>
</tr>
<tr>
<td>Tower Club</td>
<td>Director</td>
<td>2004-present</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of 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 change in the abovementioned information within five days from its occurrence.

20 April 2009, Makati City.

OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me this 23rd day of April 2009, the Affiant exhibiting to me his Community Tax Certificate No. 12387754 issued on 24 January 2009 at Makati City.
CERTIFICATION OF INDEPENDENT DIRECTORS

I, CIELO F. HABITO, Filipino, of legal age, and resident of 10071, Mt. Rulon Street, Los Baños, Laguna, 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>Clean Air Initiative - Asia</td>
<td>Trustee</td>
<td>2005-Present</td>
</tr>
<tr>
<td>PSHS Foundation Inc.</td>
<td>Trustee</td>
<td>2007-Present</td>
</tr>
<tr>
<td>Philippine Science High School National Alumni Association, Inc.</td>
<td>Trustee</td>
<td>2007-Present</td>
</tr>
<tr>
<td>International Center for Innovation, Transformation and Excellence in Governance (INCITEGov)</td>
<td>Trustee</td>
<td>2006-Present</td>
</tr>
<tr>
<td>Metrobank Card Corporation</td>
<td>Independent Director</td>
<td>2005-Present</td>
</tr>
<tr>
<td>Galing Pook Foundation</td>
<td>Trustee</td>
<td>2006-Present</td>
</tr>
<tr>
<td>Mutual Fund Management</td>
<td>Independent Director</td>
<td>2005-Present</td>
</tr>
<tr>
<td>Company of the Philippines</td>
<td>Trustee</td>
<td>2005-Present</td>
</tr>
<tr>
<td>Brain Trust, Inc.</td>
<td>Independent Director</td>
<td>2004-Present</td>
</tr>
<tr>
<td>Philippine Daily Inquirer</td>
<td>Trustee</td>
<td>2003-Present</td>
</tr>
<tr>
<td>Maximo T. Kalaw Institute for Sustainable Development, Inc.</td>
<td>Trustee</td>
<td>2003-Present</td>
</tr>
<tr>
<td>PhilSteel Holdings, Inc.</td>
<td>Independent Director</td>
<td>2002-Present</td>
</tr>
<tr>
<td>Ateneo de Manila University</td>
<td>Trustee</td>
<td>2001-Present</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>Independent Director</td>
<td>1999-Present</td>
</tr>
<tr>
<td>No. 1005</td>
<td>Trustee</td>
<td>1999-Present</td>
</tr>
<tr>
<td>Juan de la Pez</td>
<td>Trustee</td>
<td>1999-Present</td>
</tr>
<tr>
<td>Siping Peace and Development Foundation</td>
<td>Trustee</td>
<td>1999-Present</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of 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 above-mentioned information within five days of its occurrence.

Done this day of April 2009 at Quezon City.

[Signature]

Affiant

SUBSCRIBED AND SWEARN to before me this day of April 2009, at Quezon City, affiant exhibited to him Passport No. U026515458 issued on March 28, 2007 in Manila.

[Signature]

Affiant
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04
Month
Any
Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. April 29, 2009  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11693  

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, Phile.

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office  
   Code  
   2F MWSS Admin. Bldg., 489 Katipunan Road, Bala, 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. Authorized Capital Stock  
       P 3,100,000,000.00

       Common Shares  
       2,023,107,451 (P1.00 par value)

       Participating Preferred Shares  
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding

       Common Shares, par value P1.00 each – 2,023,107,451

       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

1 2,004,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,643,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.
   Please see attached letter to the Philippine Stock Exchange on the clarification on
   the news article entitled "Manila Water eyes opportunities in India" in Malaya dated
   April 28, 2009.

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: ________________

Thom Ryan Q. Ortega
Corporate Governance Officer

April 29, 2009
Date
28 April 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion,
Head, Disclosure Department

Clarification on News Article

We refer to your letter dated April 28, 2009 requesting for clarification on the news article entitled “Manila Water eyes opportunities in India” in Malaya on April 28, 2009 which reported that:

“Manila Water Co., plans to participate in three to five projects that are scheduled for bidding within the year in India as it continues to be on the lookout for businesses outside the country. Manila Water, ... has an existing management contract in Tirupur, India. Virgilio Rivera, group director for Regulation and Corporate Development, said they also have a contract for water supply and waste water management in Tamil Nadu...”

We would like to confirm that the company, as part of its growth strategy, intends to bid for projects in India within the year. In addition, we continue to explore possible business opportunities within the Asian region.

We trust that the foregoing clarifies the matter.

Respectfully yours,

Luis Juan B. Oreta
Chief Finance Officer and Treasurer
Company: MANILA WATER COMPANY, INC.

Attention: Mr. Lulu Juan B. Oreta
CFO and Treasurer

Subject: “Manila Water eyes opportunities in India”

Sent: Tuesday, April 28, 2009

Gentlemen:

We write with respect to the attached news article entitled “Manila Water eyes opportunities in India” published in the April 28, 2009 issue of the Malaya. The article reported, in part, that:

MANILA Water Co., plans to participate in three to five projects that are scheduled for bidding within the year in India as it continues to be on the lookout for businesses outside the country. Manila Water,... has an existing management contract in Tirupur, India. Virgilio Rivera, group director for Regulation and Corporate Development, said they also have a contract for water supply and waste water management in Tamil Nadu....

In connection with the related information contained in your 2009 Annual Report, please provide an update via ODISy before 11:00 a.m. today, April 28, 2009, so that we may properly apprise the Trading Participants and the investing public of the same.

Very truly yours,

KRISTINA S. WY
Analyst, Disclosure Department

Noted by:

JANET A. ENCARNAÇÃO
Head, Disclosure Department
MANILA Water eyes opportunities in India

BY SERVIO PACTAO

MANILA Water Co., plans to participate in three to five projects that are scheduled for bidding within the year in India as it continues to be on the lookout for businesses outside the country.

MANILA Water, the Ayala-owned concessionaire that provides water and wastewater services to over five million customers in the East Zone of Metro Manila, has an existing management contract in Tirupur, India.

Virgilio Rivera, group director for Regulation and Corporate Development, said they also have a contract for water supply and wastewater management in Tamil Nadu.

"We are expanding in India and Southeast Asia where we can apply our expertise in the provision of water supply and wastewater services... We continue to be the leading regional player and we compete with the best in the world," he said.

MANILA Water has been working on the supply of water in the city of Tirupur where the Indian garment and textile industry, with investments amounting to $200 million, is concentrated.

For this year, he said, India has a dozen water projects.

"The India water sector requires more investment and we are invited to bid in water projects. We may join in these projects with our local partner, Mahindra Group," he said.

MANILA Water has a non-revenue water reduction project in Ho Chi Minh, Vietnam.

MANILA Water said it will continue to pursue its growth agenda.

MANILA

based on its strong financial stability and operational performance.

As of the end of the year 2008, the company achieved a new milestone when its system losses fell below the 20 percent level, better than many of its regional counterparts.

At present, 95 percent of MANILA Water's customers are enjoying 24-hour water availability at sufficient pressure.

Since the start of operations in 1997, MANILA Water has managed to post sustained growth in water sales while achieving significant improvements in operational efficiencies. MANILA Water's strong operational performance led to better financial results, despite a more difficult economic environment.

It posted net earnings of P2.8 billion for 2008. MANILA Water will increase its total investments from P187 billion to P450 billion until 2022.
COVER SHEET

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. GLORINA P. DE CASTRO

Contact Person

9267999 loc. 8130

Company Telephone Number

SEC Form 17-C

STOCK

FORM TYPE

04 Any

Month Fiscal Year

Secondary License Type, if Applicable

12 31

Month Day

Annual Meeting

A1996-11593

Amended Articles Number/Section

Dept. Requiring this Doc.

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 27, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

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
   Poster
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal
   1105

8. Issuer's telephone number, including area code
   (02) 922-7988 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. Authorized Capital Stock
       P 3,100,000,000.00

           Common Shares
           Participating Preferred Shares
           2,023,107,451 (P1.00 par value)
           4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each - 2,023,107,451
       Participating Preferred Shares, par value P0.10 each - 4,000,000,000

    c. Amount of Debt Outstanding


----
1 2,004,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,542,485 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.

Please see attached letter to the Philippine Stock Exchange on the listing of our 4 Billion Peso Bond in the Philippine Dealing and Exchange Corporation dated April 27, 2009.

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:

Glorina P. de Castro
Treasury and Investor Relations Head

April 27, 2009
Date
April 27, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Listing of 4 Billion Peso Bond in the Philippine Dealing and Exchange Corporation

Dear Ma'am:

We would like to inform you that the listing of the company's 4 Billion Peso Bond in the Philippine Dealing and Exchange Corporation will be on April 29, 2009.

Thank you.

Sincerely,

[Signature]
Glorina P. de Castro
Treasury & Investor Relations Head
MANILA WATER COMPANY INC

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

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
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

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
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 21, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

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: [Blank] (SEC Use Only)

7. Address of issuer's principal office
   Postal
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)929-7999 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. Authorized Capital Stock
       P 3,100,000,000.00

       Common Shares
       2,023,107,451 (P1.00 par value)

       Participating Preferred Shares
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding

       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000

    c. Amount of Debt Outstanding

---

1. 2,004,585,466 Outstanding Common Shares
    878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
    17,643,483 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
    2,023,107,451 PSE
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: Item 9.

Please see attached letter to the Philippine Stock Exchange on the company’s Joint Venture Agreement with the Philippine Tourism Authority for the design, financing, construction and operation of the Boracay Water Supply and Sewerage Systems dated April 21, 2009.

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:  

Glorina P. de Castro  
Treasury and Investor Relations Head  

April 21, 2009  
Date
April 21, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: JOINT VENTURE AGREEMENT FOR THE DESIGN, FINANCING, CONSTRUCTION AND OPERATION OF THE BORACAY WATER SUPPLY AND SEWERAGE SYSTEMS

Dear Ma'am:

We would like to inform you that we have formally signed a Joint Venture Agreement with the Philippine Tourism Authority (PTA) in accordance with the National Economic and Development Authority's Joint Venture (JV) guidelines for Government Owned and Controlled Corporations. The agreement officially recognizes Manila Water as PTA's private partner in the formation of a JV company for the operation, management, rehabilitation, expansion, and financing of water and sewerage services; and operation and maintenance of the existing drainage system in Boracay Island. The JV Company shall enter into a 25-year concession agreement with PTA.

Thank you.

Sincerely,

Glorina P. de Castro
Treasury & Investor Relations Head
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

SEC Form 17-C
STOCK FORM TYPE

1231
Month Day Fiscal Year

04
Month
Any
Day Annual Meeting

A1996-11593
Amended Articles Number/Section

Department Requiring this Doc.

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(c) THEREUNDER

1. April 22, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

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
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal

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. Authorized Capital Stock
       P 3,100,000,000.00

       Common Shares
       2,023,107,451 (P1.00 par value)
       Participating Preferred Shares
       4,000,000,000 (P0.10 par value)

    b. Number of Shares Outstanding

       Common Shares, par value P1.00 each -- 2,023,107,451
       Participating Preferred Shares, par value P0.10 each -- 4,000,000,000

    c. Amount of Debt Outstanding

---

1 2,004,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,633,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.

Please see attached letter to the Philippine Stock Exchange (PSE) on the company’s additional information requested by the PSE on the Joint Venture Agreement with the Philippine Tourism Authority for the design, financing, construction and operation of the Boracay Water Supply and Sewerage Systems dated April 22, 2009.

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 22, 2009
Issuer  Date

By:  

Glorina P. de Castro  April 22, 2009
Treasury and Investor Relations Head
April 22, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: JOINT VENTURE AGREEMENT FOR THE DESIGN, FINANCING, CONSTRUCTION AND OPERATION OF THE BORACAY WATER SUPPLY AND SEWERAGE SYSTEMS

Dear Ma'am:

Further to our disclosure dated April 21, 2009, we wish to provide you the following information:

1. The agreement between Philippine Tourism Authority (PTA) and Manila Water is the first successful Joint Venture (JV) under the 2008 National Economic and Development Authority JV guidelines for Government Owned and Controlled Corporations. The Company believes that this can forge more partnerships between the government and private-sector that will support growth in our economy.

2. The Joint Venture (JV) Company will enter into a Concession Agreement (CA) with the PTA where PTA shall receive a concession fee.

3. Under the CA, the JV Company shall be granted a 25-year exclusive right to service the waterworks and sewerage needs and requirements of the entire Boracay Island as an agent and contractor of the PTA.

4. The JV company is expected to undertake a capex program of approximately PhP1 billion, over a period of ten years. This project will effectively serve the existing 600,000 tourists visiting the island, which we expect to double over the next ten years.

5. The authorized capital stock of the proposed Joint Venture (JV) Company shall be PhP300 million, whereby Manila Water’s equity contribution shall be 80%, while PTA’s equity contribution shall be 20%.

6. The JV Company will also enter into a Technical Service Agreement (TSA) with Manila Water, where Manila Water shall provide all the necessary management and technical requirements of the JV Company to ensure effective and efficient delivery of water supply and sewerage services.

7. A commencement fee of PhP5,000,000.00 was paid by Manila Water to PTA upon signing of the JV Agreement.
8. The takeover of Boracay Water and Sewerage System (BWSS) operations will be done after the agreement on the details of the CA and TSA, completion of all conditions, and incorporation of the JV Company.

9. The JV Company will operate an existing system consisting of 3,500 water service connections consuming approximately 5 million liters per day and 700 services connected to the sewer system. Currently, BWSS generates more than P100 million gross revenues per year.

10. The funds to be used by Manila Water to fund its investment will be coming from internally-generated funds.

11. We expect that the financial condition of Manila Water will be enhanced by the income derived from fees and dividends received from the JV Company.

Thank you.

Sincerely,

[Signature]

Gloria P. de Castro
Treasury & Investor Relations Head
Company: MANILA WATER COMPANY, INC.

Attention: Mr. Luis Juan B. Oreta
CFO and Treasurer

Subject: Joint Venture Agreement with Philippine Tourism Authority

Sent: Tuesday, April 21, 2009

Gentlemen:

We write with respect to Manila Water Company, Inc.'s ("MWC") disclosure dated April 21, 2009, in connection with the signing of a Joint Venture Agreement with the Philippine Tourism Authority ("PTA").

In relation thereto, we would like to request for additional information on the matter, including but not limited to the following:

a. Copy of the joint venture agreement
b. Terms and conditions of the agreement
c. Timetable/schedule for the effectivity of the agreement
d. Amount of investment by each party
e. Source(s) of funds
f. Total assets of the venture after establishment
g. Effects on financial condition/forecast of MWC
h. Any other relevant information

We shall appreciate receiving your reply on the foregoing matter via ODISy before 4:00 p.m. tomorrow, April 22, 2009, so that we may appropriately apprise the Trading Participants and the investing public of the same.

Very truly yours,

K... (Signature)
Analyst, Disclosure Department

Noted by:

NOEL B. DEL CASTILLO
Supervisor, Disclosure Department
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO

9267999 loc. 8130

SEC Form 17-C
FORM TYPE

12 31
Month Day Fiscal Year

04 Any
Month Day Annual Meeting

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

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 20, 2009
   Date of Report (Date of earliest event reported)

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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)926-7999 local 8130 / or (02)921-8133

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
       Common Shares 2,023,107,451 (P1.00 par value)
       Participating Preferred Shares 4,000,000,000 (P0.10 par value)
    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

1 2,004,585,466 Outstanding Common Shares
   878,300 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,649,465 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.

   Please see attached letter to the Philippine Stock Exchange on the approval of a 15-year concession extension dated April 20, 2009.

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: ________________________________
   Gionina P. de Castro
   Treasury and Investor Relations Head

   Issuer

   April 20, 2006
   Date
April 20, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Extension of Manila Water’s Concession for the East Zone

Dear Sir:

Please be informed that Manila Water Company, Inc. has been granted an extension of its concession by the Metropolitan Waterworks and Sewerage System after its recent board meeting. The extension will result in an additional 15 years in the company’s East Zone concession and an increase in the company’s investment plan from approximately P187 billion until 2022 to P450 billion until 2037. In addition, tariffs will only increase by P1 per cubic meter per year from 2010 to 2012 due to the longer recovery period. The approval is subject to the concurrence of the Department of Finance.

We would like to state our strong support for this measure to extend our concession for the East Zone. The company views the proposal as a win-win solution that will help support the government’s economic stimulus plan through the implementation of additional investments while allowing for a more affordable tariff regime for the company’s customers.

Thank you.

Sincerely,

Luis Juan B. Oreta
CFO and Treasurer
<table>
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<th>Month</th>
<th>Day</th>
<th>Fiscal Year</th>
<th>SEC Form 17-C Stock Form Type</th>
<th>Month</th>
<th>Day</th>
<th>Any Annual Meeting</th>
<th>Secondary License Type, If Applicable</th>
<th>Amended Articles Number/Section</th>
<th>Total Amount of Borrowings</th>
<th>Total No. of Stockholders</th>
<th>To be accomplished by SEC Personnel concerned</th>
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**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 8, 2009
   Date of report (date of earliest event reported)

2. SEC identification number A 1996-11583

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, Phits.

6. industry classification code: [ ] (SEC use only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Baguio, Quezon City
   Postal

8. Issuer's telephone number, including area code
   (02)986-7999 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. Authorized capital stock
       P 3,100,000,000.00
       Common Shares
       2,023,107,451 (P1.00 par value)
       Participating Preferred Shares
       4,000,000,000 (P0.10 par value)
    b. Number of shares outstanding
       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of debt outstanding

1 2,064,585,466 Outstanding Common Shares
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,643,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE


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: Item 9.

Please see attached letter to the Philippine Stock Exchange on the disclosure on the Company's Boracay project dated April 8, 2009.

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 8, 2009
Issuer

By:  Date

Thom Ryan S. Ortega
Corporate Governance Officer
April 8, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Noel B. del Castillo
OIC, Disclosure Department

Re: DESIGN, FINANCING, CONSTRUCTION AND OPERATION OF THE BORACAY WATER SUPPLY AND SEWERAGE SYSTEMS AND OPERATION AND MAINTENANCE OF DRAINAGE

Dear Sir:

Further to our earlier disclosure on Manila Water Company’s proposal to develop the water and wastewater system in Boracay Island, please be informed of the following:

- That Manila Water’s proposal was subjected to a “swiss challenge” under the provisions of the NEDA-issued guidelines (2008 Guidelines and Procedures for Entering into Joint Venture (JV) Agreements Between Government Owned and Controlled Corporations (GOCCs) and Private Entities) last March;

- That no bid or counter proposal was submitted from potential challengers at the deadline of submission. The project was already approved in principle by the Philippine Tourism Authority but there are still on-going discussions on compliance with closing requirements. Manila Water is still waiting for the official notice of award.

Thank you.

Sincerely,

Luis Juan B. Oreta
Chief Finance Officer and Treasurer
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
Month Day Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. 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 SRC RULE 17.2(c) THEREUNDER

1. March 31, 2009
Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11693

3. BIR Tax Identification No. 005-038-423

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
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Bala, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)928-7900 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. Authorized Capital Stock
       Common Shares
       Participating Preferred Shares
       P 3,100,000,000.00
       2,023,107,451 (P1.00 par value)
       4,000,000,000 (P0.10 par value)
    b. Number of Shares Outstanding
       Common Shares, par value P1.00 each – 2,023,107,451
       Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    c. Amount of Debt Outstanding

---

1 2,004,585,466 Outstanding Common Shares
   878,300 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,643,483 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: 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.  March 31, 2009
Issuer

By: 

GLORINA P. DE CASTRO
Treasury & Investor Relations Head

Date
31 March 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Noel B. del Castillo,
OIC, Disclosure Department

Clarification on News Article

We refer to your letter dated March 31, 2009 requesting for clarification on the news article entitled “Manila Water eyeing Laiiban” in Manila Standard today. The article states that:

“Manila Water Co., the water utility unit of Ayala group, may forge a partnership with food and beverage conglomerate San Miguel Corp. to develop Laiiban Dam in Tanay, Rizal as a future water source. “We’re still in discussion with the MWSS [Metropolitan Waterworks and Sewerage System]. We submitted our proposal, so did San Miguel. We’re hoping we could work together on this,” Manila Water president Jose Rene Almendras told reporters at a briefing yesterday…. Almendras said Manila Water and DMCI-MPIC Water Co. Inc. of Metro Pacific Investments Corp. and DMCI Holdings Inc. had committed to team up with MWSS to develop Laiiban Dam as another source of potable water for residents of Metro Manila and nearby areas covered by their concession agreement…. The two water companies are looking at a $1-billion budget for the water project, slightly lower than $1.2 billion proposed by San Miguel.”

We would like to confirm that as early as 2007, as part of our review of the business plan with MWSS, Manila Water had already indicated its willingness to participate in the development of a long-term water source for Metro Manila. Under our proposal, MWSS would be in charge of the development of the source while the two concessionaires will help finance the project by debt service through concession fee payments like other MWSS projects such as Umiray-Angat Transbasin project. Manila Water would like to continue to find a win-win arrangement with all concerned parties to finance Laiiban at the lowest possible cost to ensure Metro Manila’s water supply security.

We trust that the foregoing clarifies the matter.

Respectfully yours,

Luis Juan B. Oreta
Chief Finance Officer and Treasurer

Manila Water Company, Inc.
MWSS-Admin. Bldg., Katipunan Road, 1105 Balara, Quezon City, Philippines
http://www.manilawater.com
Company: MANILA WATER COMPANY, INC.

Attention: Mr. Luis Juan B. Orata
CFO and Treasurer

Subject: "Manila Water eyeing Laibang"

Sent: Tuesday, March 31, 2009

Gentlemen:

We write with respect to the attached news article entitled "Manila Water eyeing Laibang" published in the March 31, 2009 issue of the Manila Standard Today. The article reported, in part, that:

MANILA Water Co. Inc., the water utility unit of the Ayala group, may forge a partnership with food and beverage conglomerate San Miguel Corp. to develop Laibang Dam in Tanay, Rizal as a future water source. "We're still in discussion with the MWSS [Metropolitan Waterworks and Sewerage System]. We submitted our proposal, so did San Miguel. We're hoping we could work together on this," Manila Water president Jose Rene Almendras told reporters at a briefing yesterday... Almendras said Manila Water and DMCI-MPIC Water Co. Inc. of Metro Pacific Investments Corp. and DMCI Holdings Inc. had committed to team up with MWSS to develop Laibang Dam as another source of potable water for residents of Metro Manila and nearby areas covered by their concession agreement.... The two water companies are looking at a $1-billion budget for the water project, slightly lower than $1.2 billion proposed by San Miguel....

Please confirm, deny and/or clarify the above-quoted news article and provide additional information, if any, via ODisy before 11:00 a.m. today, March 31, 2009, so that we may properly apprise the Trading Participants and the investing public of the same.

Very truly yours,

KRISTINA SAVY
Analyst, Disclosure Department

Noted by:

NOEL B. DEL CASTILLO
OIC, Disclosure Department
Manila Water eyeing Laiban

Water firm submits own proposal to MWSS, says tie-up with San Miguel to develop Tanay, Rizal dam possible

By Othel V. Campos

MANILA Water Co. Inc., the water utility unit of the Ayala group, may forge a partnership with food and beverage conglomerate San Miguel Corp. to develop Laiban Dam in Tanay, Rizal as a future water source.

“We’re still in discussion with the MWSS (Metro Manila Waterworks and Sewerage System). We submitted our proposal, so did San Miguel. We’re hoping we could work together on this,” Manila Water president Jose Rene Almendras told reporters at a briefing yesterday.

San Miguel in February offered to build the proposed P47.9-billion Laiban Dam project as part of the company’s diversification strategy. It said wholly-owned unit San Miguel Bulk Water Co. Inc. made an unsolicited proposal to MWSS to develop Laiban Dam under a build-operate-transfer scheme.

Almendras said Manila Water and DMCI-MPIC Water Co. Inc. of Metro Pacific Investments Corp. and DMCI Holdings Inc. had committed to team up with MWSS to develop Laiban Dam as another source of potable water for residents of Metro Manila and nearby areas covered by their concession agreement. Manila Water supplies water to the eastern part of Metro Manila while DMCI-MPIC Water operates the west zone of the capital region.

“I believe having a concessionaire agreement is far better than a BoT proposal which was what I believe San Miguel is offering the MWSS. But if we can meet somewhere to work this project together, it will be good for everybody,” said Almendras.

The two water companies are looking at a $1.1-billion budget for the water project, slightly lower than $1.2 billion proposed by San Miguel.

San Miguel has offered to build the Laiban Dam and headworks, raw water conveyance facilities, a treatment plant, a hydro power plant and pumping stations.

“The economy of the project is to do it combined. You cannot separate the water component from the power component. We are financially and technically capable of doing the project,” said Almendras.

Mothballed for 27 years, the Laiban Dam is expected to solve a possible water shortage in Metro Manila.

President Gloria Macapagal Arroyo in 2007 gave the green light to revive the Laiban Dam project to address a potential water supply problem in Metro Manila and generate an additional 25 megawatts of hydro power.

Mrs. Arroyo gave a deadline of six years to complete the construction of the project starting in 2008.

Manila Water and DMCI-MPIC Water earlier gave lukewarm support to the proposed Laiban Dam project of San Miguel.
COVER SHEET

A 1 9 9 6 1 1 5 9 3
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. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

SEC Form 17-C

FORM TYPE
STOCK

Month Day
12 31
Facal Year

0 4
Any
Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring 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 I.D.

Cashier

STAMPS
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. March 31, 2009  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A1996-11593

3. BIR Tax Identification No.  006-038-428

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., 489 Katipunan Road, Balara, Quezon City  1105

8. Issuer's telephone number, including area code  
   (02) 928-7999 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. Authorized Capital Stock  
   P 3,100,000,000.00
      Common Shares  
      Participating Preferred Shares  
   2,023,107,451 (P1.00 par value)  
   4,000,000,000 (P0.10 par value)

b. Number of Shares Outstanding  
   Common Shares, par value P1.00 each – 2,023,107,451  
   Participating Preferred Shares, par value P0.10 each – 4,000,000,000

c. Amount of Debt Outstanding

1 2,004,585,466 Outstanding Common Shares  
   878,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)  
   17,643,485 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the  
   2,023,107,451 PSE
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: Item 9.

   Please see attached letter to the Securities and Exchange Commission and Philippine Stock Exchange on the results of the meetings of the stockholders and board of directors dated March 30, 2009.

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

GLORINA P. DE CASTRO
Treasury & Investor Relations Head

March 31, 2009
Date
30 March 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Atty. Justina Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Noel B. del Castillo
OIC, Disclosure Department

Meetings of the Stockholders and Board of Directors

Dear Sir/Madam:

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
   Delfin L. Lazaro
   Antonino T. Aquino
   Alberto L. Jugo

   Kevin Starling
   Charles Thomas Cornish
   Hiromu Nishimura
   Cielito F. Habito
   Oscar S. Reyes

   Messrs. Habito and Reyes were elected as independent directors.

2. Appointment of SyCip, Gorres, Velayo & Co. as external auditors for the ensuing year

In its organizational meeting held after the stockholders’ meeting, the Board of Directors elected or appointed the following:

1. Director: Jose Rene D. Almendras
2. Officers

   Chairman of the Board: Fernando Zobel de Ayala
   Vice Chairman of the Board: Jaime Augusto Zobel de Ayala
   Co-Vice Chairman of the Board: Charles Thomas Cornish
   President: Jose Rene D. Almendras
Chief Finance Officer & Treasurer: Luis Juan B. Oreta  
Corporate Secretary: Atty. Solomon M. Hermosura

Group Directors:  
Virgilio C. Rivera, Jr.  
Frank Beaumont  
Ruel T. Maranan  
Geodino V. Carpio  

Group Director, Regulation and Corporate Development  
Group Director, Operations and Project Delivery  
Group Director, Human Resources and Corporate Services  
Group Director, Project Delivery

3. Committees and Memberships

Executive Committee  
Fernando Zobel de Ayala -Chairman  
Delfin L. Lazaro -Vice Chairman  
Jose Rene D. Almendras - Member  
Antonino T. Aquino - Member  
Kevin Starling -Member

Audit and Governance Committee  
Cielito F. Habito -Chairman  
Alberto L. Jugo -Member  
Hiromu Nishimura -Member  
Oscar S. Reyes -Member

Nomination Committee  
Oscar S. Reyes -Chairman  
Jaime Augusto Zobel de Ayala - Member  
Kevin Starling – Member  
Cielito F. Habito - Member

Proxy Validation Committee  
Ma. Lourdes Miranda (Manila Water Internal Audit Dept. Head) - Chairperson  
Atty. Rene Tale - Member  
Representative of External Auditor - Member

Remuneration Committee  
Oscar S. Reyes - Chairman  
Delfin L. Lazaro - Member  
Fernando Zobel de Ayala -Member  
Cielito F. Habito - Member

Compliance Officer: Luis Juan B. Oreta

4. Declaration of Cash Dividends
The Board also declared the following first semester 2009 cash dividends: (i) ₱0.20 per share on the outstanding common shares, and (ii) ₱0.02 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of April 16, 2009, to be paid on May 8, 2009.

We attach a press release in relation to the stockholders’ meeting.

Best regards.

Sincerely,

[Signature]

Glorina P. de Castro
Treasury and Investor Relations Head
1. **March 25, 2009**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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**  
   Code
   2F MWSS Admin. Bldg., 489 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. Authorized Capital Stock  
      P 3,100,000,000.00
      Common Shares  
      Participating Preferred Shares  
      2,023,107,451 (P1.00 par value)  
      4,000,000,000 (P0.10 par value)

   b. Number of Shares Outstanding  
      Common Shares, par value P1.00 each – 2,023,107,451
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000

   c. Amount of Debt Outstanding

---

1. **2,004,585,466**  
   **Outstanding Common Shares**

2. **878,500**  
   Treasury Shares Listed in the Philippine Stock Exchange (PSE)

3. **17,643,485**  
   Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the

4. **2,023,107,451**  
   PSE
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: Item 9.

   Please see attached letter to the Philippine Stock Exchange on the notice to analysts' briefing dated March 25, 2009.

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]

GLORINA R. DE CASTRO  
Compliance Officer

March 25, 2009
Date
25 March 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention:       Noel B. del Castillo
                OIC, Disclosure Department

Analysts’ Briefing

Dear Sir:

Manila Water Company, Inc. will hold an analysts’ briefing on March 30, 2009, at 10:30 AM at the 14th floor, Bahia Room, Hotel Intercontinental, Makati City.

Best regards.

Sincerely,

Glorina P. de Castro
Compliance Officer
COVER SHEET

MANILA WATER COMPANY INC

489 Katipunan Road Balara 1105 Quezon City Metro Manila

Att'y. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
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

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. March 17, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A1996-11593

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 MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)921-8133

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
      Common Shares  2,023,107,451 (P1.00 par value)
      Participating Preferred Shares  4,000,000,000 (P0.10 par value)
   b. Number of Shares Outstanding
      Common Shares, par value P1.00 each – 2,023,107,451
      Participating Preferred Shares, par value P0.10 each – 4,000,000,000
   c. Amount of Debt Outstanding

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   17,654,482 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the
   2,023,107,451 PSE
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: Item 9.

   Please see attached letter to the Philippine Stock Exchange on the proposal for a concession extension dated March 17, 2009.

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:

THOM RYAN Q. ORTEGA
Corporate Governance Officer

March 17, 2009
Date
March 17, 2009

The Philippine Stock Exchange
Atty. Pete M. Malabanan
Head, Disclosure Department
4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Dear Sir:

In a public consultation called by the Metropolitan Waterworks and Sewerage System (MWSS) Manila Water presented a proposal to extend the concession agreement by an additional 15 years in order to mitigate future tariff increases.

Under the plan, the new tariffs will only increase by P1 per year from 2010 to 2012 due to the additional 15 year recovery period.

Thank you.

Sincerely Yours,

ANTONINO T. AQUINO
President
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. March 2, 2009
   Date of Report (Date of earliest event reported)

2. A1996-11593
   SEC Identification Number

3. 000-153-610-000
   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, 489 Katipunan Rd., Balara
   Quezon City
   Address of principal office

8. 981-9130
   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

    Title of Each Class
    COMMON & PARTICIPATING PREFERRED SHARES

    Number of Shares of Common Stock
    Outstanding and Amount of Debt Outstanding

    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

   [Signature]

Date: March 2, 2009

MICHIEL MARIE T. VALBUENA
   Compliance Manager
   Signature and Title*

* Print name and title of the signing officer under the signature.
March 2, 2009

Securities & Exchange Commission
Attn.: Director Justina F. Callangan
Corporation & Finance Department
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange
Attn.: Atty. Pete M. Malabanan
Head - Disclosure Department
4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Gentlemen:

Our Board of Directors approved this afternoon the resolution of its Nomination Committee (1) endorsing the nomination of Mr. Jose Rene D. Almendras as director and President for election by the Board at its organizational meeting immediately following our annual stockholders' meeting on March 30, 2009, and (2) accepting the withdrawal of Mr. Aurelio Montinola III of his nomination to the Board for election at our stockholders' meeting to allow the election of Mr. Almendras as director. Our President, Mr. Antonino T. Aquino, will remain a member of our Board but will take on the role of President of Ayala Land Inc. (ALI) after the annual stockholders' meeting of ALI on April 1, 2009.

Enclosed is the joint press release of our Company and ALI announcing organizational changes in the two companies.

Very truly yours,

SOLOMON M. HERMOSURA
Corporate Secretary
Antonino T. Aquino, currently President of Manila Water Corp, will succeed Jim Ayala as President of ALI. Tony Aquino has been with the Ayala Group for the past 28 years in various capacities, and was formerly a Senior Vice President of Ayala Land. "At Manila Water, Tony Aquino has presided over one of the most remarkable transformations of a public service company", says Zobel.

Under his leadership, Manila Water was able to upgrade Manila’s East Zone’s water distribution system which now supplies 24 hour water supply to more than 5 million people from less than a million people with 24/7 water supply in 1997. Shareholder value increased more than 10 times during the same period. Zobel further notes, “Under his leadership, Tony Aquino has made MWC one of the most awarded and celebrated success stories in Philippine corporate history. Tony now returns to ALI with a mandate to keep its leadership position in a rapidly changing world while deepening its reputation for large-scale, innovative, sustainable communities.”

Rene D. Almendras, currently Group Director of Business at Manila Water will succeed Tony Aquino as President of Manila Water. Mr. Almendras joined the Ayala Group in 2001 as Head of ALI’s Visayas-Mindanao Group and concurrent President of two listed companies, Cebu Holdings, Inc. and Cebu Property Ventures and Development, Corp. He also served as Group Head of Sales and Marketing at ALI, and eventually setting up and concurrently heading the Operations Transformation Group and Strategic Procurement prior to moving on to MWC in 2007. At MWC, Rene Almendras took on the Company’s largest operating unit as Group Head for Business, which serves as the direct link of MWC to its customer base, and has done extremely well. Over the past two years, he has instituted major structural changes to better service MWC customers and introduced new processes to increase productivity and efficiency. These have contributed in a major way to the achievement of the 100% customer satisfaction rating in the Company’s latest customer satisfaction survey.

According to Mr. Zobel, “Ayala takes pride in its deep bench of senior executives and are very fortunate to count Jim, Tony and Rene among them. Through these movements, we are able to strengthen the holding company, enable our operating companies to continue on their trajectory of performance, and provide our executives with new challenges and opportunities.”
Antonino T. Aquino, currently President of Manila Water Corp, will succeed Jim Ayala as President of ALI. Tony Aquino has been with the Ayala Group for the past 28 years in various capacities, and was formerly a Senior Vice President of Ayala Land. “At Manila Water, Tony Aquino has presided over one of the most remarkable transformations of a public service company”, says Zobel.

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COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD, BALARA, 1105
QUEZON CITY, METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
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

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. **March 2, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   **1105**

8. Issuer’s telephone number, including area code
   **(02)928-7939 local 8139 / or (02)981-8133**

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. Authorized Capital Stock
    
    Common Shares
    Participating Preferred Shares
    
    2,023,107,451 (P1.00 par value)
    4,000,000,000 (P0.10 par value)
    
    b. Number of Shares Outstanding
    
    Common Shares, par value P1.00 each – 2,023,107,451
    Participating Preferred Shares, par value P0.10 each – 4,000,000,000
    
    c. Amount of Debt Outstanding
    
    Fixed Rate Bonds – P4,000,000,000.00

---

1 2,004,565,466 Outstanding Common Shares
878,500 Treasury Shares Listed on the Philippine Stock Exchange (PSE)
12,663,485 Shares Under the Stock Ownership Plan, the listing of which has been approved in principle by the
2,023,107,451 PSE
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.

   Please see attached letter to the Securities and Exchange Commission and
   Philippine Stock Exchange on the amended certification of compliance with the

   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.                               March 2, 2009
   
   By:   GLORINA P. DE CASTRO    Date
         Compliance Officer
25 February 2009

Securities & Exchange Commission
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Ms. Justina F. Callangan
Director, Corporation Finance Dept

Atty. Pete M. Malabanan
Head, Disclosure Department

Amended Certification of Compliance with the Manual of Corporate Governance

Gentlemen:

Please see attached Amended Certification of Compliance with the company’s Manual on Corporate Governance for the year 2008 in compliance with SEC Memorandum Circular No. 3, Series of 2007.

This is in response to the SEC letter dated February 9, 2009.

Best regards.

Very truly yours,

GLORINA P. DE CASTRO
Compliance Officer
CERTIFICATE

1. I, Glorina P. de Castro, of legal age and with office address at MWSS Administration Building, 489 Katipunan Road Balara, Quezon City, Metro Manila, Philippines 1105, after being sworn in accordance with law, depose and state 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 1105;

   2. In 2008, the Company substantially adopted all the provisions of the Manual on Corporate Governance (Model Corporation), 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 2008, 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 25th day of February, 2009 at Quezon City, Philippines.

Glorina P. de Castro
Compliance Officer

Countersigned by:

Antonino T. Aquino
President
SUBSCRIBED AND SWORN to before me this 30th of March 2009 at Makati City, affiant exhibiting to me his Passport No. ZZ216356 issued at Manila, Philippines on February 6, 2007.

Doc. No. ;
Page No. ;
Book No. ;
Series of 2009.
Republic of the Philippines  
Department of Finance  
Securities and Exchange Commission  
SEC Bldg. EDSA, Greenhills, Mandaluyong City  

CORPORATION FINANCE DEPARTMENT

February 9, 2009

MR. ANTONIO T. AQUINO  
President  
MANILA WATER COMPANY, INC.  
2F MWSS Administration Building  
489 Katipunan Road, Balaar  
Quezon City

Dear Mr. Aquino:

This has reference to the Company's Certification re: compliance with its Manual on Corporate Governance for the year 2008 which was submitted with this Commission on January 8, 2009.

A review thereof showed that the said Certification was not countersigned by the President of the Company as required under SEC Memorandum Circular No. 3, Series of 2007.

In view thereof, the Company is hereby directed to submit an amended certification in compliance with the said Circular, within five (5) days from receipt hereof. A copy of the SEC Form MCG-2002 is attached herewith for your reference.

For your compliance.

Very truly yours,

JUSTINA F. CALLANGAN  
Director
SECURITIES AND EXCHANGE COMMISSION
SEC Form MCG – 2002

CERTIFICATE

I, ________________________, of legal age and with office address at ________________________,
after being sworn to in accordance with law, depose and state that:

1. I am the incumbent Compliance Officer/Associated Person of
   ________________________ (the “Company”), a corporation duly organized and existing in
   accordance with the laws of the Republic of the Philippines, with office address at
   ________________________.

2. In _____ (state the preceding year), the Company substantially adopted all
   the provisions of the Manual on Corporate Governance (Model Corporation), as
   prescribed by SEC Memorandum Circular No. 2, Series of 2002;

3. (If applicable) During the same year, the Company deviated from the
   following provisions of the said Manual for the reasons stated below:

<table>
<thead>
<tr>
<th>Provision(s) of the Manual</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>________________________</td>
<td>________________________</td>
</tr>
<tr>
<td>________________________</td>
<td>________________________</td>
</tr>
<tr>
<td>________________________</td>
<td>________________________</td>
</tr>
</tbody>
</table>

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 _____ day of
   _______ at __________, Philippines.

Compliance Officer/Associated Person

Countersigned by:

__________________________

President

SUBSCRIBED AND SWORN TO before me this _____ day of ________, at __________,
Philippines, affiant exhibiting to me Community Tax Certificate no. __________, issued on
   _______, at __________.

WITNESS my hand and notarial seal on the date and place above written.

NOTARY PUBLIC
MANILA WATER COMPANY INC

B6 9 4 7 9 6 1 1 5 9 3
S.E.C. Registration Number

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Company's Full Name)

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

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

12 31
Month
Day
Fiscal Year

04
Any
Month
Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/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. **February 17, 2008**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  **A 1996-11593**

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
   Code
   **2F MWSS Admin, Bldg., 489 Katipunan Road, B镓e, Quezon City**
   Postal 1105

8. Issuer’s telephone number, including area code
   **(02)928-7999 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):
    
    Common Shares, par value P1.00 each – 2,023,077,451¹

    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: Item 9.

¹ 2,004,565,488 Outstanding Common Shares
    978,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
    17,663,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in
    2,023,107,451 principle by the PSE
Please see attached letter to the Philippine Stock Exchange on Manila Water's financial and operational highlights for 2008 dated February 16, 2009.

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:

THOM RYAN O. ORTEGA
Corporate Governance Officer

February 17, 2009
Date
February 16, 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Dear Sir:


Sincerely,

[Signature]

Luis Jean B. Oreta
Chief Finance Officer and Treasurer
Manila Water Maintains Growth Trajectory in 2008

Manila Water reported today a net income of P2.8 billion for 2008 as a result of a steady growth in water sales volume, complemented by improvements in the company’s operating efficiency.

For 2008, the company spent a total of P4.2 billion in capital expenditures and concession fees payments. Part of these investments was spent on expansion projects that added 46,765 new household connections to the company’s customer base. Thus, billed volume (water sales) continued to experience a year-on-year growth of 4% to 387 million cubic meters from 373 million cubic meters in 2007.

System efficiency also continued to improve as the level of water losses (non-revenue water) declined to 19.6% in 2008 from the 1997 level of 63%. Manila Water’s investments in water and wastewater infrastructure have also resulted in an improved level of service within the East Zone. Currently, 99% of the company’s customers already enjoy 24-hours water availability at sufficient pressure. In addition, the company’s sanitation program has benefited close to 190,000 households in 2008.
<table>
<thead>
<tr>
<th>FINANCIAL HIGHLIGHTS (in M Pesos)</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>9,146</td>
</tr>
<tr>
<td>Operating Costs &amp; Expenses</td>
<td>2,523</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6,623</td>
</tr>
<tr>
<td>Net Income</td>
<td>2,788</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATIONAL HIGHLIGHTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Billied water volume (in M cu.m.)</td>
<td>387</td>
</tr>
<tr>
<td>NRW (%)</td>
<td>19.6</td>
</tr>
</tbody>
</table>
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO

9267999 loc. 8130

1231
Month Day Fiscal Year

SEC Form 17-C
STOCK

04 Any
Month Day Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

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. February 13, 2009
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11583

3. BIR Tax Identification No. 005-036-428

   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, Balara, 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):
    
    Common Shares, par value P1.00 each - 2,023,077,451

    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: Item 9.

   2,004,585,466 Outstanding Common Shares
   678,500 Treasury Shares Listed in the Philippine Stock Exchange (PSE)
   17,563,485 Shares Under the Stock Ownership Plans, the listing of which has been approved in
   principle by the PSE
   2,023,107,451
Please see attached letter to the Philippine Stock Exchange on the notice of analysts' briefing dated February 12, 2008.

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:  

THOM RYAN Q. ORTEGA  
Corporate Governance Officer

February 13, 2009  
Date
12 February 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention:  Atty. Pete M. Malabanan
            Head, Disclosure Department

Analysts' Briefing

Dear Sir:

Manila Water Company, Inc. will hold an Investment Analysts' Briefing on February 17, 2009, 12:00nn at 1851 Club, Luz Room, 20th floor BPI Building, Pasco cor. Ayala Ave, Makati City.

Best regards.

Sincerely,

Antonino T. Aquino
President
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
Month Day Fiscal Year

04
Month Day Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

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. **February 6, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code
   **2F MWSS Admin., Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal **1106**

8. **Issuer's telephone number, including area code**
   **(02)926-7899 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):**
    
    Common Shares, par value P1.00 each – 2,023,077,451

    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 [ ]

---

1 2,004,565,466 Outstanding Common Shares
   678,500 Listed Treasury Shares
   9,894,002 Listing was approved in principle for Stock Options
   1,610,000 ESOWIN 2007
   6,218,483 ESOWIN 2008
   2,023,077,451
12. Indicate the item numbers reported herein: Item 9.

Please see attached Notice and Agenda of Annual Meeting of Stockholders dated February 6, 2009.

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]

THOM RYAN Q. ORTEGA
Corporate Governance Officer

February 6, 2009
Date
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of MANILA WATER COMPANY, INC., will be held at the Grand Ballroom, Hotel Intercontinental Manila, Makati City, on Monday, March 30, 2009, 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 31, 2008
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 20, 2009 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.

Balara, Quezon City, February 6, 2009

FOR THE BOARD OF DIRECTORS

SOLOMON M. HERMOSURA
Corporate Secretary
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. GLORINA P. DE CASTRO
Contact Person

9267999 loc. 8130
Company Telephone Number

1231
Month Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04
Month 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
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 6, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, 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):

    Common Shares, par value P1.00 each – 2,023,077,451

    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 [ ] No [X]

---

1. 2,004,585,488 Outstanding Common Shares
   878,500 Listed Treasury Shares
   9,605,002 Listing was approved in principle for Stock Options
   1,610,000 ESOWN 2007
   6,218,493 ESOWN 2008
   2,023,077,451
12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Philippine Stock Exchange on the tariff adjustments of Manila Water dated February 4, 2009.

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 6, 2009
Issuer

By:  

THOM. RYAN Q. ORTEGA
Corporate Governance Officer
February 4, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Re: Manila Water Tariff Adjustment for 2009

Dear Sir:

We wish to inform you that the Metropolitan Waterworks and Sewerage System (MWSS) has completed the initial phase of their tariff review as applicable to Manila Water. In light of this, they have decided to follow the contractual provisions on adjustments based on inflation and recovery of foreign exchange losses. These adjustments will take effect 15 days from the date of publication of the said adjustments in major dailies.

For more details, please see attached.

Thank you.

Sincerely,

[Signature]

Glorina P. de Castro
Compliance Officer
NOTICE TO MANILA WATER CUSTOMERS AND THE PUBLIC
WATER RATES FOR THE EAST ZONE

Effective 15 days after publication, Manila Water Company, Inc. will implement a 12.2% Consumer Price Index (CPI) Adjustment and a Foreign Currency Differential Adjustment (FCD) of 1.03% of Basic Charge as recommended by MWSS Regulatory Office in its Resolution No. 08-002-SA dated February 28, 2008 and as approved/confirmed by the MWSS Board Resolution No. 2008-025 dated February 28, 2009.

Manila Water Company, the East Zone concessionaire, covers the following areas:

- Manila (San Andres and Sta. Ana only), Quezon City (east of San Juan River, West Avenue, EDSA, Congressional and Mindanao Ave., Districts of Tandang Sora, Pasong Tamo and Matandang Balara), Makati City (east of South Super Highway), Mandaluyong City, San Juan, Marikina City, Pasig City, Pateros, Taguig, all in Metro Manila; Rizal Province.

MANILA WATER COMPANY, INC.
WATER RATES FOR THE EAST ZONE

1.A Water Charge (peso per cubic meter)

<table>
<thead>
<tr>
<th>Residential</th>
<th>Old Rate</th>
<th>New Rate</th>
<th>Semi-Business</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 10 cu.m.</td>
<td>0.0146 Cu.m.</td>
<td>0.0177 Cu.m.</td>
<td>First 10 cu.m.</td>
<td>0.0185 Cu.m.</td>
<td>0.0216 Cu.m.</td>
</tr>
<tr>
<td>First 15 cu.m.</td>
<td>0.022 Cu.m.</td>
<td>0.025 Cu.m.</td>
<td>First 15 cu.m.</td>
<td>0.026 Cu.m.</td>
<td>0.029 Cu.m.</td>
</tr>
<tr>
<td>First 20 cu.m.</td>
<td>0.029 Cu.m.</td>
<td>0.032 Cu.m.</td>
<td>First 20 cu.m.</td>
<td>0.033 Cu.m.</td>
<td>0.036 Cu.m.</td>
</tr>
<tr>
<td>First 30 cu.m.</td>
<td>0.0435 Cu.m.</td>
<td>0.047 Cu.m.</td>
<td>First 30 cu.m.</td>
<td>0.051 Cu.m.</td>
<td>0.055 Cu.m.</td>
</tr>
<tr>
<td>First 50 cu.m.</td>
<td>0.065 Cu.m.</td>
<td>0.07 Cu.m.</td>
<td>First 50 cu.m.</td>
<td>0.09 Cu.m.</td>
<td>0.095 Cu.m.</td>
</tr>
<tr>
<td>First 100 cu.m.</td>
<td>0.13 Cu.m.</td>
<td>0.14 Cu.m.</td>
<td>First 100 cu.m.</td>
<td>0.26 Cu.m.</td>
<td>0.28 Cu.m.</td>
</tr>
<tr>
<td>Over 100 cu.m.</td>
<td>0.17 Cu.m.</td>
<td>0.19 Cu.m.</td>
<td>Over 100 cu.m.</td>
<td>0.34 Cu.m.</td>
<td>0.37 Cu.m.</td>
</tr>
</tbody>
</table>

Business Group

| Second 10 cu.m. | 0.0146 Cu.m. | 0.0177 Cu.m. | Second 10 cu.m. | 0.0185 Cu.m. | 0.0216 Cu.m. |
| Second 15 cu.m. | 0.022 Cu.m. | 0.025 Cu.m. | Second 15 cu.m. | 0.026 Cu.m. | 0.029 Cu.m. |
| Second 20 cu.m. | 0.029 Cu.m. | 0.032 Cu.m. | Second 20 cu.m. | 0.033 Cu.m. | 0.036 Cu.m. |
| Second 30 cu.m. | 0.0435 Cu.m. | 0.047 Cu.m. | Second 30 cu.m. | 0.051 Cu.m. | 0.055 Cu.m. |
| Second 50 cu.m. | 0.065 Cu.m. | 0.07 Cu.m. | Second 50 cu.m. | 0.09 Cu.m. | 0.095 Cu.m. |
| Second 100 cu.m. | 0.13 Cu.m. | 0.14 Cu.m. | Second 100 cu.m. | 0.26 Cu.m. | 0.28 Cu.m. |
| Over 100 cu.m. | 0.17 Cu.m. | 0.19 Cu.m. | Over 100 cu.m. | 0.34 Cu.m. | 0.37 Cu.m. |


2. Foreign Currency Differential Adjustment (FCD)
A percentage of the Basic Charge received or adjusted quarterly depending on the fluctuation of the FOREX.

3. Maintenance Service Charge

<table>
<thead>
<tr>
<th>Water Size</th>
<th>Amount Per Cubic Meter</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 cu.m.</td>
<td>1.50</td>
</tr>
<tr>
<td>15 cu.m.</td>
<td>2.20</td>
</tr>
</tbody>
</table>

MANILI WatERNCompany
WHAT EAST CONCESSION CUSTOMERS SHOULD KNOW

- Full implementation of previously-approved water rates was deferred pending the review of tariff mitigation measures.
- Water rate increase at this time is limited to inflation adjustment and recovery of foreign losses.
- Low-income households consuming 10 cubic meters a month or less will be exempt from the water rate increase.
- We will continue to invest in service improvement programs for our customers.
- Reliability – to ensure availability of water when you need it, and even in times of emergency.
- Expansion – to provide water to additional 200,000 people per year.
- Environmental Protection – to secure future water supply today, and reduce pollution of rivers through sewerage and septic tank desludging programs.

We are committed to outdo our performance in the past 11 years and deliver better services to our customers.

- Reduced system losses from 53% in 1997 to less than 20%.
- Increased 24-hour water availability from 63% of the population to 99%.
- Increased volume of water delivered to customers from 440 million liters per day to more than 1,000 million liters per day.
- Provided efficient and affordable water supply to 1.5 million poor people via the 'Tubig Para Sa Barangay' (TPSB) program.
- Increased sewer coverage from 3% in 1997 to 16%.
- Provided septic tank desludging services to more than 400,000 households.

For further inquiries, please call our Customer Care Hotline: 1627 or log on to www.manzwater.com.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO

981-81-30

1231
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

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS
1. **January 30, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: **A 1986-11593**

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 MWSS Admin. Bldg., 489 Katipunan Road, Belara, 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):
    **Common Shares, par value P1.00 each – 2,023,077,451**

    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 [ ]**

---

1 2,004,565,466 Outstanding Common Shares
   878,500 Listed Treasury Shares
   9,805,002 Listing was approved in principle for Stock Options
   1,610,000 ESOWN 2007
   5,216,433 ESOWN 2008
   2,023,077,451
12. Indicate the item numbers reported herein: Item 9.

Please see attached letter to the Philippine Stock Exchange on the Memorandum of Agreement signing between the Province of Cebu and Manila Water subsidiary dated January 29, 2009.

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.  January 30, 2009
Issuer  Date

By:  

GLORINA P. DE CASTRO
Compliance Officer
January 29, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Re: Cebu Province signs MOU with Manila Water subsidiary for water supply

Dear Sir:

We wish to inform you that the Province of Cebu has signed a Memorandum of Understanding today with Manila Water subsidiary, Northern Waterworks and Rivers of Cebu, Inc. (NWRC) to look into the feasibility of supplying bulk water to Cebu Province from NWRC's source in the Luyang River in Carmen town.

For more details, please see attached press release.

Thank you.

Sincerely,

Gloria P. de Castro
Compliance Officer
Cebu Province signs MOU with Manila Water subsidiary for water supply

Through the efforts of Cebu Governor Gwendolyn Garcia, the Provincial Government of Cebu has entered into a Memorandum of Understanding (MOU) with Manila Water subsidiary, Northern Waterworks and Rivers of Cebu, Inc. (NWRC) to look into the feasibility of supplying bulk water to Cebu Province from NWRC's source in the Luyang River in Carmen town.

Gov. Garcia said, "The provincial government has long since realized that concrete actions must be taken to address the water supply problem in the province. This is in line with our thrust to further improve the quality of life of our constituents as well as help the province maximize its potential as a major tourist and investment destination in the country."

“We are deeply honored to have been identified by the Cebu Provincial Government as a partner of choice for the development of the province. We hope that with this project, we can help provide a solution to the province's twin challenges of dwindling water supply and deteriorating water quality", according to NWRC Chairman and Manila Water President Antonino T. Aquino.

NWRC is a consortium composed of Manila Water Company (as principal shareholder), real estate developer Stateland Inc., and the Gaisano-owned Vicsal Inc.
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO

981-81-30

SEC Form 17-C
STOCK FORM TYPE

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 I.D.

Cashier

STAMPS
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
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AND SRC RULE 17.2(c) THEREUNDER

1. January 30, 2009
Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

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 MWSS Admin. Bldg., 489 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):

Common Shares, par value P1.00 each – 2,023,077,451

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 [ ]

---

1 2,004,565,466 Outstanding Common Shares
876,500 Listed Treasury Shares
9,805,002 Listing was approved in principle for Stock Options
1,610,000 ESOWN 2007
6,215,483 ESOWN 2008
2,023,077,451
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: [Signature]

[Name]
Compliance Officer

January 30, 2009
Date
January 29, 2009

PHILIPPINE STOCK EXCHANGE
Disclosure Department
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Dear Sir:

Please see attached Certificate of Board Attendance in board meetings for 2008.

Thank you.

Sincerely,

[Signature]
Atty. Lixelle Zamora-Dimacuha
Legal and Compliance Officer
CERTIFICATE OF ATTENDANCE OF DIRECTORS IN BOARD MEETINGS

I, 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 2008. Both Messrs. Oscar Reyes and Cielito Habito, the independent directors of MWC, attended all four meetings.

2. 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 2008:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held</th>
<th>$^{1}$</th>
<th>% Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>3/4</td>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>2/4</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Alberto L. Jugo</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Aurelio R. Montinola III</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Hiromu Nishimura</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Kevin Starling</td>
<td>3/4</td>
<td></td>
<td>75%</td>
</tr>
<tr>
<td>Martin Beesley</td>
<td>1/2</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Charles Thomas Cornish</td>
<td>1/2 $^{3}$</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Cielito F. Habito</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>4/4</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>


$^{1}$ In 2008 and during the incumbency of the director.

$^{2}$ Mr. Beesley resigned October 23, 2008.

$^{3}$ Mr. Cornish was elected October 23, 2008.
IN WITNESS WHEREOF, I have hereunto affixed my signature and the corporate seal of Manila Water Co. Inc. at Makati City, Philippines, on January 19, 2009.

SOLOMON M. HERMOSURA
Corporate Secretary

Countersigned by:

FERNANDO ZÓBEL DE ÁYALA
Chairman, Board of Directors

SUBSCRIBED AND SWORN to before me this January 19, 2009 at Makati City, affiant exhibiting to me his Passport No. ZZ225231 issued at Manila, Philippines on 24 May 2007 and expires on 24 May 2012.

CONSTANTINO A. MARCADA
Notary Public
Issued at Makati City
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO

981-81-30

SEC Form 17-C

1231
Month
Day
Fiscal Year

STOCK
FORM TYPE

04
Month
Any
Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Dept. Requiring this Doc.

Total No. of Stockholders

Total Amount of Borrowings
Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID.

Cashier

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SEC FORM 17-C

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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 MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)928-7999 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):
    Common Shares, par value P1.00 each – 2,016,858,968¹
    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 [ ]

¹ 2,004,532,968 Outstanding Common Shares
    911,000 Listed Treasury Shares
    9,905,002 Listing was approved in principle for Stock Options
    1,610,000 ESOWN 2007
    2,016,858,968
12. Indicate the item numbers reported herein: Item 9.

Please see attached clarification letter to the Philippine Stock Exchange dated January 19, 2009.

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.                                     January 19, 2009
Issuer

By: GLORINA P. DE CASTRO
Compliance Officer

Date
19 January 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan,
Head, Disclosure Department

Clarification on News Articles

We have received numerous queries regarding articles in the major dailies reporting on the supposed decision of Metropolitan Waterworks and Sewerage System (MWSS) to freeze tariff hikes this year. We wish to clarify that discussions are still ongoing between Manila Water Company and the MWSS Regulatory Office regarding the implementation of tariff adjustments and the proposal of the Company for the extension of its concession period.

Last year, we partially implemented the rate rebasing plan (as approved by MWSS and the Regulatory Office) that includes a P187-billion investment package over a 15-year period. However, in view of the financial challenges that the country is currently facing, we understand the need to mitigate the impact of these investments on the water rates of our customers. Thus, in exchange for a more gradual implementation of the rate rebasing adjustments, we have proposed and are pushing for the extension of the concession period to allow the concessionaires a longer period to recover their investments.

Overall, any deferment of rate increases should not adversely affect the company's expected returns, since the Concession Agreement (CA) guarantees full recovery of its investments, with a reasonable rate of return, over the concession period. Thus, the MWSS position on the deferment of tariff hikes in 2009 is still consistent with our proposal.

We believe however that the annual inflation-based adjustment and the foreign currency loss recovery mechanism should be implemented in accordance with the contractual terms of the CA. Manila Water Company intends to pursue these rights which are clearly granted under the CA.

Respectfully yours,

Glorina P. de Castro
Compliance Officer
MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

981-81-30
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE
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Secondary License Type, If Applicable

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Amended Articles Number/Section

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   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 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)826-7999 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):

    Common Shares, par value P1.00 each – 2,016,858,968

    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 [ ]

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1 2,004,532,966 Outstanding Common Shares
   911,000 Listed Treasury Shares
   9,005,002 Listing was approved in principle for Stock Options
   1,610,000 ESOWN 2007
   2,016,858,968
12. Indicate the item numbers reported herein: Item 9.

Please see attached clarification letter to the Philippine Stock Exchange dated January 19, 2009.

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]

GLORINA P. DE CASTRO
Compliance Officer

January 19, 2009
Date
19 January 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Atty. Pete M. Malabanan,
Head, Disclosure Department

Clarification on News Article


We would like to confirm that the additional investment of P168-B pertains to the capital investments that we believe will be necessary in the event an extension of our concession agreement for another ten years is approved. These will fund the capital investment requirements for our expansion programs from 2022 until 2032. We wish to add that the Company has already planned to spend P187-B for its improvement and expansion projects until the end of the current concession period on 2022.

On the other hand, Manila Water continues to explore potential projects in China. We are mindful of the heightened risk resulting from the current global financial crisis of investing overseas and are therefore far from closing on any opportunities. We shall advise your office of any developments in this area.

We trust that the foregoing clarifies the matter.

Respectfully yours,

Glorina P. de Castro
Compliance Officer
Gentlemen:

We write with respect to the following attached news articles:

1. "Manila Water sets P168-B add'l investment" published in the January 18, 2009 issue of the Manila Bulletin, which reported, in part, that:

   Manila Water Company is investing an additional P168 billion for the expansion and improvement of its water distribution and waste water treatment facilities if it gets a 10-year extension for its concession. If it gets an extension, Oreta said Manila Water will raise this amount to P355 billion.

2. "Manila Water eyes China" published in the January 19, 2009 issue of the Manila Standard Today which reported, in part, that:

   MANILA Water Co. Inc. is looking at further expanding its presence overseas by bidding in potential water projects in China and Indonesia. Manila Water chief finance officer Juan Luís Oreta told reporters that the company was looking at an area in China with a population of two million people. Oreta said water project in China was a greenfield project that could require an initial investment of $20 million.

Please confirm, deny and/or clarify the above-quoted news article and provide additional information, if any, via ODısy before 9:00 a.m. tomorrow, January 20, 2009, so that we may properly apprise the Trading Participants and the investing public of the same.

Very truly yours,

NOEL B. DEL CASTILLO
Senior Specialist, Disclosure Department

Noted by:

ATTY. PETE M. MALABANAN
Head, Disclosure Department
Manila Water sets P168-B add’l investment

Manila Water Company is investing an additional P168 billion for the expansion and improvement of its water distribution and wastewater treatment facilities if it gets a 10-year extension for its concession.

In an interview with reporters yesterday, Manila Water’s new chief finance officer Luis Oreta said the bulk of their current annual capex of P7 billion is being spent on water and wastewater treatment plants since they have already completed most pipelaying activities in previous programs.

However, Oreta noted that the decision of regulator Metropolitan Waterworks and Sewerage System to defer approval of a P6.90 per cubic meter rate hike may also mean a delay in their investments although they are hoping the MWSS will reconsider.

Manila Water was originally set to start this January its new rate adjustment based on the firm’s approved business plan for 2009 to 2013.

According to Manila Water, the MWSS approved in December 2007 its plans to further expand water and sewerage services and increase reliability of water supply for the East Zone after undergoing a thorough rate determination process.

The approved rate hike took effect in 2008 but were staggered over a five-year period until 2012. The firm had already raised rates by P2.08 per cubic meter and was set to raise it by P6.90 per cubic meter before the deferment.

Oreta said an extension of its contract may also mean a huge drop in the planned rate hike since they will have a longer period to recover investments it is making.

A total of P167 billion has been earmarked to fund Manila Water’s capex programs until 2022. If it gets an extension, Oreta said Manila Water will raise this amount to P355 billion.

The firm said these service improvement projects will also create opportunities for new budding entrepreneurs that will help the Company in implementing various projects.

(JAL)

Manila Bulletin
January 18, 2009

Manila Water eyes China

MANILA-Water Co. Inc. is looking at further expanding its presence overseas by bidding in potential water projects in China and Indonesia.

Manila Water chief finance officer Juan Luis Oreta told reporters that the company was looking at an area in China with a population of two million people.

Oreta said water project in China was a greenfield project that could require an initial investment of $20 million.

After successfully taking over part of the water distribution in Metro Manila, Manila Water in 2004 started looking at projects in neighboring countries.

It bagged the $15-million leakage reduction and management service project in Ho Chi Minh, Vietnam last year. Under the World Bank-funded project, Manila Water will do construction works and provide a leakage reduction and district metering area management service to reduce Ho Chi Minh’s non-revenue water.

Manila Water has teamed up with Vietnam-based Construction Technology Development JS Co. to qualify for the project.

The project aims to reduce water losses by 10 percentage points, or equivalent to 125,000 cubic meters per day, which can serve as additional supply to the city.

The contract covers an array of activities, which include the establishment of around 100 district monitoring areas to manage leakage and system expansion works.

Manila Water has a pending bid for a 10-year water contract in West Bengal, India and wastewater project in Hong Kong.

Manila Standard Today
January 19, 2009
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. GLORINA P. DE CASTRO
Contact Person

981-81-30
Company Telephone Number

1231
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

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **January 7, 2009**  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  **A 1996-11593**

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:  
   [Redacted] (SEC Use Only)

7. Address of issuer's principal office  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Bala, Quezon City**  
   Postal  
   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):  
    Common Shares, par value P1.00 each – 2,016,858,968

    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 [ ]

---

1 2,004,532,966 Outstanding Common Shares  
911,000 Listed Treasury Shares  
9,935,002 Listing was approved in principle for Stock Options  
1,310,000 FOROWN 2007  
2,016,858,968
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: [Signature]

GLORINA P. DE CASTRO
Compliance Officer

January 7, 2009
Date
6 January 2009

Securities & Exchange Commission
S.E.C. Building, BDSA
Mandaluyong City

Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Ms. Justina F. Callangan
Director, Corporation Finance Dept

Atty. Pete M. Malabanan
Head, Disclosure Department

Compliance with the Manual of Corporate Governance

Gentlemen:

This is to certify that Manila Water Company, Inc. has adopted in the Manual of Corporate Governance the leading practices and principles on good corporate governance and has fully complied with all the requirements of the Manual for the year 2008, including the requirements in relation to the board of directors, board committees, officers and stockholders’ rights and interests.

This certification is issued in accordance with the requirement of the company’s Manual, Article IV, Section 3, paragraph iv.

Best regards.

Very truly yours,

GLORIA N. PADUA-DE CASTRO
Compliance Officer
6 January 2009

Securities & Exchange Commission
S.E.C. Building, EDSA
Mandaluyong City

Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Ms. Justina F. Callangan
Director, Corporation Finance Dept

Atty. Pete M. Malahanan
Head, Disclosure Department

Compliance with the Manual of Corporate Governance

Gentlemen:

This is to certify that Manila Water Company, Inc. has adopted in the Manual of Corporate Governance the leading practices and principles on good corporate governance and has fully complied with all the requirements of the Manual for the year 2008, including the requirements in relation to the board of directors, board committees, officers and stockholders' rights and interests.

This certification is issued in accordance with the requirement of the company's Manual, Article IV, Section 3, paragraph iv.

Best regards.

Very truly yours,

Glorina N. Padua-De Castro
Compliance Officer
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Att'y. GLORINA P. DE CASTRO 981-81-30
Contact Person Company Telephone Number

1231 04
Month Day Year Any
Fiscal Year Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

A1996-11593
Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **January 5, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1996-11593**

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
   Code: **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal **1105**

8. Issuer's telephone number, including area code
   (02)926-7969 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):

    Common Shares, par value P1.00 each – 2,016,858,968

    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 [ ]

---

1 2,004,532,968 Outstanding Common Shares
911,000 Listed Treasury Shares
9,805,002 Listing was approved in principle for Stock Options
1,610,000 ESOWN 2007
2,016,858,968
12. Indicate the item numbers reported herein: Item 9.

Please see attached clarification letter to the Philippine Stock Exchange dated January 5, 2009.

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:

GLORINA P. DE CASTRO

Compliance Officer

January 5, 2009

Date
5 January 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention:  Atty. Pete M. Malabanan,
Head, Disclosure Department

Clarification on News Article

Gentlemen:

We refer to your letter dated January 5, 2009 requesting for clarification on the news article in the Manila Times on December 30, 2008 which states that Manila Water “announced that it plans to spend P187 billion, while Maynilad has set aside P178 billion for its capital expenditure projects over the next 15 years...”.

We would like to confirm that we are planning to spend at least P187 billion for the capital investment and opex program of the company for the next 15 years as was previously disclosed last December 2007. The said amount will be used for the expansion and reliability improvement for water and wastewater services in its concession area.

We trust that the foregoing clarifies the matter.

Best regards.

Sincerely,

Glorina P. de Castro
Compliance Officer
Ladies and Gentlemen:

We write with respect to the attached news article entitled "NEDA backs extension of Manila Water, Maynilad franchises" published in the December 30, 2008 issue of The Manila Times. The article reported, in part, that:

... Manila Water earlier announced that it plans to spend Ph187 billion, while Maynilad has set aside Ph178 billion for its capital expenditure projects over the next 15 years....

Please confirm, deny and/or clarify the above-quoted news article and provide additional information, if any, via ODiSy before 9:00 a.m. tomorrow, January 5, 2009, so that we may properly apprise the Trading Participants and the investing public of the same.

Very truly yours,

DIANNE EILEEN A. CEÑIDOZA
Analyst, Disclosure Department

Noted by:

ATTY. FETE M. MALABANAN
Head, Disclosure Department