MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

Contact Person

981-81-29

Company Telephone Number

SEC Form 17-A

STOCK

FORM TYPE

1 2 3 1
Month
Fiscal Year

0 4
Month
Any
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

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

1. For the fiscal year ended: December 31, 2011

2. SEC Identification Number: A 1996-11593

3. BIR Tax Identification Code: 005-038-428

4. Name of Registrant as specified in its charter:

MANILA WATER COMPANY, INC.

5. Province, country or other jurisdiction of incorporation or organization:

Republic of the Philippines

6. Address of principal office:

MWSS Administration Bldg, 489 Katipunan Road
Balara Quezon City, Metro Manila, Philippines 1105

7. Registrant’s telephone number: (02) 981-8129

8. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each – 2,032,826,476

   b. Debt Securities

      None

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 2,011,243,007 Outstanding Common Shares
21,583,469 Shares Under the Stock Ownership Plans, the listing of which has been approved in principle by the PSE
2,032,826,476
2,011,243,007 Common Shares, par value P1.00 per share, are listed in the Philippine Stock Exchange.

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

As of April 11, 2012 the aggregate market value of the voting stock held by non-affiliates of the Company is P 33,003,832,889.

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, 2011.
PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Manila Water Company, Inc. (the “Company”), is a Philippine company established and incorporated on January 6, 1997 with the primary purpose of providing water, sewerage, sanitation distribution services, pipework and management services. The Company’s principal shareholders include the Ayala Corporation (“Ayala”), United Utilities Pacific Holdings BV (“United Utilities”) and Mitsubishi Corporation (“Mitsubishi”).

On February 21, 1997, the Company entered into a Concession Agreement (the “CA”) with the Metropolitan Waterworks and Sewerage System (“MWSS”). Under the Agreement, the Company has the exclusive right to provide services to the East Zone of Metro Manila (the East Zone) as an agent and contractor of the MWSS. The Company was also granted the right to manage, operate, repair, decommission and refurbish all fixed and movable assets required 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 in coordination with the MWSS Regulatory Office conducts a Rate Rebasing exercise every five years for the Company to recover its investments, including operating, capital maintenance and investment expenditures, business taxes, and Concession Fee payment over the 25-year concession period, and to earn a rate of return equivalent to the appropriate discount rate on these expenditures for the remaining term of the concession.

The Company 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. 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. For the year ended December 31, 2011, the Company’s East Zone business operations registered ₱11,704 million in revenues and ₱4,217 million in net income. Of the Company’s revenues during this period, 81% or ₱9,452 billion was generated from water delivery services in the East Zone. The Company’s total assets as of December 31, 2011 stood at ₱59,235 million and shareholders’ equity at ₱22,601 million.

In 2009, the MWSS and the Government approved the renewal/extension by another 15 years of the CA through Resolution No. 2009-072. The renewal was approved with the objectives of implementing accelerated wastewater projects and new water sources development, and to mitigate the impact of the required tariff adjustment. With the CA extension, the term of the concession was extended from May 7, 2022 to May 6, 2037. Despite a challenging business environment, the Company sustained its volume of water sales in the East Zone. The volume of water delivered to customers in 2011 totaled 411.6 million cubic meters (“MCM”) from 409.8 MCM in 2010. The increase was brought about by additional service connections that reached 44,039 for 2011, coming largely from the expansion areas in the Rizal province. The Company served a total of 1,204,291 households through 857,981 water service connections as of December 31, 2011, as compared to last year’s level of 1,157,807 households and 813,942 water service connections.

At the start of the concession, only 26% of customers enjoyed water supply 24 hours a day, compared to 99% who enjoyed 24-hour availability as of December 31, 2011. The Company’s water quality has surpassed the Philippine National Standards for Drinking Water, which is based
on the World Health Organization’s water quality guidelines, since 1998. The Company’s Non-Revenue Water (“NRW”) level was significantly reduced from 63.0% at the date of commencement of operations to 11.2% as of December 31, 2011.

The Company spent over P51 billion in a span of 14 years (from 1997 to 2011) on capital expenditures and on projects funded by MWSS loans (paid through concession fees by the Company). In 2011 alone, the Company’s capital expenditures reached P9.2 billion. These capital expenditures were used for the improvement of water service, reduction of water losses, maintenance of water quality, implementation of sustainable development programs and expansion of the network in Rizal and Taguig. From 2011 to 2015, the Company expects to spend P66.4 billion on capital expenditures and concession fee payments. The Company plans to continue to develop new water sources, expand its water distribution network, rehabilitate its facilities to improve operational efficiency reliability, expand sanitation and sewerage services and intensify implementation sustainable development and environmental programs.

Manila Water has also expanded its services outside of the East Zone. In July 2008, the Company won a contract for leakage reduction in Ho Chi Minh City, Vietnam. In December 2009, the Company through Boracay Island Water Company (“BIWC”), entered into a Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (“TIEZA”) covering the provision of water and wastewater services in BIWC. In September 2009, the company acquired 70% of Laguna AAAWater Corporation (“LWC”) which has an existing Concession Agreement with the Province of Laguna covering the provision of water services in certain areas of Laguna. In December 2011, the Company purchased 100% of Clark Water Corporation (“CWC”) and 49% ownership of Thu Duc Water B.O.O Corporation (“TDW”) by Thu Duc Water Holdings, Pte. Ltd, a Singapore company wherein Manila Water holds interest through its wholly owned subsidiary, Manila Water Asia Pacific Pte. Ltd. (MWAP). TDW is one of the largest private bulk water suppliers in Ho Chi Minh City, Vietnam.

The Company’s principal shareholders include the Ayala Corporation (“Ayala”), United Utilities Pacific Holdings BV (“United Utilities”) and Mitsubishi Corporation (“Mitsubishi”).

The Concession

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

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

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

- **Ownership of the Company.** Under the CA, MWSS granted concessions for water distribution to private-sector corporations at least 60% of the outstanding capital stock of which is owned and controlled by Philippine nationals. In addition, the Company
represents and warrants to MWSS that its outstanding voting capital is at least 60% owned by citizens of the Philippines or by corporations that are themselves at least 60% owned by citizens of the Philippines.

- **Sponsor Commitment.** Ayala, as local sponsor, and United Utilities PLC, as international operator, are each required to own, directly or through a subsidiary that is at least 51% owned or controlled, at least 20.0% of the outstanding capital stock of the Company for the first five years (through December 31, 2002), and thereafter at least 10% each.

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

- **Concession Fees.** The Company is required to pay MWSS the following:
  
  - Concession fees consisting of the peso equivalent of (i) 10% of the payments due under any MWSS loan that was disbursed prior to the Commencement Date; (ii) 10% of payments due under any MWSS loan designated for the Umiray-Angat Transbasin Project (UATP) that was not disbursed prior to the Commencement Date; (iii) 10% of the local component costs and cost overruns related to the UATP; (iv) 100% of the payments due under any MWSS designated loans for existing projects in the East Zone that were not disbursed prior to the Commencement Date and were awarded to third party bidders or elected by the Company for continuation; and (v) 100% of the local component costs and cost overruns related to existing projects in the East Zone; and
  
  - Share in the annual operating budget of MWSS amounting to P396 million each year subject to annual inflation adjustments

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

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

- **Tariff Adjustments and Rate Regulation.** Water tariff rates are adjusted according to mechanisms that relate to inflation, extraordinary events, foreign currency differentials and Rate Rebasing exercises.
• **Early Termination.** MWSS has a right to terminate the concession under certain circumstances which include insolvency of the Company or failure to perform an obligation under the CA, which, in the reasonable opinion of the MWSS-RO, jeopardizes the provision of essential water and sewerage supply services to all or any significant part of the East Zone. The Company also has the right to terminate the concession for the failure of MWSS to perform an obligation under the CA, which prevents the Company from carrying out its responsibilities or upon occurrence of certain events that would impair the rights of the Company.

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

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

**The Regulatory Office of MWSS**

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

**Key Performance Indicators and Business Efficiency Measures**

The CA initially set service targets relating to the delivery of services by the Company. As part of the Rate Rebasing exercise that ended on December 31, 2002, the Company and MWSS mutually agreed to amend these targets based on the Company’s business and capital investment plan accepted by the MWSS-RO. In addition, the Company and MWSS adopted a new performance-based framework. This performance-based framework, designed to mimic the characteristics of a competitive market and help the MWSS-RO determine prudent and efficient expenditures, utilizes Key Performance Indicators (KPI) and Business Efficiency Measures (BEM) to monitor the implementation of the Company’s business plan and will be the basis for certain rewards and penalties on the 2008 Rate Rebasing exercise.
Fourteen KPIs, representing critical performance levels for the range of activities the Company is responsible for, relate to water service, sewerage and sanitation service and customer service. The BEMs are intended to enable the MWSS-RO to evaluate the efficiency of the management and operation of the concessions and gauge progress toward the efficient fulfillment of the concessionaires’ business plans. There are nine (9) BEMs relating to income, operating expenses, capital expenditures and NRW. The BEMs are evaluated for trends and annual forecasts. For the past years, the Company has been consistently receiving commendation from the MWSS BOT for outperforming the target set by the regulators in terms of KPI and other service obligations.

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

Amendment to the Concession Agreement

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

Organization

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

- The Project Delivery Group is tasked with the execution of the major infrastructure projects that are crucial for the company to achieve regulatory commitments as stipulated in the Concession Agreement and Rate Rebasing plans. The careful delivery of projects, while strictly adhering to the target timelines, prudent and efficient cost and highest standards of quality, is the basis for the achievement of corporate business objectives aligned with the sustainable expansion of services that improve people's lives and support regional economic growth. The Project Delivery Group is organized for an integrated collaborative approach to project execution. The Design Department ensures the compliance of projects to established engineering standards by reviewing design concepts and cost estimates, conducting preliminary and detailed design (as necessary), and spearheading the technical evaluation of technical proposals during bidding and design submissions during execution. The Design Department is also at the forefront of studying the latest construction technologies and methodologies in view of value-engineering. The Projects Department is tasked with managing the multi-billion project portfolio of the company. Project Delivery Managers is accountable for keeping the project in line with time, cost and quality standards by leading a cross-functional team that manage the numerous interconnected components of execution. The Projects Department is also a fertile ground for developing project managers not only for the East Zone but also expansion efforts in and out the Philippines. The Project Stakeholders Management ensures that the projects have the support of critical stakeholders such as local governments, national agencies and the public through proactive project pre-selling and relationship building that ensure the timely acquisition of stakeholder approvals and smooth resolution of any project concerns. Finally, the Project Delivery Group Support Department provides performance monitoring, efficiency analysis, quality assurance and administrative support. The department is the knowledge manager of the group and is also in-charge of the continuous improvement efforts.
The Operations Group’s main role revolves around the operation and maintenance of Manila Water’s water and wastewater facilities. It constantly seeks ways to further improve the efficiency, reliability and compliance in managing all of Manila Water’s facilities by developing high quality engineering standards, delivering the innovative technology solutions and support, exploring new technologies and promoting a culture of a safe work environment. The Operations Group is committed to protect the environment by putting to mind environmental sustainability through the Three-River Master Plan and through various environmental efforts such as the protection and development of our watersheds.

The Operations Group manages the Common Purpose Facilities, these are the headworks (Angat Dam, Ipo Dam and the Novaliches portals) which are also managed by Manila Water’s counterparts in Maynilad, ensuring that sufficient raw water allocation is maintained throughout the year. From the La Mesa Dam, Water Supply Operations manage the water treatment facilities, primary transmission lines, pumping stations and service reservoirs such that 24/7 water supply is maintained at a minimum reliability level of 99.99% as well as water quality is 100% compliant with the Philippine National Standards for Drinking Water. It is also responsible for ensuring that water supply meets demand by means of accurate forecasting from source to production, regardless of variable consumer demand or environmental pressures. Wastewater Operations manage the wastewater treatment facilities and lift stations such that wastewater discharge is consistently compliant. It is responsible for developing and managing the wastewater service expansion plan, advocating the Three-River System which should be achieved in 2022.

Encompassing the roles of Water Supply and Wastewater, Bonifacio Water Corporation manages the water and wastewater needs of the Bonifacio Global City, applying the same philosophies in the regard for quality, efficiency and reliability of its services to this steadfast and developing community.

Supporting the core operational functions are a number of key support services. The Information and Communication Technology Department (ICTD) is responsible for the delivery of hardware, software, and communication solutions that support the Company’s operations, programs and projects. The ICTD implements innovative ideas and systems in order to improve efficiency and reliability of technology and communication-dependent functions of the Company. Commissioning and Quality Control support both the Project Delivery Group and Operations Group by ensuring that the correct parties are engaged and that highest levels of construction management are employed during facility and/or network construction.

Plant Services provides planned, predictive and when necessary, reactive maintenance support, ensuring that water and wastewater assets are maintained to a high quality. Standards Department is responsible for developing high-quality engineering standards that are used across the business to ensure that both infrastructure and non-infrastructure assets are constructed to the highest and most appropriate degree. Safety provides a vital role in ensuring that not only are Manila Water employees are empowered to work safely, but also to ensure that our vendors and contractors are well-trained in safety matters, protecting their
employees and the wider public, especially during construction activities. This utmost regard for a safety environment and mind set has top management support and carried-out by its employees and contractors. Alongside Safety is the Business Continuity Team, allowing for Manila Water to immediately respond to emergencies, especially when there is a need to provide potable water to disaster-stricken areas. Through the purpose of this team, Manila Water is able to extend its help even beyond its concession area, surpassing its obligations to its customers and sharing the quality service to those that need it the most. The Innovations team is focused on exploring new technologies, processes and ways of working that will improve efficiency, reliability and compliance.

- The Laboratory carries out physical, chemical and microbiological analysis of water and wastewater samples to true world-class standards. As well as being certified to the ISO standards, it is also accredited by the Department of Health (DoH) and the Department of the Environment and Natural Resources (DENR). The Environment Department ensures that Manila Water facilities are not only compliant with current legislation but are being developed with environmental sustainability in mind. Protection and development of the watersheds affecting Metro Manila are its significant focus areas. The Fleet Management is responsible for the supervision and maintenance of company vehicles and equipment. It also provides assistance during incidents/emergencies and special events of the company. The Property Management 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 Energy Department monitors and recommends power-efficiency measures to maximize the Company’s resources, as it strives to ensure that water production and treatment, allow for clean and accessible water supply that is always affordable to its customers. The Operations Group is committed to Service, Quality and Efficiency in all of its activities.

- The East Zone Business Operations (EZBO) deals with the Company’s customers and is responsible in the operations of the business. It is composed of five departments in the EZBO Headquarters (HQ) namely: East Zone Business Area Operations, East Zone Business Support, Market Development, Technical Support Services for Water Network and Technical Support Services for Wastewater.
  - The East Zone Business Area Operations is composed of eight (8) business areas, which are responsible in the delivery of water, wastewater and sanitation services to the customers geared towards customer satisfaction. The Market Development team is in charge of creating new businesses within the East Zone concession area.
  - The East Zone Business Support Department is composed of four sections: Demand Forecasting and TMS Management, Billing and Collection, Customer Service and Stakeholder Management and Program and Policy Development. The Demand Forecasting and TMS Management section is responsible for the performance management of all EZBO employees. It ensures that targets are achieved and opportunities are maximized in order to grow the business. The Billing and Collection section ensures that there are adequate payment options and facilities that cater to the needs of the customer for payment convenience and develops monitoring tools to ensure the quality of the customers’ bills.
The Customer Service and Stakeholder Management section reviews and enhances customer service processes and standards aimed to drive customer satisfaction. It regularly monitors customer centricity metrics to ensure that all customers’ concerns are attended efficiently and effectively. The Program and Policy Development section handles the rewards and recognition programs, organization, talent development and policy review and development for EZBO employees.

The Technical Support Services Department for Water Network oversees the water network and ensures reliability by developing programs and conducting research on the latest technologies to reduce the water losses. Lastly, the Technical Support Services Department for Wastewater, manages the maintenance of the network for sewer lines and the implementation of the company’s desludging services. All of the Business Areas and the HQ Departments are aimed towards driving business growth, reducing water losses, and delivering quality customer service.

The Corporate Strategic Affairs Group (CSAG) is responsible for creating consistent corporate messaging, harmonizing communication channels, and leveraging on sustainability initiatives that are aligned with the Company’s objectives in order to effectively connect with customers and stakeholders. The group is composed of three departments: Brand and Communications Development, Communication Affairs, and Sustainable Development. The Brand and Communications Development Department is in charge of building and differentiating the Manila Water brand through strategic communications research and development, visual standards management and new media establishment through social media and web presence. The Communication Affairs Department handles the execution of the Company’s strategic as well as tactical or crisis communication programs through publicity, events and other stakeholder services. The department handles all Company publicity in the media (TV, radio, print and below-the-line), as well as media relations and engagement. It also manages and/or provides support for community and corporate events including the Lakbayan or Water Trail program. The department is also responsible for ensuring a well-informed workforce through the development and implementation of relevant internal communications. The Sustainable Development Department develops the Company’s corporate social responsibility programs within the East Zone with focus on water supply provision to the urban poor, water education and environmental protection. The Sustainable Development Department also houses the Manila Water Foundation which is the expanded corporate social responsibility arm outside the East Zone, targeting Base of the Pyramid (BOP) communities. The Manila Water Foundation focuses on water supply and sanitation for BOP communities, water and environmental education, and community assistance and livelihood.

The Corporate Strategy and Development Group (CSDG) handles three core functions: (1) regulatory affairs, (2) new business development and (3) corporate strategy. In relation to regulatory affairs, the Group’s Regulatory Development Department interfaces with the MWSS-RO on all matters relating to the Concession Agreement, including submitting reports and disclosures relating to compliance, handling negotiations with the MWSS-RO relating to the Company’s service targets and distilling
information from the Company’s other groups to produce and periodically update financial projections, which serve as the bases for petitions submitted to the MWSS-RO for quarterly, annual, and five-year tariff adjustments. The Group’s New Business Development Department is responsible for identifying and pursuing new business opportunities both locally and abroad. The Group’s newly formed Corporate Strategy Department handles the corporate planning process and special projects identified by the Management Committee.

- **The Corporate Resources Group** is composed of three (3) Departments: Human Resources Services (HRS), Talent Management and Leadership Development (TMLD), and Corporate Services (CS). The HRS Department is responsible for the Rewards Management and Compensation and Benefits services as well as Employee Relations. The TMLD Department is responsible for various change management programs, development of talent management initiatives, implementation of innovative training programs and strategic staffing. The CS Department handles Labor Relations and Security Management. The Labor Relations Section administers the Company’s Code of Conduct and assists the “line” in people management and disciplinary processes of its employees. It also manages the Company’s relationship with its labor union, negotiates and administers the Collective Bargaining Agreement. Moreover, it is responsible in enhancing the Company’s livelihood programs for its employees and their dependents. The Security Management Section provides a comprehensive security management services and solutions to ensure the security of the Company’s employees, facilities and other assets. A voluntary battalion of employees trained by the government, the 503rd Reserved Water Battalion, further secures the Company’s offices and operational facilities.

- **The Corporate Finance and Governance Group**, which is headed by the Chief Finance Officer, performs financial services for the Company. The Group is composed of eleven departments namely: Treasury and Investor Relations, Contracts and Vendor Management, Accounting, Tax Management, Financial Planning and Policy Development (FPPD), Financial Controllership, Internal Audit, Legal and Corporate Governance, Land Acquisition and Right of Way, Logistics and Enterprise Risk Management (ERM). The Treasury and Investor Relations Department is primarily responsible for managing the Company’s overall liquidity by efficiently managing the Company’s daily cash position, as well as ensuring that funding is available for the Company’s short-term and long-term cash requirements. It is also responsible for the management of investor communications and other investor-related concerns. The Contracts and Vendor Management Department ensures that external requirements of the Company from contractors, consultants and service providers are met in an efficient and cost effective manner without compromising integrity and transparency. The Contracts section handles the procurement of all asset expansion and reliability projects needed in order for the Company to meet its service obligations. The Accounting Department is responsible for managing the accounting records and preparing financial statements and reports for the Company. The Tax Management Department is responsible for the overall compliance with all tax rules and regulations and ensures completion and application of all tax benefit programs of the Company. The Financial Planning and Policy Development Department focuses on, among others, four major items: (1) revenue assurance and budget preparation, including preparation of management reports (2) valuation of new business developments and ensuring maximum contribution of every subsidiary, (3) value-enhancing process improvements and (4) performance monitoring. The Financial Controllership Department ensures implementation of stringent financial
systems and controls not only in the East Zone but also in the Operational New Businesses. Being one of the newly created departments, it has already redefined and institutionalized various business controls across the company placing focus on revenue growth, improvement of operating margins, asset efficiency and future growth perspectives. The Internal Audit oversees compliance by operating units with internal controls. Internal Audit reports functionally to the Audit and Governance Committee and administratively to the Chief Finance Officer. The Legal and Corporate Governance Department provides legal services, advice and support across the entire organization and is also responsible for the prosecution and defense of cases filed by and against the Company. It is also responsible for the compliance with the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation disclosure requirements. Furthermore, Legal and Corporate Governance Department also aids in the corporate secretariat work of the Company. The Land Acquisitions and Right – of – Way Department is responsible in the acquisition of private properties and clearing and recovering of Right-of-Way owned by the Company and MWSS. Logistics Department is responsible for the provision of all supplies and materials needed for operations and projects to ensure continuity and support expansion of potable water supply and wastewater disposal services, in a cost efficient manner. It is also responsible for providing standard unit costs of materials, civil works and operating expenses to support the corporate goal on cost efficiency in projects implementation and operations. The ERM Department facilitates, supports, and integrates the Enterprise Risk Management processes of the Company.

Water Operations

The supply of water by the Company to its customers generally involves abstraction from water sources and the subsequent treatment and distribution to customers’ premises. In 2011, the Company supplied approximately 1,268 million liters per day (MLD) and billed 419 MCM of water compared to 1,259 MLD of water supplied and 396 MCM billed in 2010. The Company serves a total of 1,157,807 households through 813,942 water service connections as of December 31, 2010, as compared to December 31, 2009 where a total of 1,086,296 households were served through 736,305 water service connections.

Water Resources

Under the CA, MWSS is responsible for the supply of raw water to the Company’s distribution system and is required to supply a maximum quantity of water, currently pegged at 1,600 MLD. In case MWSS fail to supply the required 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, 2011, the Company has twelve (12) operational deep wells with an average production of 16 MLD.
Water Treatment

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

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

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

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

Water Distribution

After treatment, water is distributed through the Company's network of pipelines, pumping stations and mini-boosters. As of December 31, 2011, the Company's network consisted of approximately 4,000 kms\(^1\) of total pipeline, comprising of primary, secondary and tertiary pipelines ranging in diameter from 50 to 2,200 mm. The pipes are made of steel, cast iron, asbestos cement pipe, polyvinyl chloride and other materials. Due to pipes' excessive tendency to leak, the Company is replacing all of its Asbestos Cement Pipes (ACP), which at the start were estimated to comprise approximately 25.5% of the total pipeline length. The Company has replaced a total of 561 km of ACP as of December 31, 2011. From the start of the concession in 1997 until the end of 2011, the Company has laid more than 3,000 km of pipeline through expansion or replacement.

Pumping stations also play a critical part in water distribution. Approximately 64.52% of the surface water supplied by the Company is pumped to ensure supply in high elevation areas. Currently, the Company operates twelve (14) major pumping stations with a combined maximum pumping capacity of 3200 MLD and an average plant output of 970 MLD. The Balara, San Juan, Pasig, Makati, Fort Bonifacio, Siruna and Lucban pumping stations have reservoirs with a combined capacity of 269 ML. New reservoirs expected to operate this year are the Maguey Reservoir and East Ridge Reservoir with a combined capacity of 30ML which will serve the higher areas of Antipolo.

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

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

Non-Revenue Water

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

The Company’s NRW levels have been significantly reduced from an average of 63% at the date of commencement of operations under the CA to 11.2% for the year ended December 31, 2011. The significant improvement in the Company’s system losses was accomplished through effective management of water supply coupled with massive pipe replacement projects.

Water Quality

Since 1998, the Company’s water quality has consistently surpassed the Philippine National Standards for Drinking Water (PNSDW) set by the Department of Health (DOH) and based on World Health Organization (WHO) water quality guidelines. The Company’s rating is based on a series of tests conducted regularly at 860 (EO 2010) regulatory sampling points within the East Zone. The Company’s water samples scored an average bacteriological compliance of 100%, surpassing the threshold of 95% set in the PNSDW. In 1997, when the concession began, only 87% of water samples complied with these quality standards. The Company collects and tests samples for microbial examination and physico-chemical examination from our water sources, (Angat, Ipo, Bicti and La Mesa reservoirs) and ground water sources (Deepwells), water treatment plants and as well as from the distribution networks on frequencies as required in the standard.

Water quality at the Company’s water treatment plants undergoes daily microbial (bacteriological) and physico-chemical analysis. Regulatory sampling points are designated at strategic locations across the distribution system within the coverage area wherein sampling is conducted daily by MWCI. The MWSS-RO, Local Government Units (LGUs) and DOH likewise conducts random sampling from this designated sampling points and have it tested by third party laboratories and designated government laboratories. Most often, the results were consistently beyond the 95% set in the PNSDW.

Samples are tested at our own Laboratory, which is accredited by the DOH and a recognized EMB-DENR testing laboratory. The laboratory has also gained its recognition as an ISO/IEC 17025:2005 accredited laboratory (meeting the principles of ISO 9001:2008 obtained by the Company’s laboratory for water/wastewater quality and testing in October 2006) granted by the Philippine Accreditation Office, Department of Trade and Industry (DTI). Accreditation to these subjects the laboratory to a regular surveillance audits. Consistently, the laboratory have gained
excellence and passing on most of proficiency testing programs we have participated from the programs provided by local and International proficiency testing program providers. Last 2010 the laboratory also gained another certifications for ISO 9001:2008, ISO 14001:2004 and OSHAS 18001:2007. These recognitions have gained the confidence of the MWSS-Regulatory Office, the DOH and DENR in the tests results we are providing them.

**Sewerage Operations**

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

**Sewerage and Sanitation System**

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

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

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

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

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

Sewer coverage by the end of 2010 has increased to 23% from just 3% coverage in 1997, totaling 102,835 households benefiting from this service. As of year-end 2010, the Company operates 34 Wastewater Facilities including two (2) STPs, with a total capacity of 135 MLD, compared to 40 MLD in 1997.
Customers who are not connected to the sewer network are provided with septic tank maintenance services through the “Sanitasyon Para Sa Barangay” (SPSB) program. Through cooperation with the barangays the program aims to desludge all septic tanks in a barangay without charge over a specified, set schedule.

As part of its commitment to expand this service, the Company constructed and subsequently operated in 2008 under the Manila Third Sewerage Project (MTSP) two (2) STPs aimed at managing septic tank materials siphoned from the East Concession customers. More than 40 trucks from its current fleet of 92 desludging trucks operate daily to ensure the desludging service is rendered to the entire East Zone population over the next five years. Since 1997, the Company has already provided such service to more than 455,000 households.

The Company implemented the World Bank-funded MTSP until 2012. The MTSP is a follow-up to the MSSP and has the ultimate objective of improving sewerage and sanitation conditions in the East Zone. It was developed as a means of achieving the Company’s sewerage and sanitation service targets. The remaining components of the MTSP include the construction of sewer networks and treatment plants in several locations in the East Zone including upgrading of existing communal septic tanks with secondary treatment levels.

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

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

New Business/ Investments Outside of the East Zone

It is also the Company’s objective to further bring its expertise on NRW reduction outside of the East Zone by establishing partnerships with private companies, local water districts and local government units in top metros of the country. Other water business models, such as bulk arrangements, operations and maintenance are also being explored. As such, the Company signed joint venture (“JV”) agreements with partners in the last few years to form JV companies.

LWC is a JV between Laguna AAA Water Corporation, which is a wholly-owned subsidiary of Manila Water Company, and the Province of Laguna (“POL”), with shareholdings of 70% and 30%, respectively. The JV is to undertake the development, design, construction, operation, maintenance and financing of the water facilities that will service the needs of the cities of Sta. Rosa and Biñan, as well as the municipality of Cabuyao in Laguna. LWC entered into a Concession Agreement with the POL for a period of 25 years.

BIWC is a joint venture between Manila Water Company and the Philippine Tourism Authority (“PTA”) with shareholdings of 80% and 20%, respectively. In December 2009, BIWC entered into a concession agreement with the PTA (now Tourism Infrastructure and Enterprise Zone Authority) covering the provision of water and wastewater services in the Island of Boracay.

CWC is the water and wastewater concessionaire of the Clark Freeport Zone in Angeles, Pampanga. It has a 25-year concession with the Clark Development Corporation until October
2025 with the option to extend subject to mutual agreement. Manila Water recently acquired 100% ownership through a Share Sale and Purchase Agreement with Veolia Water Philippines and Philippine Water Holdings, Inc., which previously owned CWC.

In July 2008, the Company won a contract for performance-based leakage reduction project with Saigon Water Company covering Zone 1 of Ho Chi Minh City, Vietnam. In addition to its existing operations in Vietnam, Manila Water purchased a 49% share in the ownership of Thu Duc Water BOO Corporation. TDW is the second largest water treatment plant in Ho Chi Minh City, after the state-owned Thu Duc Water. It has a bulk water supply contract with Saigon Water Corporation with a minimum consumption of 300 MLD on a take-or-pay arrangement.

Environmental Compliance

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

The Company has made efforts to meet and exceed all statutory and regulatory standards. The Company employs the appropriate environmental management systems and communicates to its employees, business partners and customers the need to take environmental responsibility seriously. The Company uses controlled work practices and preventive measures to minimize risk to the water supply, public health and the environment. The Company’s regular maintenance procedures involve regular disinfection of service reservoirs and mains and replacement of corroded pipes. The Company’s water and wastewater treatment processes meet the current standards of the DENR, LLDA and DOH. The Company continues to undertake improvements in the way it manages both treated wastewater and sewage sludge.

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.

A policy on climate change was formulated to define the Company’s commitment to the National Framework Strategy for Climate Change. While the company is undertaking climate change mitigating measures such as greenhouse has accounting and reporting along with initiatives to optimize consumption of fuel and electricity to reduce its carbon footprint, there is a current emphasis towards climate change adaptation such as intensifying watershed rehabilitation work, vulnerability assessment of water sources and assets, climate-proofing existing and future water and wastewater facilities, strengthening risk reduction and management systems with a business continuity plan, and development of new water sources.
Employees

As of December 31, 2011, the Company had 1,578 employees. Approximately 39% were non-management employees and 61% held management positions. Six (6) employees were seconded from Ayala.

The following table presents the number of employees as of the end of the periods indicated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Former MWSS</th>
<th>Direct Hires</th>
<th>Seconded from Ayala</th>
<th>Seconded from Bechtel &amp; United Utilities</th>
<th>Consultants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,150</td>
<td>421</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>1,578</td>
</tr>
</tbody>
</table>

The following table presents the number of employees by function as of the December 31, 2011:

<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>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Corporate Finance &amp; Governance</td>
<td>105</td>
<td>23</td>
<td>128</td>
</tr>
<tr>
<td>Corporate Strategy &amp; Development</td>
<td>51</td>
<td>1</td>
<td>52</td>
</tr>
<tr>
<td>Corporate Human Resource</td>
<td>57</td>
<td>29</td>
<td>86</td>
</tr>
<tr>
<td>Corporate Strategic Affairs</td>
<td>13</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>East Zone Business Operations</td>
<td>416</td>
<td>387</td>
<td>803</td>
</tr>
<tr>
<td>Operations</td>
<td>206</td>
<td>142</td>
<td>348</td>
</tr>
<tr>
<td>Project Delivery</td>
<td>79</td>
<td>25</td>
<td>104</td>
</tr>
<tr>
<td>Strategic Asset Management</td>
<td>37</td>
<td>2</td>
<td>39</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>967</strong></td>
<td><strong>611</strong></td>
<td><strong>1,578</strong></td>
</tr>
</tbody>
</table>

Before privatization, the MWSS had 8.4 employees per 1,000 service connections. Manila Water Company has improved this ratio to 1.3 employees per 1,000 service connections as of December 31, 2011. This was accomplished through improvements in productivity achieved through, among other things, value enhancement programs, improvements in work processes, employee coaching and mentoring, transformation of employees into knowledge workers, and various training programs. Manila Water’s organizational structure has been streamlined, reducing the number of non-management-rank levels from 16 to six, and empowering employees through decentralized teams with responsibility for managing territories. In addition, the company formed multi-functional working teams, called clusters, which are composed of members of the management team tasked with addressing corporate issues such as quality and risk and crisis management.

As of December 31, 2011, 577 or 37 percent of the employees of the company belonged to the Manila Water Employees Union. The company and the MWEU concluded negotiations on a new collective bargaining agreement covering a three-year period from 2008 to 2011. The CBA provides for a grant of P127.7 million in compensation and benefits spread over three years to employees categorized as non-management collective bargaining unit (CBU) employees. The company believes that its management maintains a strong relationship with union officials and
members as it has not had any strikes since its inception. Grievances are handled in management-led labor councils. The CBA also provides for a mechanism for the settlement of grievances.

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

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

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

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

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

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

Over the past 14½ years, the company has been the recipient of numerous awards that include the following: the Global Grand Prize in the 2010 International Water Association Project Innovation Awards for the company’s creative approaches in reducing systems losses to benefit its customers, the “Water Efficiency Project of the Year” from Global Water Intelligence and Water
Desalination Report for the “Manila Water NRW Strategy” that reduced systems losses significantly and improved customer satisfaction, the two Best-Managed Company Awards from Asiamoney Magazine, the four corporate governance awards from CorporateGovernance Asia, the Best-Managed Mid-Cap Company Award from FinanceAsia Magazine, five Anvil awards in 2005 and one (1) each in 2003, 2004, 2010 and 2012 from the Public Relations Society of the Philippines, the Distinction Award for the Water Deal of the Year from Global Water Intelligence, the Asia Water Management Excellence Award-Industry Category, the Intel-Asian Institute of Management Corporate Responsibility Award in 2009, the Best in Corporate Governance in the last Corporate Governance Scorecard by the Institute of Corporate Directors, the Most Integrated into the Core Business Award from the Management Association of the Philippines and League of Corporate Foundations, and the 2002 Model Company Award and 2010 Hall of Fame Award from the Department of Trade and Industry, which singled out the company’s “consistency and passion” in pursuing programs on labor and management cooperation, quality and productivity improvement, and family welfare and community relations.

But these awards have to take a backseat to the landmark recognition the company earned as 2006 Employer of the Year from the People Management Association of the Philippines, as well as to the Asian Human Capital Award given by the Singaporean government just last year.

The 2006 Employer of the Year honors were bestowed upon Manila Water for providing a remarkable example of how a group of much-maligned government workers was transformed into a thoroughly efficient organization that is now a leader in its industry.

The Asian Human Capital Award, meanwhile, may be the biggest recognition yet earned by the company for simply being an award that is so difficult to obtain with the stringent standards being employed by its giver, the Singaporean Ministry of Manpower, whose comprehensive selection process nevertheless didn’t prevent Manila Water from becoming the first-ever Filipino company to capture the elite honors. The Singaporean government deemed the company worthy of the award for harnessing its people in transforming from a languishing water service provider into a world-class water and wastewater company, citing not only its accomplishments but also the way it turned around its business using its human resource.

Related Party Transactions

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

As of December 31, 2011, outstanding balances for related party transactions are unsecured and interest-free. There have been no guarantees provided or received for any related party receivables or payable and the Company has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The Company entered into a technical services agreement with United Utilities B.V., an affiliate of United Utilities Pacific Holdings B.V., for technical services necessary for the operation of the Company. The Company also contracted with Ayala 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
also had a Capital Works Program Agreement with Bechtel Overseas Corporation and Bechtel International, Inc. which was later assigned to 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. The Capital Works Agreement was terminated effective January 2011.

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.

Risk Factors

2012 Top Corporate Risks

Water Supply Risk

Water distribution, which is the heart of Manila Water’s operations, is primarily dependent on the availability and sustainability of water supply. The Company is exposed to water supply risk as it is primarily dependent on a single water source (Angat Dam) for 97% of the water requirement of the concession area.

Planning and Execution Risk

Proper execution of strategic, tactical and execution plans ensures that corporate and sustainability objectives are regularly met. Failure to plan and execute major initiatives in a systematic and well-coordinated manner could lead to non-achievement of business objectives.

IT Integrity Risk

Preserving software, hardware and data integrity is imperative in ensuring system up-time, reliability and recovery in cases of disasters. Delay or failure of information systems, including system or supervisory control and data acquisition, to provide reliable, relevant, meaningful and timely management information will significantly impact operations.

Socio-political and Regulatory Risk

The Company is bound under the CA to comply with certain service obligations and is required to meet numerous performance and business efficiency targets. Achieving these performance targets will require substantial capital investment in expansion and service improvement projects. Disbursements in connection with capital investment projects must not only be prudent and efficient but must also be aligned with the regulatory plan.

Incidents and Natural Events

Natural events such as earthquakes, droughts, floods and typhoons could result in significant losses as offices as well as water, wastewater, and other facilities may be severely damaged. These may lead to extended water service interruptions and seriously impair the Company’s ability to meet customer demand for potable water. Business continuity in the event of natural disasters and/or malicious attacks is imperative in sustaining the business for the long-run.
Capital Investment Risk

The Company is bound under the CA to comply with certain service obligations and is required to meet numerous performance and business efficiency targets. Achieving these performance targets will require substantial capital investment in expansion and service improvement projects. Failure to properly plan, manage, execute and monitor projects may lead to increase in project life cycle and project costs. Aggressive capital spending must be aligned with the regulatory plan and must be within set investment parameters.

Talent Management Risk

Business expansion, both local and abroad, requires a readily-available pool of quality talents. The current manpower profile, with its high average age bracket, demands a clear roadmap for succession planning as well as for talent recruitment and development.

Managing 2011 Top Corporate Risks

Water Supply

The Company has commenced the procurement process for the Laguna Lake/Rizal Province Water Supply Improvement Project. This project, undertaken to augment the current water supply, is part of the Company’s approved 2008 Rate Rebasing Plan. This will reduce reliance on Angat Dam and improve Manila Water’s ability to provide water even during dry spells.

Non-revenue water is at 11.22% as of end of 2011, still below the committed 25%. To date, over 600 MLD have been recovered from the system equivalent to PhP 25 billion in savings. The Company is also conducting a study on the economic level of leakage of water networks to ensure that water loss is managed at an efficient level. The economic level of leakage is the point at which the cost of reducing leakage is equal to the benefit gained from leakage reductions.

A comprehensive watershed management plan is also being undertaken to ensure that the forest cover of major dams remain adequate. This ensures sustainability of water supply as erosion and siltation are reduced and raw water quantity and quality are preserved. Approximately 450 hectares of the area surrounding Ipo Dam and 385 hectares of the Marikina Watershed have been reforested in 2011 with different groups from both the public and private sectors collaborating in these efforts.

Socio-political and Regulatory

Manila Water constantly interfaces with the MWSS and other key government stakeholders on regulatory matters and ensures strict compliance with CA provisions including quality standards as well as committed KPIs and BEMs. The Company is also subject to various operating standards on health, environment and safety by government agencies.
Incidents and Natural Events

Manila Water is further enhancing its Business Continuity Plan (BCP) to improve its ability to respond to incidents and natural events. Spearheading this effort are the ERM and Safety Solutions Departments who are supported by a cross functional team composed of representatives from the different groups across the organization.

Manila Water conducts earthquake and fire drills annually to test the Company’s readiness in terms of emergency preparedness and response. Representatives from the local government units, the Bureau of Fire Protection, the Philippine National Police and corporate contractors are also involved in these activities.

The Company strengthened security measures to safeguard critical facilities. All facilities have undergone a comprehensive security risk assessment in order to be better protected against untoward incidents.

Manila Water has lined-up redundancy projects on the existing water delivery networks to ensure continuous water service in the event of failure.

Capital Investment

As the Company embarks on more complex projects, the Strategic Asset Management Group was formed to enhance the project development process and ensure that the various water and wastewater projects are integral to the Manila Water Master Plan. It is also tasked to ensure the optimal and sustainable delivery of services through projects and asset management at the most efficient and prudent cost.

The Company also strengthened the Project Challenging Group to further scrutinize projects based on their costs, economic viability and returns, and their alignment with corporate goals.

In addition, Manila Water categorized its corporate vendors and contractors according to specialization and capabilities to expedite the identification of the right contractor for a specific project.

New Business Development

To maximize opportunities outside the East Zone concession area, the company assigns specific Business Development Managers to areas with prospective new business. For every new project, a team is created to undertake the legal, technical and financial due diligence and to supervise its implementation as well. This ensures successful business development, start-up operations and integration of new projects.

Manila Water also adopts a localized approach in new businesses, to the extent possible, to enhance competitive advantage. This entails the hiring of local staff, engagement of local vendors and contractors among others.

Talent Management

Succession planning is a major consideration especially for firms whose average workforce age is quite high. Manila Water has developed programs to ensure the development and retention of high-potential talents. It has also developed recruitment programs, such as the Management Development Training Program, to augment the Company’s middle management line-up.
Several groups and departments have been recently reorganized to streamline their functions and to optimize manpower allocation. An example would be the Strategic Asset Management Group which is responsible for capital investment and the operation, maintenance and rationalization of new and existing assets.

**Government Regulations**

The Company has to comply with environmental laws and regulations which include:

- Republic Act No. 9275 or the Philippine Clean Water Act of 2004
- DENR Administrative Order No. 35, Series of 1990 (General Effluent Standards)
- DENR Administrative Order No. 39, Series of 2003 (Environmental Users Fees)
- DENR Administrative Order No. 10, Series of 2005 (Implementing Rules and Regulations of R.A. No. 9275)
- Republic Act No. 6969 or the Toxic Substances, and Hazardous and Nuclear Waste Control Act of 1990
- DENR Administrative Order No. 29, Series of 1992 (Implementing Rules and Regulations of R.A. No. 6969)
- Republic Act No. 8749 or the Philippine Clean Air Act of 1999
- DENR Administrative Order No. 81, Series of 2000 (Implementing Rules and Regulations of the Philippine Clean Air Act
- Presidential Decree No. 1586 (Philippine Environmental Impact Statement System)
- DENR Administrative Order No. 27, Series of 2003 (Self Monitoring Report System)
- Republic Act No. 4850 or the Act Creating the Laguna Lake Development Authority (LLDA)
- Relevant LLDA Board Resolutions and Memorandum Circulars, including but not limited to Resolution No. 25, Series of 1996 (Environmental User Fee System in the Laguna de Bay Region) and Resolution No. 33, Series of 1996 (Approving the Rules and Regulations Implementing the Environmental User Fee System in the Laguna de Bay Region)
- Presidential Decree No. 856 or the Philippine Sanitation Code
- Implementing Rules and Regulations of the Philippine Sanitation Code

**Other Matters**

The Company has not been involved in any bankruptcy, receivership or similar proceeding as of December 31, 2011. Further, except as discussed above, the Company has not been involved in any material reclassification, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business. The Company is not engaged in sales to foreign markets.

The Company is not dependent on a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company.
Item 2. Properties

The CA grants the Company the right to manage, operate, repair, decommission, and refurbish the MWSS facilities in the East Zone, which include treatment plants, pumping stations, aqueducts and the business area office. However, legal title to these facilities remains with MWSS. The net book value of these facilities on Commencement Date based on MWSS’ closing audit report amounted to ₱4.6 billion, with a sound value, or the appraised value less observed depreciation, of ₱10.40 billion. These assets are not reflected in the financial statements of the Company.

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

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

The Company’s corporate head office located in Balara, Quezon City is leased from MWSS and is subject to yearly renewal. In 2011, rent expense of the Company to MWSS amounted to ₱18.3 million.

For 2012, the Company expects to spend capital expenditures amounting to at least P10 billion. These capital expenditures are to be partially funded by proceeds of the Company’s cash from operations and debt. The two (2) main components of these expenditures are reliability and expansion. These will ensure uninterrupted services to customers even in the event of disasters such as typhoons and earthquakes and deliver water and wastewater services to the farthest areas in the East Zone which are currently unserved, and to ensure sufficient water supply in response to the increased demand due to population growth.

Item 3. Legal Proceedings

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


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

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

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

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

The Central Board conducted a hearing on June 25, 2009. In that hearing, parties were given the opportunity and time to exchange pleadings on a motion for reconsideration filed by the Municipality to have the case remanded to and heard by the Local Board, rather than by the Central Board.

Trial is now on-going and the Company had already concluded its presentation of evidence and witnesses. Maynilad and MWSS shall be presenting their respective witnesses.


This case stemmed from a complaint for illegal dismissal filed before the National Labor Relations Commission (NLRC) by a group of contractual collectors belonging to the Associated Collectors Group, Inc. (ACGI).

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

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

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

On May 31, 2011, the Company and the complainants filed with the NLRC a Satisfaction of
Judgment pursuant to the Release Waiver and Quitclaim signed by the complainants in favor of
the Company before NLRC Labor Arbiter Jaime Reyno who explained the legal effects of such
documents.

*Manila Water Company, Inc. vs. The Regional Director, Environmental Management Bureau-
National Capital Region, et al., CA-G.R. No. 112023 (DENR-PAB Case No. NCR-00794-09)*

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 (Philippine Water Act of 2004), particularly the five-year deadline imposed in
Section 8 thereof for connecting the existing sewage line found in all subdivisions,
condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market
places, public buildings, industrial complex and other similar establishments including
households, to an available sewerage system. Two (2) similar complaints against Maynilad and
MWSS were consolidated with this case.

On April 22, 2009, the PAB through DENR Secretary and Chair Jose L. Atienza, Jr., issued a
*Notice of Violation* finding that the Company, Maynilad and MWSS have committed the
aforesaid violation of R.A. 9275. Subsequently, a Technical Conference was scheduled on May 5,
2009. In the said Technical Conference, the Company, MWSS and Maynilad explained to the
PAB their respective positions and it was established that DENR has a role to play to compel
people to connect to existing sewer lines and those that are yet to be established by the Company
and Maynilad.
In addition to the explanations made by the Company during the Technical Conference, the Company together with MWSS and Maynilad, wrote a letter dated May 25, 2009 and addressed to the respondent Secretary, stating 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 R.A. No. 9275 and reiterated its position that the continuing compliance should be within the context of the Company’s Concession Agreement with MWSS. Despite the explanations of the Company, the PAB issued the challenged Order dated October 7, 2009 which found the Company, Maynilad and MWSS to have violated R.A. 9275. The Company filed its Motion for Reconsideration dated October 22, 2009 which the PAB denied in an Order dated December 2, 2009. Hence, the Company filed its Petition for Review dated December 21, 2009 with the Court of Appeals. The Company thereafter filed an amended Petition for Review dated January 25, 2010. Per CA Resolution dated October 6, 2010, the petition is now deemed submitted for decision.

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

No matter was submitted during the fourth quarter of 2011 to a vote of security holders, through the solicitation of proxies or otherwise.
PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

<table>
<thead>
<tr>
<th></th>
<th>HIGH / LOW PRICE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>1st Qtr</td>
<td>19.30</td>
<td>16.08</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>19.34</td>
<td>17.94</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>19.90</td>
<td>18.10</td>
</tr>
<tr>
<td>4th Qtr</td>
<td>19.94</td>
<td>18.84</td>
</tr>
</tbody>
</table>

The price per share information as of the close of the latest practicable trading date, April 11, 2012, is ₱23.90.

Description of Major Shareholders

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

The Company had a total of 936 certificated stockholders as of December 31, 2011. The Scripless shareholders of the Company are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino). (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, 2011, outstanding shares of the Company consisted of 2,032 million common shares (including 25.4 common shares under the stock ownership plans, the listing of which has been approved in principle by the PSE), 4 billion PPS, and 500 million RPS held in treasury.

Ayala Corporation

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

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

Mitsubishi Corporation

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

Dividends

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

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

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

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (₱ thousands)</th>
<th>Nature of Dividends Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec -11</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Date</td>
<td>Security Sold</td>
<td>No. of Shares</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Oct -11</td>
<td>494,262</td>
<td>0.28 cash dividends to common shares</td>
</tr>
<tr>
<td>Oct -11</td>
<td>112,000</td>
<td>0.028 cash dividends to PPS</td>
</tr>
<tr>
<td>May -11</td>
<td>467,170</td>
<td>0.28 cash dividends to common shares</td>
</tr>
<tr>
<td>May -11</td>
<td>112,000</td>
<td>0.028 cash dividends to PPS</td>
</tr>
<tr>
<td>Nov -10</td>
<td>40,000</td>
<td>0.28 cash dividends to common shares</td>
</tr>
<tr>
<td></td>
<td>112,000</td>
<td>0.028 cash dividends to PPS</td>
</tr>
<tr>
<td>Jul -10</td>
<td>92,000</td>
<td>0.023 cash dividends to PPS</td>
</tr>
<tr>
<td>Jul -10</td>
<td>409,965</td>
<td>0.23 cash dividends to common shares</td>
</tr>
<tr>
<td>Apr -10</td>
<td>92,000</td>
<td>0.023 cash dividends to PPS</td>
</tr>
<tr>
<td>Apr -10</td>
<td>408,431</td>
<td>0.23 cash dividends to common shares</td>
</tr>
</tbody>
</table>

**Recent Sale of Unregistered Securities**

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

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

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

For its grant of 23.6 million shares under the Executive SOP, Manila Water sought the confirmation of the SEC that such issuance is exempt from the registration requirements of the SRC. In a resolution dated March 3, 2005, the SEC granted Manila Water’s application for confirmation.

On January 31, 2006, the SEC approved the registration exemption of its proposed issuance of 25 million common shares under its ESOWN Plan.
Item 6. Management’s Discussion and Analysis or Plan of Operations

Plan of Operations for Year 2012

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

The success of the Company in the medium-term is greatly hinged on the results of the 2013 Rate Rebasing exercise. The preparation of the Rate Rebasing Plan has been prioritized since the start of 2011 with the support of the whole organization. The Company will review and implement its water and wastewater master plans, with the goal of enhancing services and meeting its concession deliverables. The master plan will address long term water supply requirements as well.

The Company will employ various strategies to meet its targets in 2012. The East Zone business operations will increase its billed volume generation moderately from the expansion in San Mateo, Montalban, Antipolo, Angono and other Rizal towns through key accounts management. The development of business districts within Quezon City, Makati, Taguig and San Juan will also contribute to the growth.

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

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

With the expected increase in capital expenses and in anticipation with new investments on new business, a more efficient financing strategy will be adopted. The Company will acquire new loan facilities to partly finance its capital expenditures. The financing plan for 2012 will be guided by the Company’s target debt mix.

As part of the efficiency program, continuous review and improvement of business systems and processes will be done, including the application for ISO accreditation of various facilities. To date, the Company has a number of ISO accredited facilities including its Laboratory facilities, Balara Treatment Plants, etc. The Company will likewise address the challenge of increasing cost of operations due to expansion through a conservative stance on expenditures.

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

Management’s Discussion and Analysis

Overview of the Business

Manila Water Company, Inc. (the Company or Manila Water) is a Philippine company engaged in providing water, sewerage and sanitation services. 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.

On February 21, 1997, Manila Water entered into a Concession Agreement (CA) with the Metropolitan Waterworks and Sewerage System (MWSS) and was granted the exclusive right to service the East Zone. As agent and contractor of MWSS, the Company is granted the right to manage, operate, repair, decommission and refurbish the facilities of MWSS, including the right to bill and collect for water and sewerage services in the East Zone. Under the agreement for CA, the Company is entitled to recover operating and capital expenditures, business taxes, concession fee payments and other eligible costs, and to earn a reasonable rate of return on these expenditures over the extended life of the concession.

Under the existing concession framework, Manila Water in coordination with the MWSS Regulatory Office conducts a Rate Rebasing exercise every five years. This provides a venue for the MWSS to review the Company’s performance and, evaluate and approve the new business plan that the Company submits. This exercise will enable the Company to account for changes in economic and operating assumptions that will affect its future plans. Based on the approved plan and its impact on the Company’s future cash flow, the new tariff is determined.

In 2009, the MWSS and the Government approved the renewal/extension by another 15 years of the CA through Resolution No. 2009-072. The renewal was approved with the objectives of implementing accelerated wastewater projects and new water sources development, and to mitigate the impact of the required tariff adjustment. With the CA extension, the term of the concession was extended from May 7, 2022 to May 6, 2037.

Manila Water has also expanded its services outside of the East Zone of Metro Manila through operating subsidiaries, Laguna AAAWater Corporation (LWC) and Boracay Island Water Company, Inc. (BIWC). The Company’s services now reach Central Luzon customers with the acquisition of Clark Water Corporation (CWC) in the last quarter of 2011. In addition, Manila Water is widening its coverage in Vietnam with the purchase of 49% ownership of Thu Duc Water B.O.O Corporation (TDW BOO). TDW BOO is the largest private bulk water supplier in Ho Chi Minh City, Vietnam.
**Key Performance Indicators**

The Company’s key operational performance indicators (Consolidated) 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. Consolidated billed volume for 2011 reached 419.8 million cubic meters (“mcm”), a 1% growth from the figure in 2010.

**Collection efficiency**

Average days in receivables improved to 14 days, with collection efficiency maintained at 100%. The improvement in days’ receivables turnover was a result of the Company’s continued aggressive collection strategies, alongside the initiative to make bill payments more convenient to customers.

**Service connections**

The growth in billed volume was partly due to the 7% increase in billed connections from 838,539 to 893,834. East Zone operations accounted for 96% or 857,981 of the total water service connections in 2011. This is a 5% improvement from last year’s figure of 813,942. The operating subsidiaries contributed a total of 4% or 35,853 connections, which is 46% higher than that of 2010.

**Non-revenue water ratio**

NRW refers to system losses, or the volume of water lost in the network through leakage or pilferage. It is computed by deducting total water billed (billed volume) from the total water supplied (water supply) to the customers, while NRW ratio is derived by dividing the NRW by the water supply. A lower level of NRW ratio means greater network efficiency. The level of systems losses in the East Zone was maintained at 11.2% by end of 2011. It was a slight increase from the NRW ratio in 2010 of 11.0%. The NRW ratio of 11.2% translated to 142 MLD or 167 liters per connection per day in water commercial and physical losses.

NRW ratio of Laguna AAWater Company improved to 38% in 2011 from 45% in 2010 due to LWC’s continuous investments in reducing water losses. BIWC’s NRW ratio drastically improved to 23% from 29% in 2010 due to efficient water supply management, while CWC’s NRW ratio went down by 1 percentage point to 15% in 2011 due to ongoing NRW reduction projects.

**Water quality**

The Company continued to exceed the DOH bacteriological compliance standard of 100%. For a number of years now, water quality compliance has been maintained at 100%. A total of 10,366 samples were collected from the customers’ tap, schools, hospitals, and public places. The water samples were bacteriologically examined to ensure safety and potability and to detect the presence of chemical substance that may affect the quality for domestic use.
The Company operates a testing laboratory that is accredited by the DOH and is ISO/IEC17025:2005 certified since 2006. This means that the laboratory meets the requirements for the competence to carry out tests and/or calibration, including sampling.

The Company’s key financial performance indicators (Consolidated) are discussed below:

**Operating revenue growth**

Consolidated operating revenues for the year 2011 amounted to P12,004 million, 9% higher from last year’s P11,013 million. This increase was driven by the 0.8% increase in consolidated billed volume and 8% increase in average tariff. Water revenues in the East Zone increased by 7% due to the 0.4% increase in billed volume and the 6% increase in effective tariff.

**EBITDA and EBITDA margin**

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) grew by 12% to P8,405 million as of year-end 2011, resulting in an EBITDA margin of 70%. This was brought about by the increase in revenues and operational efficiency gains despite water and wastewater expansion.

**Net income and net income margin**

Consolidated net income grew by 7% for year 2011 to P4,266 million from last year’s P3,979 million. Consolidated net income margin was maintained at 36%. This growth was attributed to higher consolidated revenues and managed growth in operating expenses.

**Results of Operations- Consolidated**

**Financial Highlights**

- Consolidated revenues of P12,004 million in 2011, a 9% year-on-year growth from the P11,013 million revenues in 2010. Core revenues (composed of water, environmental and sewer revenue) amounted to P11,701 million, 9% higher than that of last year. The Company also recognized around P169 million of revenues from management contracts in Vietnam this year from P75 million in 2010, and P134 million in other income, which is lower relative to 2010’s P157 million. Other income are revenues recognized from inventories sold to subsidiaries, reopening fees, and fees collected from septic sludge disposal and bacteriological water analysis.

- Consolidated operating expenses (before depreciation and amortization) amounted to P3,599 million in 2011, a 2% increase from last year’s P3,530 million. The growth was largely a result of increases in salaries, allowance and benefits (11%); power, light and water (14%); management, technical and professional fees (4%); repairs and maintenance (34%); occupancy costs (19%); water and wastewater treatment chemicals (42%); and regulatory costs (117%). These increases were negated by decreases in taxes and licenses (25%); wastewater costs (9%) and provision for probable losses (76%).
Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to P8,405 million in 2011, 12% higher than last year’s P7,483 million due to operating efficiency gains despite the Company’s water and wastewater expansion. This increased the EBITDA margin to 70% from 68% last year.

Consolidated other expenses reached P1,280 million, 65% higher than the figure in 2010 of P777 million. Net interest expense increased to P1,065 million in 2011, 18% higher than last year’s expense due to additional drawdowns from the Company’s existing loan facilities and the P10 billion corporate note issued in April 2011.

The Company closed 2011 with a consolidated net income of P4,266 million, a 7% increase from last year’s P3,979 million. This growth was attributed to higher consolidated revenues and managed growth in operating expenses. Consolidated return on equity slightly decreased to 19% from 20% in 2010, while net income margin was maintained at 36%. Core net income closed at P4,495 million in 2011, 15% higher than last year’s P3,908 million in 2010.

By the end of 2011, total cash reserves (including short term cash investments and investments in marketable securities held as available-for-sale financial assets) amounted to P7,205 million, 24% higher than last year’s level of P5,808 million.

Collection efficiency was maintained at 100% for the year 2010, while average days in receivables improved to 14 days. Current ratio improved to 1.24 times from 1.09 in 2010.

The Company’s financial position remained solid as total assets grew by 25%, reaching P60,897 million as of December 31, 2011. The P12,276 million growth in total assets was due to additional capital investments in major water and wastewater system projects, as well as the Company’s new acquisitions, CWC and TDW.

Service concession assets increased to P45,696 million (net of amortization), 22% higher than that of last year. Service concession assets were composed of direct capital investments of the Company and the present value of future concession fee payments.

Long-term debt in 2011 increased to P23,268 million from P14,134 million in the previous year. As of December 2011, 54% of the Company’s total long-term debt was in Philippine Pesos, while the rest was denominated in US Dollars and Japanese Yen. The Company has the right to recover foreign currency losses resulting from its foreign currency denominated loans used to finance its capital investments in the East Zone. Fixed rate loans account for approximately 67% of the Company’s total direct borrowings. The Company’s debt-equity ratio (total liabilities net of service concession obligations) grew to 1.32 in 2011 from 1.04 in 2010.

Consolidated basic earnings per share was higher at P1.74 per share relative to last year’s P1.62, while consolidated diluted earnings per share also increased to P1.73 per share from P1.62 a year ago.

Consolidated net cash provided by operating activities for the year reached P529 million as a result of increases in depreciation and amortization, and interest expense, as well as a substantial decrease in trade receivables. Consolidated net cash used in investing
activities grew to P2,455 million this year as a result of the full acquisition of CWC and 49% of TDW’s total shares.

- Consolidated net cash provided by financing activities reached P4,748 million this year due to additional loan drawdown of more than P14,400 million. The Company ended the year with cash and cash equivalents balance of P5,235 million, 117% higher than the 2010 year-end balance of P2,413 million.

- The following table summarizes the key financial highlights (Consolidated):

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>12,004</td>
<td>11,013</td>
<td>9,533</td>
</tr>
<tr>
<td>Operating costs*</td>
<td>3,599</td>
<td>3,530</td>
<td>2,730</td>
</tr>
<tr>
<td>EBITDA</td>
<td>8,405</td>
<td>7,483</td>
<td>6,803</td>
</tr>
<tr>
<td>Net income</td>
<td>4,266</td>
<td>3,979</td>
<td>3,231</td>
</tr>
<tr>
<td>Core income</td>
<td>4,495</td>
<td>3,908</td>
<td>3,331</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.74</td>
<td>1.62</td>
<td>1.31</td>
</tr>
<tr>
<td>Total assets</td>
<td>60,897</td>
<td>48,621</td>
<td>43,758</td>
</tr>
<tr>
<td>Total cash reserves**</td>
<td>7,205</td>
<td>5,808</td>
<td>9,729</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>23,268</td>
<td>14,134</td>
<td>14,361</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>22,812</td>
<td>19,978</td>
<td>16,971</td>
</tr>
</tbody>
</table>

* aggregate of cost of services and operating expenses, excluding depreciation and amortization
** Including cash and cash equivalents, short-term cash investments and available-for-sale financial assets

Operational Highlights

- Consolidated billed volume for 2011 reached 419.8 million cubic meters ("mcm"), which is higher by 1% from the 415.78 mcm generated in 2010. The East Zone business operations accounted for 98% of the 2011 total billed volume, which was lower than the previous year’s contribution of 99%. This was due to the growth in billed volume performance of operating subsidiaries, LWC and BIWC, and the addition of CWC in December of 2011. The subsidiaries contributed a total of 8.2 mcm in billed volume in 2011. This was a 37% improvement from last year’s 6.0 mcm.

- NRW in the East Zone was slightly higher at 11.2% by the end of 2011, from 11% in 2010. This was attained largely through a 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 1.3 staff per 1,000 connections, outperforming regulatory targets and most of its regional counterparts.
The following table summarizes the operational performance of the Company:

**East Zone Business Operations**

<table>
<thead>
<tr>
<th>For the Year-to-Date ending December 31</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed Volume (in million cubic meters)</td>
<td>411.6</td>
<td>409.8</td>
<td>396.0</td>
</tr>
<tr>
<td>Household Connections ('000)</td>
<td>1,204</td>
<td>1,158</td>
<td>1,086</td>
</tr>
<tr>
<td>Water Connections ('000)</td>
<td>858</td>
<td>814</td>
<td>720</td>
</tr>
<tr>
<td>Average Consumption (in cu.m. per connection)</td>
<td>45</td>
<td>48</td>
<td>52</td>
</tr>
<tr>
<td>Sewer Connections ('000)</td>
<td>99.3</td>
<td>68.9</td>
<td>50.8</td>
</tr>
<tr>
<td>Non-Revenue Water (water losses) Ratio</td>
<td>11.2%</td>
<td>11.0%</td>
<td>15.8%</td>
</tr>
<tr>
<td>24-hour Water Availability</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>Staff per 1000 connections</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Water Quality Compliance</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Households served thru Desludging Services ('000)</td>
<td>178</td>
<td>242</td>
<td>291</td>
</tr>
</tbody>
</table>

**Laguna AAAWater Corporation**

<table>
<thead>
<tr>
<th>For the Year-to-Date ending December 31</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed Volume (in million cubic meters)</td>
<td>4.9</td>
<td>3.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Water Connections ('000)</td>
<td>29.2</td>
<td>18.6</td>
<td>17.2</td>
</tr>
<tr>
<td>Non-Revenue Water (water losses) Ratio</td>
<td>38.0%</td>
<td>45.0%</td>
<td>38.0%</td>
</tr>
</tbody>
</table>

**Boracay Island Water Company, Inc.**

<table>
<thead>
<tr>
<th>For the Year-to-Date ending December 31</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed Volume (in million cubic meters)</td>
<td>2.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Water Connections ('000)</td>
<td>4.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Non-Revenue Water (water losses) Ratio</td>
<td>22.9%</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

**Clark Water Corporation**

<table>
<thead>
<tr>
<th>For the month-to-date ending December 31</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed Volume (in million cubic meters)*</td>
<td>0.8</td>
</tr>
<tr>
<td>Water Connections ('000)</td>
<td>1.9</td>
</tr>
<tr>
<td>Non-Revenue Water (water losses) Ratio</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

* For the month of December 2011 only

**Water Tariff**

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

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

In 2011, the Company generated 82% of its revenue from water tariff charges to customers, 13% of its revenue from environmental charges, 3% of its revenue from sewerage charges and 2% from projects outside the East Zone and other income.

Factors Affecting the Company’s Results of Operations

Effects of Tariff Rate Increases

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

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

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

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

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

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

**Effects of Philippine Economic Conditions**

With most of the Company’s operations in the Philippines, the Company’s results of operations and financial condition are affected by general economic conditions in the country, particularly by inflation rates, interest rate levels and currency exchange rate movements. For example, the general performance of the Philippine economy affects demand for water and sewer services, and inflation affects the Company’s costs and its margins. Although the CA allows the Company to recover certain costs associated with changes in inflation and currency exchange rates, these adjustments are implemented after varying periods of time. Additionally, approved tariff rate adjustments may not cover all increased costs to the Company associated with changes in economic conditions. The Philippine economic environment has historically been characterized by significant variations in economic growth rates.

**General Economic Conditions.** Since 2001, the Philippine economy experienced generally stable growth. The onset of the global financial crisis in 2008 resulted in a marked slowdown in economic production. Due to the country’s relatively stable economic fundamentals and combination of effective pump-priming and macroeconomic initiatives, the country was able to avoid a possible recession. Nevertheless, the Philippine Government’s limited capability to generate sufficient revenues to service its budgetary requirements has created a ballooning budget deficit that has necessitated substantial domestic and international borrowings and negatively affected its credit rating. The recovery of the global economy and the optimism generated by the election of Benigno S. Aquino III has resulted in improvements in the country’s business climate, with the economy growing by 7.3% in 2010, the highest growth rate in the post Marcos era. Furthermore, the positive outlook on the country has allowed both the public and private sectors improved access to the global financial markets for much-needed debt capital. The policy of the Aquino administration towards the expansion of public private partnership (PPP) initiatives is also seen as a key factor towards unlocking the growth potential of the Philippines. Along with other emerging markets, the key risk facing the country at the moment is the prospect of higher than expected inflation.

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

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

A big part of the Philippines experienced a prolonged and severe drought in 1998, which was caused by an unusually severe El Niño in 1997 and 2010. During this period, the sources of water available to the Company from MWSS diminished dramatically and the Company total raw water allocation was reduced by as much as 30.0%. Nevertheless, improvements in water loss levels, which reached an all-time low of 11.0%, has allowed the Company to maintain 24/7 water services to 99% of its customers connected to the network.

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

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

**Results of Operations**

The Company’s revenue is composed of:

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

The Company’s costs and expenses are comprised of:

- depreciation and amortization;
- salaries, wages and employee benefits;
- power, light and water;
- management, technical and professional fees (including system costs under the technical and administrative agreements with United Utilities and Ayala, respectively, and payments for audit fees);
- provision for doubtful accounts; and
- others (which include regulatory costs, interest, foreign exchange losses, collection fees, repairs and maintenance, water treatment chemicals, transportation and travel, taxes and
The following table sets out, for the periods indicated, certain items in the Company’s statements of income, each expressed as a percentage of revenue:

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

Year ended December 31, 2011 compared to year ended December 31, 2010

Income Statement Items

CONSOLIDATED REVENUE

Water revenue – 7% increase
This was due to the 0.8% increase in consolidated water sales volume and the 8% increase in average tariff. Water revenue in the East Zone increased by 7% due to the 0.4% increase in billed volume and the 6% increase in effective tariff.

Environmental charges – 20% increase
Revenues from environmental charges increased due to the upward adjustment in the environmental charge from 16% to 18% of the East Zone customer’s basic water bill and the 2.14 million cubic meters (mcm) or 0.5% increase in billed volume. The increase in effective environmental charge (from P4.43 to P4.98 per cubic meter) resulted in an incremental revenue of P226 million while the additional volume increased revenue by almost P10 million.

Sewer revenue – 6% decrease
This was due to the decrease in sewer charges from 20% to 10% of tariff charge for residential and semi business customers and from 35% to 30% for commercial and industrial customers as a result of the rationalization of the sewer and environmental charges.

Revenue from management contracts – 125% increase
The increase represented progress billings for work accomplished for leakage reduction and district monitoring area formation under the Company’s NRW project in Vietnam.
Other operating income – 15% decrease
The decrease was mainly due to the 49% decline in volume of inventory sold to subsidiaries.

CONSOLIDATED OPERATING COSTS AND EXPENSES

<table>
<thead>
<tr>
<th>Account Name</th>
<th>2011</th>
<th>2010</th>
<th>Inc/ Dec%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>1,889,515,833</td>
<td>1,471,895,682</td>
<td>28%</td>
</tr>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>1,223,641,138</td>
<td>1,097,986,227</td>
<td>11%</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>714,380,900</td>
<td>626,575,245</td>
<td>14%</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>307,301,769</td>
<td>228,647,758</td>
<td>34%</td>
</tr>
<tr>
<td>Collection fees</td>
<td>120,549,454</td>
<td>114,220,170</td>
<td>6%</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>92,137,053</td>
<td>64,930,556</td>
<td>42%</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>78,621,282</td>
<td>86,788,481</td>
<td>-9%</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>100,414,464</td>
<td>84,072,991</td>
<td>19%</td>
</tr>
<tr>
<td>Insurance</td>
<td>33,596,035</td>
<td>36,406,914</td>
<td>-8%</td>
</tr>
<tr>
<td>Regulatory costs</td>
<td>29,216,093</td>
<td>13,456,580</td>
<td>117%</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>33,483,314</td>
<td>28,699,195</td>
<td>17%</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>84,616,440</td>
<td>112,399,070</td>
<td>-25%</td>
</tr>
<tr>
<td>Business meetings and representation</td>
<td>118,483,156</td>
<td>111,034,536</td>
<td>7%</td>
</tr>
<tr>
<td>Provision for probable losses</td>
<td>90,807,943</td>
<td>384,563,471</td>
<td>-76%</td>
</tr>
<tr>
<td>Advertising</td>
<td>25,493,985</td>
<td>16,617,690</td>
<td>53%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>133,966,846</td>
<td>119,220,543</td>
<td>12%</td>
</tr>
</tbody>
</table>

Depreciation and amortization – 28% increase
The increase of 28% was due to the additional amortization arising from capitalization of completed projects during the year.

Salaries, wages and employee benefits – 11% increase
The increase was due to the annual salary adjustments, other employee benefits, performance based incentives and rewards, staff development and talent management programs.

Power, light and water – 14% increase
The increase was due to the additional power consumption for new water and wastewater facilities. Total consumption increased by 10% while effective cost/kwh increased by 2% from 2010.

Repairs and maintenance – 34% increase
The increase of 34% was due to a 160% growth in point leak repairs.

Collection fees – 6% increase
The increase was due to higher billings from annual tariff adjustments and increases in sales, and new accounts created during the year.
Water and wastewater treatment chemicals - 42% increase
The increase was brought about by the 48% increase in volume usage of alum for water supply treatment but was offset by a 4% reduction in price of alum. Costs for deep well and supplementary sources, and wastewater treatment increased by 137% and 72%, respectively.

Wastewater costs – 9% decrease
The decrease of 9% was due to lower volume of desludged waste from septic tanks in the current year compared to the volume in 2010.

Occupancy cost – 19% increase
The 19% or P16.3 million growth was due to the requirements for additional security guards and janitors for the new water and wastewater facilities, and those that are still in the construction stage.

Insurance - 8% decrease
The decrease was to lower premium on insurance for sabotage and terrorism and comprehensive liability. The effect of peso appreciation also contributed to the decrease.

Regulatory costs – 117% increase
The increase was due to the compounded CPI adjustments charged to operating expense computed on the base regulatory fee of P396 million, which was capitalized based on IFRIC 12 implementation.

Postage, telephone and supplies – 17% increase
The increase of 17% was due to the additional requirements for radios and communications subsidy for employees brought about by the Company’s business expansion.

Taxes and licenses – 25% decrease
The decline was due to the adjustment of provisions following the review of the tax assessments for shared facilities in Bulacan.

Business meetings and representation – 7% increase
This was due to the increase in various activities to support the business expansion programs of the Company.

Provision for probable losses – 76% decrease
One time provision for contingent liability for real property tax on MWSS facilities in Bulacan was recognized based on the assessment received in 2010. It is the position of the Concessionaires that these properties are owned by the Republic of the Philippines and that the same are exempt from taxation.

Advertising – 53% increase
The increase of P8.8 million was due to additional promotional and marketing expenses that are focused on key accounts management.

Other expenses - 12%
The increase of 12.37% is mainly brought by the reclassification of borrowing cost to interest expense and bank charges amounting to P 22,039,517.04 in 2011.
OTHER INCOME (EXPENSES)

_Interest income – 97% increase_
The increase in interest income was due to additional placements in short term investments in the current year.

_Amortization of Deferred Credits - 71% decrease_
This pertains to the amortization of discount on guaranty and other deposits.

_Interest expense – 37% increase_
The increase was due to additional loan drawdowns and the accretion of transaction costs.

_Mark to market gain (loss) on derivatives - 424% decrease_
The decrease pertains to the movement in the fair value of the embedded derivative on the call option of the P4 billion bonds issued in 2008.

_Realized loss on termination of bonds - 100% increase_
The realized loss on the termination of bonds represented the balance of the unamortized transaction cost. The amount was reversed when the call option on the P4 billion bond was exercised.

_Equity share in net loss of joint venture - 411% increase_
This represents equity share in 2011 net loss of the Company joint venture in India.

_Gain (loss) on disposal of property and equipment – 101% decrease_
This pertains to the gain on disposal of the vehicles.

_Gain on disposal of AFS financial assets - 566% increase_
The increase was due to the change in the treatment of realized gains/losses on valuation and interest on AFS. These are now charged to the profit and loss account instead of equity.

_Other income – 41% decrease_
This was due to the clean-up of payables to contractors and suppliers, which started in 2010.

Consolidated Balance Sheet Items (End 2011 vs. End 2010)

_Cash and cash equivalents/Short term cash investments - 49% increase_
The increase of 49% or P1,934 million in cash and cash equivalents was due to the additional drawdowns from the NEXI loan facility and the issuance of P10 billion notes. The Company’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.

_Receivables - net – 102% increase_
The increase of 102% was the result of the increase in revenue with the improvement in billed volume and tariff adjustment within the East Zone. The receivables of the subsidiaries, LWC and BIWC and the acquisition by the Company of the P599 million receivable of Veolia Water Philippines, Inc. (VWPI) from Bonifacio Water Corporation (BWC), also contributed to the increase.
**Materials and supplies – 107% increase**
The increase was due to higher chemical inventories maintained as part of the Company’s contingency plans.

**Other current assets – 40% decrease**
The decrease of 40% or P564 million was mainly due to recoupment of advances to contractors and suppliers amounting to P555 million during the year.

**Property, plant and equipment – 12% increase**
The increase was mainly due to the P384 million land acquisitions for wastewater treatment plants and IT equipment during the year.

**Service concession asset – 22% increase**
Service concession assets increased to P45,696 million. This is higher by P8,131 million (net of amortizations) than the end 2010 level which includes the capitalization of projects completed during the year.

**Available for sale financial assets – 29% decrease**
The decrease was due to the termination of investment in bonds and the redemption of Meralco shares.

**Deferred tax asset – 85% increase**
The increase in deferred tax assets was a result of the additional drawdown by the MWSS from its concession loans and the change in accounting treatment of regulatory cost as additional direct cost under OSD tax computation.

**Investment in joint venture – 100% decrease**
Decrease of P7.9 million or 100% in investment in joint venture represents the Group’s equity share in net loss of its India joint venture for 2011.

**Goodwill – 100% increase**
The amount pertains to the goodwill recognized with the acquisition of Clark Water Corporation.

**Other non-current assets – 27% increase**
The increase was due to the recognition of P599 million receivables of VWPI from BWC.

**Accounts and other payables – 20% increase**
The increase was due to higher volume of payables to contractors and suppliers. The amount is expected to be paid within the first quarter of 2012.

**Current portion of long term debt – 7% increase**
The increase in the current portion of long term debt account covers the loan amortizations payable during the year.

**Current portion of service concession obligation – 23% increase**
The increase in the current portion of service concession obligation account covers the loan amortizations on MWSS loans payable during the year.
Income tax payable – 10% decrease  
The decrease was due to reclassification of various expense accounts as additional direct cost which reduced the base taxable income. The Company has been using the optional standard deduction method of computation of income tax since 2009.

Payable to related parties – 12% increase  
This pertains to the accrual of amount payable to United Utilities and Ayala Corporation under the respective Technical Service Agreements.

Long term debt – net of current portion - 70% increase  
The increase was due to the Company’s Corporate note issue amounting to P10 billion in 2011.

Pension liabilities – 40% increase  
The increase was due to the accrual of pension liability based on the result of the latest actuarial study.

Provisions and Contingencies- 19% increase  
The increase pertains to the provisions for additional expenses due to restructuring of employee benefits.

Other noncurrent liabilities – 27% decrease  
The 27% decrease was due to reclassification of retentions withheld from contractors to current liabilities.

Subscriptions receivable – 9% increase  
The 9% increase was due to the additional ESOWN grants for the year.

Common stock options outstanding – 35% decrease  
The decrease was due to the cancellation of shares of grantees who resigned before the expiration of the 3-year holding period.

Retained earnings – 42% increase  
Increase in appropriated retained earnings represents the net income for 2011 net of cash dividends paid.

Unrealized gain on available for sale financial asset – 68% decrease  
The decrease was due to the change in the treatment of realized gains/ losses on valuation and interest on AFS. These are now charged to the profit and loss account instead of equity.

Cumulative translation adjustment – 505% decrease  
The decrease is attributable to the exchange differences arising on the translation adjustment of the Company’s subsidiaries, Manila Water Asia Pacific Pte. Ltd., and Manila Water South Asia Holdings Pte. Ltd.

Non-controlling interest – 7% increase  
This was attributable to the Group’s non-controlling ownership in the equity shares of its subsidiaries.
Liquidity and Capital Resources

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

Capital Sources

Manila Water’s cash and cash equivalents totaled ₱5,235million as of December 31, 2011. 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 ₱ million by year-end. The Company has sufficient sources of liquidity from available loan facilities and the cash expected to be generated from operating activities.

Cash Provided by Operating Activities. In addition to the ₱ 2,413 million cash and cash equivalents at the beginning of the year, the net cash from operating activities of ₱576 million covered the ₱8,114 million outlay for service improvement and service concession assets for 2011. The Company believes that cash from operating activities will remain the largest source of its liquidity and capital resources for the foreseeable future.

Cash Provided by Investing Activities. Net investments for the year reached ₱2,564million net of interest received. This was mostly made up of ₱2,969 million in acquisitions of subsidiary and associates which were partly covered by the ₱387decrease in short term cash investments and other noncurrent assets and ₱576 million in capital expenditures

Cash Provided by Financing Activities. Net cash used in financing activities amounted to ₱5,059 million in 2011. The Company paid out a regular cash dividend of ₱0.28 per share or a total of ₱ 1,191 million, representing 35 percent of prior year’s net income.

Debt Financing. Manila Water had approximately ₱22,011 million in long-term debt outstanding (net of the current portion of long-term debt), of which approximately 46 percent consists of foreign currency-denominated long-term debt. The Company’s current portion of long-term debt was approximately ₱1,257 million on December 31, 2011.

On July 1, 2002, the Company entered into a loan agreement with Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) to partially finance capital expenditures required to expand water supply and sanitation services and improve the existing facilities of the Company. The loan was made available in US Dollars in the aggregate principal amount of US$20.00 million and is payable in 10 years, inclusive of the 3-year grace period. As of December 31, 2011 and 2010, carrying value of the loan amounted to US$1.35 million and US$4.05 million, respectively.

On March 28, 2003, the Company entered into a loan agreement with IFC (the “First IFC Loan”) to partially finance the Company’s investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of the Company, and concession fee payments. The First IFC Loan was made available in Japanese Yen in the aggregate principal amount of JPY¥3,591.60 million equivalent to US$30.00 million and is payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2011 and
2010, the carrying value of the loan amounted to JPY¥1,825.13 million and JPY¥2,099.75 million, respectively.

On May 31, 2004, the Company entered into a loan agreement with IFC (the “Second IFC Loan”) comprising of regular loan in the amount of up to US$20.00 million and a standby loan in the amount of up to US$10.00 million to finance the investment program from 2004 to 2007 to expand water supply and sanitation services, improvement of existing facilities of the Parent Company, and concession fee payments. This loan was subsequently amended on November 22, 2006, when the Parent Company executed the Amended and Restated Loan Agreement for the restructuring of the Second IFC Loan. The terms of the second loan were amended to a loan in the aggregate amount of up to US$30.00 million, no part of which shall consist of a standby loan. On December 12, 2008, the Company has made a full drawdown on the said facility. As of December 31, 2011 and 2010, outstanding loans amounted to US$17.37 million and US$20.18 million, respectively.

On October 20, 2005, the Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years, and was made available in Japanese Yen in the aggregate principal amount of JPY¥6.59 billion payable via semi-annual installments after the five-year grace period. As of December 31, 2010 and 2009, outstanding loans amounted to JPY¥3,310.27 million and JPY¥3,090.33 million, respectively.

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

- Tranche 1: 7-year term loan amounting to 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 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 P2 billion loan from one financial institution amounting to P=600.00 million. As of December 31, 2011 and 2010, the outstanding balance for this loan amounted to P=1.381 billion and P 1.40 billion, respectively.

On October 9, 2006, the Company entered into a Credit Facility Agreement (the “P1.5 billion Loan”) with three banks and a financial institution to finance the capital expenditures of the Company pursuant to the Agreement. This 7-year term loan with an aggregate principal amount of P1.5 billion consists of the following:

- Tranche 1: 7-year term loan amounting to 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. 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=1.5 billion loan from one financial institution amounting to P=400.00 million. As of December 31, 2011 and 2010, the carrying value of this loan amounted to P=1.07 billion and P=1.10 billion, respectively.

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

• Sub-Credit A: In an amount of EUR€40 million to be disbursed in US Dollars or Japanese yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by a consortium of international commercial banks composed of ING Bank, Development Bank of Singapore and Sumitomo-Mitsui Banking Corporation under a Guaranty Facility Agreement; and
• Sub-Credit B: In an amount of EUR€20 million to be disbursed in US Dollars, European Euro or Japanese Yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.


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

On September 2, 2011, the Parent Company approved the early redemption of its P=4.0 billion bonds due 2013. The bonds were redeemed by payment in cash at a redemption price set at 102% of the principal amount and accrued interest computed up to October 23, 2011 (“Optional Redemption Date”) to bondholders as of October 19, 2011 (“Record Date”). As the Optional Redemption Date falls on a non-business day, payment to each bondholder was made available on the next business day, October 24, 2011. Upon payment, the listing of the bonds on the Philippine Dealing and Exchange Corporation (PDEX) was terminated. The difference between the carrying value of the bond and the proceeds amounted to P=6.15 million.
On September 7, 2010, LAWC entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to LAWC up to ₱ 500 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. First and second draw of the loan was made in November 2010 and July 2011 amounting to ₱250,000,000 each. The carrying value of the loans amounted to ₱ 494 million and ₱246 million as of December 31, 2011 and 2010, respectively.

On October 21, 2010, the Parent Company entered into a term loan agreement amounting to US$150 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndication of four banks- ING N.V Tokyo, Mizuho Corporate Bank, Ltd., Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation insured by Nippon Export and Investment Insurance. First draw of the loan was made in January 2011 amounting to $84 million. The carrying value of this loan as of December 31, 2011 amounted to $80 million.

On April 8, 2011, the Company issued P10.0 billion notes (“Fixed Rate Corporate Notes”), P5.0 billion having a term of 5 years (“Five-Year FXCN Note”) from the issue date and the other P5.0 billion with a 10 year (“Ten-Year FXCN Note”) term from the issue date which are both payable quarterly. The Parent Company may prepay the whole and not a part only of the Ten-Year FXCN Notes on the seventh (7th) anniversary of the drawdown date of such FXCN Note or on any FXCN interest payment date thereafter. The amount payable in respect to such prepayment shall be calculated as one hundred two percent (102%) of the principal amount being prepaid and accrued interest on the prepayment date. The carrying value of the notes as of December 31, 2011 amounted to ₱9.92 billion.

On July 29, 2011, BIWC entered into an omnibus loan and security agreement with the Development Bank of the Philippines (DBP) and Security Bank Corporation (SBC) to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and wastewater services for the Service Area under the Concession Agreement, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of ₱500 million or as the context may require, the amount thereof then outstanding and is payable in twenty (20) years inclusive of a three (3)-year grace period. The loan shall be available in three sub-tranches, as follows:

- Sub-tranche 1A, the loan in the amount of ₱250 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF)
- Sub-tranche 1B, the loan in the amount of ₱125 million to be provided by SBC and funded through PWRF
- Sub-tranche 1C, the loan in the amount of ₱125 million to be provided by SBC and funded through its internally-generated funds

On August 25, 2011, the BIWC made their first loan drawdown amounting to ₱150 million. The carrying value of the loan as of December 31, 2011 amounted to ₱147 million.

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, 2011 and 2010, the Parent Company was in compliance with all the loan covenants required by the creditors.
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 principal repayment, 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 Principal Repayment.** The Company’s debt service obligations as of December 31, 2011 included approximately ₱1,183.05 million due in 2012.

**Capital Expenditures.** The Company’s cash disbursements for purchases of property, plant and equipment under its capital expenditure program totaled approximately ₱8,332 million in 2011. The Company’s capital expenditure program required total expenditures of approximately ₱42 billion from year 2008 until 2012.
Financial Obligations/Relationship with Unconsolidated Entities

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

Contractual Obligations and Commercial Commitments

The following table summarizes the Company’s significant contractual obligations and commercial commitments that affect the Company’s liquidity as of December 31, 2011:

<table>
<thead>
<tr>
<th>Contractual Obligations:</th>
<th>Payments due by period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Domestic</td>
<td>77</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,106</td>
</tr>
<tr>
<td>Concession Fees</td>
<td>1,172</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>9,907</td>
</tr>
<tr>
<td>Commitments</td>
<td>12,262</td>
</tr>
<tr>
<td>Total Contractual</td>
<td></td>
</tr>
<tr>
<td>Obligations</td>
<td></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 2012 performance bond) was issued by Mizuho Corporate Bank,Ltd.-Manila for the full amount of US$60 million prior to the expiry of the 2011 performance bond in December 31, 2012.

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

Item 7. Financial Statements

Please see attached Exhibit I.

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

SyCip Gorres Velayo and Co. (SGV) has been the principal accountant and external auditor of the Company since 1997 and continues to perform the same services for the Company up to the present date. The Company has not had any material disagreements on accounting matters or financial disclosure matters with its current accountants for the past years or subsequent interim periods.
Pursuant to SRC Rule 68, paragraph 3 (b) (iv), the Company has engaged SGV as external auditor. Ms. Jessie D. Cabaluna has been the partner in charge effective 2010.

<table>
<thead>
<tr>
<th>External Audit Fees</th>
<th>(Audit and Audit-Related Fees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services:</td>
<td>2011</td>
</tr>
<tr>
<td>Audit of Financial Statements</td>
<td>1,655,000.00</td>
</tr>
<tr>
<td>All Other Fees (Tax Advice re MTSP,</td>
<td>1,644,364.29</td>
</tr>
<tr>
<td>GPOBA project and other projects)</td>
<td>3,299,364.29</td>
</tr>
</tbody>
</table>

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

**PART III - CONTROL AND COMPENSATION INFORMATION**

**Item 9. Directors and Executive Officers**

**Board of Directors**

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

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

The Board has eleven (11) members elected by the Company’s stockholders entitled to vote at the annual meeting. The directors hold office for one (1) year and until their successors are elected and qualified in accordance with the Company’s By-Laws. The following are the members of the Board as of December 31, 2011:

\(^2\) The Audit and Governance Committee is composed of the following: Oscar S. Reyes (Chairman), Jose L. Cuisia Jr. (independent director), Ricardo Nicanor N. Jacinto, and Delfin C. Gonzalez Jr.
<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Years as Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>51</td>
<td>Chairman of the Board and Executive Committee</td>
<td>14</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>52</td>
<td>Vice Chairman</td>
<td>14</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>58</td>
<td>President and CEO</td>
<td>2</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>64</td>
<td>Director</td>
<td>13</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>66</td>
<td>Director</td>
<td>9</td>
</tr>
<tr>
<td>Ricardo Nicanor N. Jacinto</td>
<td>51</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Simon Gardiner</td>
<td>44</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Keiichi Asai</td>
<td>57</td>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>40</td>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr.</td>
<td>67</td>
<td>Independent Director</td>
<td>1</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>65</td>
<td>Independent Director</td>
<td>6</td>
</tr>
</tbody>
</table>

**Fernando Zobel de Ayala, Chairman of the Board and Executive Committee, Filipino, 51 years old.** Director of the Company since May 15, 1997. He also holds the following positions: President and Chief Operating Officer of Ayala Corporation; Chairman of Ayala Land Inc., Alabang Commercial Corp., Ayala DBS Holdings, Inc., AC International Finance Limited and Ayala International Pte, Ltd.; 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.; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council and World Presidents’ Organization; Vice Chairman of Habitat for Humanity International and the chairman of the steering committee of Habitat for Humanity's Asia Pacific Capital Campaign; a member of the Board of Directors of Caritas Manila, Kapit Bisig para sa Ilog Pasig Advisory Board, Pilipinas Shell Corporation and Pilipinas Shell Foundation. Mr. Fernando Zobel de Ayala graduated with a B.A. in Liberal Arts degree from Harvard College in 1982. He also holds a Certificate in International Management at INSEAD, France.

**Jaime Augusto Zobel de Ayala, Filipino, 52 years old.** Director of the Company since May 15, 1997. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics Inc.; Vice Chairman of Ayala Land, Inc.; Co-Vice Chairman of Mermac, Inc., and the Ayala Foundation; Director of Alabang Commercial Corporation, Ayala International Pte, Ltd., and Ayala Hotels, Inc.; Member of the Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, and Toshiba International Advisory Group; Philippine Representative to the Asia Pacific Economic Council Business Advisory Council; Chairman of Harvard Business School Asia-Pacific Advisory Board; Vice Chairman of the Asia Business Council; Member of Harvard University Asia Center Advisory Committee; Member of the Board of Trustees of the Eisenhower Fellowships and the Singapore Management University; Member of the International Business Council of the World Economic Forum; Chairman of the World Wildlife Fund Philippine Advisory Council; Vice Chairman of The Asia Society Philippines Foundation, Inc., Co-Vice Chair of the Makati Business Club; and Member of the Board of Trustees of the Children’s Hour Philippines, Inc. He graduated with B.A. in Economics (Cum Laude) degree from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.
Gerardo C. Ablaza Jr., Filipino, 58 years old. Director of the Company since November 26, 2009 and became the president on June 30, 2010. Mr. Ablaza is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee, a post he has held since 1998. Mr. Ablaza holds the following positions: Co-Vice Chairman of Globe Telecom, Inc.; board director of Bank of the Philippine Islands, BPI Family Savings Bank, BPI Card Finance Corporation, Azalea International Venture Partners Limited, Asiacom Philippines, Inc., LiveIT Investment Ltd., BPI Globe BanKO Inc.; Chairman of AAA Water Corporation, Manila Water Asia Pacific Pte. Ltd, Manila Water South Asia Holdings Pte. Ltd. Clark Water Corporation and Manila Water Total Solutions Corp.; Vice-Chairman of Laguna AAAWater Corporation; Chairman & President of Manila Water International Solutions, Inc. and Northern Waterworks and Rivers of Cebu, Inc.; Director of Boracay Island Water Company, Inc. and President of MWC Foundation. He was appointed Chief Executive Officer of AC Capital from January 1 to June 30, 2010 with directorship position in Azalea Technology Investments, Inc., HRMall Holdings Limited, HR Mall Inc., Integreon, Inc., Affinity Express Holdings Limited, NewBridge International Investments Ltd., Stream Global Services., RETC (Renewable Energy Test Center), ACST Business Holdings, Inc., AG Holdings Limited (HK), Ayala Automotive Holdings Corporation, Ayala Aviation Corporation, Michigan Power, Inc., MPM Noodles Corporation, Purefoods International Investment Limited and Ayala Foundation Inc. as Trustee. He was President and CEO of Globe Telecom, Inc. from 1998 to April 2009. Mr. Ablaza was previously Vice-President and Country Business Manager for the Philippines and Guam of Citibank, N.A. for its Global Consumer Banking Business. Prior to this position, he was Vice-President for Consumer Banking of Citibank, N.A. Singapore. Attendant to his last position in Citibank, N.A., he was the bank’s representative to the board of directors of City Trust Banking Corporation and its various subsidiaries. Mr. Ablaza graduated summa cum laude from De La Salle University in 1974 with an AB degree major in Mathematics (Honors Program). In 2004, he was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. In the same year, he was awarded by Telecom Asia as the Best Asian Telecom CEO.

Antonino T. Aquino, Filipino, 64 years old. Director of the Company since April 24, 1998. Mr. Aquino was elected president of Ayala Land, Inc. last April 1, 2009. He joined the Company as Group Director for Corporate Affairs and was later appointed President in January 1999. He has been with the Ayala Group in various capacities for the past 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 President of Hero Foundation and Bonifacio Arts Foundation Inc. He also serves as a Member of the Board of various corporate social responsibility foundations such as Ayala Foundation, Manila Water 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, 66 years old. Director of the Company since May 6, 2002. He also holds the following positions: Chairman of MPM Noodles Corp.; Director 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., 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.

John Eric T. Francia, Filipino, 40 years old. Director of the Company since April 12, 2010. Mr. Francia is a Managing Director and a member of the Management Committee of Ayala Corporation since January 2009. Mr. Francia is the Head of Ayala’s Corporate Strategy and Development Group, which is responsible for overseeing Ayala’s portfolio strategy and new business development. He is also the President of AC Energy Holdings, Inc., which is Ayala’s holding company for its investments in the power sector. Mr. Francia is also a director of Integrated Micro-Electronics, Inc., Livelt Investments Ltd., Integreon, and AC Energy Holdings, Inc. Prior to joining Ayala, Mr. Francia was a senior consultant and member of the management team of Monitor Group, a strategy consulting firm based in Cambridge, Massachusetts, USA. Prior to consulting, he spent a few years in the field of academe and media. Mr. Francia received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Masters Degree in Management Studies at the University of Cambridge in the United Kingdom, graduating with First Class Honors.

Ricardo Nicanor N. Jacinto, Filipino, 51 years old. Director of the Company since April 11, 2011. Mr. Jacinto served as a Managing Director of Ayala Corporation from May 2000 to December 2011 and was concurrently Managing Director and CEO of Habitat for Humanity Philippines Inc. from January 2010 until December 2011. He is the President of Nicanor P. Jacinto, Jr., Foundation and a Director of the Socialized Housing Finance Corporation. He is also a Trustee of Children’s Hour Philippines, Inc. He completed his Masters Degree in Business Administration at the Harvard University in 1986.

Keiichi Asai, Japanese, 57 years old. Director of the Company since November 25, 2010. Mr. Asai is the Senior Vice President & Division COO of the Environmental & Water Business Division of Mitsubishi Corporation from April 2010. He was at Petro-Diamond Incorporated (New York) from 1988 to 1994, where he engaged in trading and marketing petroleum products in the United States, Canada, and South American Countries. Then he experienced MC Liaison Office in India for 3 years where he was in charge of trading in Indian petroleum market. From 2001 until 2008, he was appointed as the General Manager of two business units in petroleum business division where he was responsible for international and domestic trading operations. From 2008 until 2009, he was appointed as the General Manager in Energy Business Group CEO Office where he was in charge of the management of whole energy businesses. Mr. Keiichi Asai graduated with Bachelor of Economics from the University of Tokyo in 1978.

Simon Gardiner, British, 44 years old. Director of the Company since April 11, 2011. Mr. Gardiner is the General Counsel and Company Secretary at United Utilities Group PLC, which he joined in 2002. He has a Masters Degree from Cambridge University and is a qualified UK solicitor. He has extensive experience in the UK regulated utility sector and internationally. He is a director of United Utilities International and AS Tallinna Vesi, the licensed water undertaker for the Estonian capital and a member of the advisory board to the Faculty of Law at Liverpool John Moores University. Prior to joining United Utilities, he was a legal counsel for the UK based multi-national engineering group, GKN and an associate at the law firm, Osborne Clarke.

Oscar S. Reyes, Filipino, 65 years old. Independent Director of the Company since February 3, 2005. He has been a Director of the Bank of the Philippine Islands since April 2003. Among his other positions are: Chairman of MRL Gold Philippines, Inc. and Link Edge Inc.; Member of the
Board of Philippine Long Distance Telephone Company (Advisory Board), Ayala Land Inc., SMART Communications, Inc., Pepsi Cola Products Philippines, Inc., Sun Life Financial Plans Inc., Basic Energy Corporation, Alcorn Gold Resources Corporation and Manila Electric Company where he also serves as Chief Operating Officer. Prior to these posts, he 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, and One Meralco Foundation. He finished his B.A. degree major in Economics (Cum Laude) at the Ateneo de Manila University in 1965, and took the MBA program at the Ateneo Graduate School of Business. He also took postgraduate studies at Waterloo Lutheran University and Harvard Business School, among other schools abroad.

Jose L. Cuisia Jr., Filipino, 67 years old. Independent Director of the Company since April 12, 2010. He is presently the Ambassador Extraordinary and Plenipotentiary to the United States of America and Vice Chairman of the Philippine American Life and General Insurance Company. At present, he also holds the following positions: Chairman of The Covenant Car Company, Inc.; Vice-Chairman of SM Prime Holdings; Trustee of Philam Foundation; Director of BPI-Philam Life Assurance Co., Holcim Philippines, Inc., PHINMA Corporation, ICCP Holdings and Beacon Property Ventures. Before becoming Philam Life’s President and CEO for 16 years, Mr. Cuisia served the Philippine Government as Governor of the Central Bank of the Philippines and Chairman of its Monetary Board from 1990-1993. He was also appointed Commissioner, representative of the Employer’s Group, for the Social Security System (SSS) last September 2010, but had resigned last December 2010. Mr. Cuisia was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to service in the Central Bank, he was Administrator and CEO of the Philippine Social Security System from 1986-1990. The Ambassador is active in educational institutions, being the CV Starr Chairman of Corporate Governance for the Asian Institute of Management (AIM) and also being the Convenor-Trustee of the Philippine Business for Education (PBEd). Previously, he was also Chairman of the Board of Trustees/Board of Governors of AIM, a former Trustee of the University of Asia & the Pacific (UA&P), as well as the former Chairman of De La Salle University (DLSU) Board of Trustees. The alumni of the prestigious Wharton School of the University of Pennsylvania have recently awarded the Ambassador last May 17, 2011 the “Joseph Wharton Award for Lifetime Achievement” for an outstanding career in the country’s banking and social security system. Mr. Cuisia graduated from De La Salle University with AB-BSc degrees (Magna Cum Laude) and earned an MBA degree from The Wharton School, University of Pennsylvania in 1970 as a University Scholar.

Corporate Secretary

Solomon M. Hermosura, Corporate Secretary, Filipino, 49 years old. Corporate Secretary of the Company since April 3, 2006. He is a Managing Director of Ayala Corporation and a member of the Ayala Corporation Management Committee and the Group Management Committee. He is also the General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the President of AG Counselors Corporation. He serves as Corporate Secretary of Ayala Land, Inc., Globe Telecom, Inc., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He was Corporate Secretary of Integrated Micro-Electronics, Inc. until June 7, 2011. 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, 2011:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>58</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>55</td>
<td>Chief Finance Officer and Treasurer</td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td>50</td>
<td>Group Director, Corporate Strategy and Development</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>45</td>
<td>Group Director, East Zone Business Operations and Corporate Strategic Affairs</td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>49</td>
<td>Group Director, Corporate Resources</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>51</td>
<td>Group Director, Operations</td>
</tr>
</tbody>
</table>

Gerardo C. Ablaza Jr., President. Please see biography above under “Directors”.

Luis Juan B. Oreta, Chief Finance Officer and Treasurer, Filipino, 55 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 CFO of Integrated Microelectronics, Inc. until December 31, 2008. 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 Bachelor of Science degree in Business Economics and has a Master in Business Administration degree from Rutgers University, Graduate School of Management.

Virgilio C. Rivera, Jr. - Group Director, Corporate Strategy and Development, Filipino, 50 years old. Mr. Rivera has been with the Ayala Group for more than 20 years and has held appointments with Ayala Corporation under various capacities, including Managing Director, Manager of the Strategic Planning Group, and Head of Strategic Planning of Integrated Microelectronics, Inc. Mr. Rivera is responsible for shaping public policy, formulating regulatory strategies, mitigation of regulatory risk, regulatory compliance and stakeholder relations. Mr. Rivera led two successful price reviews in 2003 and 2008, negotiated the amendment of the concession contract which resulted in the 15-year extension of the contract period, and secured a favorable ruling on cost of capital through international arbitration. His achievements have earned him distinction as a valuable resource person in international conferences on infrastructure privatization, regulation and PPP initiatives sponsored by World Bank, ADB, JICA, IWA, academic institutions (e.g., TERI, Stanford University) and host national governments in emerging countries. Mr. Rivera is also the President of Laguna Water, Boracay Island Water and Clark Water, three newly-formed subsidiaries of Manila Water. Concurrently, Mr. Rivera is a Managing Director of Ayala Corporation, one of the Philippines’ oldest and largest conglomerates. Mr. Rivera also acted as Chairman of the Management’s negotiating panel for the 2006 and 2008 Collective Bargaining Agreement (CBA). Mr. Rivera is currently member of the Global Utility Steering Committee of the International Water Association. Mr. Rivera holds two university degrees in Economics and Behavioral Science from University of Sto. Tomas. He also completed a graduate level course work on M.S. Economics from De La Salle University. In 2011, Mr. Rivera completed the Advanced Management Program of the Harvard Business School.
Ruel T. Maranan - Group Director, Corporate Resources Group, Filipino, 49 years old. Mr. Maranan joined Manila Water in January 2004 and currently leads and focuses on Corporate Resources Group, which includes Human Resources, Talent Management and Leadership Development, Labor Relations and Security Management. He is an active member of the Society for Human Resource Management – an International Organization of HR practitioners. Before joining the Company, he was the Division Head for Strategic Staffing and Employee Relations at Globe Telecom. He served as Chairman and an incumbent Director of the Ayala Multi-Purpose Cooperative. He was the Vice President of the People Management Association of the Philippines (PMAP) last 2009. In 2011, he received the Communications Excellence in Organizations or CEO EXCEL Award from the International Association of Business Communicators (IABC). This is in recognition of his leadership in the Corporate Communications initiatives of Manila Water. In addition to his professional concerns, he devotes time to community and nation building, being the battalion commander of the 503rd Water Battalion and holding the rank of lieutenant colonel. Mr. Maranan earned his AB Social Sciences degree from the Ateneo de Manila University and his law degree from the University of Santo Tomas. He has also completed the Harvard Leadership Management Program.

Ferdinand M. dela Cruz, Group Director, East Zone Business Operations and concurrently, Corporate Strategic Affairs Group, Filipino, 45 years old. Mr. dela Cruz joined the Company in July 2011 as the East Zone Business Operations Group Director and formed the Corporate Strategic Affairs Group in December 2011. Before joining the Company, Mr. dela Cruz was the head of the Consumer Sales Group and the Consumer Sales and After Sales Group of Globe Telecom for two years, and was head of its Wireless Business Group for nearly seven years from October 2002 to June 2009. Prior to that, he was the President and General Manager of Kraft Foods (Philippines) Inc. for more than a year and the same company’s Country General Manager for its various operating companies in Indonesia for two years. Mr. dela Cruz also had senior leadership roles in Ayala Land, San Miguel Brewing Philippines, Inbisco Philippines and Unilever Philippines. He started his working career as a Junior Engineer in DCCD’s Mechanical Engineering Division in 1986. Mr. dela Cruz holds a B.S. in Mechanical Engineering degree (cum Laude) from the University of the Philippines. He is a board topnotcher and a licensed Mechanical Engineer.

Geodino V. Carpio, Group Director, Operations Group, Filipino, 51 years old. Mr. Carpio joined the Company in 1997 as Chief Information Officer. As of 2010, he is currently the Operations Group Director, moving from handling the Project Delivery Group in 2004. Prior to joining the Company, Mr. Carpio was the Vice President for Information Technology for the Marsman Group of Companies. His 12-year stint with Andersen Consulting developed his vast experience in 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 all its employees together as one work force as significant employees. Everyone is expected to work as part of a team sharing and pursuing the Company’s goals and objectives.

Family Relationships

The Company’s Chairman, Fernando Zobel de Ayala, and director, Jaime Augusto Zobel de Ayala are brothers.

Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Position</th>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other Annual Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>CEO / President</td>
<td></td>
<td></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 – Corporate Strategy and Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>Group Director – East Zone Business Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>Group Director – Corporate Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>Group Director – Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frederick E. Reyes</td>
<td>Director – Human Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loida S. Diño</td>
<td>Director – Regulatory Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roberto L. Licup</td>
<td>Director – Special Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atty. Rene T. Tale</td>
<td>Director – Corporate Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abelardo P. Basilio</td>
<td>Director – Strategic Asset Management</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 – Chief Risk Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arnold Jether A. Morreta</td>
<td>Director – Chief Technical Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estelita C. Orodio</td>
<td>Director – OIC, Project Delivery Group</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>2010</td>
<td>94.6</td>
<td>12.4</td>
<td>23.1</td>
</tr>
<tr>
<td>2011</td>
<td>80.9</td>
<td>15.3</td>
<td>25.6</td>
</tr>
<tr>
<td>Estimated 2012</td>
<td>99.9</td>
<td>19.0</td>
<td>28.1</td>
</tr>
</tbody>
</table>
All other officers as a group unnamed:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>300.7</td>
<td>327.7</td>
<td>389.2</td>
</tr>
<tr>
<td></td>
<td>77.1</td>
<td>83.2</td>
<td>97.3</td>
</tr>
<tr>
<td></td>
<td>90.5</td>
<td>92.5</td>
<td>116.4</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**

Article III, Section 10 of 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 1% 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. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors.

In a special meeting held on April 11, 2011, the Board approved the following compensation of the members of the Board or a committee of the Board:

- A fixed retainer fee of PHP 500,000 per year of service;
- For each Board Director – PHP 200,000.00 for each quarterly and annual meeting attended;
- For Board Committee Members – PHP 50,000.00 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, 2011, 38.503 million subscriptions are outstanding under the Company’s ESOWN which was approved by the SEC on January 31, 2006. The subscriptions include those for shares covered by options that were granted in 2005 under the Company’s Executive Stock Option Plan (ExSOP) and converted to subscriptions under the ESOWN. As a result of the conversion of options under the ExSOP to subscriptions under the ESOWN, the Company will no longer grant options under the ExSOP. There were disclosures on grants to senior officers under the ESOWN in 2005, 2006, 2007, 2008, 2009 and 2011.

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, 2011, the following shareholders are the only owners of more than 5.0% of the Company’s voting capital stock, whether directly or indirectly, as record owner or beneficial owner:

<table>
<thead>
<tr>
<th>Title of class</th>
<th>Name and address of record owner (and relationship with issuer)</th>
<th>Name of beneficial owner (and relationship with record owner)</th>
<th>Citizenship</th>
<th>No of shares held</th>
<th>Percent of class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Ayala Corporation 34F Tower One, Ayala Triangle, Ayala Ave, Makati City <em>(Principal shareholder)</em></td>
<td>Ayala Corporation <em>(The same as the record owner)</em></td>
<td>Filipino</td>
<td>651,912,996</td>
<td>32.07%</td>
</tr>
<tr>
<td>Common</td>
<td>Mitsubishi Corporation 6-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-86, Japan <em>(Not related)</em></td>
<td>Mitsubishi Corporation <em>(The same as the record owner)</em></td>
<td>Japanese</td>
<td>168,999,999</td>
<td>8.29%</td>
</tr>
<tr>
<td>Common</td>
<td>PCD Nominee Corporation G/F MSE Bldg. Ayala Ave., Makati City <em>(Not related)</em></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>174,225,700</td>
<td>8.55%</td>
</tr>
<tr>
<td>Preferred</td>
<td>Philwater Holdings Company, Inc. MWSS Admin. Bldg., 489 Katipunan Rd., 1105 Balara, QC <em>(Principal owner)</em></td>
<td>Philwater Holdings Company, Inc. <em>(The same as the record owner)</em></td>
<td>Filipino</td>
<td>3,999,999,998</td>
<td>99.99%</td>
</tr>
</tbody>
</table>
There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. The following persons shall have the right to vote on behalf of the following shareholders:

<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 of the Meeting</td>
</tr>
<tr>
<td>Philwater Holdings Company, Inc.</td>
<td>Rufino Luis T. Manotok or the Chairman of the Meeting</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>Keiichi Asai or the Chairman of the Meeting</td>
</tr>
</tbody>
</table>

* We don’t have any knowledge on how the First State Investment Management shares in the Company are to be voted.

**Security Ownership of Directors and Management**

The following table sets forth, as of December 31, 2011, the beneficial ownership of each director and executive officer of the Corporation:

<table>
<thead>
<tr>
<th>Title of Class</th>
<th>Name of Beneficial Owner</th>
<th>Citizenship</th>
<th>Amount and Nature of Beneficial Ownership</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Fernando Zobel de Ayala</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Filipino</td>
<td>200,001 (direct and indirect)</td>
<td>0.00331271%</td>
</tr>
<tr>
<td>Common</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Delfin L. Lazaro</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Antonino T. Aquino</td>
<td>Filipino</td>
<td>200,001 (direct)</td>
<td>0.00331271%</td>
</tr>
<tr>
<td>Common</td>
<td>Ricardo Nicanor N. Jacinto</td>
<td>Filipino</td>
<td>48100 (direct and indirect)</td>
<td>0.00079670%</td>
</tr>
<tr>
<td>Preferred</td>
<td>John Eric T. Francia</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Preferred</td>
<td>Simon Gardiner</td>
<td>British</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Keiichi Asai</td>
<td>Japanese</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Jose L. Cuisia Jr.</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000002%</td>
</tr>
<tr>
<td>Common</td>
<td>Oscar S. Reyes</td>
<td>Filipino</td>
<td>330,001 (direct and indirect)</td>
<td>0.00546596%</td>
</tr>
<tr>
<td>Common</td>
<td>Solomon M. Hermosura</td>
<td>Filipino</td>
<td>100 (direct)</td>
<td>0.00000166%</td>
</tr>
<tr>
<td>Common</td>
<td>Geodino V. Carpio</td>
<td>Filipino</td>
<td>270,000 (direct)</td>
<td>0.00447213%</td>
</tr>
<tr>
<td>Common</td>
<td>Luis Juan B. Oreta</td>
<td>Filipino</td>
<td>159,392 (indirect)</td>
<td>0.00264008%</td>
</tr>
<tr>
<td>Common</td>
<td>Ferdinand M. dela Cruz</td>
<td>Filipino</td>
<td>0</td>
<td>0.00000000%</td>
</tr>
<tr>
<td>Common</td>
<td>Virgilio C. Rivera, Jr.</td>
<td>Filipino</td>
<td>100,500 (indirect)</td>
<td>0.00166463%</td>
</tr>
<tr>
<td>Common</td>
<td>Ruel T. Maranan</td>
<td>Filipino</td>
<td>150,000 (direct)</td>
<td>0.00248452%</td>
</tr>
<tr>
<td>All Directors and Officers as a group</td>
<td>1,458,102</td>
<td></td>
<td></td>
<td>0.02415120%</td>
</tr>
</tbody>
</table>

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 also had a Capital Works Program Agreement with Bechtel Overseas Corporation and Bechtel International, Inc. which was later assigned to 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. The Capital Works Agreement was terminated effective January 2011. 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 primarily anchored on its Corporate Governance Manual (the “Manual”), which supplements the Articles of Incorporation and By-Laws of the Company. The Manual was first adopted on May 3, 2004 pursuant to SEC Memorandum Circular No. 2, Series of 2002. It was first amended in November 2007 and was later amended in April 2010 to comply with the SEC Memorandum Circular No. 6, Series of 2009. It was again amended in April 2011.

There has been no deviation from the Manual since its adoption. In a certification submitted to the SEC on January 10, 2012, 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 2011, including the requirements in relation to the board of directors, board committees, officers and stockholders’ rights and interests.

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

Manila Water also enhanced its website and annual reports in line with its thrust for prompt, complete and transparent disclosure of all material information 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 merged it with its Legal Department to form the Legal and Corporate Governance Department (“Department”). The Department formulates and implements initiatives and policies on corporate governance. Among the more important initiatives of the Department is the identification of gaps and challenges on corporate governance across the organization. The Department also verifies disclosures made by the officers and employees of the Company in compliance with existing governance principles and policies on conflict of interest, honest and fair dealings and acceptance of corporate entertainment/gifts, and recommends to the Compliance Officer the appropriate corrective action, if any be necessary.

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 everyone in the organization with end view of increasing shareholder value and enhancing the already effective risk management programs of the Company. The Chief Risk Officer 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 again by the Corporate Governance Asia in its Annual Recognition Awards as one of the best in Corporate Governance in the Philippines. FinanceAsia also awarded the Company as the third best in Corporate Governance in the Philippines. Furthermore, the Company received the Platinum Award from the Institute of Corporate Directors (ICD) in its Corporate Governance Scorecard Project. For the fifth 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 puts a very high premium on sustainable development, and this is evident through the perfect alignment and integration of our CSR programs into our business processes. Moreover, the Company takes the triple bottom line approach to address issues in areas where we operate. This approach aligns economic viability, social responsibility and environmental sustainability in all aspects of the business, creating shared value for the Company and its stakeholders.
Water for the Community

Manila Water’s flagship program, Tubig Para sa Barangay (“TPSB”) or Water for Low-Income Communities, is a testament to the Company’s commitment to CSR. Through the program, more than 1.7 million from the marginalized communities located in the eastern portion of Metro Manila, are provided with 24-hour supply of potable water at affordable rates.

It is worthy to note that the TPSB was recognized by the International Water Association (IWA) for being a sustainable model of water service delivery to the urban poor, earning an honor award for the drinking water software category in the 2011 Project Innovation Awards - Development.

Add to that, Manila Water 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, covering 1.5 million beneficiaries.

Complementing the TPSB, the Company provides livelihood opportunities, particularly for community-based cooperatives and small and medium scale entrepreneurs.

Through the Livelihood for the Community program or the Kabuhayan Para Sa Barangay (“KPSB”), Manila Water was able to assign jobs to cooperatives and use them as suppliers and service providers for some of the company’s requirements. Similarly, the company’s capital investment program generated more than 50,000 jobs through its accredited contractors and suppliers who carry out the projects.

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. The participants are taken to a tour of the various facilities from the raw water source, the treatment process and distribution, up to the wastewater treatment process.

In 2011 alone, more than 130 groups composed of 3,746 individuals from communities, local and national government offices, schools, non-government organizations, private companies and other special groups have participated in the Lakbayan program. To date, a total of 21,000 individuals have been reached by our Water Trail Program.

Environmental Protection

Manila Water takes a holistic approach to attaining environmental sustainability by implementing environmental initiatives throughout the entire water cycle.

Recognizing our role in mitigating the impacts of Climate Change, Manila Water has invested on environmentally sound technologies and adopted energy-efficient measures to reduce not only its operational costs, but more importantly to minimize its carbon emissions.

Furthermore, on September 2011, the Green Philippines Islands of Sustainability (“GPIoS”), a SwitchAsia program of European Union in the Philippines, recognized the efforts of Manila Water along with other participating companies of the program. The companies were given an Ecoswitch Award that symbolizes their successful implementation of environmental measures.
Manila Water bagged a special award called the Green Coin Award for realizing the most savings from their Ecoprofit / Cleaner Production implementations which reduced waste, increased energy efficiency and improved health and safety of workers, among other benefits.

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, 2011 and 2010
Statements of Income for the Years ended December 31, 2011, 2010 and 2009
Statement of Changes in Stockholders Equity for the years ended December 31, 2011, 2010 and 2009
Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009
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  Trade & Other Receivables Eliminated During Consolidation
Schedule D  Intangible Assets - Other Assets
Schedule E  Long-Term Debt
Schedule F  Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule G  Guarantees of Securities of Other Issuers
Schedule H  Capital Stock
Schedule I  Retained Earnings Available for Dividends Declaration
Schedule J  Effective Standards and Interpretations under PFRS
Schedule K  Map Showing the Relationships between and among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries
Schedule L  Financial Ratios
Schedule M  Beneficial Ownership of Shares

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, 2011 – 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 12th April 2012.

By:

Gerardo C. Ablaza Jr.
President and CEO

Luis Juan B. Oretta
Chief Finance Officer & Treasurer

Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 12th day of April 2012, 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>Luis Juan B. Oretta</td>
<td>EB 1577745</td>
<td>December 15, 2015</td>
<td>Manila</td>
</tr>
<tr>
<td></td>
<td>XX2933903</td>
<td>February 3, 2014</td>
<td>Manila</td>
</tr>
<tr>
<td></td>
<td>EB2913409</td>
<td>July 4, 2016</td>
<td>Manila</td>
</tr>
</tbody>
</table>

NO. OF HISP. 311
Page No.: 31
Book No.: 63
Series of 12.

JOVENCIO P. FULGUERAS
APPOINTED NOTARY PUBLIC
AUG. 2011, EXP. DEC. 31, 2013
ROLL No. 30936
PIT No. 1453953 8-7-E-II G.C.
MCLE COMPLIANCE NO. 0005522
STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Manila Water Company, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated 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.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders and members.

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 in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

FERNANDO ZOBEL DE AYALA
Chairman of the Board

GERARDO C. ABLAZA JR.  Jr.
President and CEO

LUIS JUAN B. ORETA
Chief Finance Officer

SUBSCRIBED AND SWORN to before me on this 13th day of March 2012, at Quezon City, Metro Manila; affiants exhibiting to me their respective Passport numbers, as follows:

Name: Fernando Zobel de Ayala
Passport No.: XX2935162
Valid until: 03 February 2014

Name: Gerardo C. Ablaza Jr.
Passport No.: EB 1577745
Valid until: 15 December 2015

Name: Luis Juan B. Oreta
Passport No.: XX2933903
Valid until: 03 February 2014

Notary Public

Manila Water Company, Inc.
MWSS Compound, 489 Katipunan Road, Balaar, Quezon City 1105, Philippines
www.manilawater.com
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 its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manila Water Company, Inc. and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 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 (Group A),
    February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
    June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

March 6, 2012
MANILA WATER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 4, 5, 28 and 29)</td>
<td>₱5,235,141,501</td>
<td>₱2,412,912,264</td>
</tr>
<tr>
<td>Short-term cash investments (Notes 5, 28 and 29)</td>
<td>657,999,988</td>
<td>1,546,339,222</td>
</tr>
<tr>
<td>Receivables - net (Notes 6, 23, 28 and 29)</td>
<td>973,313,589</td>
<td>482,167,844</td>
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<tr>
<td>Materials and supplies - at cost (Notes 4 and 7)</td>
<td>115,280,254</td>
<td>55,823,998</td>
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<tr>
<td>Other current assets - net (Notes 4 and 8)</td>
<td>837,613,128</td>
<td>1,402,320,273</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>7,819,348,460</td>
<td>5,899,563,601</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>2,092,056,053</td>
<td>1,868,028,326</td>
</tr>
<tr>
<td>Service concession assets - net (Notes 1, 4 and 10)</td>
<td>45,695,757,897</td>
<td>37,565,227,387</td>
</tr>
<tr>
<td>Available-for-sale financial assets (Notes 11, 23, 28 and 29)</td>
<td>1,312,168,987</td>
<td>1,848,906,109</td>
</tr>
<tr>
<td>Deferred tax assets - net (Note 20)</td>
<td>759,751,062</td>
<td>411,120,686</td>
</tr>
<tr>
<td>Investment in an associate (Note 13)</td>
<td>1,788,001,591</td>
<td>–</td>
</tr>
<tr>
<td>Goodwill (Note 4)</td>
<td>130,319,465</td>
<td>–</td>
</tr>
<tr>
<td>Investment in joint venture (Note 12)</td>
<td>–</td>
<td>5,594,615</td>
</tr>
<tr>
<td>Other noncurrent assets (Notes 4, 14 and 29)</td>
<td>1,299,380,262</td>
<td>1,022,247,142</td>
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<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>53,077,435,317</td>
<td>42,721,124,265</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>₱60,896,783,777</td>
<td>₱48,620,687,866</td>
</tr>
</tbody>
</table>

|                          |             |       |
| **LIABILITIES AND EQUITY** |             |       |
| **Current Liabilities**   |             |       |
| Accounts and other payables (Notes 4, 15, 28 and 29) | ₱3,788,498,762 | ₱3,147,896,362 |
| Current portion of:       |             |       |
| Long-term debt (Notes 16, 28 and 29) | 1,225,787,741 | 1,174,649,296 |
| Service concession obligation (Notes 4, 10 and 29) | 980,620,157 | 794,473,159 |
| Income tax payable (Notes 4 and 20) | 191,371,881 | 213,695,320 |
| Payables to related parties (Notes 23, 28 and 29) | 101,744,555 | 91,167,384 |
| **Total Current Liabilities** | 6,288,023,096 | 5,421,881,521 |
| **Noncurrent Liabilities** |             |       |
| Long-term debt - net of current portion (Notes 16, 28 and 29) | 22,041,738,633 | 12,959,221,421 |
| Service concession obligation - net of current portion (Notes 1, 4, 10 and 29) | 7,053,363,466 | 7,162,115,857 |
| Pension liabilities (Notes 4 and 17) | 323,847,237 | 231,369,344 |
| Deferred tax liability - net (Notes 4 and 20) | 213,245 | – |
| Provisions and contingencies (Note 31) | 739,626,432 | 622,150,307 |
| Other noncurrent liabilities (Note 18) | 1,638,381,618 | 2,245,972,983 |
| **Total Noncurrent Liabilities** | 31,797,170,631 | 23,220,829,912 |
| **Total Liabilities**     | 38,085,193,727 | 28,642,711,433 |

(Forward)
### Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable to equity holders of Manila Water Company, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock (Note 21)</td>
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<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>₱2,037,140,818</td>
<td>₱2,032,597,818</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>900,000,000</td>
<td>900,000,000</td>
</tr>
<tr>
<td></td>
<td>2,937,140,818</td>
<td>2,932,597,818</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>3,601,805,187</td>
<td>3,513,056,977</td>
</tr>
<tr>
<td>Subscriptions receivable</td>
<td>(139,045,131)</td>
<td>(127,073,513)</td>
</tr>
<tr>
<td>Total paid-up capital</td>
<td>6,399,900,874</td>
<td>6,318,581,282</td>
</tr>
<tr>
<td>Common stock options outstanding (Note 21)</td>
<td>20,830,032</td>
<td>32,274,862</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriate for capital expenditures (Note 21)</td>
<td>7,000,000,000</td>
<td>7,000,000,000</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>9,680,655,435</td>
<td>6,816,792,179</td>
</tr>
<tr>
<td></td>
<td>16,680,655,435</td>
<td>13,816,792,179</td>
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<tr>
<td>Unrealized gain on available-for-sale financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Notes 11 and 29)</td>
<td>46,340,187</td>
<td>144,929,822</td>
</tr>
<tr>
<td>Cumulative translation adjustment (Note 2)</td>
<td>(10,734,940)</td>
<td>2,650,312</td>
</tr>
<tr>
<td></td>
<td>23,136,991,588</td>
<td>20,315,228,457</td>
</tr>
<tr>
<td>Treasury shares - at cost (Notes 1 and 21)</td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
</tr>
<tr>
<td></td>
<td>22,636,991,588</td>
<td>19,815,228,457</td>
</tr>
<tr>
<td>Non-controlling interests (Notes 1 and 4)</td>
<td>174,598,462</td>
<td>162,747,976</td>
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<tr>
<td>Total Equity</td>
<td>22,811,590,050</td>
<td>19,977,976,433</td>
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<tr>
<td></td>
<td>₱60,896,783,777</td>
<td>₱48,620,687,866</td>
</tr>
</tbody>
</table>

See accompanying Notes to Consolidated Financial Statements.
## Consolidated Statements of Comprehensive Income

**Years Ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water (Note 23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>₱9,451,767,211</td>
<td>₱8,856,588,547</td>
<td>₱8,044,609,483</td>
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<tr>
<td>Outside East Zone</td>
<td>247,813,952</td>
<td>185,284,621</td>
<td>19,992,737</td>
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<tr>
<td>Environmental charges (Note 23)</td>
<td>1,682,838,504</td>
<td>1,399,482,783</td>
<td>980,168,610</td>
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<tr>
<td><strong>Sewer</strong> (Note 23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>276,642,344</td>
<td>313,828,128</td>
<td>230,996,686</td>
</tr>
<tr>
<td>Outside East Zone</td>
<td>41,945,520</td>
<td>25,601,603</td>
<td>–</td>
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<tr>
<td>Revenue from management contracts (Note 24)</td>
<td>168,719,755</td>
<td>74,910,083</td>
<td>23,709,284</td>
</tr>
<tr>
<td>Other income (Note 19)</td>
<td>134,185,418</td>
<td>157,689,739</td>
<td>67,228,294</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>12,003,912,704</td>
<td>11,013,385,504</td>
<td>9,532,557,297</td>
</tr>
<tr>
<td><strong>COST OF SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>1,800,278,837</td>
<td>1,404,346,795</td>
<td>1,865,243,138</td>
</tr>
<tr>
<td>Salaries, wages and employee benefits (Notes 17, 21 and 23)</td>
<td>899,855,092</td>
<td>762,743,678</td>
<td>710,967,435</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>694,118,140</td>
<td>607,854,591</td>
<td>472,490,995</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>277,299,085</td>
<td>204,703,820</td>
<td>138,804,734</td>
</tr>
<tr>
<td>Management, technical and professional fees (Note 23)</td>
<td>221,629,391</td>
<td>273,833,391</td>
<td>230,996,686</td>
</tr>
<tr>
<td>Collection fees</td>
<td>120,549,454</td>
<td>114,220,170</td>
<td>67,264,585</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>92,137,053</td>
<td>64,930,556</td>
<td>45,673,129</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>78,621,282</td>
<td>68,788,481</td>
<td>40,613,326</td>
</tr>
<tr>
<td>Occupancy costs (Note 26)</td>
<td>68,673,180</td>
<td>65,888,812</td>
<td>45,673,129</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>61,734,723</td>
<td>69,687,898</td>
<td>40,893,985</td>
</tr>
<tr>
<td>Insurance</td>
<td>31,899,271</td>
<td>34,935,464</td>
<td>28,512,602</td>
</tr>
<tr>
<td>Regulatory costs (Notes 1 and 23)</td>
<td>29,216,093</td>
<td>13,456,580</td>
<td>98,278,386</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>11,253,262</td>
<td>9,894,461</td>
<td>230,996,686</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>4,423,469</td>
<td>2,981,459</td>
<td>6,841,652</td>
</tr>
<tr>
<td>Other expenses</td>
<td>98,876,754</td>
<td>117,210,170</td>
<td>19,730,402</td>
</tr>
<tr>
<td><strong>Total Cost of Services</strong></td>
<td>4,490,565,086</td>
<td>3,770,144,466</td>
<td>3,942,714,324</td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td>7,513,347,618</td>
<td>7,243,241,038</td>
<td>5,589,842,973</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong> (Note 19)</td>
<td>997,925,104</td>
<td>1,232,186,747</td>
<td>743,613,130</td>
</tr>
<tr>
<td><strong>INCOME BEFORE OTHER INCOME (EXPENSES)</strong></td>
<td>6,515,422,514</td>
<td>6,011,054,291</td>
<td>4,846,229,843</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>7,198,188,919</td>
<td>7,034,342,878</td>
<td>4,173,327,870</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(7,195,935,517)</td>
<td>(7,024,816,548)</td>
<td>(4,171,750,859)</td>
</tr>
<tr>
<td>Foreign currency differentials (Note 1)</td>
<td>339,166,122</td>
<td>(22,356,653)</td>
<td>(361,884,765)</td>
</tr>
<tr>
<td>Foreign exchange gains (losses)</td>
<td>(369,898,789)</td>
<td>(9,758,180)</td>
<td>269,451,776</td>
</tr>
<tr>
<td>Interest income (Notes 11 and 19)</td>
<td>563,588,437</td>
<td>286,204,264</td>
<td>361,970,533</td>
</tr>
<tr>
<td>Amortization of deferred credits (Note 18)</td>
<td>4,274,324</td>
<td>14,717,961</td>
<td>29,337,629</td>
</tr>
<tr>
<td>Interest expense (Notes 16 and 19)</td>
<td>(1,628,758,182)</td>
<td>(1,188,454,244)</td>
<td>(811,520,800)</td>
</tr>
<tr>
<td>Mark-to-market gain (loss) on derivatives (Notes 14 and 28)</td>
<td>(229,613,149)</td>
<td>70,795,501</td>
<td>(99,586,433)</td>
</tr>
<tr>
<td>Realized loss on pre-termination of bonds (Note 16)</td>
<td>(6,146,038)</td>
<td>–</td>
<td>(6,146,038)</td>
</tr>
<tr>
<td>Equity share in net loss of joint venture (Note 12)</td>
<td>(7,860,283)</td>
<td>(1,538,567)</td>
<td>–</td>
</tr>
<tr>
<td>Gain (loss) on disposal of property and equipment</td>
<td>69,687</td>
<td>(7,050,915)</td>
<td>(44,504)</td>
</tr>
<tr>
<td>Gain on disposal of AFS financial assets (Note 11)</td>
<td>12,007,215</td>
<td>1,801,798</td>
<td>–</td>
</tr>
<tr>
<td>Other income</td>
<td>40,975,895</td>
<td>69,117,650</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME (EXPENSES)</strong></td>
<td>(1,279,941,359)</td>
<td>(776,995,045)</td>
<td>(610,699,553)</td>
</tr>
<tr>
<td><strong>INCOME BEFORE INCOME TAX</strong></td>
<td>5,235,481,155</td>
<td>5,234,059,246</td>
<td>4,235,530,290</td>
</tr>
<tr>
<td><strong>PROVISION FOR INCOME TAX</strong> (Note 20)</td>
<td>957,384,587</td>
<td>1,246,589,396</td>
<td>1,005,011,154</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>4,278,096,568</td>
<td>3,987,469,850</td>
<td>3,230,519,136</td>
</tr>
</tbody>
</table>

(Forward)
### OTHER COMPREHENSIVE INCOME (LOSS)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized fair value gain (loss) on AFS financial assets</td>
<td>(₱263,410)</td>
<td>₱94,183,241</td>
<td>₱45,911,386</td>
</tr>
<tr>
<td>Realized fair value gain on AFS transferred to profit or loss</td>
<td>(98,326,225)</td>
<td>(1,801,798)</td>
<td>(33,150)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>(13,385,252)</td>
<td>2,650,312</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(111,974,887)</td>
<td>95,031,755</td>
<td>45,878,236</td>
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</tbody>
</table>

**TOTAL COMPREHENSIVE INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₱4,166,121,681</td>
<td>₱4,082,501,605</td>
<td>₱3,276,397,372</td>
</tr>
</tbody>
</table>

### Net Income Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>₱4,266,246,082</td>
<td>₱3,978,545,893</td>
<td>₱3,231,413,126</td>
</tr>
<tr>
<td>Noncontrolling interests (Note 1)</td>
<td>11,850,486</td>
<td>8,923,957</td>
<td>(893,990)</td>
</tr>
<tr>
<td></td>
<td>₱4,278,096,568</td>
<td>₱3,987,469,850</td>
<td>₱3,230,519,136</td>
</tr>
</tbody>
</table>

### Total Comprehensive Income Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>₱4,154,271,195</td>
<td>₱4,073,577,648</td>
<td>₱3,277,291,362</td>
</tr>
<tr>
<td>Noncontrolling interests (Note 1)</td>
<td>11,850,486</td>
<td>8,923,957</td>
<td>(893,990)</td>
</tr>
<tr>
<td></td>
<td>₱4,166,121,681</td>
<td>₱4,082,501,605</td>
<td>₱3,276,397,372</td>
</tr>
</tbody>
</table>

### Earnings Per Share (Note 22)

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₱1.74</td>
<td>₱1.62</td>
</tr>
<tr>
<td></td>
<td>₱1.73</td>
<td>₱1.62</td>
</tr>
</tbody>
</table>

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

**Years Ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ATTRIBUTABLE TO EQUITY HOLDERS OF MANILA</strong>&lt;br&gt;<strong>WATER COMPANY, INC.</strong>&lt;br&gt;&lt;br&gt;<strong>CAPITAL STOCK</strong> (Note 21)</td>
<td><strong>CAPITAL STOCK</strong></td>
<td><strong>CAPITAL STOCK</strong></td>
<td><strong>CAPITAL STOCK</strong></td>
</tr>
<tr>
<td>Common stock - P=1 par value&lt;br&gt;Authorized - 3,100,000,000 shares&lt;br&gt;Issued and outstanding - 2,005,443,965 shares</td>
<td><strong>P=2,005,443,965</strong></td>
<td><strong>P=2,005,443,965</strong></td>
<td><strong>P=2,005,443,965</strong></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>27,153,853</strong></td>
<td><strong>25,233,853</strong></td>
<td><strong>17,434,828</strong></td>
</tr>
<tr>
<td>Additions during the year</td>
<td><strong>4,543,000</strong></td>
<td><strong>1,920,000</strong></td>
<td><strong>7,799,025</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>31,696,853</strong></td>
<td><strong>27,153,853</strong></td>
<td><strong>25,233,853</strong></td>
</tr>
<tr>
<td>Preferred stock - P=0.10 par value, 10% cumulative, voting participating, nonredeemable and nonconvertible</td>
<td><strong>400,000,000</strong></td>
<td><strong>400,000,000</strong></td>
<td><strong>400,000,000</strong></td>
</tr>
<tr>
<td>Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td><strong>500,000,000</strong></td>
<td><strong>500,000,000</strong></td>
<td><strong>500,000,000</strong></td>
</tr>
<tr>
<td>Preferred stock - P=1 par value, 8% cumulative, nonvoting, nonparticipating, nonconvertible, redeemable at the Company’s option</td>
<td><strong>900,000,000</strong></td>
<td><strong>900,000,000</strong></td>
<td><strong>900,000,000</strong></td>
</tr>
<tr>
<td>Authorized and issued - 500,000,000 shares</td>
<td><strong>2,937,140,818</strong></td>
<td><strong>2,932,597,818</strong></td>
<td><strong>2,930,677,818</strong></td>
</tr>
<tr>
<td><strong>ADDITIONAL PAID-IN CAPITAL</strong></td>
<td><strong>ADDITIONAL PAID-IN CAPITAL</strong></td>
<td><strong>ADDITIONAL PAID-IN CAPITAL</strong></td>
<td><strong>ADDITIONAL PAID-IN CAPITAL</strong></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>3,513,056,977</strong></td>
<td><strong>3,451,156,783</strong></td>
<td><strong>3,345,448,824</strong></td>
</tr>
<tr>
<td>Additions during the year</td>
<td><strong>88,748,210</strong></td>
<td><strong>61,900,194</strong></td>
<td><strong>105,707,959</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>3,601,805,187</strong></td>
<td><strong>3,513,056,977</strong></td>
<td><strong>3,451,156,783</strong></td>
</tr>
<tr>
<td><strong>SUBSCRIPTIONS RECEIVABLE</strong></td>
<td><strong>SUBSCRIPTIONS RECEIVABLE</strong></td>
<td><strong>SUBSCRIPTIONS RECEIVABLE</strong></td>
<td><strong>SUBSCRIPTIONS RECEIVABLE</strong></td>
</tr>
<tr>
<td>Additions during the year</td>
<td><strong>(61,646,048)</strong></td>
<td><strong>(26,725,512)</strong></td>
<td><strong>(39,553,904)</strong></td>
</tr>
<tr>
<td>Collections during the year</td>
<td><strong>49,674,430</strong></td>
<td><strong>35,705,635</strong></td>
<td><strong>11,760,918</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>(139,045,131)</strong></td>
<td><strong>(127,073,513)</strong></td>
<td><strong>(136,053,636)</strong></td>
</tr>
<tr>
<td><strong>COMMON STOCK OPTIONS OUTSTANDING</strong> (Note 21)</td>
<td><strong>COMMON STOCK OPTIONS OUTSTANDING</strong></td>
<td><strong>COMMON STOCK OPTIONS OUTSTANDING</strong></td>
<td><strong>COMMON STOCK OPTIONS OUTSTANDING</strong></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>32,274,862</strong></td>
<td><strong>22,109,614</strong></td>
<td><strong>7,445,858</strong></td>
</tr>
<tr>
<td>Granted</td>
<td><strong>20,241,555</strong></td>
<td><strong>47,311,112</strong></td>
<td><strong>75,493,303</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>20,830,032</strong></td>
<td><strong>32,274,862</strong></td>
<td><strong>22,109,614</strong></td>
</tr>
<tr>
<td><strong>RETAINED EARNINGS</strong> (Note 21)</td>
<td><strong>RETAINED EARNINGS</strong></td>
<td><strong>RETAINED EARNINGS</strong></td>
<td><strong>RETAINED EARNINGS</strong></td>
</tr>
<tr>
<td>Appropriated for capital expenditures:&lt;br&gt;Balance at beginning of year</td>
<td><strong>7,000,000,000</strong></td>
<td><strong>7,000,000,000</strong></td>
<td><strong>4,000,000,000</strong></td>
</tr>
<tr>
<td>Additional appropriations during the year</td>
<td><strong>–</strong></td>
<td><strong>–</strong></td>
<td><strong>3,000,000,000</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>7,000,000,000</strong></td>
<td><strong>7,000,000,000</strong></td>
<td><strong>7,000,000,000</strong></td>
</tr>
<tr>
<td>Unappropriated:&lt;br&gt;Balance at beginning of year</td>
<td><strong>6,816,792,179</strong></td>
<td><strong>3,996,463,265</strong></td>
<td><strong>4,775,852,924</strong></td>
</tr>
<tr>
<td>Net income</td>
<td><strong>4,266,246,082</strong></td>
<td><strong>3,978,545,893</strong></td>
<td><strong>3,231,413,126</strong></td>
</tr>
<tr>
<td>Appropriation for capital expenditures</td>
<td><strong>–</strong></td>
<td><strong>–</strong></td>
<td><strong>(3,000,000,000)</strong></td>
</tr>
<tr>
<td>Dividends declared</td>
<td><strong>(1,402,382,826)</strong></td>
<td><strong>(1,158,216,979)</strong></td>
<td><strong>(1,010,802,785)</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>16,680,655,435</strong></td>
<td><strong>13,816,792,179</strong></td>
<td><strong>10,996,463,265</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>£144,929,822</strong></td>
<td><strong>£52,548,379</strong></td>
<td><strong>£6,670,143</strong></td>
</tr>
<tr>
<td>Unrealized fair value gain (loss) on AFS financial assets</td>
<td><strong>(263,410)</strong></td>
<td>94,183,241</td>
<td>45,911,386</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>46,340,187</strong></td>
<td>144,929,822</td>
<td>52,548,379</td>
</tr>
</tbody>
</table>

**CUMULATIVE TRANSLATION ADJUSTMENT (Note 2)**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>2,650,312</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>(10,734,940)</strong></td>
<td>2,650,312</td>
<td>–</td>
</tr>
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</table>

**TREASURY SHARES - cost (Note 21)**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning and end of year</td>
<td><strong>(500,000,000)</strong></td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
</tr>
<tr>
<td><strong>22,811,590,050</strong></td>
<td><strong>19,977,976,433</strong></td>
<td><strong>16,970,726,242</strong></td>
<td></td>
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</tbody>
</table>

**NON-CONTROLING INTERESTS (Note 1)**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>162,747,976</strong></td>
<td>153,824,019</td>
<td>7,550,184</td>
</tr>
<tr>
<td>Additions from business combinations</td>
<td>–</td>
<td>–</td>
<td>147,167,825</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td><strong>11,850,486</strong></td>
<td>8,923,957</td>
<td>(893,990)</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td><strong>174,598,462</strong></td>
<td>162,747,976</td>
<td>153,824,019</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></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>₱5,235,481,155</td>
<td>₱5,234,059,246</td>
<td>₱4,235,530,290</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>1,889,515,833</td>
<td>1,471,895,682</td>
<td>1,956,339,628</td>
</tr>
<tr>
<td>Interest expense (Notes 16 and 19)</td>
<td>1,628,758,182</td>
<td>1,188,454,244</td>
<td>811,520,800</td>
</tr>
<tr>
<td>Share-based payments (Note 21)</td>
<td>20,241,555</td>
<td>47,311,112</td>
<td>75,493,303</td>
</tr>
<tr>
<td>Equity share in net loss of joint venture (Note 12)</td>
<td>7,860,283</td>
<td>1,538,567</td>
<td>–</td>
</tr>
<tr>
<td>Provision for probable losses (Notes 6, 8 and 31)</td>
<td>90,807,943</td>
<td>384,563,471</td>
<td>14,467,432</td>
</tr>
<tr>
<td>Loss on pre-termination of bonds (Note 16)</td>
<td>6,146,038</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loss (gain) on disposal of property and equipment</td>
<td>(69,687)</td>
<td>7,050,915</td>
<td>44,504</td>
</tr>
<tr>
<td>Interest income (Note 19)</td>
<td>(12,007,215)</td>
<td>(1,801,798)</td>
<td>–</td>
</tr>
<tr>
<td>Loss on pre-termination of bonds (Note 16)</td>
<td>6,146,038</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loss (gain) on disposal of property and equipment</td>
<td>(69,687)</td>
<td>7,050,915</td>
<td>44,504</td>
</tr>
<tr>
<td>Interest income (Note 19)</td>
<td>(12,007,215)</td>
<td>(1,801,798)</td>
<td>–</td>
</tr>
<tr>
<td>Mark-to-market gain (loss) on derivatives</td>
<td>7,860,283</td>
<td>1,538,567</td>
<td>–</td>
</tr>
<tr>
<td>Provision for probable losses (Notes 6, 8 and 31)</td>
<td>90,807,943</td>
<td>384,563,471</td>
<td>14,467,432</td>
</tr>
<tr>
<td>Loss on pre-termination of bonds (Note 16)</td>
<td>6,146,038</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loss (gain) on disposal of property and equipment</td>
<td>(69,687)</td>
<td>7,050,915</td>
<td>44,504</td>
</tr>
<tr>
<td>Interest income (Note 19)</td>
<td>(12,007,215)</td>
<td>(1,801,798)</td>
<td>–</td>
</tr>
<tr>
<td>Operating income before changes in operating assets and liabilities</td>
<td>8,532,758,799</td>
<td>7,976,071,674</td>
<td>6,831,011,857</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(327,279,427)</td>
<td>53,859,132</td>
<td>138,188,519</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>(58,323,959)</td>
<td>(17,389,276)</td>
<td>(34,887,074)</td>
</tr>
<tr>
<td>Service concession assets</td>
<td>(7,842,040,147)</td>
<td>(7,686,328,708)</td>
<td>(4,507,166,262)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>652,467,387</td>
<td>(551,290,727)</td>
<td>(285,328,095)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>889,931,321</td>
<td>101,825,250</td>
<td>442,153,701</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>10,577,171</td>
<td>(20,300,151)</td>
<td>1,297,077</td>
</tr>
<tr>
<td>Net cash used in operations</td>
<td>1,858,091,145</td>
<td>(143,552,806)</td>
<td>2,585,269,093</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(1,328,962,798)</td>
<td>(1,264,689,754)</td>
<td>(1,227,693,768)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>529,128,347</td>
<td>(1,408,242,560)</td>
<td>1,357,575,325</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>568,600,507</td>
<td>313,332,471</td>
<td>371,182,281</td>
</tr>
<tr>
<td>Subsidiary through business combination - net of cash acquired (Note 4)</td>
<td>(1,169,036,951)</td>
<td>–</td>
<td>(169,272,606)</td>
</tr>
<tr>
<td>Investment in an associate (Note 13)</td>
<td>(1,800,101,800)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Receivable from Bonifacio Water Corporation</td>
<td>(599,341,670)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Property plant and equipment</td>
<td>(575,811,920)</td>
<td>(952,897,442)</td>
<td>(443,362,599)</td>
</tr>
<tr>
<td>Investment in joint venture</td>
<td>–</td>
<td>(7,133,182)</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>466,116</td>
<td>951,017</td>
<td>131,181</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>888,339,234</td>
<td>2,178,082,591</td>
<td>(356,414,808)</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>448,869,659</td>
<td>210,602,860</td>
<td>(369,932,911)</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>(217,104,252)</td>
<td>141,994,039</td>
<td>(185,319,057)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(2,455,121,077)</td>
<td>1,884,932,354</td>
<td>(1,152,988,519)</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt (Note 16):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availments</td>
<td>14,430,184,872</td>
<td>626,677,526</td>
<td>2,140,278,024</td>
</tr>
<tr>
<td>Payments</td>
<td>(5,272,635,144)</td>
<td>(1,078,571,064)</td>
<td>(720,218,235)</td>
</tr>
<tr>
<td>Payment of service concession obligation</td>
<td>(1,140,132,158)</td>
<td>(396,185,536)</td>
<td>(380,761,898)</td>
</tr>
<tr>
<td>Payments of dividends (Note 21)</td>
<td>(1,398,391,183)</td>
<td>(1,190,588,813)</td>
<td>(969,151,630)</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Collection of subscriptions receivable</td>
<td>₱49,674,430</td>
<td>₱35,654,453</td>
<td>₱24,884,451</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,276,435,421)</td>
<td>(850,147,342)</td>
<td>(691,478,568)</td>
</tr>
<tr>
<td>Increase in non-controlling interests of consolidated subsidiaries (Note 4)</td>
<td>–</td>
<td>–</td>
<td>60,000,000</td>
</tr>
<tr>
<td>Increase (decrease) in other noncurrent liabilities</td>
<td>(644,043,429)</td>
<td>751,542,540</td>
<td>380,621,356</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>4,748,221,967</td>
<td>(2,101,618,236)</td>
<td>(155,826,500)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2,822,229,237</th>
<th>(1,624,928,442)</th>
<th>48,760,306</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>2,412,912,264</td>
<td>4,037,840,706</td>
<td>3,989,080,400</td>
</tr>
</tbody>
</table>

**CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)**

|                                    | ₱5,235,141,501 | ₱2,412,912,264 | ₱4,037,840,706 |

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

Manila Water Company, Inc. (MWC or the Parent Company) was incorporated on January 6, 1997 and started commercial operations on January 1, 2000. It became a publicly listed company via an initial public offering on March 18, 2005. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly listed company which is 52.61% owned by Mermac, Inc., 10.93% owned by Mitsubishi Corporation and the rest by the public. The Parent Company and Subsidiaries (collectively referred to as the Group) are involved in providing water, sewerage and sanitation, distribution services, pipeworks and management services.

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

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

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

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

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

As of December 31, 2010 and 2009, Philwater owns 4.0 billion and 3.33 billion participating preferred shares, respectively, of the Parent Company. AC’s share in the common stock of the Parent Company, after the sale from UU, is 651,912,996 and still maintains its 60% share in Philwater which holds the whole 4.0 billion preferred shares of the Parent Company. These conditions warrant the treatment of Parent Company as AC’s subsidiary.
The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

<table>
<thead>
<tr>
<th>Effective Percentages of Ownership</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water International Solutions, Inc (MWIS)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Manila Water Total Solutions, Corporation (MWIS)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Asia Pacific Pte. Ltd. (MWAP)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila South Asia Holdings Pte. Ltd. (MWSAH)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Thu Duc Water Holdings Pte. Ltd. (TDWH)</td>
<td>100</td>
<td>–</td>
</tr>
<tr>
<td>AAA Water Corporation (AWC)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Laguna AAA Water Corporation (LAWC)</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Clark Water Corporation (CWC)</td>
<td>100</td>
<td>–</td>
</tr>
<tr>
<td>Northern Waterworks and Rivers of Cebu, Inc. (NWRC)</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Boracay Island Water Company, Inc. (BIWC)</td>
<td>80</td>
<td>80</td>
</tr>
</tbody>
</table>

In April 2010, the Parent Company incorporated MWAP, whose principal activity is to carry on the business of investment holding, and to undertake and to transact all kinds of investment business. MWAP incorporated MWSAH in May 2010 and TDWH in October 2011 for the same purpose as MWAP. MWAP, MWSAH and TDWH are incorporated in Singapore.

In November 2011, the Parent Company acquired Clark Water Corporation, whose principal activity is to operate and maintain the water and sewerage system inside the Clark Freeport Zone (CFZ) (see Note 4).

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

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

Under the Agreement, MWSS grants the Parent Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While the Parent Company has the right to manage, operate, repair and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by the Parent Company during the Concession remains with the Parent Company until the Expiration Date (or an early termination date) at which time all rights, titles and interest in such assets will automatically vest in MWSS.
On Commencement Date, the Parent Company officially took over the operations of the East Zone. Rehabilitation work for the service area commenced immediately thereafter. As provided in the Parent Company’s project plans, operational commercial capacity will be attained upon substantial completion of the rehabilitation work.

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

a. Annual standard rate adjustment to compensate for increases in the consumer price index (CPI);

b. Extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Agreement; and

c. Foreign Currency Differential Adjustment (FCDA) to recover foreign exchange losses including accruals and carrying costs thereof arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Agreement dated October 12, 2001 (see Notes 2, 10 and 16).

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

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

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

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

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

The Parent Company submitted a Business Plan which included proposed expenditures on (1) a Reliability Investment Plan which will focus on service level sustainability, earthquake and natural calamity contingency and Angat reliability, and (2) an Expansion Investment Plan which includes the development of new water sources, network expansion and implementation of the MWSS wastewater masterplan. These investments amount to an estimated ₱187 billion to be spent over a 15-year period, for both capital and operating expenditures.
On December 14, 2007, MWSS passed Resolution No. 2007-278 adopting and approving the MWSS-RO’s resolutions that contain the final evaluation and determination of the Parent Company’s Rate Rebasing Proposal. Under the said resolution, the MWSS approved a one-time tariff adjustment of 75.07% over the basic tariff. However, in order to temper the increases in favor of the customers, the tariff adjustments are to be implemented on a staggered basis over a five year period, but adjusted for the net present value impact.

The said staggered implementation is premised on certain conditions, such as the adoption of additional performance targets and other conditions such as rationalization of sewerage and environmental charges, re-classification of some government institutions, among others. As of December 31, 2011, 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 P=5.00 per cubic meter based on the all-in weighted average tariff.

On April 16, 2009, the MWSS Board of Trustees passed Resolution No. 2009-072 approving the fifteen year extension of the Agreement (the Extension) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (by authority from the office of the President of the Republic of the Philippines) on October 19, 2009. The significant commitments under the Extension follow:

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

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

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

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

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

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

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

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

On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004) with POL, a local government unit organized and existing under Philippine Laws.
Under the terms of the concession agreement, POL grants 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, 2010.

BIWC’s Concession Agreement with Tourism Infrastructure and Enterprise Zone Authority (TIEZA)

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

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

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

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

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

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

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

The rate rebasing date is set every 5 years starting January 1, 2011. Hence, the first rate rebasing period shall commence on January 1, 2010 and end on December 31, 2010, and in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.
Also part of the concession agreement, BIWC assumed certain property and equipment of Boracay Water Sewerage System (BWSS), as well as BWSS service concession obligations for the Japan International Cooperation Agency (JICA) loan and regulatory costs.

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

CWC’s Concession Agreement with Clark Development Corporation (CDC)
On March 16, 2000, Vivendi Water Philippines, Inc. (former name of Veolia Water Philippines, Inc (VWPI), entered into a Concession Agreement with Clark Development Corporation (CDC), a government corporation organized and existing under Executive Order No. 80, series of 1993, in order to set out the terms and conditions under which VWPI will finance, design, construct, operate and maintain the water and sewerage system inside the CFZ commencing on October 1, 2000 (the Commencement Date) and ending on the date falling 25 years thereafter or as may be extended by the terms of the Concession Agreement. As the implementing arm of the Bases Conversion Development Authority and the regulatory and development body for the CFZ, CDC has the power and authority to regulate and monitor the performance and compliance of VWPI, or its assignee, with its obligations under the Concession Agreement.

On September 1, 2000, in accordance with the terms of the Concession Agreement, VWPI assigned its rights and obligations under the Concession Agreement to CWC by virtue of an Assignment and Assumption Agreement between VWPI and CWC.

As consideration for the grant of the concession and franchise to develop, operate and maintain the water and sewerage system within CFZ, CWC pays CDC an annual franchise fee of ₱1.5 million.

On September 29, 2000, CDC leased in favor of CWC the existing facilities in compliance with the condition precedent to the effectivity of and the respective obligations of CWC and CDC under the Concession Agreement. Under the lease agreement, CWC was required to make a rental deposit amounting to ₱2.8 million equivalents to six months lease rental and a performance security amounting to ₱6.7 million to ensure the faithful compliance of CWC with the terms and conditions of the lease agreement. CWC pays semi-annual rental fees of ₱2.8 million amounting to a total of ₱138.3 million for the entire concession period. The lease term shall be co-terminus with the Concession Period unless sooner terminated for any of the reasons specified in the Concession Agreement.

Approval for the Release of the Consolidated Financial Statements
The Parent Company’s Board of Directors (BOD) delegated to the Parent Company’s Audit and Governance Committee the authority to approve the issuance of the accompanying consolidated financial statements. The Audit and Governance Committee approved and authorized the issuance of the accompanying consolidated financial statements on March 6, 2012.
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 asset that have been measured at fair value. The Group’s presentation and functional currency is the Philippine Peso (₱). Amounts are rounded off to the nearest peso, except otherwise stated.

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

**Basis of Consolidation**
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011.

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented in the consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from the Company’s equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences, recorded in equity.

- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss (included under gain/loss on disposal of subsidiary).

- Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.
Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to existing standards which became effective on January 1, 2011. The adoption of these new and amended Standards and Philippine Interpretations did not have any significant impact on the Group’s financial statements.

- Amendment to PAS 24, Related Party Disclosures
  The amendment clarifies the definition of a related party. The new definition emphasizes a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- Amendment to PAS 32, Financial Instruments: Presentation
  The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency.

- Amendment to Philippine Interpretation IFRIC 14, Prepayments of a Minimum Funding Requirement
  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements in the Philippines.

- Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
  The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS’s (issued in 2010)

The omnibus amendments to PFRSs issued in May 2010 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard which became effective January 1, 2011. The adoption of these new standards did not have a significant impact on the Group’s financial statements.

- PFRS 3 (Revised), Business Combinations
  The amendment clarifies that the amendments to PFRS 7, Financial Instruments: Disclosures, PAS 32, Financial Instruments: Presentation and PAS 39, Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).
The amendment clarifies that the measurement options available for NCI were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity’s net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments’ proportionate share of the acquiree’s identifiable net assets. All other components are to be measured at their acquisition date fair value.

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

- **PFRS 7, Financial Instruments: Disclosures**
  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

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

- **PAS 27, Consolidated and Separate Financial Statements**
  This amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, The Effect of Changes in Foreign Exchange Rates, PAS 28, Investments in Associates and PAS 31, Interests in Joint Ventures, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

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

- **Philippine Interpretation IFRIC 13, Customer Loyalty Programmes**
  This amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.
Adoption of Securities Regulation Code (SRC) 68, Rule 68 (As Amended)

SRC Rule 68, as Amended, Annex 68-D, requires companies to present sale of goods and rendering of services and their corresponding costs as separate line items on the face of the statement of income. To comply with this requirement, the Group segregated the cost of services from other costs and expenses in the 2011 consolidated statements of comprehensive income. The Group restated the 2010 and 2009 consolidated statements of comprehensive income to be consistent with the current year presentation. Likewise, 2010 and 2009 expenses amounting to ₱1.23 billion and ₱0.74 billion, respectively, which were previously classified under Costs and Expenses were reclassified under Operating expenses to be consistent with the current year presentation. The restatement affected only the accounts in the statements of comprehensive income and does not affect any other item within the 2009 statements of financial position and thus, is not considered material to the 2009 consolidated financial statements. Accordingly, the Group did not present a third statement of financial position in its 2011 consolidated financial statements.

Future Changes in Accounting Policies
The Group will adopt the following new and amended standards and interpretations enumerated below when these become effective. 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 the consolidated financial statements.

Effective 2012

- PAS 12, Income Taxes - Recovery of Underlying Assets
  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, Investment Property, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, Property, Plant and Equipment, always be measured on a sale basis of the asset.

- Amendments to PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements
  The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group’s financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. The amendment affects disclosures only and has no impact on the Group’s financial position or performance.

Effective 2013

- Amendments to PAS 1, Financial Statement Presentation, Presentation of Items of Other Comprehensive Income
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to PAS 1 change the grouping of items presented in other comprehensive
income. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group’s financial position or performance.

- Amendment to PAS 19, Employee Benefits
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group is currently assessing the impact of the amendment to PAS 19.

- PAS 27 (Revised), Separate Financial Statements
  As a consequence of the new PFRS 10, Consolidated Financial Statement and PFRS 12, Disclosure of Interests in Other Entities, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28 (Revised), Investments in Associates and Joint Ventures
  As a consequence of the new PFRS 11, Joint Arrangements and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Amendments to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are offset in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are offset in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments are to be applied retrospectively and affect disclosures only and have no impact on the Group’s financial position or performance.

- PFRS 10, Consolidated Financial Statements
  PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single
control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27. The Group is currently assessing the full impact that the standard will have on the Group’s financial position and performance.

- **PFRS 11, Joint Arrangements**
  PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact the financial position of the Group.

- **PFRS 12, Disclosure of Involvement with Other Entities**
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- **PFRS 13, Fair Value Measurement**
  This standard becomes effective for annual periods beginning on or after January 1, 2013. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

**Effective 2014**

  These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to offset” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment is to be applied retrospectively. The Group is currently assessing impact of these amendments to PAS 32.

**Effective 2015**

- **PFRS 9, Financial Instruments: Classification and Measurement**
  PFRS 9, as issued in 2010 reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
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. The 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 reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

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

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

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

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

The fair value for financial instruments traded in active markets at the financial reporting date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

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

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

Day 1 profit

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

Financial assets and financial liabilities at FVPL

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

Financial assets and financial liabilities 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 the consolidated statement of comprehensive income.

Where a contract contains one or more embedded derivatives, the hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.
Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- The assets are part of a group of financial assets which are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or Investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group’s financial asset classified as at FVPL pertains to its derivative asset on its call option on the ₱4.0 billion bonds that the Parent Company issued in 2008 (see Notes 14 and 28). The said embedded call option was exercised by the Parent Company in 2011.

**Embedded derivatives**

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Embedded derivatives are measured at fair value with fair value changes being reported through profit or loss, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The Group has certain derivatives that are embedded in the host financial (such as long-term debt) and nonfinancial (such as purchase orders) contracts.

**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 the consolidated statement of comprehensive income when the HTM investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2011 and 2010, no financial assets have been classified as HTM investments.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from the reporting date otherwise, these are classified as noncurrent assets.

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.

This accounting policy applies primarily to the Group’s cash and cash equivalents, short-term cash investments, receivables, advances to TIEZA, receivable from BWC and deposits.

**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 the consolidated statement of comprehensive income. 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/loss 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 “Gain (loss) on disposal of AFS financial assets” in the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income.

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

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

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group’s short-term and long-term debt, accounts payable and accrued expenses, customers’ guaranty and other deposits and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

**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 right 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 right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its right 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, 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 the consolidated statement of comprehensive income.
Impairment of Financial Assets

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

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. 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 cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

**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.

**Value-Added Tax (VAT)**

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

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

**Property and Equipment**

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

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

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

<table>
<thead>
<tr>
<th>Property Type</th>
<th>EUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td></td>
</tr>
<tr>
<td>Technical equipments</td>
<td></td>
</tr>
</tbody>
</table>

Leasehold improvements are amortized over the 3 to 5 years of the improvements or the term of the lease, whichever is shorter.

Technical equipments are amortized over 5 years or the term of the related management contract, whichever is shorter.

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

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

Service Concession Assets and Obligations
The Group accounts for its concession arrangements with MWSS, POL, TIEZA and CDC under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the Group’s concession agreements, the Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall remain with MWSS, POL, TIEZA and CDC 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. These are amortized using the straight-line method over the life of the related 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.

Investments in an Associate and Joint Venture
Investments in an associate and joint venture which is a jointly controlled entity are accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.
An investment in an associate or joint venture is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor’s share in the net fair value of the investee’s identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and neither amortized nor individually tested for impairment. Any excess of the investor’s share of the net fair value of the associate’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share in the net assets of the investees, less any impairment in value. The Group’s share in the investee’s post-acquisition profits or losses is recognized in profit and loss, and its share of post-acquisition movements in the investee’s equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and to the extent that for unrealized losses, there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when its investment in an investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports profits, the Group resumes recognizing its share of the profits only after its share of the profits equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss included under “Remeasurement gain/loss arising from business combination.”
Any contingent consideration to be transferred by the acquirer will be recognized at fair value at
the acquisition date. Subsequent changes to the fair value of the contingent consideration which is
deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or
loss or as a change to other comprehensive income. If the contingent consideration is classified as
equity, it should not be remeasured until it is finally settled within equity.

If the initial accounting for a business combination can be determined only provisionally by the
end of the period in which the combination is effected because either the fair values to be assigned
to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of the
combination can be determined only provisionally, the acquirer shall account for the combination
using those provisional values. The acquirer shall recognize any adjustments to those provisional
values as a result of completing the initial accounting within twelve months of the acquisition date
as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is
recognized or adjusted as a result of completing the initial accounting shall be calculated as if its
fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain
recognized shall be adjusted by an amount equal to the adjustment to the fair value at the
acquisition date of the identifiable asset, liability or contingent liability being recognized or
adjusted; and (iii) comparative information presented for the periods before the initial accounting
for the combination is complete shall be presented as if the initial accounting has been completed
from the acquisition date. The Group accounted for the business combination for the year using
provisional values (see Note 4).

Goodwill is initially measured at cost being the excess of the aggregate of the consideration
transferred and the amount recognized for NCI over the net identifiable assets acquired and
liabilities assumed. If this consideration is lower than the fair value of the net assets of the
subsidiary acquired, the difference is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.
Goodwill is reviewed for impairment, annually or more frequently if events or changes in
circumstances indicate that the carrying value may be impaired. For purposes of impairment
testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each
of the Group’s cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from
the synergies of the combination, irrespective of whether other assets or liabilities of the Group are
assigned to those units or groups of units. Each unit or group of units to which the goodwill is
allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal
  management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to
which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less
than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU
(or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated
with the operation disposed of is included in the carrying amount of the operation when determining
the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is
measured based on the relative values of the operation disposed of and the portion of the CGU
retained. If the acquirer’s interest in the net fair value of the identifiable assets, liabilities and
contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize
immediately in the consolidated statement of comprehensive income any excess remaining after
reassessment.
Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is calculated as the higher of the asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Investments in associates and jointly controlled entities
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group’s net investment in the investee company. The Group determines at each reporting date whether there is any objective evidence that the investment in the investee company is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investee company and the carrying cost and recognizes the amount in profit or loss.

Impairment of goodwill
For assessing impairment of goodwill, a test for impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.
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.

Related Parties
Parties are considered to be related to the Group if it has the ability, directly or indirectly, to
control the Group or exercise significant influence over the Group in making financial and
operating decisions, or vice versa, or where the Group and the party are subject to common control
or common significant influence. Related parties may be individuals (being members of key
management personnel and/or their close family members) or other entities and include entities
which are under the significant influence of related parties of the Group where those parties are
individuals, and post-employment benefit plans which are for the benefit of employees of the
Group or of any entity that is a related party of the Group.

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. Eighteen percent of water revenues are recognized by the Parent Company as
environmental charges with the rationalization of the sewerage and environmental charges as
approved in the 2008 rate rebasing.

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

Revenue from rehabilitation works is recognized and measured by the Group in accordance with
PAS 11 and PAS 18 for the services it performs and is recognized as part of SCA. The recognized
revenue from rehabilitation works is equal to the related costs, except for MWTS.

When the Group provides construction or upgrade services, the consideration received or
receivable is recognized at its fair value. The Group accounts for revenue and costs relating to
operation services in accordance with PAS 18.
Revenue from pipeworks and management contracts are recognized using the percentage of completion method of accounting, measured principally on the basis of the physical proportion of the contract work to the estimated completion of a project.

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

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

Cost of Services and Operating Expenses
Cost of services and operating expenses are recognized as they are incurred.

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 P=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.

The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso (P=). Each entity in the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

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

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

**Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) that are recorded as SCA are capitalized as part of the cost of fixed assets. All other borrowing costs are expensed in the period they occur. The Group uses the general borrowings approach when capitalizing borrowing costs wherein the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization of those borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all activities necessary in preparing the related assets for their intended use are complete. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds. Premiums and/or discounts on long-term debt are included in the “Long-term debt” account in the Group’s consolidated statement of financial position and are amortized using the effective interest rate method.

**Retirement Cost**

Retirement cost is actuarially determined using the projected unit credit method. The projected unit credit method reflects the services rendered by the employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement cost includes current service cost, interest cost, actuarial gains and losses and the effect of any curtailment or settlement.

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

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These actuarial gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.
Share-Based Payment
Certain employees and officers of the Group receive remuneration in the form of share-based payment, whereby they render services in exchange for shares or rights over shares (‘equity-settled transactions’) (see Note 21).

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 21.

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 22).

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to “Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are
allocated to them respectively. 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 have been enacted or substantively enacted as of the financial reporting date.

**Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deferred income tax assets can be used or when there are sufficient taxable temporary differences which are expected to reverse in the same period as the expected reversal of the deductible temporary differences.

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

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

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

**Earnings Per Share (EPS)**

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

Diluted EPS is computed by dividing earnings attributable to common and participating preferred shares by the weighted average number of common shares outstanding during the period, after giving retroactive effect of any stock dividends during the period and adjusted for the effect of dilutive options. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effects of the assumed exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.
Assets Held in Trust
Assets which are owned by MWSS, POL and TIEZA but are operated by the Group under the Group’s concession agreement are not reflected in the consolidated statement of financial position but are considered as Assets Held in Trust (see Note 26).

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

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

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

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

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

Service concession arrangement
In applying Philippine Interpretation IFRIC 12, the Group has made a judgment that its concession agreements qualify under the Intangible Asset model. The accounting policy on the Group’s SCA under the Intangible Asset model is discussed in 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=500
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 preferred shares is at the Group’s option. See
Note 21 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 1).

Investment in a joint venture
The Parent Company considers JITF Manila Water Development, Co. Ltd (JMWD) as a jointly
controlled entity because the Parent Company made a contractual arrangement with Jindal Water
Infrastructure Limited (JITF Water) to establish JITF to undertake an economic activity that is
subjected to joint control.

Investment in an associate
The Group considers Thu Duc Water B.O.O. as an associate because it has the power to
participate in the financial and operating policy decisions of the entity but does not have control or
joint control over those policies.

Operating Lease Commitments - Company as Lessee.
The Group has determined, based on the evaluation of the terms and conditions of the
arrangements, that the significant risks and rewards for properties leased from third parties are
retained by the lessors and accordingly, accounts for these contracts as operating leases.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs
for the resolution of these claims has been developed in consultation with internal and outside
counsels handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe these proceedings will have a material adverse affect on the
Group’s financial position. It is possible, however, that future results of operations could be
materially affected by changes in the estimates or in the effectiveness of the strategies relating to
these proceedings (see Note 31).

Use of Estimates
Key assumptions concerning the future and other sources of estimation uncertainty at the reporting
date that have a significant risk of causing a material adjustment to the carrying amounts of assets
and liabilities within the next financial year are discussed below.
Revenue and cost recognition
The Group’s revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group’s revenue from pipeworks and management contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

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

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.

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 14 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 20 for the related balances.

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

**Share-based payments**
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the average historical price volatility of several water utility companies within the Asian region which may be different from the expected volatility of the shares of stock of the Group. See Note 21 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 17) which include, among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

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

Derivative asset on a bond’s call option was valued using the Black’s option pricing model. Valuation inputs such as discount rate were based on credit adjusted interest rates as of value date while interest rate volatility was computed based on historical rates or data (see Note 28).
4. Business Combination and Asset Acquisition

CWC

On November 8, 2011, the Company and Veolia Water Philippines, Inc. (VWPI) entered into a share sale and purchase agreement whereby VWPI will sell to the Company its 100% interest (one thousand common shares) in CWC and assign its receivable from Bonifacio Water Corporation (BWC). On November 29, 2011, the Company completed the acquisition of VWPI’s interest in the common shares of CWC resulting in the Company obtaining 100% control in CWC effective December 1, 2011 and the BWC receivable at a total contract price of P=1.8 billion, broken down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in CWC</td>
<td>P=1.2 billion</td>
</tr>
<tr>
<td>Receivable from BWC (see Notes 6 and 14)</td>
<td>0.6 billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=1.8 billion</strong></td>
</tr>
</tbody>
</table>

The fair value of the receivable from BWC has been determined based on the present value of forecasted collections for the receivable. The terms of the BWC receivable provide that payments will be made on a quarterly basis at an amount based on a certain percentage of BWC’s revenue until 2022, the end of BWC’s concession period.

The purchase price allocation of CWC has been prepared on a preliminary basis pending review of certain information relating to service concession assets. Minor changes are expected as additional information becomes available. The following is a summary of the provisional fair values of the assets acquired and liabilities assumed as of the date of the acquisition.

**Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>P=31,621,379</td>
</tr>
<tr>
<td>Receivable - net</td>
<td>38,853,560</td>
</tr>
<tr>
<td>Materials and supplies - at cost</td>
<td>1,132,297</td>
</tr>
<tr>
<td>Property, plant and equipment – net (Note 9)</td>
<td>5,188,498</td>
</tr>
<tr>
<td>Service concession assets (Note 10)</td>
<td>1,077,360,508</td>
</tr>
<tr>
<td>Other assets</td>
<td>15,223,896</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>1,169,380,138</strong></td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and other payables</td>
<td>22,178,024</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>837,642</td>
</tr>
<tr>
<td>Service concession liabilities</td>
<td>37,013,588</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>243,743</td>
</tr>
<tr>
<td>Customers’ deposits</td>
<td>27,428,832</td>
</tr>
<tr>
<td>Pension liability (Note 17)</td>
<td>11,339,444</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>99,041,273</strong></td>
</tr>
</tbody>
</table>

**Net assets acquired**  
1,070,338,865

**Acquisition cost**  
1,200,658,330

**Goodwill**  
P=130,319,465
Cash on acquisition follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash acquired from CWC</td>
<td>₱31,621,379</td>
</tr>
<tr>
<td>Cash paid</td>
<td>1,200,658,330</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td><strong>₱1,169,036,951</strong></td>
</tr>
</tbody>
</table>

The fair value of receivables amounts to ₱38.85 million. The gross amount of receivables is ₱42.62 million. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

Transaction costs of ₱2.63 million have been expensed and are included in administrative expenses.

From the date of acquisition, the Group’s share in CWC’s revenue and net income amounted to ₱27.58 million and ₱6.82 million, respectively. If the combination had taken place at the beginning of the year, Group’s total revenue and net income would have been ₱12.25 billion and ₱4.33 billion, respectively.

The acquisition of CWC is part of Parent Company’s strategic investment plan of replicating its success in the East Zone to the country’s other top metros. The Parent Company is optimistic that the acquisition of CWC will give added value to Parent Company’s existing operating subsidiaries since Pampanga is a strategic hub for industrial and economic growth for Central Luzon.

**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>Amount</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</strong></td>
<td><strong>305,023,505</strong></td>
</tr>
</tbody>
</table>

(Forward)
Liabilities
Accounts and other payables P=33,604,608
Income tax payable 2,867,659
Pension liabilities 1,836,544

38,308,811

Net assets 266,714,694
Less noncontrolling interest 87,167,825

179,546,869

Goodwill arising from acquisition –
Acquisition cost P=179,546,869

Cash flows from acquisition follow:

Net cash acquired with the subsidiary P=10,274,263
Cash paid 179,546,869
Net cash outflow P=169,272,606

From the date of acquisition up to December 31, 2009, AWC has contributed P0.34 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 P2.43 million and revenue would have increased by P43.14 million.

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

Cash and cash equivalents consist of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>P619,186,704</td>
<td>P1,311,129,058</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>4,615,954,797</td>
<td>1,101,783,206</td>
</tr>
<tr>
<td></td>
<td>P5,235,141,501</td>
<td>P2,412,912,264</td>
</tr>
</tbody>
</table>

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

Short-term cash investments pertain to the Group’s time deposits with maturities of more than three months up to one year and earn interest of 1.75% to 4.9% in 2011 and 3.60% to 4.5% in 2010.

Interest income earned from cash in banks, cash equivalent and short-term investments amounted to P457.79 million, P283.32 million and P363.13 million for the years ended December 31, 2011, 2010 and 2009, respectively (see Note 19).
6. Receivables

This account consists of receivables from:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (Note 29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>₱787,833,949</td>
<td>₱589,605,334</td>
</tr>
<tr>
<td>Commercial</td>
<td>203,064,166</td>
<td>145,714,085</td>
</tr>
<tr>
<td>Semi-business</td>
<td>51,216,257</td>
<td>39,947,640</td>
</tr>
<tr>
<td>Industrial</td>
<td>44,553,106</td>
<td>6,674,470</td>
</tr>
<tr>
<td>Employees</td>
<td>46,664,561</td>
<td>50,389,222</td>
</tr>
<tr>
<td>Receivable from Saigon Water Corporation (SAWACO)</td>
<td>₱103,753,509</td>
<td>47,699,550</td>
</tr>
<tr>
<td>Receivable from BWC - current portion (Notes 4 and 14)</td>
<td>₱185,408,630</td>
<td>–</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>26,384,757</td>
<td>21,767,660</td>
</tr>
<tr>
<td>Others</td>
<td>74,583,480</td>
<td>93,924,819</td>
</tr>
<tr>
<td></td>
<td>1,523,462,415</td>
<td>995,722,780</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(₂₅₅₀,₁₄₈,₈₂₆)</td>
<td>(₅₁₃,₅₅₄,₉₃₆)</td>
</tr>
<tr>
<td></td>
<td>₱973,313,589</td>
<td>₱482,167,844</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.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Residential</td>
</tr>
<tr>
<td>At January 1</td>
<td>₱363,465,865</td>
</tr>
<tr>
<td>Acquisition through</td>
<td>₱43,624</td>
</tr>
<tr>
<td>business combination</td>
<td></td>
</tr>
<tr>
<td>Provision (recoveries)</td>
<td>(24,338,850)</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱339,170,639</td>
</tr>
<tr>
<td>Individual impairment</td>
<td>₱24,432,049</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>314,738,590</td>
</tr>
</tbody>
</table>
7. Materials and Supplies

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance materials</td>
<td>₱77,168,851</td>
<td>₱41,147,219</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>36,761,999</td>
<td>14,148,703</td>
</tr>
<tr>
<td>Water meters</td>
<td>1,085,854</td>
<td>456,562</td>
</tr>
<tr>
<td>Water connection supplies</td>
<td>263,550</td>
<td>71,514</td>
</tr>
<tr>
<td></td>
<td>₱115,280,254</td>
<td>₱55,823,998</td>
</tr>
</tbody>
</table>

8. Other Current Assets

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to contractors</td>
<td>₱714,510,818</td>
<td>₱1,289,466,824</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>91,405,966</td>
<td>61,053,446</td>
</tr>
<tr>
<td>Input value-added tax</td>
<td>27,939,775</td>
<td>110,181,664</td>
</tr>
<tr>
<td>Others</td>
<td>3,756,569</td>
<td>28,054,422</td>
</tr>
<tr>
<td></td>
<td>₱837,613,128</td>
<td>1,488,756,356</td>
</tr>
<tr>
<td>Less allowance for impairment</td>
<td>–</td>
<td>(86,436,083)</td>
</tr>
<tr>
<td>losses</td>
<td>₱837,613,128</td>
<td>₱1,402,320,273</td>
</tr>
</tbody>
</table>

Value-added input tax is fully realizable and will be applied against future output tax.

Advances to contractors are normally applied within a year against progress billings.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>₱86,436,083</td>
<td>₱69,101,543</td>
</tr>
<tr>
<td>Provision (reversal of provision) for the</td>
<td>(86,436,083)</td>
<td>17,334,540</td>
</tr>
<tr>
<td>year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>–</td>
<td>₱86,436,083</td>
</tr>
</tbody>
</table>

In 2011, the balance of the provisions was reversed since advances are automatically deducted from Contractor’s progress billings.
9. Property and Equipment

The rollforward analysis of this account follows:

**2011**

<table>
<thead>
<tr>
<th></th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land and Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At January 1</td>
<td><strong>P=842,693,724</strong></td>
<td><strong>P=328,336,096</strong></td>
<td><strong>P=1,378,458,967</strong></td>
<td><strong>P=546,764,354</strong></td>
<td><strong>P=3,096,253,141</strong></td>
</tr>
<tr>
<td>Acquisitions through business combination (Note 4)</td>
<td>1,827,313</td>
<td>2,821,646</td>
<td>531,566</td>
<td>7,974</td>
<td>5,188,499</td>
</tr>
<tr>
<td>Additions</td>
<td>187,216,417</td>
<td>9,372,099</td>
<td>213,316,743</td>
<td>165,906,661</td>
<td>575,811,920</td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td></td>
<td>(1,189,286)</td>
<td></td>
<td>(1,189,286)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td><strong>P=1,031,737,454</strong></td>
<td><strong>P=339,340,555</strong></td>
<td><strong>P=1,592,307,276</strong></td>
<td><strong>P=712,678,989</strong></td>
<td><strong>P=3,676,064,274</strong></td>
</tr>
</tbody>
</table>

**Accumulated Depreciation and Amortization**

|                      |                                |                          |                                 |                              |            |
| **At January 1**     | **P=633,092,951**              | **P=200,034,122**        | **P=112,410,186**               | **P=282,687,556**            | **P=1,228,224,815** |
| Depreciation and amortization | 162,494,166                 | 56,917,753               | 25,979,235                      | 111,185,109                  | 356,576,263 |
| Disposals            |                                |                          | (792,857)                       |                              | (792,857)  |
| **At December 31**   | **P=795,587,117**              | **P=256,159,018**        | **138,389,421**                 | **393,872,665**              | **1,584,008,221** |

**Net Book Value at December 31**

**2010**

|                      |                                |                          |                                 |                              |            |
| **Cost**             |                                |                          |                                 |                              |            |
| At January 1         | **P=697,202,653**              | **P=315,040,305**        | **P=723,283,450**               | **P=430,371,631**            | **P=2,165,898,039** |
| Additions            | 145,491,071                    | 35,838,131               | 655,175,517                     | 116,392,723                  | 952,897,442 |
| Disposals            |                                |                          | (22,542,340)                    |                              | (22,542,340) |
| **At December 31**   | **P=842,693,724**              | **P=328,336,096**        | **P=1,378,458,967**             | **P=546,764,354**            | **P=3,096,253,141** |

**Accumulated Depreciation and Amortization**

|                      |                                |                          |                                 |                              |            |
| **At January 1**     | **P=512,641,095**              | **P=155,462,298**        | **P=90,260,072**                | **P=202,463,518**            | **P=960,826,983** |
| Depreciation and amortization | 120,451,856                 | 59,114,517               | 22,150,114                      | 80,224,038                   | 281,940,525 |
| Disposals            |                                |                          | (14,542,693)                    |                              | (14,542,693) |
| **At December 31**   | **P=633,092,951**              | **P=200,034,122**        | **112,410,186**                 | **282,687,556**              | **1,228,224,815** |

**Net Book Value at December 31**

10. Service Concession Assets and Obligations

**Service Concession Assets**

The movements in this account follow:

<table>
<thead>
<tr>
<th></th>
<th><strong>2011</strong></th>
<th><strong>2010</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>P=47,330,083,081</strong></td>
<td><strong>P=38,521,753,336</strong></td>
</tr>
<tr>
<td>Additions during the year (Note 1)</td>
<td><strong>8,586,109,572</strong></td>
<td><strong>8,808,329,745</strong></td>
</tr>
<tr>
<td>Acquired through business combination (Note 4)</td>
<td>1,077,360,508</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td><strong>56,993,553,161</strong></td>
<td><strong>47,330,083,081</strong></td>
</tr>
</tbody>
</table>

**Accumulated Amortization**

<table>
<thead>
<tr>
<th></th>
<th><strong>2011</strong></th>
<th><strong>2010</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td><strong>9,764,855,694</strong></td>
<td><strong>8,574,900,537</strong></td>
</tr>
<tr>
<td>Amortization</td>
<td><strong>1,532,939,570</strong></td>
<td><strong>1,189,955,157</strong></td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td><strong>11,297,795,264</strong></td>
<td><strong>9,764,855,694</strong></td>
</tr>
</tbody>
</table>

**Net Book Value**

<table>
<thead>
<tr>
<th></th>
<th><strong>2011</strong></th>
<th><strong>2010</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Book Value</strong></td>
<td><strong>P=45,695,757,897</strong></td>
<td><strong>P=37,565,227,387</strong></td>
</tr>
</tbody>
</table>
SCA consists of the present value of total estimated concession fee payments, including regulatory costs, 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 P=243.10 million and P=207.90 million in 2011 and 2010, respectively. The capitalization rates used ranged from 4.07% to 6.63% in 2011 and 3.73% to 6.03% in 2010.

In March 2010, the Parent Company entered into a MOA with MWSS for the repayment of the Export-Import Bank of China loan which resulted in additional SCA and SCO amounting to P=1,048.27 million and P=249.43 million in 2011 and 2010, respectively (see Note 1).

Service Concession Obligations

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

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

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

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

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

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

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

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

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

a. Annual franchise fee of P=1.5 million;

b. Semi-annual rental fees of P=2.8 million for leased facilities from CDC.
MWSS Concession Fees
The aggregate concession fees of the Parent Company pursuant to the Agreement are 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; and

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

The schedule of undiscounted future concession fee payments follows:

<table>
<thead>
<tr>
<th>In Original Currency</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>Year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>10,776,752</td>
<td>₱452,905,896</td>
<td>₱925,358,713</td>
</tr>
<tr>
<td>2013</td>
<td>10,724,252</td>
<td>471,022,132</td>
<td>941,173,328</td>
</tr>
<tr>
<td>2014</td>
<td>11,507,083</td>
<td>489,863,017</td>
<td>994,333,522</td>
</tr>
<tr>
<td>2015</td>
<td>6,328,448</td>
<td>509,457,538</td>
<td>786,896,709</td>
</tr>
<tr>
<td>2016 onwards</td>
<td>73,643,688</td>
<td>18,145,801,809</td>
<td>21,374,341,083</td>
</tr>
<tr>
<td></td>
<td>112,980,223</td>
<td>₱20,069,050,392</td>
<td>₱25,022,103,355</td>
</tr>
</tbody>
</table>

*Peso equivalent is translated using the closing rate as of December 31, 2011 amounting to ₱43.84 to US$.1

Estimated concession fee payments on future concession projects, 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 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>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted investments - at fair value (Note 29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>P577,229,355</td>
<td>P160,060,157</td>
</tr>
<tr>
<td>Equity</td>
<td>165,000,000</td>
<td>162,000,000</td>
</tr>
<tr>
<td>Investment Management Agreement (IMA) accounts</td>
<td>–</td>
<td>683,186,778</td>
</tr>
<tr>
<td>Unit Investments Trust Fund (UITF)</td>
<td>51,423,627</td>
<td></td>
</tr>
<tr>
<td>Unquoted investments (Note 29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>439,070,805</td>
<td>758,494,624</td>
</tr>
<tr>
<td>Equity - at cost</td>
<td>79,445,200</td>
<td>85,164,550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P1,312,168,987</td>
<td>P1,848,906,109</td>
</tr>
</tbody>
</table>

Quoted investments in debt securities consist mainly of government securities such as retail treasury bonds. These bonds earn interest that ranged from 6% to 8% in 2011 and 6% to 9% in 2010 with various maturity dates of up to five years.

Quoted investments in equities pertain to listed preferred shares of a shareholder (see Note 23).

Quoted UITF pertains to the Group’s unit investment in a fund that is managed by BPI (see Note 23).

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

Changes in this account are as follows:

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Quoted</th>
<th>Unquoted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>P1,005,246,935</td>
<td>P843,659,174</td>
<td>P1,848,906,109</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>516,383,600</td>
<td>–</td>
<td>516,383,600</td>
</tr>
<tr>
<td>Disposals during the year</td>
<td>(734,468,500)</td>
<td>(318,512,385)</td>
<td>(1,052,980,885)</td>
</tr>
<tr>
<td>Amortization of discount</td>
<td>–</td>
<td>1,188,263</td>
<td>1,188,263</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>6,490,946</td>
<td>(6,754,356)</td>
<td>(263,410)</td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>–</td>
<td>(1,064,690)</td>
<td>(1,064,690)</td>
</tr>
<tr>
<td>At December 31</td>
<td>P793,652,981</td>
<td>P518,516,006</td>
<td>P1,312,168,987</td>
</tr>
</tbody>
</table>

### 2010

<table>
<thead>
<tr>
<th></th>
<th>Quoted</th>
<th>Unquoted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>P1,246,015,138</td>
<td>P721,112,388</td>
<td>P1,967,127,526</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>–</td>
<td>78,100,600</td>
<td>78,100,600</td>
</tr>
<tr>
<td>Disposals during the year</td>
<td>(295,268,557)</td>
<td>–</td>
<td>(295,268,557)</td>
</tr>
<tr>
<td>Amortization of discount</td>
<td>–</td>
<td>4,763,299</td>
<td>4,763,299</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>54,500,354</td>
<td>39,682,887</td>
<td>94,183,241</td>
</tr>
<tr>
<td>At December 31</td>
<td>P1,005,246,935</td>
<td>P843,659,174</td>
<td>P1,848,906,109</td>
</tr>
</tbody>
</table>
The rollforward analysis of unrealized gain on AFS financial assets for 2011 and 2010 follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱144,929,822</td>
<td>₱52,548,379</td>
</tr>
<tr>
<td>Unrealized fair value gain (loss) recognized in other comprehensive income</td>
<td>(263,410)</td>
<td>94,183,241</td>
</tr>
<tr>
<td>Realized fair value gain transferred from other comprehensive income and recognized in profit or loss*</td>
<td>(98,326,225)</td>
<td>(1,801,798)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱46,340,187</td>
<td>₱144,929,822</td>
</tr>
</tbody>
</table>

* Amount recognized in interest income and realized gain in AFS financial assets in 2011 amounted to ₱87.69 million and ₱10.64 million, respectively. Amount recognized in unrealized gain in AFS financial assets in 2010 amounted to ₱1.80 million.

12. Investment in Joint Venture

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

JMWD changed its business name to JITF Manila Water Development Co. Ltd on March 18, 2011.

On August 30, 2011, the Company agreed to sell its ownership in the Joint Venture Company to JITF Water.

The financial information of JMWD as of and for the years ended December 31, 2011 and 2010 follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>₱11,962,217</td>
<td>₱14,231,638</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>16,752,182</td>
<td>695,055</td>
</tr>
<tr>
<td>Revenue</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net loss</td>
<td>15,720,566</td>
<td>3,077,133</td>
</tr>
</tbody>
</table>

The rollforward analysis of the investment in joint venture follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost</td>
<td>₱7,133,182</td>
<td>₱7,133,182</td>
</tr>
<tr>
<td>Accumulated equity in net loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>(1,538,567)</td>
<td>–</td>
</tr>
<tr>
<td>Equity in net loss</td>
<td>(7,860,283)</td>
<td>(1,538,567)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>(9,398,850)</td>
<td>(1,538,567)</td>
</tr>
<tr>
<td>Net book value</td>
<td>(₱2,265,668)</td>
<td>₱5,594,615</td>
</tr>
</tbody>
</table>

The net book value of investment in joint venture is presented in others under accounts and other payables since JMWD requires the Parent Company to provide additional funding in order to meet existing liabilities of the JMWD (see Notes 15 and 32).
13. **Investment in Associate**

On October 12, 2011, Thu Duc Water Holdings Pte. Ltd. (TDWH) (a subsidiary of MWAP) and Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) entered into a share sale and purchase agreement whereby CII will sell to TDWH its 49% interest (2.45 million common shares) in Thu Duc Water B.O.O. Corporation (TDW). On December 8, 2011, TDWH completed the acquisition of CII’s interest in the common shares of TDW after which TDWH obtained significant influence in TDW.

The acquisition cost of the investment amounted to ₫1.80 billion (VND858 billion). Included within investment in associate account, is goodwill amounting to ₫1.21 billion arising from the acquisition of shares of stocks in TDW by the group.

The financial information of TDW as of and for the year ended December 31, 2011 follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>₫3,212,643,076</td>
<td>₫3,212,643,076</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,969,850,532</td>
<td>1,969,850,532</td>
</tr>
<tr>
<td>Revenue</td>
<td>636,078,938</td>
<td>636,078,938</td>
</tr>
<tr>
<td>Net income</td>
<td>167,181,271</td>
<td>167,181,271</td>
</tr>
</tbody>
</table>

*The conversion rates used was ₫0.0021 to VND1.*

The share of the Group in the net income of TDW for the period December 8 to December 31, 2011 which is not yet recognized in the group’s net income amounted to ₫5.23 million.

14. **Other Noncurrent Assets**

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred FCDA</td>
<td>₫742,588,236</td>
<td>₫725,872,976</td>
</tr>
<tr>
<td>Receivable from BWC - net of current portion</td>
<td>₫413,933,040</td>
<td>–</td>
</tr>
<tr>
<td>Deposits</td>
<td>₫14,734,709</td>
<td>895,241</td>
</tr>
<tr>
<td>Advances to TIEZA (Note 23)</td>
<td>₫1,659,953</td>
<td>2,792,904</td>
</tr>
<tr>
<td>Derivative asset (Note 28)</td>
<td>–</td>
<td>229,613,149</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>₫126,464,324</td>
<td>63,072,872</td>
</tr>
</tbody>
</table>

|                      | ₫1,299,380,262      | ₫1,022,247,142      |

Deferred FCDA refers to the unrecovered amounts from /or amounts for refund to customers for realized gains /losses from payments of foreign loans based on the difference between the drawdown or rebased rate versus the closing rate at payment date. This account also covers the unrealized gains/losses from loan valuations, accrual of interest and accretion of transaction and related costs.

Derivative asset pertains to the embedded call option on the ₫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. On October 23, 2011, the derivative asset was derecognized due to redemption of the bonds payable. The loss recognized due to derecognition of derivative asset amounted to ₫229.61 million (see Note 28).  

*Note 28.*
Advances to TIEZA pertains to the advance payment of concession fees to TIEZA by BIWC which will be applied as payment of, and shall be offset against the annual concession fees payable to TIEZA. The ₱60.00 million advance payment was considered part of the concession assets in 2010 (see Note 10).

15. Accounts and Other Payables

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>₱2,395,062,167</td>
<td>₱1,994,518,543</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>267,781,047</td>
<td>299,811,711</td>
</tr>
<tr>
<td>Utilities</td>
<td>70,022,149</td>
<td>88,374,914</td>
</tr>
<tr>
<td>Management and professional fees</td>
<td>39,458,477</td>
<td>67,801,467</td>
</tr>
<tr>
<td>Collection fees</td>
<td>48,088,768</td>
<td>44,645,354</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>41,016,798</td>
<td>41,673,965</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>40,179,558</td>
<td>36,498,631</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>22,857,758</td>
<td>24,064,757</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>294,116,011</td>
<td>66,043,823</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>162,770,445</td>
<td>207,993,092</td>
</tr>
<tr>
<td>Interest payable</td>
<td>293,122,495</td>
<td>173,596,057</td>
</tr>
<tr>
<td>Advances from SAWACO</td>
<td>22,331,900</td>
<td>48,880,995</td>
</tr>
<tr>
<td>Dividends payable (Note 21)</td>
<td>15,385,408</td>
<td>11,393,764</td>
</tr>
<tr>
<td>Others (Note 12)</td>
<td>76,305,781</td>
<td>42,599,289</td>
</tr>
<tr>
<td></td>
<td><strong>₱3,788,498,762</strong></td>
<td><strong>₱3,147,896,362</strong></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 24). 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.
16. **Long-term Debt**

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB loan</td>
<td>896,079,348</td>
<td>1,057,574,208</td>
</tr>
<tr>
<td>Second IFC loan</td>
<td>761,499,427</td>
<td>884,512,921</td>
</tr>
<tr>
<td>DEG loan</td>
<td>59,380,262</td>
<td>177,727,218</td>
</tr>
<tr>
<td>NEXI Loan</td>
<td>3,485,199,942</td>
<td></td>
</tr>
<tr>
<td><strong>Yen loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First IFC loan</td>
<td>1,029,009,320</td>
<td>1,128,403,649</td>
</tr>
<tr>
<td>EIB loan</td>
<td>2,149,188,494</td>
<td>2,405,025,082</td>
</tr>
<tr>
<td>LBP loan</td>
<td>1,866,329,099</td>
<td>1,660,743,138</td>
</tr>
<tr>
<td><strong>Peso loans (Note 28)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.0 billion notes</td>
<td>9,922,926,486</td>
<td></td>
</tr>
<tr>
<td>4.0 billion bonds</td>
<td></td>
<td>4,097,996,503</td>
</tr>
<tr>
<td>2.0 billion loan</td>
<td>1,381,041,076</td>
<td>1,395,366,921</td>
</tr>
<tr>
<td>1.5 billion loan</td>
<td>1,076,059,046</td>
<td>1,080,335,539</td>
</tr>
<tr>
<td>0.5 billion LAWC loan</td>
<td>493,896,923</td>
<td>246,185,538</td>
</tr>
<tr>
<td>0.5 billion BIWC loan</td>
<td>146,916,951</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,267,526,374</td>
<td>14,133,870,717</td>
</tr>
</tbody>
</table>

Less current portion

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,225,787,741)</td>
<td>(1,174,649,296)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22,041,738,633</td>
<td>12,959,221,421</td>
</tr>
</tbody>
</table>

Unamortized debt discounts and issuance costs (premiums) included in the following long-term debts as of December 31, 2011 and 2010 follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB loan</td>
<td>233,233,821</td>
<td>91,804,054</td>
</tr>
<tr>
<td>Yen loans</td>
<td>138,978,265</td>
<td>169,656,826</td>
</tr>
<tr>
<td>Peso loans</td>
<td>102,357,536</td>
<td>(69,884,500)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>474,569,622</td>
<td>191,576,380</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>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>191,576,380</td>
<td>218,832,830</td>
</tr>
<tr>
<td>Additional</td>
<td>408,719,025</td>
<td>15,892,678</td>
</tr>
<tr>
<td>Amortization (Note 18)</td>
<td>(125,725,783)</td>
<td>(43,149,128)</td>
</tr>
<tr>
<td><strong>Balance at end of the year</strong></td>
<td>474,569,622</td>
<td>191,576,380</td>
</tr>
</tbody>
</table>

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, 2011 and 2010, carrying value of the loan amounted to US$1.35 million and US$4.05 million, respectively.
On March 28, 2003, the Parent Company entered into a loan agreement with IFC (the “First IFC Loan”) to partially finance the Parent Company’s investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of the Parent Company, and concession fee payments. The First IFC Loan was made available in Japanese Yen in the aggregate principal amount of JPY¥3,591.60 million equivalent to US$30.00 million and shall be payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2011 and 2010, carrying value of the loan amounted to JPY¥1,825.13 million and JPY¥2,099.75 million, respectively.

On May 31, 2004, the Parent Company entered into a loan agreement with IFC (the “Second IFC Loan”) composed of a 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, 2011 and 2010, outstanding loans amounted to US$17.37 million and US$20.18 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, 2011 and 2010, outstanding loans amounted to JPY¥3,310.27 million and JPY¥3,090.33 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=2.00 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=10.00 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=10.00 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 Parent Company prepaid a portion of the P=2.00 billion loan from one financial institution amounting to P=600.00 million. As of December 31, 2011 and 2010, the carrying value for this loan amounted to P=1.381 billion and P=1.40 billion, respectively.
On October 9, 2006, the Parent Company entered into a Credit Facility Agreement (the “P=1.50 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 Parent Company prepaid a portion of the P=1.5 billion loan from a financial institution amounting to P=400.00 million. As of December 31, 2011 and 2010, the carrying value for this loan amounted to P=1.07 billion and P=1.10 billion, respectively.

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.


On October 22, 2008, the Parent Company issued P=4.0 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.
On September 2, 2011, the Parent Company approved the early redemption of its ₱4.00 billion bonds due 2013. The bonds were redeemed by payment in cash at a redemption price set at 102% of the principal amount and accrued interest computed up to October 23, 2011 (“Optional Redemption Date”) to bondholders as of October 19, 2011 (“Record Date”). As the Optional Redemption Date falls on a non-business day, payment to each bondholder was made available on the next business day, October 24, 2011. Upon payment, the listing of the bonds on the Philippine Dealing and Exchange Corporation (PDEx) was terminated. The difference between the carrying value of the bond and the proceeds amounted to ₱6.15 million.

On September 7, 2010, LAWC entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to LAWC up to ₱500 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. First and second draw of the loan was made in November 2010 and July 2011 amounting to ₱250.00 million each. The carrying value of the loans amounted to ₱493.90 million and ₱246.18 million as of December 31, 2011 and 2010, respectively.

On October 21, 2010, the Parent Company entered into a term loan agreement (NEXI Loan) amounting to US$150 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndicate of four banks - ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation and is insured by Nippon Export and Investment Insurance. First drawdown of the loan was made in January 2011 amounting to $84.00 million. The carrying value of this loan as of December 31, 2011 amounted to US$79.00 million.

On April 8, 2011, the Parent Company issued 10.00 billion notes (“Fixed Rate Corporate Notes”) ₱5 billion having a term of 5 years (“Five-Year FXCN Note”) from the issue date and the other ₱5 billion with a term of 10 year (“Ten-Year FXCN Note”) from the issue date which are both payable quarterly. The Parent Company may repay the whole and not a part only of the Ten-Year FXCN Notes on the seventh (7th) anniversary of the drawdown date of such FXCN Note or on any FXCN interest payment date thereafter. The amount payable in respect to such prepayment shall be calculated as one hundred two percent (102%) of the principal amount being prepaid and accrued interest on the prepayment date. The carrying value of the notes as of December 31, 2011 amounted to ₱9.92 billion.

On July 29, 2011, the BIWC entered into an omnibus loan and security agreement with the Development Bank of the Philippines (DBP) and Security Bank Corporation (SBC) to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and waste water services for the Service Area under the Concession Agreement, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of ₱500.00 million or as the context may require, the amount thereof then outstanding and is payable in twenty (20) years inclusive of a three (3)-year grace period. The loan shall be available in three sub-tranches, as follows:

- Sub-tranche 1A, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF)
- Sub-tranche 1B, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF
- Sub-tranche 1C, the loan in the amount of ₱125.00 million to be provided by SBC and funded through its internally-generated funds
On August 25, 2011, the BIWC made their first loan drawdown amounting to ₱150.00 million. The carrying value of the loan as of December 31, 2011 amounted to ₱146.92 million.

All these loan agreements provide for certain covenants which must be complied by the Parent Company and BIWC, which include compliance with certain financial ratios such as the debt-to-equity and debt-service-coverage ratios. As of December 31, 2011 and 2010, the Parent Company and BIWC were in compliance with all the loan covenants required by the creditors.

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.

17. 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, 2011 follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousand Pesos)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>₱55,772</td>
<td>₱48,953</td>
<td>₱10,629</td>
</tr>
<tr>
<td>Interest cost on benefit obligation</td>
<td>43,375</td>
<td>44,564</td>
<td>83,564</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(23,519)</td>
<td>(16,369)</td>
<td>(9,281)</td>
</tr>
<tr>
<td>Actuarial losses</td>
<td>6,702</td>
<td>7,827</td>
<td>–</td>
</tr>
<tr>
<td>Total pension expense</td>
<td>₱82,330</td>
<td>₱84,975</td>
<td>₱84,912</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>₱12,146</td>
<td>₱29,852</td>
<td>₱27,439</td>
</tr>
</tbody>
</table>

The funded status and amounts recognized in the consolidated statements of financial position for the pension plan as of December 31, 2011 and 2010 follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>PV of Benefit obligations</td>
<td>₱660,431</td>
<td>₱601,510</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(232,267)</td>
<td>(235,880)</td>
</tr>
<tr>
<td></td>
<td>428,164</td>
<td>365,630</td>
</tr>
<tr>
<td>Unrecognized actuarial losses</td>
<td>(104,317)</td>
<td>(134,261)</td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td>₱323,847</td>
<td>₱231,369</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>₱601,510</td>
<td>₱496,219</td>
</tr>
<tr>
<td>Current service cost</td>
<td>55,772</td>
<td>48,953</td>
</tr>
<tr>
<td>Interest cost</td>
<td>43,375</td>
<td>44,564</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(15,759)</td>
<td>(4,842)</td>
</tr>
<tr>
<td>Addition through business combination (Note 4)</td>
<td>4,155</td>
<td>–</td>
</tr>
<tr>
<td>Actuarial loss (gain)</td>
<td>(28,622)</td>
<td>16,616</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱660,431</td>
<td>₱601,510</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Thousand Pesos)</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>₱235,880</td>
<td>₱155,845</td>
</tr>
<tr>
<td>Expected return</td>
<td>23,519</td>
<td>16,369</td>
</tr>
<tr>
<td>Contributions</td>
<td>–</td>
<td>55,025</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(15,759)</td>
<td>(4,842)</td>
</tr>
<tr>
<td>Actuarial gain (loss)</td>
<td>(11,373)</td>
<td>13,483</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱232,267</td>
<td>₱235,880</td>
</tr>
</tbody>
</table>
Changes in the net unrecognized actuarial losses are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousand Pesos)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>₱134,261</td>
<td>₱138,955</td>
</tr>
<tr>
<td>Addition through business combination (Note 4)</td>
<td>7,184</td>
<td>–</td>
</tr>
<tr>
<td>Actuarial gain (loss) on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation</td>
<td>27,431</td>
<td>(16,616)</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(11,373)</td>
<td>13,483</td>
</tr>
<tr>
<td>Actuarial loss recognized</td>
<td>6,702</td>
<td>7,827</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(₱104,317)</td>
<td>(₱134,261)</td>
</tr>
</tbody>
</table>

The Group expects to contribute ₱78.87 million to its benefit pension plan in 2012.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income instruments</td>
<td>78.57%</td>
<td>74.70%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>21.22%</td>
<td>25.47%</td>
</tr>
<tr>
<td>Others</td>
<td>0.21%</td>
<td>(0.17%)</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, 2011, 2010 and 2009 follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.50 to 7.00%</td>
<td>7.25%</td>
<td>8.75 to 11.09%</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>7.00 to 8.50%</td>
<td>8.00%</td>
<td>5.00 to 9.00%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
<td>8.00%</td>
<td>9.00%</td>
<td>8.50%</td>
</tr>
</tbody>
</table>

The average expected future working lives of employees of the Group as of December 31, 2011 is 11 years.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousand Pesos)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit obligation</td>
<td>₱656,161</td>
<td>₱601,510</td>
<td>₱496,219</td>
<td>₱296,439</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(232,267)</td>
<td>(235,880)</td>
<td>(155,845)</td>
<td>(157,308)</td>
</tr>
<tr>
<td>Deficiency</td>
<td>₱423,894</td>
<td>₱365,630</td>
<td>₱340,374</td>
<td>₱139,131</td>
</tr>
<tr>
<td>Experience adjustments on plan liabilities</td>
<td>₱17,770</td>
<td>₱12,626</td>
<td>₱211,743</td>
<td>₱13,858</td>
</tr>
<tr>
<td>Experience adjustments on plan assets</td>
<td>11,373</td>
<td>13,483</td>
<td>18,158</td>
<td>(22,298)</td>
</tr>
</tbody>
</table>
18. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>₱1,344,892,079</td>
<td>₱1,998,418,919</td>
</tr>
<tr>
<td>Deferred credits</td>
<td>293,489,539</td>
<td>247,554,064</td>
</tr>
<tr>
<td></td>
<td>₱1,638,381,618</td>
<td>₱2,245,972,983</td>
</tr>
</tbody>
</table>

Customers’ guaranty and other deposits pertain to the deposits paid by the Group’s customers amounting to ₱1.34 billion and ₱2.00 billion as of December 31, 2011 and 2010, respectively.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>₱247,554,064</td>
<td>₱196,984,093</td>
</tr>
<tr>
<td>Additions</td>
<td>50,209,799</td>
<td>65,287,932</td>
</tr>
<tr>
<td>Amortization of discount</td>
<td>(4,274,324)</td>
<td>(14,717,961)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>₱293,489,539</td>
<td>₱247,554,064</td>
</tr>
</tbody>
</table>

19. Other Expense, Interest Income, Interest Expense and Other Income

Other expense consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and employee benefits (Notes 17, 21 and 23)</td>
<td>₱323,786,046</td>
<td>₱335,242,549</td>
<td>₱313,672,127</td>
</tr>
<tr>
<td>Business meetings and representation</td>
<td>118,483,156</td>
<td>111,034,536</td>
<td>100,160,652</td>
</tr>
<tr>
<td>Management, technical and professional fees (Note 23)</td>
<td>90,811,865</td>
<td>27,881,266</td>
<td>24,135,387</td>
</tr>
<tr>
<td>Provision for probable losses (Notes 6, 8 and 31)</td>
<td>90,807,943</td>
<td>384,563,471</td>
<td>14,467,432</td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>89,236,996</td>
<td>67,548,887</td>
<td>91,096,490</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>80,192,971</td>
<td>109,417,611</td>
<td>88,369,477</td>
</tr>
<tr>
<td>Occupancy costs (Note 26)</td>
<td>31,741,284</td>
<td>27,214,179</td>
<td>23,181,963</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>30,225,552</td>
<td>25,146,549</td>
<td>19,318,713</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>30,002,684</td>
<td>23,943,938</td>
<td>14,092,176</td>
</tr>
<tr>
<td>Advertising</td>
<td>25,493,985</td>
<td>16,617,690</td>
<td>15,408,136</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>22,230,052</td>
<td>18,804,734</td>
<td>18,266,453</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>20,262,760</td>
<td>18,720,654</td>
<td>9,943,066</td>
</tr>
<tr>
<td>Premium on performance bond (Note 30)</td>
<td>7,862,954</td>
<td>8,316,000</td>
<td>8,637,216</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,696,764</td>
<td>1,471,450</td>
<td>1,378,758</td>
</tr>
<tr>
<td>Other expenses</td>
<td>35,090,092</td>
<td>56,263,233</td>
<td>1,485,084</td>
</tr>
<tr>
<td></td>
<td>₱997,925,104</td>
<td>₱1,232,186,747</td>
<td>₱743,613,130</td>
</tr>
</tbody>
</table>
Interest income consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents, short-term cash investments and AFS financial assets</td>
<td>₱552,486,133</td>
<td>₱285,896,209</td>
<td>₱359,917,512</td>
</tr>
<tr>
<td>Others</td>
<td>₱614,772</td>
<td>₱308,055</td>
<td>₱2,053,021</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱553,100,905</strong></td>
<td><strong>₱286,204,264</strong></td>
<td><strong>₱361,970,533</strong></td>
</tr>
</tbody>
</table>

Interest expense consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of service concession obligations and deposits</td>
<td>₱345,978,129</td>
<td>₱546,528,372</td>
<td>₱368,829,048</td>
</tr>
<tr>
<td>Long-term debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon interest</td>
<td>₱1,156,852,266</td>
<td>598,776,744</td>
<td>426,009,332</td>
</tr>
<tr>
<td>Amortization of debt discount, issuance costs and premium (Note 16)</td>
<td>₱125,927,787</td>
<td>43,149,128</td>
<td>16,682,420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽1,628,758,182</strong></td>
<td><strong>₽1,188,454,244</strong></td>
<td><strong>₽811,520,800</strong></td>
</tr>
</tbody>
</table>

Other income includes the following:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of inventories</td>
<td>₱38,127,509</td>
<td>₱62,293,470</td>
<td>₱ –</td>
</tr>
<tr>
<td>Reopening fee</td>
<td>₱33,722,406</td>
<td>₱36,909,562</td>
<td>₱17,968,272</td>
</tr>
<tr>
<td>Septic sludge disposal and bacteriological water analysis</td>
<td>₱11,359,461</td>
<td>19,512,351</td>
<td>14,684,272</td>
</tr>
<tr>
<td>Sale of scrap materials</td>
<td>₱15,900,122</td>
<td>₱13,114,207</td>
<td>–</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>₱35,075,920</td>
<td>₱25,860,149</td>
<td>₱34,575,428</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽134,185,418</strong></td>
<td><strong>₽157,689,739</strong></td>
<td><strong>₽67,228,294</strong></td>
</tr>
</tbody>
</table>

20. **Income Tax**

Provision for income tax consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₱1,305,801,717</td>
<td>₱1,286,659,898</td>
<td>₱1,048,400,751</td>
</tr>
<tr>
<td>Deferred</td>
<td>(348,417,130)</td>
<td>(40,070,502)</td>
<td>(43,389,597)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽957,384,587</strong></td>
<td><strong>₽1,246,589,396</strong></td>
<td><strong>₽1,005,011,154</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory income tax rate</td>
<td>30.00%</td>
<td>30.00%</td>
<td>30.00%</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>(3.24)</td>
<td>(1.63)</td>
<td>(2.56)</td>
</tr>
<tr>
<td>Nondeductible expense</td>
<td>0.39</td>
<td>1.54</td>
<td>2.33</td>
</tr>
<tr>
<td>Income exempt from tax</td>
<td>(0.52)</td>
<td>(2.85)</td>
<td>(2.29)</td>
</tr>
<tr>
<td>Excess of 40% OSD against allowable deductions</td>
<td>(5.17)</td>
<td>(5.10)</td>
<td>(4.81)</td>
</tr>
<tr>
<td>Change in unrecognized deferred tax</td>
<td>(3.31)</td>
<td>(0.31)</td>
<td>(0.87)</td>
</tr>
<tr>
<td>Others – net</td>
<td>0.13</td>
<td>2.17</td>
<td>1.92</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td><strong>18.28%</strong></td>
<td><strong>23.82%</strong></td>
<td><strong>23.72%</strong></td>
</tr>
</tbody>
</table>
The components of the deferred income tax assets (liabilities) of the Group represent the deferred income tax effects of the following:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service concession obligation - net</td>
<td>₱750,239,989</td>
<td>₱407,086,629</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (Note 6)</td>
<td>8,577,190</td>
<td>3,917,056</td>
</tr>
<tr>
<td>Pension liabilities (Note 17)</td>
<td>720,638</td>
<td>90,134</td>
</tr>
<tr>
<td>Unrealized foreign exchange losses</td>
<td>–</td>
<td>26,867</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱759,537,817</strong></td>
<td><strong>₱411,120,686</strong></td>
</tr>
</tbody>
</table>

The CWC as a duly registered CFZ enterprise under RA No. 9400, An Act Amending RA No. 7227 otherwise known as the Bases Conversion and Development Act of 1992, is entitled to all the rights, privileges and benefits established there under including tax and duty-free importation of capital equipment and special income tax rate of 5% of gross income earned from sources within the CFZ.

**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. Gross income earned refers to gross sales or gross revenue derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. This became effective on July 1, 2008 and was applied by the Parent Company for transactions for the period July to December 2008 and for the years ended December 31, 2010 and 2011.

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

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 in any future tax consequence under OSD. Details of the accounts for which no deferred taxes were recognized as of December 31, 2011 and 2010 follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts (Note 6)</td>
<td>₱550,148,826</td>
<td>₱513,554,936</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>323,847,237</td>
<td>231,369,344</td>
</tr>
<tr>
<td>Unamortized debt discounts and issuance costs of long-term debt (Note 16)</td>
<td>(₱474,569,622)</td>
<td>(₱191,576,380)</td>
</tr>
<tr>
<td>Allowance for impairment losses (Note 8)</td>
<td>–</td>
<td>86,436,083</td>
</tr>
<tr>
<td>Unamortized costs on financial assets</td>
<td>–</td>
<td>1,188,263</td>
</tr>
<tr>
<td>Derivative asset on prepayment option (Note 14)</td>
<td>–</td>
<td>(₱229,613,149)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱399,426,441</strong></td>
<td><strong>₱411,359,097</strong></td>
</tr>
</tbody>
</table>
The net reduction in deferred tax assets from 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 P=612.02 million and P=376.34 million as of December 31, 2011 and 2010, respectively.

In addition to the deferred tax assets and liabilities that have not been recognized as a consequence of the OSD availment, the Parent Company’s subsidiaries have NOLCO amounting to P=20.13 million and P=36.73 million as of December 31, 2011 and 2010, respectively, that are available for offset against future taxable income, for which no deferred tax assets have been recognized. As of December 31, 2011 and 2010, the unrecognized deferred tax assets on NOLCO amounted to P=6.04 million and P=11.02 million, respectively.

The movements of the Group’s NOLCO as of December 31, 2011, 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>2008</td>
<td>P=20,822,891</td>
<td>P=20,822,891</td>
<td>P=–</td>
<td>2011</td>
</tr>
<tr>
<td>2009</td>
<td>14,132,936</td>
<td>5,398,429</td>
<td>8,734,507</td>
<td>2012</td>
</tr>
<tr>
<td>2010</td>
<td>7,218,777</td>
<td>–</td>
<td>7,218,777</td>
<td>2013</td>
</tr>
<tr>
<td>2011</td>
<td>4,181,647</td>
<td>–</td>
<td>4,181,647</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>P=46,356,251</td>
<td>P=26,221,320</td>
<td>P=20,134,931</td>
<td></td>
</tr>
</tbody>
</table>

21. **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 - P=1 per share</td>
<td>2011</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>3,100,000</td>
<td>3,100,000</td>
<td></td>
</tr>
<tr>
<td>Issued and subscribed</td>
<td>2,037,141</td>
<td>2,032,598</td>
<td></td>
</tr>
<tr>
<td>Outstanding</td>
<td>2,037,141</td>
<td>2,032,598</td>
<td></td>
</tr>
<tr>
<td>Preferred stock - P=0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td>4,000,000</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Preferred stock - P=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></td>
</tr>
</tbody>
</table>

On March 18, 2005, the Parent Company launched its Initial Public Offering where a total of 745.33 million common shares were offered at an offering price of P=6.50 per share. The Parent Company has 936 existing certificated shareholders as of December 31, 2011. The Scripless shareholders are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino).

There was no movement in treasury shares in 2011 and 2010.
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 which 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 compliance with the Agreement, AC and United Utilities PLC will be owners of the Parent Company to be held by a joint venture company in proportion to their respective ownership of the outstanding capital stock of the said company.

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

**Dividends**
The following table shows the cash dividends declared by the Parent Company’s BOD for the outstanding capital stock on the three years ended December 31, 2011:

<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>Common Shares</td>
<td>Participating Preferred Shares</td>
<td>Redeemable Preferred Shares</td>
<td></td>
</tr>
<tr>
<td>March 30, 2009</td>
<td>April 16, 2009</td>
<td>₱0.200</td>
<td>₱0.0200</td>
</tr>
<tr>
<td>September 24, 2009</td>
<td>October 8, 2009</td>
<td>0.200</td>
<td>0.0200</td>
</tr>
<tr>
<td>November 26, 2009</td>
<td>December 31, 2009</td>
<td>–</td>
<td>0.0100</td>
</tr>
<tr>
<td>April 12, 2010</td>
<td>April 26, 2010</td>
<td>0.230</td>
<td>0.0230</td>
</tr>
<tr>
<td>July 9, 2010</td>
<td>June 23, 2010</td>
<td>0.230</td>
<td>0.0230</td>
</tr>
<tr>
<td>November 25, 2010</td>
<td>December 1, 2010</td>
<td>–</td>
<td>0.0100</td>
</tr>
<tr>
<td>April 11, 2011</td>
<td>April 27, 2011</td>
<td>0.280</td>
<td>0.0280</td>
</tr>
<tr>
<td>September 20, 2011</td>
<td>October 4, 2011</td>
<td>0.280</td>
<td>0.0280</td>
</tr>
<tr>
<td>November 24, 2011</td>
<td>December 1, 2011</td>
<td>–</td>
<td>0.0100</td>
</tr>
</tbody>
</table>

There are no dividends in arrears for the Parent Company’s participating preferred shares as of December 31, 2011.

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, 2011 amounted to ₱11.97 billion.

**Appropriation for capital expenditures**
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></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares granted</td>
<td>4,617,000</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>54,000</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>₱8.68</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>₱19.8</td>
<td>₱13.50</td>
<td>₱18.00</td>
<td>₱12.00</td>
<td>₱6.50</td>
</tr>
<tr>
<td>Exercise price</td>
<td>₱17.38</td>
<td>₱9.63</td>
<td>₱15.13</td>
<td>₱8.08</td>
<td>₱5.47</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>33.68%</td>
<td>44.66%</td>
<td>25.64%</td>
<td>27.29%</td>
<td>24.65%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>2.68%</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>4.76%</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>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 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>2011</th>
<th>2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>5,422,000</td>
<td>₱6.45</td>
<td>7,362,000</td>
</tr>
<tr>
<td>Granted</td>
<td>4,617,000</td>
<td>17.38</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(4,563,000)</td>
<td>17.38</td>
<td>(1,920,000)</td>
</tr>
<tr>
<td>At December 31</td>
<td>5,476,000</td>
<td></td>
<td>5,442,000</td>
</tr>
</tbody>
</table>

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

Total expense arising from equity-settled share-based payment transactions amounted to ₱20.2 million in 2011, ₱47.3 million in 2010 and ₱75.5 million in 2009.

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 2008, 2009 and 2011 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.

22. Earnings Per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2011, 2010 and 2009 were computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to equity holders of the Parent Company</td>
<td>P$4,266,246</td>
<td>P$3,978,545</td>
<td>P$3,231,413</td>
</tr>
<tr>
<td>Less dividends on preferred shares*</td>
<td>734,462</td>
<td>687,456</td>
<td>569,792</td>
</tr>
<tr>
<td>Net income attributable to common shareholders for basic and diluted earnings per share</td>
<td>P$3,531,784</td>
<td>P$3,291,089</td>
<td>P$2,661,621</td>
</tr>
<tr>
<td>Weighted average number of shares for basic earnings per share</td>
<td>2,034,112</td>
<td>2,031,318</td>
<td>2,028,078</td>
</tr>
<tr>
<td>Dilutive shares arising from stock options</td>
<td>2,770</td>
<td>2,136</td>
<td>2,455</td>
</tr>
<tr>
<td>Adjusted weighted average number of common stock for diluted earnings per share</td>
<td>2,036,889</td>
<td>2,033,454</td>
<td>2,030,533</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>P$1.74</td>
<td>P$1.62</td>
<td>P$1.31</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>P$1.73</td>
<td>P$1.62</td>
<td>P$1.31</td>
</tr>
</tbody>
</table>

*Including participating preferred shares’ participation in earnings.

23. 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, 2011 and 2010, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant transactions with related parties follow:

a. The Parent Company entered into management agreements with United Utilities B.V., an affiliate of United Utilities, a stockholder of Philwater, AC, a principal stockholder, and Water Capital Works, Inc. (WCWI), a joint venture Group formed by AC, United Utilities and BPI Capital. Under the agreements, AC, United Utilities and WCWI will provide technical and other knowledge, experience and skills as reasonably necessary for the development, administration and operation of the concession, for which the Parent Company shall pay to each one of them an annual base fee of US$1.00 million and adjusted for the effect of CPI, except for WCWI which has a base fee of 1% of the earned values of the project being supervised. As a result, certain key management positions are occupied by employees of these related parties. The agreements are for a period of ten (10) years until 2007 and are renewable for successive periods of five (5) years.
The BOD, in its meeting on August 16, 2007, approved the renewal of the Technical Services Agreement with United Utilities, Administrative and Support Services Agreement with AC and Capital Works Agreement with WCWI for another five years up to 2012. Total management and professional fees charged to operations amounted to ₱198.85 million and ₱222.58 million in 2011 and 2010 respectively. Total outstanding payables amounted to ₱116.86 million and ₱109.66 million as of December 31, 2011 and 2010, respectively (see Note 15).

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>2011</td>
<td>2010</td>
</tr>
<tr>
<td>AC</td>
<td>P= -</td>
<td>₱213,009,568</td>
</tr>
<tr>
<td><strong>Affiliates:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of the Philippine Islands (BPI)</td>
<td>130,073,740</td>
<td>135,071,772</td>
</tr>
<tr>
<td>Globe Telecom, Inc. (Globe)</td>
<td>101,400,886</td>
<td>104,181,283</td>
</tr>
<tr>
<td>Ayala Land, Inc. (ALI)</td>
<td>98,516,623</td>
<td>98,236,780</td>
</tr>
<tr>
<td></td>
<td>329,991,249</td>
<td>337,489,835</td>
</tr>
<tr>
<td></td>
<td>₱329,991,249</td>
<td>₱350,499,403</td>
</tr>
</tbody>
</table>

In addition, the Parent Company holds 0.39 million units of Unit Investment Trust Fund (UITF) of BPI. As of December 31, 2011, the fair value of the UITF of BPI amounted to ₱51.42 million.

c. The following tables provide the total amount of all other transactions that have been entered into with the Parent Company’s shareholders and affiliates for the relevant financial year:

Revenue from related parties:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>AC</td>
<td>P=5,479,410</td>
<td>P=4,461,694</td>
<td>P=5,738,946</td>
</tr>
<tr>
<td><strong>Affiliates:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALI</td>
<td>117,942,803</td>
<td>79,227,601</td>
<td>97,136,181</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>8,639,749</td>
<td>7,091,928</td>
<td>9,919,923</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>2,298,503</td>
<td>1,582,956</td>
<td>2,080,734</td>
</tr>
<tr>
<td>Honda Cars Makati, Inc. (HCMI)</td>
<td>485,319</td>
<td>273,904</td>
<td>324,601</td>
</tr>
<tr>
<td>Azalea Technology, LLC (Azalea)</td>
<td>316,052</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>129,682,426</td>
<td>88,176,389</td>
<td>109,461,439</td>
</tr>
<tr>
<td></td>
<td>₱135,161,836</td>
<td>₱92,638,083</td>
<td>₱115,200,385</td>
</tr>
</tbody>
</table>

Revenue is mainly attributable to water and sewerage services rendered by the Group to its shareholder and affiliates.
Purchases from related parties:

<table>
<thead>
<tr>
<th>Affiliates:</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALI and Subsidiaries</td>
<td>P=1,844,363,738</td>
<td>P=467,830,563</td>
<td>P=1,775,033</td>
</tr>
<tr>
<td>HCMI</td>
<td>3,024,798</td>
<td>20,299,156</td>
<td>6,250</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>5,067,246</td>
<td>6,252,713</td>
<td>9,757,459</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>4,126,258</td>
</tr>
<tr>
<td></td>
<td><strong>P=1,852,455,782</strong></td>
<td><strong>P=494,382,432</strong></td>
<td><strong>P=15,665,000</strong></td>
</tr>
</tbody>
</table>

Purchases from ALI and subsidiaries pertain to acquisition of fixed assets while purchases from HCMI relates to acquisition of transportation equipment. Purchases from Globe pertain to telecommunication services and purchases from BPI relates to financing.

Outstanding receivables from related parties as of December 31:

<table>
<thead>
<tr>
<th>Shareholder:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>P=148,593</td>
<td>P=81,174</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALI and Subsidiaries</td>
<td>126,908</td>
<td>465,653</td>
</tr>
<tr>
<td>HCMI</td>
<td>2,844</td>
<td>–</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>–</td>
<td>10,118</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>–</td>
<td>3,186</td>
</tr>
<tr>
<td></td>
<td><strong>129,752</strong></td>
<td><strong>478,957</strong></td>
</tr>
<tr>
<td></td>
<td><strong>P=278,345</strong></td>
<td><strong>P=560,131</strong></td>
</tr>
</tbody>
</table>

Receivables are primarily composed of trade receivables for water and sewerage services rendered by the Group. Additional receivable from ALI and Subsidiaries consist of advances to contractors for the construction of fixed assets.

d. On November 2008, the Parent Company entered into a term loan and credit line facility agreement with Ayala Multi-Purpose Cooperative (AMPC). Under the credit line facility agreement, Parent Company will establish a car/multi-purpose loan fund in the amount of P=205.2 million. An initial drawdown in the amount of P=10 million is required. As soon as the drawdown has been substantially disbursed (85%) to Parent Company employees, AMPC may request for additional drawdown for another P=10 million. The term of the loan is 5 years from date of drawdown and bears zero (0) percent interest.

As of December 31, 2011, total loans drawn from Parent Company amounted to P=70 million.

e. On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004) with POL, one of its shareholders. Concession fees paid to POL amounted to P=1.02 million in 2011 and P=0.81 million in 2010 (see Notes 1 and 30).

f. On December 17, 2009, BIWC entered into a concession agreement with TIEZA, one of its shareholders, for a period of 25 years, with commencement date on January 1, 2010 and renewable at any time prior to expiration for another 25 years, without necessity of bidding.

As of December 31, 2011 and 2010, BIWC has outstanding advances to TIEZA, amounting to P=1.70 million and P=2.80 million, respectively. The P=60.00 million advance payment was considered part of concession assets in 2010 (see Notes 14 and 30).
g. Compensation of key management personnel of the Group by benefit type follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>P298,660,328</td>
<td>P287,173,392</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>16,546,977</td>
<td>9,973,320</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>26,177,215</td>
<td>4,253,069</td>
</tr>
<tr>
<td></td>
<td>P341,384,520</td>
<td>P301,399,781</td>
</tr>
</tbody>
</table>

24. 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 unforseen works; and
f. Daywork schedule

In 2011, 2010 and 2009, total revenue from the Vietnam Project amounted to P162.49 million, P72.82 million and P18.87 million respectively. Total costs related to the Vietnam Project amounted to P171.73 million, P93.89 million and P47.95 million in 2011, 2010 and 2009, respectively.

**India Project**

On May 25, 2007, the Parent Company entered into a Secondment Agreement with Mahindra Water Utilities Limited relating to water management. Total revenue related to the India Project amounted to P2.09 million in 2010, while the corresponding costs amounted to P4.24 million.

**Cebu Project**

Following the execution of the Memorandum of Understanding on January 29, 2009, the Governor of Cebu Province has accepted the unsolicited proposal of the consortium of the Parent Company and Stateland, Inc. for a joint venture or investment with the Provincial Government of Cebu for the development of a treated bulk water supply project in the province of Cebu.

On February 3, 2012, Provincial Government of Cebu awarded the project. 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 (see Note 32).

25. Significant Contracts with the West Zone Concessionaire

In relation to the Agreement, the Group entered into the following contracts with Maynilad:

a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones.
b. Joint Venture Arrangement that will operate, maintain, renew, and as appropriate, decommission common purpose facilities, and perform other functions pursuant to and in accordance with the provisions of the Agreement and perform such other functions relating to the concession (and the concession of the West Zone Concessionaire) as the Concessionaires may choose to delegate to the joint venture, subject to the approval of MWSS.

c. In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility is $116,602,000 with maturity of 20 years including 5 years grace period. Interest rate is 3% per annum. MWSS then entered into a Memorandum of Agreement with MWC and Maynilad for MWC and MWSI to shoulder equally the repayment of the loan, with such repayment to be part of the concession fees.

26. 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 on November 2006 showing a total reproduction cost of ₱27.0 billion with a sound value of ₱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 ₱37.7 billion with a sound value of ₱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 ₱18.27 million, ₱16.80 million and ₱16.64 million in 2011, 2010 and 2009, respectively. These are included under “Occupancy costs” in the consolidated statements of comprehensive income.
POL
LAWC is granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with POL. The legal title of all property in existence at the commencement date shall be retained by POL. Upon expiration of the useful life of any such property as may be determined by LAWC, such property shall be returned to POL in its then condition at no charge to POL or LAWC.

TIEZA
BIWC is granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Agreement. The legal title to all movable property in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of any such movable property as may be determined by BIWC, such movable property shall be returned to TIEZA in its then-current condition at no charge to TIEZA or BIWC.

The net book value of the facilities transferred to BIWC on commencement date based on TIEZA’s closing audit report amounted to P=618.29 million.

27. 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 operates 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, 2011 and 2010 and 2009 are as follows:

**2011**

<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>₱11,525,037</td>
<td>₱310,156</td>
<td>₱168,720</td>
<td>₱12,003,913</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>₱5,083,270</td>
<td>228,007</td>
<td>177,213</td>
<td>5,488,490</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>6,441,767</td>
<td>82,149</td>
<td>(8,493)</td>
<td>₱6,515,423</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>7,449,180</td>
<td>(250,992)</td>
<td>–</td>
<td>7,198,188</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(7,449,180)</td>
<td>253,245</td>
<td>–</td>
<td>(7,195,935)</td>
</tr>
<tr>
<td>Interest income</td>
<td>553,100</td>
<td>10,488</td>
<td>–</td>
<td>563,588</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,592,921)</td>
<td>(35,837)</td>
<td>–</td>
<td>(1,628,758)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>(217,232)</td>
<td>207</td>
<td>–</td>
<td>(217,025)</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>5,184,714</td>
<td>59,260</td>
<td>(8,493)</td>
<td>5,235,481</td>
</tr>
<tr>
<td>Provision for (benefit from) income tax</td>
<td>968,893</td>
<td>(11,509)</td>
<td>–</td>
<td>957,384</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>₱4,215,821</td>
<td>₱70,769</td>
<td>(₱8,493)</td>
<td>₱4,278,097</td>
</tr>
<tr>
<td>Unrealized gain on AFS financial assets</td>
<td>(98,590)</td>
<td>–</td>
<td>–</td>
<td>(98,590)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>(13,385)</td>
<td>–</td>
<td>–</td>
<td>(13,385)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>₱4,103,846</td>
<td>₱70,769</td>
<td>(₱8,493)</td>
<td>₱4,166,122</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>₱4,215,821</td>
<td>₱58,919</td>
<td>(₱8,493)</td>
<td>₱4,266,247</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>11,850</td>
<td>11,850</td>
<td></td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>₱4,215,821</td>
<td>₱70,769</td>
<td>(₱8,493)</td>
<td>₱4,278,097</td>
</tr>
<tr>
<td>Segment assets, exclusive of deferred tax assets</td>
<td>₱55,831,345</td>
<td>₱4,142,554</td>
<td>₱163,134</td>
<td>₱60,137,033</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>698,244</td>
<td>61,507</td>
<td>–</td>
<td>759,751</td>
</tr>
<tr>
<td><strong>Segment liabilities</strong></td>
<td>₱56,529,589</td>
<td>₱4,204,061</td>
<td>₱163,134</td>
<td>₱60,896,784</td>
</tr>
<tr>
<td>Segment additions to property and equipment and SCA</td>
<td>₱8,332,361</td>
<td>₱259,204</td>
<td>₱-</td>
<td>₱8,591,565</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>₱1821,025</td>
<td>₱66,648</td>
<td>₱1,843</td>
<td>₱1,889,516</td>
</tr>
<tr>
<td>Noncash expenses other than depreciation and amortization*</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
</tr>
</tbody>
</table>

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

**2010**

<table>
<thead>
<tr>
<th></th>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to external customers</td>
<td>₱10,724,163</td>
<td>₱214,313</td>
<td>₱74,910</td>
<td>₱11,013,386</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>4,742,661</td>
<td>161,741</td>
<td>97,930</td>
<td>5,002,332</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>5,981,502</td>
<td>52,572</td>
<td>(23,020)</td>
<td>6,011,054</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>6,756,518</td>
<td>18,967</td>
<td>–</td>
<td>6,775,485</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(6,756,481)</td>
<td>(9,477)</td>
<td>–</td>
<td>(6,765,958)</td>
</tr>
<tr>
<td>Interest income</td>
<td>282,522</td>
<td>5,484</td>
<td>–</td>
<td>288,006</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,155,040)</td>
<td>(33,414)</td>
<td>–</td>
<td>(1,188,454)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>121,771</td>
<td>(7,845)</td>
<td>–</td>
<td>113,926</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>5,230,792</td>
<td>26,287</td>
<td>(23,020)</td>
<td>5,234,059</td>
</tr>
<tr>
<td>Provision for (benefit from) income tax</td>
<td>1,257,677</td>
<td>(11,088)</td>
<td>–</td>
<td>1,246,589</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>3,973,115</td>
<td>37,375</td>
<td>(23,020)</td>
<td>3,987,470</td>
</tr>
<tr>
<td>Unrealized gain on AFS financial assets</td>
<td>92,382</td>
<td>–</td>
<td>–</td>
<td>92,382</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>2,650</td>
<td>–</td>
<td>–</td>
<td>2,650</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>₱4,068,147</td>
<td>₱37,375</td>
<td>(₱23,020)</td>
<td>₱4,082,502</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>₱4,062,413</td>
<td>₱34,184</td>
<td>(₱23,020)</td>
<td>₱4,073,578</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>8,924</td>
<td>–</td>
<td>8,924</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>₱4,062,413</td>
<td>₱43,108</td>
<td>(₱23,020)</td>
<td>₱4,082,502</td>
</tr>
</tbody>
</table>
Other information
Segment assets, exclusive of deferred tax assets
\[ \text{East Zone} \quad \text{P}46,235,487 \quad \text{Outside East Zone} \quad \text{P}1,932,929 \quad \text{Management Contracts} \quad \text{P}41,151 \quad \text{Consolidated} \quad \text{P}48,209,567 \]
Deferred tax assets
\[ 379,400 \quad 31,721 \quad - \quad 411,121 \]
\[ \text{East Zone} \quad \text{P}46,614,887 \quad \text{Outside East Zone} \quad \text{P}1,964,650 \quad \text{Management Contracts} \quad \text{P}41,151 \quad \text{Consolidated} \quad \text{P}48,620,688 \]
Segment liabilities
\[ \text{East Zone} \quad \text{P}27,584,887 \quad \text{Outside East Zone} \quad \text{P}1,057,824 \quad \text{Management Contracts} \quad - \quad \text{Consolidated} \quad \text{P}28,642,711 \]
Segment additions to property and equipment and SCA
\[ \text{P}8,674,469 \quad \text{P}1,086,294 \quad - \quad \text{P}9,761,353 \]
Depreciation and amortization
\[ \text{P}1,419,919 \quad \text{P}50,177 \quad - \quad \text{P}1,471,896 \]
Noncash expenses other than depreciation and amortization*
\[ - \quad \text{P}5,733 \quad - \quad \text{P}5,733 \]

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

2009

Revenue
Sales to external customers
\[ \text{East Zone} \quad \text{P}9,485,857 \quad \text{Outside East Zone} \quad \text{P}22,991 \quad \text{Management Contracts} \quad \text{P}23,709 \quad \text{Consolidated} \quad \text{P}9,532,557 \]
Operating expenses
\[ 4,597,249 \quad 38,257 \quad 50,821 \quad 4,686,327 \]
Operating income (loss)
\[ 4,888,608 \quad (15,266) \quad (27,112) \quad 4,846,230 \]
Revenue from rehabilitation works
\[ 4,164,108 \quad 9,220 \quad - \quad 4,173,328 \]
Cost of rehabilitation works
\[ (4,164,108) \quad (7,643) \quad - \quad (4,171,751) \]
Interest income
\[ 360,358 \quad 1,612 \quad - \quad 361,970 \]
Interest expense
\[ (811,310) \quad (211) \quad - \quad (811,521) \]
Other expense
\[ (162,153) \quad (573) \quad - \quad (162,726) \]
Income before income tax
\[ 4,275,503 \quad (12,861) \quad (27,112) \quad 4,235,530 \]
Provision for (benefit from) income tax
\[ 1,006,148 \quad (1,137) \quad - \quad 1,005,011 \]
Net income (loss)
\[ \text{P}3,269,355 \quad (\text{P}11,724) \quad (\text{P}27,112) \quad \text{P}3,230,519 \]
Net income attributable to:
Equity holders of Manila Water Company, Inc.
\[ \text{P}3,269,355 \quad (\text{P}10,831) \quad (\text{P}27,112) \quad \text{P}3,231,412 \]
Non-controlling interests
\[ - \quad (893) \quad - \quad (893) \]
\[ \text{P}3,269,355 \quad (\text{P}11,724) \quad (\text{P}27,112) \quad \text{P}3,230,519 \]

Total revenue derived from India and Vietnam amounted to \text{P}168.72 million, \text{P}74.91 million and \text{P}23.71 million in 2011, 2010 and 2009, respectively, and are included under the management contracts segment of the Group. The Group does not have a single customer contributing more than 10% of its total revenue.

28. 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, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011 Carrying Value</th>
<th>2011 Fair Value</th>
<th>2010 Carrying Value</th>
<th>2010 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>\text{P}5,235,142</td>
<td>\text{P}5,235,142</td>
<td>\text{P}2,412,912</td>
<td>\text{P}2,412,912</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>658,000</td>
<td>658,000</td>
<td>1,546,339</td>
<td>1,546,339</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>787,834</td>
<td>787,834</td>
<td>589,605</td>
<td>589,605</td>
</tr>
<tr>
<td>Commercial</td>
<td>200,699</td>
<td>200,699</td>
<td>145,714</td>
<td>145,714</td>
</tr>
<tr>
<td>Semi-business</td>
<td>53,582</td>
<td>53,582</td>
<td>39,948</td>
<td>39,948</td>
</tr>
<tr>
<td>Industrial</td>
<td>44,553</td>
<td>44,553</td>
<td>6,674</td>
<td>6,674</td>
</tr>
</tbody>
</table>

(Forward)
### Carrying Value vs. Fair Value

<table>
<thead>
<tr>
<th></th>
<th>2011 Carrying Value</th>
<th>2011 Fair Value</th>
<th>2010 Carrying Value</th>
<th>2010 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>P46,665</td>
<td>P46,665</td>
<td>P50,390</td>
<td>P50,390</td>
</tr>
<tr>
<td><strong>Interest from banks</strong></td>
<td>26,385</td>
<td>26,385</td>
<td>21,768</td>
<td>21,768</td>
</tr>
<tr>
<td><strong>Receivable from SAWACO</strong></td>
<td>103,754</td>
<td>103,754</td>
<td>47,700</td>
<td>47,700</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>74,583</td>
<td>74,583</td>
<td>93,925</td>
<td>93,925</td>
</tr>
<tr>
<td><strong>Receivable from BWC</strong></td>
<td>599,342</td>
<td>599,342</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>7,830,539</strong></td>
<td><strong>7,830,539</strong></td>
<td><strong>4,954,975</strong></td>
<td><strong>4,954,975</strong></td>
</tr>
<tr>
<td><strong>AFS financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted investments</td>
<td>793,653</td>
<td>793,653</td>
<td>1,005,247</td>
<td>1,005,247</td>
</tr>
<tr>
<td>Unquoted investments</td>
<td>518,516</td>
<td>518,516</td>
<td>843,659</td>
<td>843,659</td>
</tr>
<tr>
<td></td>
<td><strong>1,312,169</strong></td>
<td><strong>1,312,169</strong></td>
<td><strong>1,848,906</strong></td>
<td><strong>1,848,906</strong></td>
</tr>
<tr>
<td><strong>FVPL financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative assets</td>
<td>-</td>
<td>-</td>
<td>229,613</td>
<td>229,613</td>
</tr>
<tr>
<td></td>
<td><strong>P8,439,613</strong></td>
<td><strong>P8,439,613</strong></td>
<td><strong>P6,537,997</strong></td>
<td><strong>P6,519,938</strong></td>
</tr>
<tr>
<td><strong>Other financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>P2,395,062</td>
<td>P2,395,062</td>
<td>P1,994,519</td>
<td>P1,994,519</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>823,521</td>
<td>823,521</td>
<td>668,915</td>
<td>668,915</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>162,770</td>
<td>162,770</td>
<td>207,993</td>
<td>207,993</td>
</tr>
<tr>
<td>Interest payable</td>
<td>293,122</td>
<td>293,122</td>
<td>173,596</td>
<td>173,596</td>
</tr>
<tr>
<td>Advances from SAWACO</td>
<td>22,332</td>
<td>22,332</td>
<td>48,881</td>
<td>48,881</td>
</tr>
<tr>
<td>Others</td>
<td>76,306</td>
<td>76,306</td>
<td>53,993</td>
<td>53,993</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>101,745</td>
<td>101,745</td>
<td>91,167</td>
<td>91,167</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>23,267,526</td>
<td>27,800,013</td>
<td>14,133,871</td>
<td>15,260,263</td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>1,394,783</td>
<td>1,319,438</td>
<td>1,998,419</td>
<td>1,964,648</td>
</tr>
<tr>
<td>Service concession obligation</td>
<td>8,033,984</td>
<td>9,886,769</td>
<td>7,956,589</td>
<td>8,299,826</td>
</tr>
<tr>
<td></td>
<td><strong>P36,571,151</strong></td>
<td><strong>P42,881,078</strong></td>
<td><strong>P27,327,943</strong></td>
<td><strong>P28,763,801</strong></td>
</tr>
</tbody>
</table>

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

- Cash and cash equivalents, short-term cash investments and trade and other receivables - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

- AFS quoted debt securities - Fair values are based on quoted market prices.

- AFS unquoted equity securities - These are presented at carrying amounts (cost less allowance for impairment losses) since the fair values cannot be reasonably estimated due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

- AFS unquoted debt and other securities - Fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 1% to 7% in 2011 and 2% to 7% in 2010.

- Derivative assets - Fair value of call option was determined using Black’s option pricing model. Valuation inputs such as discount rates were based on credit adjusted interest rates ranging from 2% to 5% in 2010 while interest rate volatility was computed based on historical rates or data.

- Accounts and other payables and payable to related parties - Carrying amounts approximate fair values due to the relatively short-term maturities of these payables.
Customers’ guaranty and other deposits and long-term debt - The fair values are estimated using the discounted cash flow methodology using the Group’s current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The discount rates used for Peso-denominated loans was 1.35% to 7.11% in 2011 and 2.20% to 7.27% in 2010 while the discount rates used for foreign currency-denominated loans ranged from about 1.02% to 3.16% in 2011 and 1.39% to 3.27% in 2010.

Fair Value Hierarchy
The Group held the following financial assets measured at fair value as of December 31:

### 2011

<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>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares</td>
<td>P=165,000,000</td>
<td>P=–</td>
<td>–</td>
<td>P=165,000,000</td>
</tr>
<tr>
<td>Debt</td>
<td>577,229,355</td>
<td>439,070,805</td>
<td>–</td>
<td>1,016,300,160</td>
</tr>
<tr>
<td>Unit Investments Trust Fund (UITF)</td>
<td>51,423,627</td>
<td>–</td>
<td>–</td>
<td>51,423,627</td>
</tr>
<tr>
<td>Derivative asset</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=793,652,982</td>
<td>P=439,070,805</td>
<td>–</td>
<td>P=1,232,723,787</td>
</tr>
</tbody>
</table>

### 2010

<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>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares</td>
<td>P=162,000,000</td>
<td>P=–</td>
<td>P=–</td>
<td>P=162,000,000</td>
</tr>
<tr>
<td>Debt</td>
<td>160,060,157</td>
<td>758,494,624</td>
<td>–</td>
<td>918,554,781</td>
</tr>
<tr>
<td>IMA accounts</td>
<td>683,186,778</td>
<td>–</td>
<td>–</td>
<td>683,186,778</td>
</tr>
<tr>
<td>Derivative asset</td>
<td>–</td>
<td>–</td>
<td>229,613,149</td>
<td>229,613,149</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=1,005,246,935</td>
<td>P=758,494,624</td>
<td>P=229,613,149</td>
<td>P=1,993,354,708</td>
</tr>
</tbody>
</table>

During the period ended December 31, 2010, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

The only financial instrument of the Group that is classified under Level 3 in the fair value hierarchy is its derivative asset pertaining to the embedded call option bifurcated from the P=4.0 Billion Bonds (see Note 16). This was classified under Level 3 because of the use of credit spread as input to its fair value calculation which was assessed by the Group as having a significant impact to its fair value. The movement in the fair value of the embedded derivative is shown as follows:

### 2011

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1, 2011</td>
<td>P=229,613,149</td>
</tr>
<tr>
<td>Mark-to-market gain recognized in profit and loss</td>
<td>(229,613,149)</td>
</tr>
<tr>
<td>At December 31, 2011</td>
<td>P=–</td>
</tr>
</tbody>
</table>

### 2010

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1, 2010</td>
<td>P=158,817,648</td>
</tr>
<tr>
<td>Mark-to-market gain recognized in profit and loss</td>
<td>70,795,501</td>
</tr>
<tr>
<td>At December 31, 2010</td>
<td>P=229,613,149</td>
</tr>
</tbody>
</table>
To assess the impact of the credit spread used, the Group performed a sensitivity analysis using an assumed increase/(decrease) in the credit spread, the results of which are shown below:

<table>
<thead>
<tr>
<th>Basis Points (bps)</th>
<th>Effect on Income before Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 +25</td>
<td>(₱5,626,140)</td>
</tr>
<tr>
<td>-25</td>
<td>6,925,387</td>
</tr>
</tbody>
</table>

**Embedded Derivatives**

**Embedded Prepayment Options**

1. ₱2.0 Billion and ₱1.5 Billion Loans

   The Group has two 7-year loans with an aggregate amount of ₱3.5 billion (see Note 16) where it has the option to prepay the whole loan or any part of the loan. For each Tranche, the Group will pay the amount calculated as the greater of the present value of the remaining cash flows of the relevant Tranche discounted at the yield of the “comparable benchmark tenor” as shown on the Bloomberg MART1 page or one hundred percent (100%) of the principal amount of the relevant Tranche being prepaid.

   The prepayment option of the Group effectively has two components: a long call option and a short put option. The long call option entitles the Group to buy back the issued loan at the face amount while the short put option enables the counterparty bank to sell back the loan to the Group at the market price (present value of future cash flows discounted at prevailing market rates).

   The long call option has a strike price equal to the face amount. Most likely, the Group will exercise the long call option if the market value of the loan is higher than the face amount (in the money). However, if the market value of the loan is lower than the face amount (out of the money), the option will not be exercised.

   On the other hand, the put option enables the counterparty bank to demand payment based on the market value of the loan. Therefore, the strike price of the option is identified as the market value of the loan. Based on analysis, the put option is not the usual option availed to protect the holder from future decline of an asset’s market value. By setting the strike price at market value, the put option provides protection to the holder, as a writer of the call option, from possible losses resulting from the exercise of the call option.

   Based on the payoff analysis, the value of the long call and the short put options are offsetting resulting to net payoff of zero. Consequently, no value for the embedded derivatives is recognized.

2. ₱4.0 Billion Bond

   The Group has an embedded call option on the ₱4.0 Billion Peso Bonds issued on October 22, 2008 (see Note 16) by the Parent Company. 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 ₱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.

On October 23, 2011, the option was exercised by the Parent Company (see Note 14).

3. **P10.0 Billion Notes Payable**

   The Group has an embedded call option on the P10.0 Billion Corporate Notes issued on April 8, 2011 (see Note 16). The embedded call option gives the Group the right to redeem all but not in part the outstanding notes starting on the seventh anniversary. The amount payable to the holder 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 notes on the optional redemption date. The option was assessed as not clearly and closely related to the host contract since the amortized cost of the loan does not approximate the prepayment at each option exercise date. However, as of inception date and December 31, 2011, the value of the option is not material.

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### 29. 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 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 interest rate risk, liquidity risk, foreign exchange risk, equity price rate risk and credit risk. The Group has other various financial assets such as trade receivables and payables which arise directly from the conduct of its operations.

The Parent Company’s BOD reviews and approves the policies for managing each of these risks. The Group monitors risks arising from all financial instruments and regularly report financial management activities and the results of these activities to the Parent Company’s BOD.

The Group’s risk management policies are summarized below:

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to interest rate risk relates primarily to its financial instruments with floating and/or fixed rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

For cash flow interest rate risk, the Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. As of December 31, 2011 and 2010, approximately 68% and 72%, respectively, of the Group’s borrowings have fixed rates of interest.

For fair value interest rate risk, the Group’s investment policy requires it to buy and hold AFS financial assets, unless the need to sell arises, and to reduce the duration gap between financial assets and financial liabilities to minimize interest rate risk. Debt securities are also marked-to-market monthly to reflect and account for both unrealized gains and losses.

The following tables show information about the nominal amount and maturity profile of the Group’s financial instruments that are exposed to cash flow and fair value interest rate risks.
### 2011

<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>
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<tbody>
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<td>Cash equivalents and Short-term cash investments</td>
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<tr>
<td>Interest Rates (Range)</td>
<td></td>
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</tr>
<tr>
<td>1.70% to 11.50%</td>
<td>$5,273,955</td>
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<tr>
<td>Bonds</td>
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<tr>
<td>Government Securities</td>
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<tr>
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<td>$-</td>
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<td>Interest Rates (Range)</td>
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</tr>
<tr>
<td>6.25% to 8.375%</td>
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<td>$226,403</td>
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<tr>
<td>2.3% to 6.5%</td>
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<td>$143,932</td>
<td>$445,780</td>
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<td>$24,149</td>
<td>$152,989</td>
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<td>$5,417,887</td>
<td>$445,780</td>
<td>$249,450</td>
<td>$24,149</td>
<td>$152,989</td>
<td>$6,290,255</td>
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### 2010

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<th></th>
<th>Within 1 year</th>
<th>1-2 years</th>
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<th>More than 4 years</th>
<th>Total</th>
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<tr>
<td>Cash equivalents and Short-term cash investments</td>
<td></td>
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<tr>
<td>0.00% to 11.50%</td>
<td>$2,648,122</td>
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<tr>
<td>Interest Rates (Range)</td>
<td></td>
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<tr>
<td>5.50% to 10.88%</td>
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<td>Interest Rates (Range)</td>
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<td>4.90% to 8.80%</td>
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<td>Long-Term Debt</td>
<td>Fixed Rate (exposed to fair value risk)</td>
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<td>6.5 - 7.5%</td>
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<td></td>
<td>P2.0 Billion Loan</td>
<td>P1,368,000,000</td>
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<td>8.0 - 9.0%</td>
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<td></td>
<td>P1.5 Billion Loan</td>
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<td>Interest rate</td>
<td>6.5 - 7.5%</td>
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<td>EIB Loan - JPY</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
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<td>Interest rate</td>
<td>2.10 - 2.29%</td>
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<td>Interest rate</td>
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<td>IFC Loan - JPY</td>
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<td>Interest rate</td>
<td>4.57%</td>
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<td>IFC Loan – USD</td>
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<td>¥2,000,000</td>
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<td>Interest rate</td>
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<td>P10 Billion Notes</td>
<td>¥50,000,000</td>
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<td>Interest rate</td>
<td>6.34% - 7.33%</td>
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<td>P0.5 Billion - LAWC</td>
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<td>Interest rate</td>
<td>6.73% - 7.58%</td>
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<td>P0.5 Billion - BWCI</td>
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<td>Interest rate</td>
<td>2.25%-9.48%</td>
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<td>Floating Rate (exposed to cash flow risk)</td>
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<td>NEXI Loan</td>
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<td>Interest rate</td>
<td>6m Libor plus margin</td>
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<td>EIB Loan</td>
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<td>Interest rate</td>
<td>6m Libor plus margin</td>
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<td>6m Libor plus margin</td>
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<td></td>
<td>IFC Loan – USD</td>
<td>¥2,000,000</td>
<td>¥2,000,000</td>
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<td>Interest rate</td>
<td>6m Libor plus margin</td>
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<td>MTSP Loan</td>
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<td>Interest rate</td>
<td>6m Libor plus margin</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.

\[¥9,193,872,258 \quad ¥123,982,500 \quad ¥23,750,231,313\]
<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2010</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>
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<tr>
<td>Long-Term Debt</td>
<td>Fixed Rate (exposed to fair value risk)</td>
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<tr>
<td>DEG Loan</td>
<td>$2,715,000</td>
<td>$1,357,500</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<td>$4,072,500</td>
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</tr>
<tr>
<td>¥2.0 Billion Loan</td>
<td>¥16,000,000</td>
<td>¥16,000,000</td>
<td>¥1,368,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>¥1,400,000,000</td>
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<td>Interest rate</td>
<td>8.0 - 9.0%</td>
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<tr>
<td>¥1.5 Billion Loan</td>
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<td>¥1,078,000,000</td>
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<tr>
<td>EIB Loan - JPY</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
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<tr>
<td>EIB Loan - USD</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
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<td>$1,368,000,000</td>
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<td>Interest rate</td>
<td>8.0 - 9.0%</td>
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<tr>
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<td>6m Libor plus margin</td>
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<tr>
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<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>$1,000,000</td>
<td>–</td>
<td>$11,000,000</td>
<td>¥482,240,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<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.
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, 2011 and 2010, with all variables held constant (through the impact on floating rate borrowings, derivative asset and AFS debt securities).

### 2011

<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>+100 (₱57,914)</td>
<td>₱–</td>
</tr>
<tr>
<td></td>
<td>-100 57,914</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td>+100 – (22,636)</td>
<td>– 24,194</td>
</tr>
<tr>
<td></td>
<td>-100</td>
<td></td>
</tr>
</tbody>
</table>

### 2010

<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>+100 (₱59,127)</td>
<td>₱–</td>
</tr>
<tr>
<td></td>
<td>-100 59,127</td>
<td>–</td>
</tr>
<tr>
<td>Derivative asset on call option</td>
<td>+100 (44,816)</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>-100 51,967</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td>+100 (32,312)</td>
<td>– 67,883</td>
</tr>
<tr>
<td></td>
<td>-100</td>
<td></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 46% and 52% of debt as of December 31, 2011 and 2010, respectively, are denominated in foreign currency. Under Amendment 1 of the Agreement, however, the Group has a natural hedge on its foreign exchange risks on its loans and concession fee payments through a recovery mechanism in the tariff (see Note 1).

Information on the Group’s foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Currency</td>
<td>Peso Equivalent</td>
</tr>
<tr>
<td></td>
<td>(Amounts in Thousands)</td>
<td>(Amounts in Thousands)</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>USD 4,171</td>
<td>₱182,853</td>
</tr>
<tr>
<td></td>
<td>YEN –</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Vietnamese Dong (VND)</td>
<td>VND902,330</td>
</tr>
<tr>
<td>(Forward)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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, 2011 and 2010:

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase/Decrease in Foreign Exchange Rates</th>
<th>Effect on Profit before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Amounts in Thousands)</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollar</td>
<td>P1.00</td>
<td>(P184,045)</td>
</tr>
<tr>
<td></td>
<td>(1.00)</td>
<td>184,045</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollar</td>
<td>P1.00</td>
<td>(P100,114)</td>
</tr>
<tr>
<td></td>
<td>(1.00)</td>
<td>100,114</td>
</tr>
<tr>
<td>Yen</td>
<td>0.02</td>
<td>(214,429)</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>214,429</td>
</tr>
</tbody>
</table>

The Group does not expect any movement of the VND, SGD and FRF against the Philippine Peso to have a significant effect on the Group’s profit before tax.

**Equity price risk**

The Group’s equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS financial assets.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.
The Parent Company’s investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market.

The Group has certain direct strategic minority investments in publicly traded companies. These investments are classified as AFS financial assets.

As of December 31, 2011 and 2010, the fair values of equity investments classified as AFS financial assets amounted to ₱165,000,000 and ₱162,000,000, respectively.

The analysis below is performed for reasonably possible movements in the PSE index with all other variables held constant. The impact on equity (due to changes in fair value of equity securities classified as AFS financial assets) is arrived at using the change in variable and the specific adjusted beta of each share of stock the Group holds at the reporting date. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole. The impact on the Group’s equity already excludes the impact on transactions affecting profit or loss.

### December 31, 2011

<table>
<thead>
<tr>
<th>Market Index</th>
<th>Change in variable</th>
<th>Impact on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSE index</td>
<td>12%</td>
<td>₱19,876</td>
</tr>
<tr>
<td></td>
<td>-12%</td>
<td>(19,876)</td>
</tr>
</tbody>
</table>

### December 31, 2010

<table>
<thead>
<tr>
<th>Market Index</th>
<th>Change in variable</th>
<th>Impact on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSE index</td>
<td>+28%</td>
<td>₱136,080</td>
</tr>
<tr>
<td></td>
<td>-28%</td>
<td>(136,080)</td>
</tr>
</tbody>
</table>

In 2011 and 2010, the change in variable was derived from the percentage changes of the composite PSE index for the past three years.

### Credit Risk

The Group trades only with recognized, creditworthy third parties. It is the Group’s policy that except for connection fees and other highly meritorious cases, the Group does not offer credit terms to its customers.

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

In respect of receivables from customers, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk for the components of the consolidated statements of financial position is equal to its carrying value.
As of December 31, 2011 and 2010, the credit quality per class of the Group’s financial assets are as follows:

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Neither Past Due nor Impaired</th>
<th>Past Due and Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>P=4,615,954,797</td>
<td>P=–</td>
<td>P=4,615,954,797</td>
</tr>
<tr>
<td><strong>Short-term cash investments</strong></td>
<td>657,999,988</td>
<td>–</td>
<td>657,999,988</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>81,319,369</td>
<td>307,343,941</td>
<td>399,170,639</td>
</tr>
<tr>
<td>Commercial</td>
<td>24,533,875</td>
<td>116,725,632</td>
<td>141,259,507</td>
</tr>
<tr>
<td>Semi-business</td>
<td>2,520,750</td>
<td>32,054,372</td>
<td>34,575,122</td>
</tr>
<tr>
<td>Industrial</td>
<td>30,394,808</td>
<td>12,507,211</td>
<td>42,902,019</td>
</tr>
<tr>
<td>Employees</td>
<td>–</td>
<td>46,664,561</td>
<td>46,664,561</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>26,384,757</td>
<td>–</td>
<td>26,384,757</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>–</td>
<td>39,798,417</td>
<td>39,798,417</td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>–</td>
<td>185,408,360</td>
<td>185,408,360</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>9,720,149</td>
<td>9,720,149</td>
</tr>
<tr>
<td><strong>AFS financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>793,652,982</td>
<td>–</td>
<td>793,652,982</td>
</tr>
<tr>
<td>Unquoted</td>
<td>518,516,005</td>
<td>–</td>
<td>518,516,005</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=6,751,277,331</td>
<td>P=750,222,643</td>
<td>P=8,109,585,917</td>
</tr>
</tbody>
</table>

*Excludes cash on hand.

### 2010

<table>
<thead>
<tr>
<th></th>
<th>Neither Past Due nor Impaired</th>
<th>Past Due and Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>P=2,406,787,031</td>
<td>P=–</td>
<td>P=2,406,787,031</td>
</tr>
<tr>
<td><strong>Short-term cash investments</strong></td>
<td>1,546,339,222</td>
<td>–</td>
<td>1,546,339,222</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>139,318,327</td>
<td>86,821,142</td>
<td>226,139,469</td>
</tr>
<tr>
<td>Commercial</td>
<td>11,907,332</td>
<td>47,943,600</td>
<td>59,850,932</td>
</tr>
<tr>
<td>Semi-business</td>
<td>1,680,083</td>
<td>12,016,717</td>
<td>13,796,790</td>
</tr>
<tr>
<td>Industrial</td>
<td>943</td>
<td>2,729,708</td>
<td>3,673,441</td>
</tr>
<tr>
<td>Employees</td>
<td>–</td>
<td>50,389,222</td>
<td>50,389,222</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>21,767,660</td>
<td>–</td>
<td>21,767,660</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>47,699,550</td>
<td>–</td>
<td>47,699,550</td>
</tr>
<tr>
<td>Others</td>
<td>59,893,560</td>
<td>34,031,259</td>
<td>93,924,819</td>
</tr>
<tr>
<td><strong>AFS financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>1,005,246,935</td>
<td>–</td>
<td>1,005,246,935</td>
</tr>
<tr>
<td>Unquoted</td>
<td>843,659,174</td>
<td>–</td>
<td>843,659,174</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=6,084,299,817</td>
<td>P=199,900,389</td>
<td>P=6,284,200,196</td>
</tr>
</tbody>
</table>

*Excludes cash on hand.

As of December 31, 2011 and 2010, 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 for the next four to six months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The Group’s financial assets used for liquidity management based on their maturities are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Within 1 Year (In Thousands)</th>
<th>1-5 years (In Thousands)</th>
<th>More than 5 years (In Thousands)</th>
<th>Total - Gross (In PhP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td><strong>5,517,747</strong></td>
<td><strong>-</strong></td>
<td><strong>5,517,747</strong></td>
</tr>
<tr>
<td></td>
<td>Short-term cash investments</td>
<td>686,962</td>
<td><strong>-</strong></td>
<td>686,962</td>
</tr>
<tr>
<td></td>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>1,086,667</td>
<td><strong>-</strong></td>
<td>1,086,667</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>46,665</td>
<td><strong>-</strong></td>
<td>46,665</td>
</tr>
<tr>
<td></td>
<td>Receivable from SAWACO</td>
<td>103,754</td>
<td><strong>-</strong></td>
<td>103,754</td>
</tr>
<tr>
<td></td>
<td>Interest from banks</td>
<td>26,385</td>
<td><strong>-</strong></td>
<td>26,385</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>74,583</td>
<td><strong>-</strong></td>
<td>74,583</td>
</tr>
<tr>
<td></td>
<td>AFS financial assets</td>
<td>175,502</td>
<td>769,310</td>
<td>1,139,713</td>
</tr>
<tr>
<td></td>
<td><strong>Total - Gross</strong></td>
<td><strong>7,718,265</strong></td>
<td><strong>769,310</strong></td>
<td><strong>8,682,486</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Within 1 Year (In Thousands)</th>
<th>1-5 years (In Thousands)</th>
<th>More than 5 years (In Thousands)</th>
<th>Total - Gross (In PhP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td><strong>2,412,912</strong></td>
<td><strong>-</strong></td>
<td><strong>2,412,912</strong></td>
</tr>
<tr>
<td></td>
<td>Short-term cash investments</td>
<td>1,546,339</td>
<td><strong>-</strong></td>
<td>1,546,339</td>
</tr>
<tr>
<td></td>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>781,942</td>
<td><strong>-</strong></td>
<td>781,942</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>50,389</td>
<td><strong>-</strong></td>
<td>50,389</td>
</tr>
<tr>
<td></td>
<td>Receivable from SAWACO</td>
<td>47,700</td>
<td><strong>-</strong></td>
<td>47,700</td>
</tr>
<tr>
<td></td>
<td>Interest from banks</td>
<td>21,768</td>
<td><strong>-</strong></td>
<td>21,768</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>93,925</td>
<td><strong>-</strong></td>
<td>93,925</td>
</tr>
<tr>
<td></td>
<td>AFS financial assets</td>
<td>152,503</td>
<td>767,433</td>
<td>1,853,598</td>
</tr>
<tr>
<td></td>
<td><strong>Total - Gross</strong></td>
<td><strong>5,107,478</strong></td>
<td><strong>767,433</strong></td>
<td><strong>6,808,573</strong></td>
</tr>
</tbody>
</table>
The Group’s financial liabilities based on contractual undiscounted payments:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within 1 Year</td>
<td>1-5 years</td>
</tr>
<tr>
<td></td>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>P4,528,125</td>
<td>P=–</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>101,745</td>
<td>–</td>
</tr>
<tr>
<td>Long-term debt*</td>
<td>2,437,290</td>
<td>17,698,956</td>
</tr>
<tr>
<td>Service concession obligations</td>
<td>752,083</td>
<td>3,354,832</td>
</tr>
<tr>
<td>Customers’ guaranty and other deposits</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>P7,819,243</td>
<td>P21,053,788</td>
</tr>
</tbody>
</table>

*Includes contractual interest cash flows

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 total debt (less concession obligations) divided by the sum of the total stockholders’ equity and total debt (less concession obligations). The Group’s target gearing ratio is 60%. This target is to be achieved over the next 5 years, by managing the Group’s level of borrowings and dividend payments to shareholders.

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Liabilities</td>
<td>P38,085,194</td>
<td>P28,642,711</td>
</tr>
<tr>
<td>Less: Total service concession obligation</td>
<td>8,033,984</td>
<td>7,953,589</td>
</tr>
<tr>
<td>Total Stockholders’ Equity</td>
<td>30,051,210</td>
<td>20,689,122</td>
</tr>
<tr>
<td>Total</td>
<td>P52,862,800</td>
<td>P40,667,099</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>57%</td>
<td>51%</td>
</tr>
</tbody>
</table>
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 stockholders’ equity.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Liabilities</td>
<td>P=38,085,194</td>
<td>P=28,642,711</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total service concession obligation</td>
<td>8,033,984</td>
<td>7,953,589</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,235,142</td>
<td>2,412,912</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>658,000</td>
<td>1,546,339</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>1,312,169</td>
<td>1,848,906</td>
</tr>
<tr>
<td></td>
<td>15,239,295</td>
<td>13,761,746</td>
</tr>
<tr>
<td>Net Debt</td>
<td>22,845,899</td>
<td>14,880,965</td>
</tr>
<tr>
<td>Total Stockholders’ Equity</td>
<td>22,811,590</td>
<td>19,977,977</td>
</tr>
<tr>
<td>Total Net Debt and Stockholders’ Equity</td>
<td>45,657,489</td>
<td>34,858,942</td>
</tr>
<tr>
<td>Total Net Debt and Equity Ratio</td>
<td>50%</td>
<td>43%</td>
</tr>
</tbody>
</table>

30. 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 TIEZA are as follows:

a. To meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA Regulatory Office (TIEZA-RO) due to unforeseen circumstances or modified as a result of rate rebasing exercise;

b. To pay concession fees, subject to the following provisions:
   i. Assumption of all liabilities of the BWSS as of Commencement Date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within Boracay island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;
   ii. Payment of an amount equivalent to 5% of the monthly gross revenue of BIWC, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of BIWC as reflected in its separate financial statements;
   iii. Provision of the amount of the TIEZA BOD’s approved budget in 2011, payable in 4 installments at the first month of each quarter and not exceeding:

<table>
<thead>
<tr>
<th>Month</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>₱5,000,000</td>
</tr>
<tr>
<td>April</td>
<td>4,000,000</td>
</tr>
<tr>
<td>July</td>
<td>3,000,000</td>
</tr>
<tr>
<td>October</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

   iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>₱15,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>20,000,000</td>
</tr>
<tr>
<td>2013 and beyond</td>
<td>20,000,000, subject to annual CPI adjustments</td>
</tr>
</tbody>
</table>

c. To establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;

d. To pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;

e. To raise financing for the improvement and expansion of the BWSS water and wastewater facilities;
f. To operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with BIWC);

g. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property; and

h. To ensure that at all times, BIWC has sufficient financial, material and personnel resources available to meet its obligations under the Agreement.

In addition, the Parent Company, as the main proponent of BIWC shall post a bank security in the amount of US$2.5 million to secure the Parent Company’s and BIWC’s performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by MWC following the schedule below:

<table>
<thead>
<tr>
<th>Rate Rebasing Period</th>
<th>Amount of Performance Security (in US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>US$2.5</td>
</tr>
<tr>
<td>Second</td>
<td>2.5</td>
</tr>
<tr>
<td>Third</td>
<td>1.1</td>
</tr>
<tr>
<td>Fourth</td>
<td>1.1</td>
</tr>
<tr>
<td>Fifth</td>
<td>1.1</td>
</tr>
</tbody>
</table>

On or before the start of each year, BIWC shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

Upon not less than 10 days written notice to BIWC, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by BIWC is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of BIWC to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

Technical services agreement

Simultaneous with the execution of BIWC’s concession agreement, BIWC and the Parent Company executed a Technical Services Agreement by which the Parent Company is being paid by BIWC a technical services fee equivalent to 4% of the annual gross revenue of BIWC, for rendering the following services to BIWC:

a. Financial management, including billing and collection services, accounting methods and financial control devices; and
b. Operations and project management, including facility operations and maintenance, and infrastructure project management.

CWC’s Concession Agreement
The significant commitments of CWC under its concession agreement with CDC are follows:

a. To pay franchise and rental fees of CDC;

b. Finance, design, and construct the New Facilities - defined as any improvement and extension works to (i) all Existing Facilities - defined as all fixed and movable assets specifically listed in the Concession Agreement; (ii) the Construction Work - defined as the scope of construction work set out in the Concession Agreement; and (iii) other new works that do not constitute refurbishment or repair of existing facilities undertaken after the Commencement Date;

c. Manage, exclusively possess, occupy, operate, repair, maintain, decommission and refurbish the Existing Facilities, except for the private deep wells set out in the Concession Agreement, the negotiations for the acquisition and control of which shall be the sole responsibility and for the account of the Company; and manage, own, operate, repair, maintain, decommission and refurbish the new facilities;

d. Treat raw water and wastewater in CFZ;

e. Provide and manage all water and wastewater related services (the Services) like assisting locator of relocating of pipes and assess internal leaks;

f. Bill and collect payment from all persons residing in CFZ (with the exception of SM City Clark) for the Services. SM City Clark has been carved out by virtue of Republic Act 9400 effective 2007 even if it is located within the franchise area; and

g. Extract raw water exclusively from all sources of raw water including all catchment areas, watersheds, springs, wells and reservoirs in CFZ free of charge by CDC.

MOA with ALI
In April 2010, the Parent Company and ALI entered into a MOA to establish a water utility services company which will manage and operate all water systems in Nuvali, as well as adjacent Ayala Land projects in Laguna. The Parent Company shall infuse ₱82 million in cash and will be responsible for all external water systems and the operation and management of JV company. ALI shall infuse ₱18 million cash and ₱59 million “rights/lease” to internal and external water systems and will be responsible for all internal water systems.

The joint venture company has not been established as of December 31, 2011.

31. Provisions and Contingencies

On October 13, 2005, the Municipality of Norzagaray, Bulacan jointly assessed the Parent Company and Maynilad Water Services, Inc. (the “Concessionaires”) for real property taxes on certain common purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. It is the position of the Concessionaires that these properties are owned by the Republic of the Philippines and that the same are exempt from taxation.
Total provisions for real property taxes arising from the property in Bulacan and other municipalities, based on the delinquency notice received, amounted to ₱569.95 million as of December 31, 2011.

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.

32. Events after the Reporting Period

a. On January 4, 2012, the Parent Company received a letter from JMWD stating that the JMWD requires infusion of additional funding of INR5 million for meeting its existing liabilities. It was agreed that, the further funding requirement shall be met through infusion of additional equity of INR2.5 million each by MWC and JITF Water. On January 6 and 18, 2012, the Parent Company infused additional equity to JMWD amounting to ₱2.04 million and ₱0.98 million, respectively.

b. On February 3, 2012, the Provincial Government of Cebu has awarded to Manila Water Consortium (composed of the Parent Company, Vicsal Development Corporation and Stateland, Inc.) the development, operation, and maintenance of a bulk water system (“Project”) in the Province of Cebu.

With the issuance of the award, the Provincial Government of Cebu and Manila Water Consortium shall negotiate and execute a joint investment agreement with 49% - 51% equity participation, respectively. The Project shall supply 35 million liters per day of potable bulk water sourced from the Luyang River in the Municipality of Carmen. The Project will partly provide for the water demands in the northern and central portions of the province.

The Project does not constitute more than 10% of the total assets of the Parent Company.

33. Notes to Cash Flow Statements

The Group’s noncash operating activities follows:

a. BIWC’s additional service SCA and SCO assumed from BWSS in 2010 amounting to ₱762.66 million.

b. Accrual of project costs amounting to ₱162.77 million, ₱222.32 million and ₱199.24 million years ended December 31, 2011, 2010 and 2009, respectively.

The Group’s noncash investing activity pertains to additional SCO amounting to ₱1,048.27 million and ₱249.43 million in 2011 and 2010, respectively, under the MOA of the Parent Company and MWSS for the repayment of the loan for the financing of the Project.
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 its subsidiaries as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A and have issued our report thereon dated March 6, 2012. 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 Securities Regulation Code Rules 68, as amended (2011) 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 information 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 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009
June 1, 2009, Valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

March 6, 2012
<table>
<thead>
<tr>
<th>Name of Issuing entity &amp; association of each issue</th>
<th>Number of shares</th>
<th>principal amount of bonds &amp; notes</th>
<th>Amount shown in the balance sheet</th>
<th>Income received and accrued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOANS AND RECEIVABLES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash equivalent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td></td>
<td></td>
<td>2,172,158,394.67</td>
<td></td>
</tr>
<tr>
<td>Metrobank</td>
<td></td>
<td></td>
<td>948,827,083.29</td>
<td></td>
</tr>
<tr>
<td>BDO</td>
<td></td>
<td></td>
<td>1,494,969,319.37</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td></td>
<td></td>
<td>502,999,988.00</td>
<td></td>
</tr>
<tr>
<td>Metrobank</td>
<td></td>
<td></td>
<td>80,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Chinabank</td>
<td></td>
<td></td>
<td>75,000,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>Trade receivable</strong></td>
<td></td>
<td></td>
<td>1,133,332,039.00</td>
<td></td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td></td>
<td></td>
<td>599,341,670.00</td>
<td>7,006,628,494.33</td>
</tr>
<tr>
<td><strong>AVAILABLE - FOR-SALE FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stocks:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC Preferred Stocks</td>
<td>300,000.00</td>
<td>150,000,000</td>
<td>165,000,000</td>
<td></td>
</tr>
<tr>
<td>Meralco Preferred Shares</td>
<td></td>
<td></td>
<td>2,409,290</td>
<td></td>
</tr>
<tr>
<td>TRILITY Pty. Ltd.</td>
<td></td>
<td></td>
<td>77,035,910</td>
<td></td>
</tr>
<tr>
<td><strong>Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALI Bond</td>
<td>90,000,000</td>
<td></td>
<td>98,516,623</td>
<td></td>
</tr>
<tr>
<td>BPI-LTNCD</td>
<td>100,000,000</td>
<td></td>
<td>99,231,322</td>
<td></td>
</tr>
<tr>
<td>BPI-Tier 2</td>
<td>30,000,000</td>
<td></td>
<td>30,842,418</td>
<td></td>
</tr>
<tr>
<td>Tier 2 Note- BDO Private</td>
<td>20,000,000</td>
<td></td>
<td>21,629,036</td>
<td></td>
</tr>
<tr>
<td>Tier 2 Note- DBP (thru MIB)</td>
<td>30,000,000</td>
<td></td>
<td>32,796,981</td>
<td></td>
</tr>
<tr>
<td>Globe Bonds (ABON)</td>
<td>100,000,000</td>
<td></td>
<td>101,400,886</td>
<td></td>
</tr>
<tr>
<td>SMIC Bond</td>
<td>50,000,000</td>
<td></td>
<td>54,653,539</td>
<td></td>
</tr>
<tr>
<td>Philippine FXTN</td>
<td>363,340,000</td>
<td></td>
<td>534,698,524</td>
<td></td>
</tr>
<tr>
<td>Philippine - Retail Treasury Bond</td>
<td>30,000,000.00</td>
<td></td>
<td>30,931,143</td>
<td></td>
</tr>
<tr>
<td>Napocor Bonds</td>
<td></td>
<td></td>
<td>11,599,687</td>
<td></td>
</tr>
<tr>
<td><strong>UITF:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPI</td>
<td></td>
<td></td>
<td>51,423,627</td>
<td>1,343,100,130.45</td>
</tr>
</tbody>
</table>

8,349,728,624.78

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.
2. State the basis for determining balance sheet amounts.
Note: Receivables from principal stockholders represents receivables from water revenue which arise in the ordinary course of business.

<table>
<thead>
<tr>
<th>Name</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance (Current)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cash Collections</td>
<td>Collections Other than Cash</td>
</tr>
<tr>
<td>OFFICERS AND EMPLOYEES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>50,389,222</td>
<td>112,221,404</td>
<td>115,946,066</td>
<td>46,664,561</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>112,221,404.25</td>
<td>115,946,066</td>
<td>-</td>
<td>46,664,561</td>
</tr>
</tbody>
</table>
### Manila Water Company Inc.

**SCHEDULE C-Trade & Other Receivables Eliminated During Consolidation**

**As of December 31, 2011**

<table>
<thead>
<tr>
<th>Entity Name (Creditor)</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance (Noncurrent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collections</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Written-off</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjustments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amount owned by Manila Water Company, Inc. (MWCI) subsidiaries to MWCI Parent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manila Water International Solutions</td>
<td>32,562,076.57</td>
<td>1,661,117.77</td>
<td></td>
<td>34,223,194.34</td>
</tr>
<tr>
<td>Northern Waterworks and Rivers of Cebu</td>
<td>13,550,256.21</td>
<td>1,946,783.35</td>
<td></td>
<td>15,497,039.56</td>
</tr>
<tr>
<td>AAA Water Corp</td>
<td>22,735,816.77</td>
<td>13,669,600.76</td>
<td>15,000,000.00</td>
<td>21,405,408.53</td>
</tr>
<tr>
<td>Manila Water Total Solutions</td>
<td>14,067,223.37</td>
<td>1,815,840.37</td>
<td></td>
<td>15,883,063.74</td>
</tr>
<tr>
<td>Laguna AAA Water</td>
<td>29,769,814.28</td>
<td>54,767,244.33</td>
<td>73,550,816.56</td>
<td>10,986,242.05</td>
</tr>
<tr>
<td>Boracay Island Water</td>
<td>57,835,206.00</td>
<td>36,255,842.98</td>
<td>45,028,611.27</td>
<td>49,062,929.00</td>
</tr>
<tr>
<td>Manila Water Asia Pacific Pte. Ltd.</td>
<td>33,845.00</td>
<td>-</td>
<td></td>
<td>33,845.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>170,520,393.20</strong></td>
<td><strong>110,150,274.56</strong></td>
<td><strong>133,579,427.83</strong></td>
<td><strong>147,091,722.22</strong></td>
</tr>
</tbody>
</table>

**Note:** Receivable balance per MWCI is equal to payable balance per MWCI subsidiaries.
### Schedule D - Intangible assets

**As of December 31, 2011**

<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>Goodwill</td>
<td>130,319,465.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>130,319,465</td>
</tr>
<tr>
<td>Intangible Service Concession Assets</td>
<td>37,565,227,387.00</td>
<td>130,319,465.29</td>
<td>9,663,470,080.00</td>
<td>1,532,939,570.00</td>
<td></td>
<td>45,695,757,897</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45,826,077,362</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOREIGN CURRENCY DENOMINATED LOANS</td>
<td>USD</td>
<td>JPY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----</td>
<td>-----</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC (tranche 2-1) 4.570% Jun. 15, 2016 87,640,000.00</td>
<td>USD402,000.00</td>
<td>396,079,148.88</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC (tranche 2-1) USD Libor + 3.00% spread</td>
<td>87,640,000.00</td>
<td>385,740,076.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC (tranche 2-3)</td>
<td>6.98% - 7.68%</td>
<td>59,381,265.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEXI loan (tranche 1) USD Libor + 3.55%</td>
<td>Oct 21, 2020</td>
<td>3,485,199,942.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL USD Equivalent ( Php43.84 - 1US$)</strong></td>
<td><strong>502,776,884.87</strong></td>
<td><strong>23,267,526,373.98</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MANILA WATER COMPANY, INC. Exchange Rates</th>
<th><strong>LBP</strong> (tranche 17) JPY Libor + 2.25% Apr 15, 2022</th>
<th>7,903,077.91</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL Php Equivalent</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PHP</th>
<th>1.5B Peso loan</th>
<th>2.94%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL Php Equivalent</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Notes</th>
<th>6.3385% and 7.328%</th>
<th>Apr 16, 2021</th>
<th>39,922,948.48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL USD Equivalent (Php43.84 - 1US$)</strong></td>
<td><strong>342,787,884.47</strong></td>
<td><strong>23,267,526,373.98</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFC (tranche 1-1) JPY Libor + 3.00% spread</th>
<th>June 15, 2018</th>
<th>137,141,264.00</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFC (tranche 2) 5.080% June 20, 2017 164,400,000.00</th>
<th>293,079,350.77</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFC (tranche 1) JPY Libor + 3.00% spread</th>
<th>June 20, 2017</th>
<th>147,526,452.79</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>IFC (tranche 2-1) 4.660%</th>
<th>June 15, 2018</th>
<th>24,834,262.40</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EIB (tranche 3) 2.10% June 20, 2017 73,852,891.56</th>
<th>381,507,108.00</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Notes</th>
<th>6.3385% and 7.328%</th>
<th>Apr 16, 2021</th>
<th>39,922,948.48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Security Bank 73,458,475.36</th>
<th>73,458,475.36</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Notes</th>
<th>6.3385% and 7.328%</th>
<th>Apr 16, 2021</th>
<th>39,922,948.48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Notes</th>
<th>6.3385% and 7.328%</th>
<th>Apr 16, 2021</th>
<th>39,922,948.48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Notes</th>
<th>6.3385% and 7.328%</th>
<th>Apr 16, 2021</th>
<th>39,922,948.48</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,225,787,741.00</strong></td>
<td><strong>22,041,738,632.80</strong></td>
<td></td>
</tr>
<tr>
<td>TITLE OF ISSUE &amp; TYPE OF OBLIGATION</td>
<td>Amount authorized by indenture</td>
<td>Amount shown under caption &quot;Current portion of long-term debt&quot; in related balance sheet</td>
<td>Amount shown under caption &quot;Long-term Debt&quot; in related balance sheet</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>FOREIGN CURRENCY DENOMINATED LOANS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADB 1379</td>
<td>312,326,835</td>
<td>1,404,718,789</td>
<td></td>
</tr>
<tr>
<td>ADB 1746</td>
<td>41,013,985</td>
<td>514,647,833</td>
<td></td>
</tr>
<tr>
<td>ADB 2012</td>
<td>9,281,520</td>
<td>169,174,874</td>
<td></td>
</tr>
<tr>
<td>ADB 996</td>
<td>5,215,763</td>
<td>5,828,315</td>
<td></td>
</tr>
<tr>
<td>IBRD 4019</td>
<td>193,798,612</td>
<td>444,210,320</td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td>62,516,971</td>
<td>270,847,445</td>
<td></td>
</tr>
<tr>
<td>JBL-PH110</td>
<td>30,053,402</td>
<td>358,621,732</td>
<td></td>
</tr>
<tr>
<td>French Loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Loan</td>
<td>2,949,904</td>
<td>14,796,664</td>
<td></td>
</tr>
<tr>
<td>China Loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eximbank</td>
<td>-</td>
<td>1,311,802,127</td>
<td></td>
</tr>
<tr>
<td>Before turn-over(USD)</td>
<td>118,103</td>
<td>20,297,197</td>
<td></td>
</tr>
<tr>
<td>Before turn-over(FRF)</td>
<td>2,263,717</td>
<td>6,946,314</td>
<td></td>
</tr>
<tr>
<td>TOTAL USD Equivalent</td>
<td>313,310,968</td>
<td>1,412,320,550</td>
<td></td>
</tr>
<tr>
<td>TOTAL Php Equivalent-Concession Loan</td>
<td>347,711,960</td>
<td>3,117,182,824</td>
<td></td>
</tr>
<tr>
<td><strong>REGULATORY FEE</strong></td>
<td>632,908,197</td>
<td>3,155,221,535</td>
<td></td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>980,620,157</td>
<td>6,272,404,358</td>
<td></td>
</tr>
</tbody>
</table>

Note: This pertains to payable assumed from MWSS
MANILA WATER COMPANY, INC.
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
As of December 31, 2011

<table>
<thead>
<tr>
<th>Name of Related Parties</th>
<th>Balance at Beginning of Period</th>
<th>Balance at End of Period</th>
</tr>
</thead>
</table>

*The Group has no long-term loans with related parties*
<table>
<thead>
<tr>
<th>Name of issuing entity of securities guaranteed by the company for which this statement is filed</th>
<th>Title of issue of each class of securities guaranteed</th>
<th>Total amount guaranteed and outstanding</th>
<th>Amount owned by person for which statement is filed</th>
<th>Nature of guaranty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><em>The Group has no guarantees of securities of other issuers</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TITLE OF ISSUE</td>
<td>NUMBER OF SHARES AUTHORIZED</td>
<td># OF SHARES ISSUED/ SUBSCRIBED</td>
<td># OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION &amp; RIGHTS</td>
<td># OF SHARES HELD BY AFFILIATES, DIRECTORS, OFFICERS &amp; EMPLOYEES</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------</td>
<td>---------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Preferred stock - P1 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible</td>
<td>400,000,000</td>
<td>4,000,000,000</td>
<td>4,000,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Preferred stock - P1 par value, 8% cumulative, nonvoting, nonparticipating, nonconvertible, redeemable over 5 years</td>
<td>500,000,000</td>
<td>500,000,000</td>
<td>500,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Preferred Shares</strong></td>
<td><strong>900,000,000</strong></td>
<td><strong>4,500,000,000</strong></td>
<td><strong>4,000,000,000</strong></td>
<td><strong>500,000,000</strong></td>
</tr>
<tr>
<td>Common Stock</td>
<td>3,100,000,000</td>
<td>2,037,140,818</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Treasury Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding Common Stock</td>
<td>2,037,140,818</td>
<td></td>
<td>688,502,363</td>
<td>1,348,638,455</td>
</tr>
</tbody>
</table>
MANILA WATER COMPANY, INC.
SCHEDULE I- Retained Earnings Available for Dividends Declaration
As of December 31, 2011

<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>8,804,634,222</td>
</tr>
<tr>
<td>Net income during the period closed to Retained Earnings</td>
<td>4,217,070,890</td>
</tr>
<tr>
<td>Less  Deferred tax benefit during the period</td>
<td></td>
</tr>
<tr>
<td>Add: Mark-to-market loss on derivatives</td>
<td></td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td></td>
</tr>
<tr>
<td>Accretion of long term debt discount</td>
<td>124,193,510</td>
</tr>
<tr>
<td>Accretion of service concession obligation and deposits</td>
<td>327,096,784</td>
</tr>
<tr>
<td>Equity in net loss of joint venture</td>
<td>7,860,283</td>
</tr>
<tr>
<td>Deferred tax benefit during the period</td>
<td>(318,844,075)</td>
</tr>
<tr>
<td>Net income actually earned during the period</td>
<td>4,357,377,392</td>
</tr>
<tr>
<td>Less: Dividends declared during the period</td>
<td>-1,190,588,811</td>
</tr>
<tr>
<td>Appropriations during the period</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-1,190,588,811</td>
</tr>
<tr>
<td>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</td>
<td>11,971,422,803</td>
</tr>
</tbody>
</table>
List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2011:

<table>
<thead>
<tr>
<th>PFRSs</th>
<th>Adopted/Not adopted/Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFRS 1: First-time Adoption of Philippine Financial Reporting Standards</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 2: Share-based Payments</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 3: Business Combinations</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 4: Insurance Contracts</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 5: Non-current Assets Held for Sale and Discontinued Operations</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 6: Exploration for and Evaluation of Mineral Resources</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 7: Financial Instruments: disclosures</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 8: Operating Leases</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 9: Determination of Whether an Arrangement Contains a Lease</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 10: Financial Instruments: Presentation</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 11: Financial Instruments: Disclosures</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 12: Financial Reporting in Hyperinflationary Economies</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 13: Interim Financial Reporting</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 14: Income Taxes</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 15: Inventories</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 16: Leases</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 17: Leases</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 18: Revenue</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 19: Employee Benefits</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 20: Accounting for Government Grants and Disclosures of Government Assistance</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>PFRS 21: The Effects of Changes in Foreign Exchange Rates</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 22: Borrowing Costs</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 23: Related Parties Disclosures</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 24: Accounting and Reporting by Retirement Benefit Plans</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 25: Consolidated and Separate Financial Statements</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 26: Investments in Associates</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 27: Financial Reporting in Hyperinflationary Economies</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 28: Interests in Joint Ventures</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 30: Earnings per Share</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 31: Income Financial Reporting</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 32: Inventories</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 33: Interim Financial Reporting</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 34: Income Taxes</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 35: Intangible Assets</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 36: Intangible Assets</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 37: Financial Instruments: Recognition and Measurement</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 38: Intangible Assets</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 39: Intangible Assets</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 40: Intangible Assets</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 41: Agriculture</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 42: Philippine Interpretation IFRIC-1: Change in Existing Decommissioning, Restoration and Similar Liabilities</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 43: Philippine Interpretation IFRIC-2: Broker's Shares in Cooperative Entities and Similar Instruments</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 44: Philippine Interpretation IFRIC-4: Determining whether an Arrangement Contains a Lease</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 45: Philippine Interpretation IFRIC-5: Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 46: Philippine Interpretation IFRIC-6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 47: Philippine Interpretation IFRIC-7: Applying the Rescission Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 48: Philippine Interpretation IFRIC-8: Measurement of Embedded Derivatives</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 50: Philippine Interpretation IFRIC-10: Intangible Financial Reporting and Impairment</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 51: Philippine Interpretation IFRIC-11: Service Concession Arrangements</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 52: Philippine Interpretation IFRIC-12: Service Concession Arrangements</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 53: Philippine Interpretation IFRIC-13: Customer Loyalty Programmes</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 54: Philippine Interpretation IFRIC-14: 40% of the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 55: Philippine Interpretation IFRIC-15: Nature of a Non-investment in a Foreign Operation</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 56: Philippine Interpretation IFRIC-16: Distribution of Non-cash Assets to Owners</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 57: Philippine Interpretation IFRIC-17: Transfers of Accounts from Customers</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 58: Philippine Interpretation IFRIC-18: Extending Financial Liabilities with Equity Instruments</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 59: Philippine Interpretation IFRIC-19: Introduction of the Batang</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 60: Philippine Interpretation IFRIC-20: Government Assistance - No Specific Relation to Operating Activities</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 61: Philippine Interpretation IFRIC-21: Consolidation - Special Purpose Entities</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 62: Philippine Interpretation IFRIC-22: Special Purpose Entities</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 63: Philippine Interpretation IFRIC-23: Operating Leases - Incentives</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 64: Philippine Interpretation IFRIC-24: Income Taxes - Recovery of Revalued Non-Depreciable Assets</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 65: Philippine Interpretation IFRIC-25: Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 66: Philippine Interpretation IFRIC-26: Evaluating the Substance of Transactions Involving the Legal Form of a Lease</td>
<td>Not applicable</td>
</tr>
<tr>
<td>PFRS 67: Philippine Interpretation IFRIC-27: Service Concession Arrangements: Definitions</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 68: Philippine Interpretation IFRIC-28: Service Concession Arrangements: Definitions</td>
<td>Adopted</td>
</tr>
<tr>
<td>PFRS 69: Philippine Interpretation IFRIC-29: Service Concession Arrangements: Definitions</td>
<td>Adopted</td>
</tr>
</tbody>
</table>

Important: If an entity has early adopted any of the following pronouncements, please take note of the: (1) additional disclosures the entity has to make for the early adoption of the said pronouncements and (2) the existing PFRSs that the entity may have to mark as "Not applicable."
<table>
<thead>
<tr>
<th>Standard/Interpretation/Amendment(s) issued but not yet effective</th>
<th>In annual period beginning</th>
<th>Early application allowed</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to PFRS 7: Disclosures—Transfers of Financial Assets</td>
<td>1-Jul-11</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Amendments to PFRS 7: Disclosures—Offsetting Financial Assets and Financial Liabilities</td>
<td>1-Jul-13</td>
<td>Yes</td>
<td>Not mentioned</td>
</tr>
<tr>
<td>PFRS 9, Financial Instruments</td>
<td>1-Jun-15</td>
<td>Yes</td>
<td>PFRS 9 was first adopted by FRSC in March 2010, which introduces new requirements on the classification and measurement of financial assets (PFRS 9 [2009]). Subsequently in November 2010, the FRSC adopted previously adopted PFRS 9 [PFRS 9 (2010)]. Need to mark IFRIC–9 as “Not applicable” if the entity will early adopt PFRS 9 (2010).</td>
</tr>
<tr>
<td>PFRS 10, Consolidated Financial Statements</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td>Early application allowed provided that the entity will also early adopt PFRS 11, PFRS 12, PAS 27 (Revised) and PAS 28 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, PFRS–12 and PFRS–13 as “Inapplicable”</td>
</tr>
<tr>
<td>PFRS 11, Joint Arrangements</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td>Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 12, PAS 27 (Revised) and PAS 28 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, PFRS–12 and PFRS–13 as “Inapplicable”</td>
</tr>
<tr>
<td>PFRS 12, Disclosures of Interests in Other Entities</td>
<td>1-Jul-13</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>PFRS 13, Fair Value Measurements</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Amendments to PAS 1: Presentation of Items of Other Comprehensive Income</td>
<td>1-Jul-12</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Amendments to PAS 12–Revised Fair–Recovery of Unsettling Assets</td>
<td>1-Jul-12</td>
<td>Yes</td>
<td>Should mark SIC–23 as “Not applicable”</td>
</tr>
<tr>
<td>PAS 19, Employee Benefits (Revised)</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td>Should mark existing PAS 19 as “Not applicable”</td>
</tr>
<tr>
<td>PAS 21, Employee Financial Statements</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td>Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 11, PFRS 12, and PAS 28 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, PFRS–12 and SIC–13 as “Inapplicable”</td>
</tr>
<tr>
<td>PAS 26, Investments in Associates and Joint Ventures</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td>Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 11, PFRS 12, and PAS 27 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, PFRS–12 and SIC–13 as “Inapplicable”</td>
</tr>
<tr>
<td>Amendments to PAS 32, Offsetting Financial Assets and Financial Liabilities</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td>Early application allowed provided that the entity will also early adopt Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendment to PFRS 7)</td>
</tr>
<tr>
<td>Philippine Interpretation IFRIC–15, Agreements for the Construction of Real Estate Declined by SEC and FRSC</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippine Interpretation IFRIC–20, Stripping Costs in the Production Phase of a Surface Mine</td>
<td>1-Jun-13</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
Manila Water Company, Inc.
Schedule L: Schedule of Financial Ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Ratio</td>
<td>0.94</td>
<td>0.73</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>0.16</td>
<td>0.20</td>
</tr>
<tr>
<td>Debt-to-Equity Ratio</td>
<td>1.32</td>
<td>1.04</td>
</tr>
<tr>
<td>Assets-to-Equity Ratio</td>
<td>2.67</td>
<td>2.43</td>
</tr>
<tr>
<td>Interest Rate Coverage Ratio</td>
<td>5.16</td>
<td>6.30</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>7%</td>
<td>8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Ratio</td>
<td>Cash / Cash equivalents + Short-term cash investments / Current Liabilities</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>After-Tax Net Profit + (Depreciation + Amortization) + Provision for Probable Losses / Long-term Liabilities + Short Term Liabilities</td>
</tr>
<tr>
<td>Debt-to-Equity Ratio</td>
<td>Total Liabilities - Service Concession Obligations - Total Stockholders' Equity</td>
</tr>
<tr>
<td>Assets-to-Equity Ratio</td>
<td>Total Assets / Total Stockholders' Equity</td>
</tr>
<tr>
<td>Interest Rate Coverage Ratio</td>
<td>EBITDA / Interest Expense</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>Net Income / Total Stockholders' Equity</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>Net Income / Total Assets</td>
</tr>
</tbody>
</table>
Schedule M  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, 2011:

<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>303,659,196</td>
<td>52.61%</td>
<td>Filipino</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Non-Filipino)</td>
<td>134,401,712</td>
<td>23.28%</td>
<td>Various</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>63,077,540</td>
<td>10.93%</td>
<td>Japanese</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Filipino)</td>
<td>35,783,277</td>
<td>6.20%</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, 2011 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>Percent age</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>333,400,000 (common)</td>
<td>60.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>United Utilities Pacific Holdings BV</td>
<td>222,255,555 (preferred)</td>
<td>40.00%</td>
<td>Dutch</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Rufino Luis T. Manotok</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Simeon Ken R. Ferrer</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Jennifer I. Lim</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
</tbody>
</table>

(3) Mitsubishi Corporation

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

(4) 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.
**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

**NAME OF CORPORATION:** MANILA WATER COMPANY, INC.

**CURRENT ADDRESS:** MWSS Administration Bldg., Katipunan Road, Balara, Quezon City

**TEL. NO.:** 917-59-00

**FAX NO.:** 928-24-50

**COMPANY TYPE:** STOCK CORPORATION

**PSIC:** 4300

---

### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th><strong>FINANCIAL DATA</strong></th>
<th><strong>2011</strong></th>
<th><strong>2010</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</td>
<td>60,896,783</td>
<td>48,620,688</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>7,819,348</td>
<td>5,899,563</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>5,235,141</td>
<td>2,412,912</td>
</tr>
<tr>
<td>A.1.1.1 On hand</td>
<td>4,374</td>
<td>6,125</td>
</tr>
<tr>
<td>A.1.1.2 In domestic banks/entities</td>
<td>5,230,767</td>
<td>2,406,787</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>973,314</td>
<td>482,168</td>
</tr>
<tr>
<td>A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</td>
<td>973,314</td>
<td>482,168</td>
</tr>
<tr>
<td>A.1.2.1.1 Due from customers (trade)</td>
<td>1,086,688</td>
<td>781,941</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>436,795</td>
<td>213,782</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>436,795</td>
<td>213,782</td>
</tr>
<tr>
<td>A.1.2.1.4 Allowance for doubtful accounts (negative entry) (550,149) (513,555)</td>
<td>-</td>
<td>-</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>115,280</td>
<td>55,824</td>
</tr>
<tr>
<td>A.1.3.1 Raw materials and supplies</td>
<td>115,280</td>
<td>55,824</td>
</tr>
<tr>
<td>A.1.3.2 Goods in process (including unfinished goods, growing crops, etc.)</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>658,000</td>
<td>1,546,339</td>
</tr>
<tr>
<td>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.4.1.1 National Government</td>
<td>-</td>
<td>-</td>
</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>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A.1.4.2.1 National Government</td>
<td>-</td>
<td>-</td>
</tr>
<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>
<thead>
<tr>
<th>Table 1. Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL DATA</strong></td>
</tr>
<tr>
<td>(in P'000)</td>
</tr>
<tr>
<td>A.1.4.3 Loans and Receivables - issued by domestic entities:</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>
</tr>
<tr>
<td>A.1.4.3.1 National Government</td>
</tr>
<tr>
<td>A.1.4.3.2 Public Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.3.3 Public Non-Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.3.4 Private Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.3.5 Private Non-Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.4 Short-term cash investments - issued by domestic entities:</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>
</tr>
<tr>
<td>A.1.4.4.1 National Government</td>
</tr>
<tr>
<td>A.1.4.4.2 Public Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.4.3 Public Non-Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.4.4 Private Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.4.5 Private Non-Financial Institutions</td>
</tr>
<tr>
<td>A.1.4.5 Financial Assets issued by foreign entities:</td>
</tr>
<tr>
<td>A.1.4.5.1 Financial Assets at fair value through profit or loss</td>
</tr>
<tr>
<td>A.1.4.5.2 Held-to-maturity investments</td>
</tr>
<tr>
<td>A.1.4.5.3 Loans and Receivables</td>
</tr>
<tr>
<td>A.1.4.5.4 Available-for-sale financial assets</td>
</tr>
<tr>
<td>A.1.4.6 Allowance for decline in market value (negative entry)</td>
</tr>
<tr>
<td>A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)</td>
</tr>
<tr>
<td>A.1.5.1 Others</td>
</tr>
<tr>
<td>A.1.5.2</td>
</tr>
<tr>
<td>A.1.5.3</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>A.2.1 Land</td>
</tr>
<tr>
<td>A.2.2 Building and improvements including leasehold improvement</td>
</tr>
<tr>
<td>A.2.3 Machinery and equipment (on hand and in transit)</td>
</tr>
<tr>
<td>A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>A.2.5.1 Construction in progress</td>
</tr>
<tr>
<td>A.2.5.2</td>
</tr>
<tr>
<td>A.2.5.3</td>
</tr>
<tr>
<td>A.2.5.4</td>
</tr>
<tr>
<td>A.2.5.5</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>A.2.6.1</td>
</tr>
<tr>
<td>A.2.6.2</td>
</tr>
<tr>
<td>A.2.6.3</td>
</tr>
<tr>
<td>A.2.6.4</td>
</tr>
<tr>
<td>A.2.6.5</td>
</tr>
<tr>
<td>A.2.7 Accumulated Depreciation (negative entry)</td>
</tr>
<tr>
<td>A.2.8 Impairment Loss or Reversal (if loss, negative entry)</td>
</tr>
<tr>
<td>A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)</td>
</tr>
<tr>
<td>A.3.1 Equity in domestic subsidiaries/affiliates</td>
</tr>
<tr>
<td>A.3.2 Equity in foreign branches/subsidiaries/affiliates</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>A.3.3.1</td>
</tr>
<tr>
<td>A.3.3.2</td>
</tr>
<tr>
<td>A.3.3.3</td>
</tr>
<tr>
<td>A.3.3.4</td>
</tr>
<tr>
<td>A.3.3.5</td>
</tr>
<tr>
<td>A.4 Investment Property</td>
</tr>
<tr>
<td>A.5 Intangible Assets</td>
</tr>
<tr>
<td>A.5.1 Intangible item/s, specify (A.6.1.1 + A.6.1.2)</td>
</tr>
<tr>
<td>A.5.1.1 Intangible concession assets</td>
</tr>
<tr>
<td>A.5.2 Others, specify (A.6.2.1 + A.6.2.2)</td>
</tr>
<tr>
<td>A.5.2.1</td>
</tr>
<tr>
<td>A.5.2.2</td>
</tr>
<tr>
<td>A.7 Assets Classified as Held for Sale</td>
</tr>
<tr>
<td>A.8 Assets included in Disposal Groups Classified as Held for Sale</td>
</tr>
</tbody>
</table>
**Table 1. Balance Sheet**

<table>
<thead>
<tr>
<th>Liabilities (B.1 + B.2 + B.3 + B.4 + B.5)</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
</tr>
</thead>
<tbody>
<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>6,288,023</td>
<td>5,421,882</td>
</tr>
<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>
<td>6,096,651</td>
<td>5,208,167</td>
</tr>
<tr>
<td>B.1.1.1 Loans/Notes Payables</td>
<td>2,206,408</td>
<td>1,965,122</td>
</tr>
<tr>
<td>B.1.1.2 Trade Payables</td>
<td>2,395,062</td>
<td>1,994,519</td>
</tr>
<tr>
<td>B.1.1.3 Payables to Related Parties</td>
<td>101,745</td>
<td>91,168</td>
</tr>
<tr>
<td>B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders</td>
<td>968,291</td>
<td>876,908</td>
</tr>
<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>823,621</td>
<td>668,915</td>
</tr>
<tr>
<td>B.1.1.5.2 Contracts payables</td>
<td>162,770</td>
<td>207,963</td>
</tr>
<tr>
<td>B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)</td>
<td>407,145</td>
<td>276,470</td>
</tr>
<tr>
<td>B.1.1.6.1 Interest payable</td>
<td>293,122</td>
<td>173,598</td>
</tr>
<tr>
<td>B.1.1.6.2 Others</td>
<td>114,023</td>
<td>103,874</td>
</tr>
<tr>
<td>B.1.1.6.3</td>
<td></td>
<td></td>
</tr>
<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>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.3 Provisions</td>
<td></td>
<td></td>
</tr>
<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>
<td></td>
</tr>
<tr>
<td>B.1.4.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.4.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.5 Liabilities for Current Tax</td>
<td>191,372</td>
<td>213,696</td>
</tr>
<tr>
<td>B.1.6 Deferred Tax Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7 Others, specify (if material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.1 Dividends declared and not paid at balance sheet date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.2 Acceptances Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.3 Liabilities under Trust Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.4 Portion of Long-term Debt Due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.5 Deferred Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify: B.1.7.6.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F I N A N C I A L  D A T A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 +)</td>
<td>29,095,103</td>
<td>20,121,337</td>
</tr>
<tr>
<td>B.2.1 Domestic Public Financial Institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.2 Domestic Public Non-Financial Institutions</td>
<td>7,053,364</td>
<td>7,162,116</td>
</tr>
<tr>
<td>B.2.3 Domestic Private Financial Institutions</td>
<td>22,041,739</td>
<td>12,959,221</td>
</tr>
<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>2,702,068</td>
<td>3,099,492</td>
</tr>
<tr>
<td>B.5 Other Liabilities (B.5.1 + B.5.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.5.1 Deferred Tax</td>
<td>213</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>2,701,855</td>
<td>3,099,492</td>
</tr>
<tr>
<td>B.5.2.1 Pension liabilities</td>
<td>323,847</td>
<td>231,369</td>
</tr>
<tr>
<td>B.5.2.2 Provision for real property taxes</td>
<td>739,626</td>
<td>622,150</td>
</tr>
<tr>
<td>B.5.2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.5.2.4 Others</td>
<td>1,638,382</td>
<td>2,245,973</td>
</tr>
<tr>
<td>B.5.2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)</strong></td>
<td>22,811,589</td>
<td>19,977,977</td>
</tr>
<tr>
<td>C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.1.1 Common shares</td>
<td>3,100,000</td>
<td>3,100,000</td>
</tr>
<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 +)</td>
<td>2,937,141</td>
<td>2,932,596</td>
</tr>
<tr>
<td>C.2.1 Common shares</td>
<td>2,037,141</td>
<td>2,032,596</td>
</tr>
<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>
</tr>
<tr>
<td>C.3.1 Common shares</td>
<td>2,005,444</td>
<td>2,005,444</td>
</tr>
<tr>
<td>C.3.2 Preferred shares</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td>C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus</td>
<td>3,601,805</td>
<td>3,513,057</td>
</tr>
<tr>
<td>C.5 Minority Interest</td>
<td>174,598</td>
<td>162,748</td>
</tr>
<tr>
<td>C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)</td>
<td>(50,913)</td>
<td>79,936</td>
</tr>
<tr>
<td>C.6.1 Common stocks options outstanding</td>
<td>20,830</td>
<td>32,275</td>
</tr>
<tr>
<td>C.6.2 Unrealized gain on available-for-sale financial assets</td>
<td>46,340</td>
<td>144,930</td>
</tr>
<tr>
<td>C.6.3 Subscription receivable</td>
<td>(139,045)</td>
<td>(127,073)</td>
</tr>
<tr>
<td>C.6.4 Subscribed capital stock</td>
<td>31,697</td>
<td>27,154</td>
</tr>
<tr>
<td>C.6.5 Cumulative translation adjustment</td>
<td>(10,735)</td>
<td>2,650</td>
</tr>
<tr>
<td>C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.8 Retained Earnings (C.8.1 + C.8.2)</td>
<td>16,680,655</td>
<td>13,816,792</td>
</tr>
<tr>
<td>C.8.1 Appropriated</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>C.8.2 Unappropriated</td>
<td>9,680,655</td>
<td>6,816,792</td>
</tr>
<tr>
<td>C.9 Head / Home Office Account (for Foreign Branches only)</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>C.10 Cost of Stocks Held in Treasury (negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY (B + C)</strong></td>
<td>60,896,783</td>
<td>48,620,688</td>
</tr>
</tbody>
</table>
## Table 2. Income Statement

<table>
<thead>
<tr>
<th>F I N A N C I A L   D A T A</th>
<th>2011 ( in P'000 )</th>
<th>2010 ( in P'000 )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. REVENUE / INCOME</strong> (A.1 + A.2 + A.3)</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)</td>
<td>12,352,730</td>
<td>11,424,844</td>
</tr>
<tr>
<td>A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for</td>
<td>11,701,006</td>
<td>10,780,787</td>
</tr>
<tr>
<td>A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.1 Rental Income from Land and Buildings</td>
<td>302,905</td>
<td>232,599</td>
</tr>
<tr>
<td>A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.3 Sale of Real Estate or other Property and Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.1 Revenue from management contracts</td>
<td>168,720</td>
<td>74,910</td>
</tr>
<tr>
<td>A.3.5.2 Miscellaneous</td>
<td>134,185</td>
<td>157,689</td>
</tr>
<tr>
<td>A.3.5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)</td>
<td>366,677</td>
<td>412,997</td>
</tr>
<tr>
<td>A.4.1 Interest Income</td>
<td>563,588</td>
<td>280,204</td>
</tr>
<tr>
<td>A.4.2 Dividend Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)</td>
<td>70</td>
<td>(7,051)</td>
</tr>
<tr>
<td>A.4.3.1 Gain/Loss on disposal of property and equipment</td>
<td>70</td>
<td>(7,051)</td>
</tr>
<tr>
<td>A.4.3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)</td>
<td>(206,981)</td>
<td>133,844</td>
</tr>
<tr>
<td>A.4.4.1 Gain / (Loss) on Foreign Exchange</td>
<td>(30,733)</td>
<td>(32,115)</td>
</tr>
<tr>
<td>A.4.4.2 Mark-to-market gain/(loss) on derivatives</td>
<td>(229,613)</td>
<td>70,795</td>
</tr>
<tr>
<td>A.4.4.3 Amortization of deferred credits</td>
<td>4,274</td>
<td>14,718</td>
</tr>
<tr>
<td>A.4.4.4 Revenue/cost from rehabilitation works</td>
<td>2,253</td>
<td>9,526</td>
</tr>
<tr>
<td>A.4.4.5 Gain on disposal of AFS financial assets</td>
<td>12,007</td>
<td>1802</td>
</tr>
<tr>
<td>A.4.4.6 Other income</td>
<td>34,831</td>
<td>69,116</td>
</tr>
</tbody>
</table>

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

| B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5) |                     |                   |
| B.1.1 Direct Material Used |                     |                   |
| B.1.2 Direct Labor |                     |                   |
| B.1.3 Other Manufacturing Cost / Overhead |                     |                   |
| B.1.4 Goods in Process, Beginning |                     |                   |
| B.1.5 Goods in Process, End (negative entry) |                     |                   |
| B.2 Finished Goods, Beginning |                     |                   |
| B.3 Finished Goods, End (negative entry) |                     |                   |

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

| C.1 Purchases |                     |                   |
| C.2 Merchandise Inventory, Beginning |                     |                   |
| C.3 Merchandise Inventory, End (negative entry) |                     |                   |

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

<table>
<thead>
<tr>
<th></th>
<th>2011 ( in P'000 )</th>
<th>2010 ( in P'000 )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,352,730</td>
<td>11,424,844</td>
</tr>
</tbody>
</table>

**NOTE:** Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.
Table 2. Income Statement

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Operating Expenses (E.1 + E.2 + E.3 + E.4)</td>
<td>5,488,490</td>
<td>5,002,331</td>
</tr>
<tr>
<td>E.1 Selling or Marketing Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.2 Administrative Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E.3 General Expenses</td>
<td>5,488,490</td>
<td>5,002,331</td>
</tr>
<tr>
<td>E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)</td>
<td></td>
<td></td>
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<td>E.4.1 Education-related expenditures</td>
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<td>E.4.10</td>
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<tr>
<td>F. Finance Costs (F.1 + F.2 + F.3 + F.4 + F.5)</td>
<td>1,628,758</td>
<td>1,188,454</td>
</tr>
<tr>
<td>F.1 Interest on Short-Term Promissory Notes</td>
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<tr>
<td>F.2 Interest on Long-Term Promissory Notes</td>
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<tr>
<td>F.3 Interest on bonds, mortgages and other long-term loans</td>
<td>1,628,758</td>
<td>1,188,454</td>
</tr>
<tr>
<td>F.4 Amortization</td>
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<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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<td>F.5.5</td>
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<td></td>
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<tr>
<td>G. Net Income (Loss) Before Tax (D - E - F)</td>
<td>5,235,482</td>
<td>5,234,059</td>
</tr>
<tr>
<td>H. Income Tax Expense (negative entry)</td>
<td>(957,385)</td>
<td>(1,246,589)</td>
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<tr>
<td>I. Income (Loss) After Tax</td>
<td>4,278,097</td>
<td>3,987,470</td>
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<tr>
<td>J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</td>
<td></td>
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</tr>
<tr>
<td>J.1</td>
<td></td>
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<tr>
<td>J.2</td>
<td></td>
<td></td>
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<tr>
<td>K. Profit or Loss Attributable to Minority Interest</td>
<td>(11,851)</td>
<td>(8,924)</td>
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<td>L. Profit or Loss Attributable to Equity Holders of the Parent</td>
<td>4,266,246</td>
<td>3,978,546</td>
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<td>M. Earnings (Loss) Per Share</td>
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<tr>
<td>M.1 Basic</td>
<td>1.74</td>
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<tr>
<td>M.2 Diluted</td>
<td>1.73</td>
<td>1.62</td>
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### Table 3. Cash Flow Statements

#### Financial Data

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
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<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss) Before Tax and Extraordinary Items</td>
<td>5,235,481</td>
<td>5,234,059</td>
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<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activity</td>
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<tr>
<td>Depreciation</td>
<td>1,689,516</td>
<td>1,471,886</td>
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<td>Amortization, specify</td>
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<td>Others, specify:</td>
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<tr>
<td>Interest Expense</td>
<td>1,628,758</td>
<td>1,488,454</td>
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<tr>
<td>Interest income</td>
<td>563,588</td>
<td>286,204</td>
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<td>Shared-based payment</td>
<td>20,242</td>
<td>47,311</td>
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<tr>
<td>Equity share in net loss of joint venture</td>
<td>7,860</td>
<td>1,539</td>
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<tr>
<td>Loss on pre-termination of bonds</td>
<td>6,146</td>
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<td>Provision for probable losses</td>
<td>90,808</td>
<td>384,563</td>
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<td>Gain on disposal of AFS financial statements</td>
<td>(12,007)</td>
<td>(1,802)</td>
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<td>Mark-to-market gain/(loss) on derivatives</td>
<td>229,813</td>
<td>70,790</td>
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<td>Loss/(Gain) on sale of property and equipment</td>
<td>(70)</td>
<td>7,051</td>
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<td>Write-down of Property, Plant, and Equipment</td>
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<tr>
<td>Changes in Assets and Liabilities</td>
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<tr>
<td>Decrease (increase) in:</td>
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<tr>
<td>Receivables</td>
<td>(327,279)</td>
<td>53,859</td>
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<tr>
<td>Materials and supplies</td>
<td>(58,323)</td>
<td>(17,389)</td>
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<td>Service concession assets</td>
<td>(7,842,040)</td>
<td>(7,698,329)</td>
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<td>Other Current Assets</td>
<td>652,467</td>
<td>(551,291)</td>
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<td>Others, specify:</td>
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<td></td>
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<tr>
<td>Increase (Decrease) in:</td>
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<tr>
<td>Accounts and Other Payables</td>
<td>889,931</td>
<td>101,825</td>
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<td>Income and Other Taxes Payable</td>
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<td>Others, specify:</td>
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<tr>
<td>Payable to related parties</td>
<td>10,577</td>
<td>(20,300)</td>
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<tr>
<td>Income Taxes paid</td>
<td>(1,328,963)</td>
<td>(1,264,690)</td>
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<tr>
<td>**A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</td>
<td>529,129</td>
<td>(1,408,243)</td>
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</tbody>
</table>

#### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) Decrease in Long-Term Receivables</td>
<td></td>
<td></td>
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<tr>
<td>(Increase) Decrease in Investment</td>
<td>888,339</td>
<td>2,178,083</td>
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<tr>
<td>Reductions/Additions to Property, Plant, and Equipment</td>
<td>575,812</td>
<td>(1,002,934)</td>
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<tr>
<td>Acquisition through business combination of a subsidiary-net of cash acquired</td>
<td>(1,169,037)</td>
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<tr>
<td>Others, specify:</td>
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<tr>
<td>Service Concession Assets</td>
<td></td>
<td></td>
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<tr>
<td>Available-for-sale financial assets</td>
<td>448,870</td>
<td>219,803</td>
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<tr>
<td>Other noncurrent assets</td>
<td>217,104</td>
<td>252,031</td>
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<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>466</td>
<td>951</td>
</tr>
<tr>
<td>Investment in associates</td>
<td>(1,800,102)</td>
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<tr>
<td>Investment in joint venture</td>
<td>(7,133)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of receivables from Bonifacio Water Corp</td>
<td>(599,342)</td>
<td>-</td>
</tr>
<tr>
<td>Interest received</td>
<td>568,601</td>
<td>313,332</td>
</tr>
<tr>
<td>**B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</td>
<td>(2,455,121)</td>
<td>1,884,833</td>
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</tbody>
</table>

#### Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
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</thead>
<tbody>
<tr>
<td>Proceeds from:</td>
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<tr>
<td>Loans</td>
<td>14,430,185</td>
<td>626,678</td>
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<tr>
<td>Issuance of Securities</td>
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<td>Others, specify:</td>
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<tr>
<td>Customers’ guaranty and other deposits</td>
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<tr>
<td>Collection of subscriptions</td>
<td>49,674</td>
<td>35,654</td>
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<tr>
<td>Noncontrolling interests of consolidated subsidiaries</td>
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<td></td>
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<tr>
<td>Payments of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loans):</td>
<td></td>
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</tr>
<tr>
<td>Long-term Debt</td>
<td>(5,272,635)</td>
<td>(1,078,571)</td>
</tr>
<tr>
<td>Service concession obligation</td>
<td>(1,140,132)</td>
<td>(396,155)</td>
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<td>Others, specify:</td>
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<tr>
<td>(negative entry):</td>
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</tr>
<tr>
<td>Interest paid</td>
<td>(1,276,435)</td>
<td>(850,147)</td>
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<tr>
<td>Redemption of own shares</td>
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<tr>
<td>Dividends</td>
<td>(1,386,391)</td>
<td>(1,190,589)</td>
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<tr>
<td>Other noncurrent liabilities</td>
<td>944,944</td>
<td>751,542</td>
</tr>
<tr>
<td>**C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</td>
<td>4,748,222</td>
<td>(2,161,615)</td>
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</table>

**Net Increase in Cash and Cash Equivalents (A + B + C)**

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
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</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
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<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>2,412,912</td>
<td>4,037,840</td>
</tr>
<tr>
<td>End of year</td>
<td>5,235,142</td>
<td>2,412,912</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.

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**Control No.:**

**Form Type:** PHFS (rev 2006)

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**NAME OF CORPORATION:** MANILA WATER COMPANY, INC.

**CURRENT ADDRESS:** WWSS Administration Bldg., Katipunan Road, Balara, Quezon City

**TEL. NO.:** 917-59-00

**FAX NO.:** 928-24-50

**COMPANY TYPE:** STOCK CORPORATION

**PSIC:** 4300
## Table 4. Statement of Changes in Equity

<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>Non-controlling interests</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Balance 2010</td>
<td>2,337,799</td>
<td>3,513,057</td>
<td>2,450</td>
<td>144,930</td>
<td>13,816,792</td>
<td>162,748</td>
<td>19,977,976</td>
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<tr>
<td>A.1 Correction of Error(s)</td>
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<tr>
<td>A.2 Changes in Accounting Policy</td>
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<td>B. Restated Balance</td>
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<tr>
<td>C. Surplus</td>
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<tr>
<td>C.1 Surplus (Deficit) on Revaluation of Properties</td>
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<tr>
<td>C.2 Surplus (Deficit) on Revaluation of Investments</td>
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<tr>
<td>C.3 Currency Translation Differences</td>
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<tr>
<td>C.4 Other Surplus (specify)</td>
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<tr>
<td>D. Net Income (Loss) for the Period</td>
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<tr>
<td>E. Dividends (negative entry)</td>
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<td>F. Appropriation for (specify)</td>
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<td>H. Balance</td>
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<td>H.2 Changes in Accounting Policy</td>
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<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>
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<td>J.2 Surplus (Deficit) on Revaluation of Investments</td>
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<td>J.3 Currency Translation Differences</td>
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<tr>
<td>J.4 Other Surplus (specify)</td>
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<td>J.4.2</td>
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<td>J.4.4</td>
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<td>J.4.5</td>
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</tr>
<tr>
<td>K. Net Income (Loss) for the Period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L. Dividends (negative entry)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Appropriation for (specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<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>
<td></td>
</tr>
<tr>
<td>N.1 Common Stock</td>
<td>(7,429)</td>
<td></td>
<td>88,748</td>
<td></td>
<td></td>
<td></td>
<td>81,319</td>
</tr>
<tr>
<td>N.2 Preferred Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<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>
<td></td>
</tr>
<tr>
<td>N.3 Shared-based payment</td>
<td>(11,444)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(11,444)</td>
</tr>
</tbody>
</table>
### Financial Data

#### A. Revenue / Income (A.1 + A.2)

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (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) (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>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.2.10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### B. Expenses (B.1 + B.2)

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 (in P'000)</th>
<th>2010 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.1 Domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.5</td>
<td></td>
<td></td>
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<tr>
<td>B.2.6</td>
<td></td>
<td></td>
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<tr>
<td>B.2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.2.10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
REPUBLIC OF THE PHILIPPINES
QUEZON CITY, METRO MANILA)S.S.

COMPTROLLER'S CERTIFICATION

I, LUIS 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 Securities and Exchange Commission (SEC) Certificate of Registration No. A1996-11593, with principal address at 489 Katipunan Road, Balara, Quezon City.

2. The General Form for Financial Statements (GFFS) diskette submitted contains the exact data stated in the hard copies of the GFFS 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 ___ day of April 2012 at Quezon City.

[Signature]
LUIS JUAN B. ORETA
Comptroller

SUBSCRIBED AND SWORN to before me this ___ day of April 2012, affiant exhibiting to me his Passport No. XX2933903 valid until February 3, 2014.

[Signature]
JOVENCIO P. FULGUERAS
Notary Public

Manila Water Company, Inc.
MWSS Compound, 489 Katipunan Road, Balara, Quezon City 1105, Philippines
www.manilawater.com
### List of Top 20 Stockholders (Exhibit 4)
**As of December 31, 2011**

<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>1,147,217,364</td>
<td>56.4346%</td>
</tr>
<tr>
<td>2</td>
<td>AYALA CORPORATION</td>
<td>651,912,996</td>
<td>32.0693%</td>
</tr>
<tr>
<td>3</td>
<td>MITSUBISHI CORPORATION</td>
<td>168,999,999</td>
<td>8.3135%</td>
</tr>
<tr>
<td>4</td>
<td>ESOWN ADMINISTRATOR 2005**</td>
<td>18,697,501</td>
<td>0.9198%</td>
</tr>
<tr>
<td>5</td>
<td>ESOWN ADMINISTRATOR 2009**</td>
<td>7,074,443</td>
<td>0.3480%</td>
</tr>
<tr>
<td>6</td>
<td>ESOWN ADMINISTRATOR 2008**</td>
<td>5,820,211</td>
<td>0.2863%</td>
</tr>
<tr>
<td>7</td>
<td>RUEL T. MARANAN (AS MWCI ESOP ADMINISTRATOR)</td>
<td>4,644,924</td>
<td>0.2285%</td>
</tr>
<tr>
<td>8</td>
<td>ERNESTO O. CHUA CHIACO AND/OR MARGARET SY CHUA CHIACO</td>
<td>2,240,000</td>
<td>0.1102%</td>
</tr>
<tr>
<td>9</td>
<td>ESOWN ADMINISTRATOR 2006**</td>
<td>1,267,313</td>
<td>0.0623%</td>
</tr>
<tr>
<td>10</td>
<td>ESOWN ADMINISTRATOR 2007**</td>
<td>1,244,999</td>
<td>0.0612%</td>
</tr>
<tr>
<td>11</td>
<td>ERNESTO CHUA CHIACO</td>
<td>1,200,000</td>
<td>0.0590%</td>
</tr>
<tr>
<td>12</td>
<td>GENEVIEVE SY CHUACHIACO</td>
<td>1,045,500</td>
<td>0.0514%</td>
</tr>
<tr>
<td>13</td>
<td>LOZANO A. TAN</td>
<td>800,000</td>
<td>0.0394%</td>
</tr>
<tr>
<td>14</td>
<td>MARGARET SY CHUA CHIACO</td>
<td>730,000</td>
<td>0.0359%</td>
</tr>
<tr>
<td>15</td>
<td>ERNESSON SY CHUA CHIACO</td>
<td>719,000</td>
<td>0.0354%</td>
</tr>
<tr>
<td>16</td>
<td>MAGDALENO B. ALBARRACIN AND/OR TRINIDAD ALBARRACIN</td>
<td>705,000</td>
<td>0.0347%</td>
</tr>
<tr>
<td>17</td>
<td>FORESIGHT REALTY &amp; DEVELOPMENT CORPORATION</td>
<td>618,000</td>
<td>0.0304%</td>
</tr>
<tr>
<td>18</td>
<td>CONSTANTINO CHUA AND/OR WILLINGTON AND/OR GEORGE WY CHUA</td>
<td>500,000</td>
<td>0.0246%</td>
</tr>
<tr>
<td>19</td>
<td>ALFREDO HENARES</td>
<td>400,000</td>
<td>0.0197%</td>
</tr>
<tr>
<td>20</td>
<td>ADMINISTRATOR 2006 ESOWN II**</td>
<td>398,499</td>
<td>0.0196%</td>
</tr>
</tbody>
</table>

* PCD Nominee Corporation includes the shares of First State Investment Management
** This includes shares granted under the ESOWN
REPORTS ON
SEC FORM 17-C
2011
SEcurities and exchange commission
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel. (632) 725-9931 to 39 Fax (632) 725-5283 Email: mids@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Dhani Cuanes
Receiving Branch : SEC Head Office
Receipt Date and Time : December 19, 2011 01:38:11 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 112192011000508
Document Type 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code 17-C
Period Covered December 16, 2011
No. of Days Late 0
Department CFD
Remarks
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.3(c) THEREUNDER

1. December 16, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A-1995-11593

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
   Code
   2F MWSS Admin. Bldg., 499 Katipunan Road, Bgy. 3, Quezon City
   Postal
   1105

8. Issuer's telephone number, including area code
   (02) 926-7599 Local: 6130 or (02) 881-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock

    Common Shares, par value P1.00 each – 2,932,826,476

    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 [ ]

---

Outstanding Common Shares: 2,932,826,476
Shares Under the Stock Ownership Plans: 2,011,163,039
12 Indicate the item numbers reported herein

Please see attached letter dated December 16, 2011 to the Philippine Stock Exchange and the Securities and Exchange Commission on the tariff increase effective January 1, 2012

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 16, 2011
Issuer

By: ________________________________
    Lizelle Zamora-Dimacuha
    Legal and Corporate Governance Manager
16 December 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Tariff Adjustment

Gentlemen:

Please see attached tariff table containing the new water rates effective 01 January 2012, or fifteen (15) days after its date of publication in a newspaper of general circulation.

Very truly yours,

[Signature]

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
NOTICE TO MANILA WATER CUSTOMERS AND THE PUBLIC
NEW WATER RATES FOR THE EAST ZONE

Pursuant to the recommendation of the MWAQES Regulatory Office, Inc. in its Resolution No. 2012-11-1, dated December 14, 2011 and as approved by the MWAQES Board of Trainers on December 15, 2011, effective 15 days after publication, Manila Water Company, Inc. (MWAQES) will implement the new water rates for the first time in the history of the agency from December 18, 2011. The new rates are effective as of the date of this notice.

The new schedule of water rates and service charges for all residential and business customers of the East Zone.

### 1. WATER CHARGE

#### 1.1. Residential

<table>
<thead>
<tr>
<th>Class</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Low-income household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Business</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 1.2. Business Group

<table>
<thead>
<tr>
<th>Class</th>
<th>Old Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Low-income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Business</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2. How to Read the Chart

- **A. Baseline Charge**: A percentage of the Basic Charge subject to periodic review and adjustment. The FDCU is frozen at a rate of 1.70% of the Basic Charge.
- **B. Seasonal Change**: 10% of the Basic Charge applicable to all customers of MWAQES.
- **C. Maintenance Service Charge**: 30% of the Basic Charge for systems group 1 and 2

### 3. Why does Manila Water aim to sustain?

- **Efficient System Loss Control**: This means that the water loss is reduced to help provide services to our customers.

### 4. What else is Manila Water doing?

- **Effective Water Management**: We continue to invest in technologies to help conserve water and help our environment.

### 5. Conclusion

For further inquiries, customers are encouraged to call Manila Water Company, Inc. at 1-871-2222 or visit www.manilawater.com.
The following document has been received:

Receiving Officer/Encoder  : Edmundo Guia
Receiving Branch         : SEC Head Office
Receipt Date and Time  : December 16, 2011 12:47:29 PM
Received From        : Head Office

Company Information

SEC Registration No.  : A199011593
Company Name         : MANILA WATER CO. INC.
Industry Classification
Company Type          : Stock Corporation

Document Information

Document ID          : 112162011000346
Document Type        : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code        : 17-C
Period Covered       : December 16, 2011
No. of Days Late     : 0
Department           : CFD
Remarks
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(e) THEREUNDER

1. December 16, 2011
   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
   2F NWSS Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 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 6 and 12 of the Securities Regulation
     Code (SRC):

     a. Shares of Stock

        Common Shares, par value P1.00 each - 2,932,826,476

        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 2,010,943,007  Outstanding Common Shares
21,883,652  Shares Issuer Has Stock Ownership Over
2,932,826,476  Shares Issued and Outstanding
12. Indicate the item numbers reported herein.

Please see attached letter dated December 15, 2011 on the additional information requested by the Philippine Stock Exchange on the acquisition of shares by Thu Duc Water Holdings Pte. Ltd. in Thu Duc Water B.O.O 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.  December 16, 2011
Issuer  Date

By: [Signature]

Lizelle Zamora-Dimaculata
Legal and Corporate Governance Manager
December 15, 2011

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Acquisition of 49% ownership in Thu Duc Water B.O.O Corporation

Gentlemen:

We refer to your letter dated December 14, 2011 requesting for additional information on the acquisition by Thu Duc Water Holdings Pte. Ltd. ("TDH") of the shares of Ho Chi Minh City Infrastructure Investment Joint Stock Company ("CII") in Thu Duc Water B.O.O Corporation ("TDW").

We would like to emphasize that the aforesaid acquisition was not directly made by Manila Water Company, Inc. (the "Company"). The said acquisition of shares was made by TDH which is a subsidiary of Manila Water Asia Pacific Pte. Ltd. ("MWAP"). MWAP, in turn, is a subsidiary of the Company. TDH and MWAP are duly organized and existing under the laws of Singapore.

At any rate, we confirm that the cost of acquiring the shares is not more than 10% of the total book value of the Company.

As previously disclosed, TDH has already acquired full ownership of the 49% interest in TDW through the purchase of the shares of CII. Moreover, there are no material relationships between the directors or officers of TDH, TDW and CII at the time of the acquisition of the shares.

The Company views the project as a long-term engagement. The financial impact will be derived from dividends that the Company will receive from its subsidiary, MWAP.

Very truly yours,

Lizelle Zamora-Dimaculah
Legal and Corporate Governance Manager

Cc: Director Justina F. Callangan, Securities and Exchange Commission
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
(Company's Full Name)

(632) 981-8129

SEC Form 17-C
STOCK
04
Any

1 2 3 1
Month
Day
Fiscal Year

Secondary License Type, if Applicable

Deal, Requiring the OIC

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number
LCO

Document ID
Cashier

STAMPS
SEcurities AND exchange COMMISSION

sec Form 17-c

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. December 9, 2011
   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,
   Phits.

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]926-7999 local 8030 / or [02]921-8733

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each - 2,032,826,476

       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 [ ]

    2,010,913,007  Outstanding Common Shares
    2,010,913,007  Shares Under the Stock Ownership Plan
COVER SHEET

MANILA WATER COMPANY, INC.

4B9 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Fiscal Year

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

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 9, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 205-036-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, county or other jurisdiction of incorporation or organization Quezon City,
   PHLs.

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) 825-7999 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. Shares of Stock

       Common Shares, par value P1.00 each - 2,032,826,476

       Registrar 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 2,016,911,007  Outstanding Common Shares
2,121,669  Shares Under the Stock Ownership Plans
2,032,826,476
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and the Securities and Exchange Corporation dated December 8, 2011 on the signing of an agreement of a Manila Water subsidiary in acquire shares in Thu Duc Water BOO 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.
Issuer

December 9, 2011
Date

By

Lizelle Zamora-Dimaculao
Legal and Corporate Governance Manager
December 8, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Manila Water subsidiary signs an agreement to acquire shares in Thu Duc Water BOO Corporation

Gentlemen:

Please be informed that Thu Duc Water Holdings Pte. Ltd., a subsidiary of Manila Water Company, Inc., has signed an agreement with Ho Chi Minh City Infrastructure Investment Joint Stock Company to acquire its 49% ownership in Thu Duc Water BOO Corporation ("TDW BOO").

TDW BOO is a Vietnamese joint stock company established in 2004 and is the largest private bulk water supplier in the southern part of Vietnam. It has a bulk water supply contract with the Saigon Water Corporation with a minimum billed volume of 300 million liters per day.

Very truly yours,

[Signature]
Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Guevara
Receiving Branch: SEC Head Office
Receipt Date and Time: December 01, 2011 12:50:53 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: 1120120111000466
Document Type: 17-C (FORM 11-C CURRENT DISCLIRPT)
Document Code: 17-C
Period Covered: November 29, 2011
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

(832) 981-8129
Company Telephone Number

1231
Month Fiscal Year

04 Any
Month
Arrival Meeting

Secondary License Type, If Applicable

A1995-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Security
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 29, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1698-11593

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)925-7999 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 8 and 12 of the Securities Regulation Code (SRC):

a. Shares of Stock

   Common Shares, par value Php 1.00 each - 2,032,826,476

   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 [ ]

---

2,032,826,476 Outstanding Common Shares
1,149,146 Shares Under the Stock Ownership Plans
2,032,826,476
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and the Securities and Exchange Corporation dated November 29, 2011 on the completion of the acquisition of Manila Water Company, Inc. of Clark 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.  
Issuer  

By  

Lizelle Zamora-Dimaculag  
Legal and Corporate Governance Manager  

November 29, 2011  
Date
November 29, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Manila Water Completes Acquisition of Clark Water Corporation

Gentlemen:

In relation to our disclosure of November 8, 2011, we would like to inform you that Manila Water Company, Inc. has completed the acquisition of Clark Water Corporation ("Clark Water") pursuant to a Sale and Purchase Agreement signed with Veolia Water Philippines, Inc., Philippine Water Holdings, Inc. and Veolia Eau-Compagnie Generale Des Eaux.

Clark Water is the concessionaire for Clark Freeport Economic Zone in Pampanga and operates under a 25-year concession granted by Clark Development Corporation. The concession will expire by October 2025.

Clark Water is currently serving 1,800 locators with a billed volume of approximately 20 Million litres per day and its customer base is primarily industrial and commercial accounts which comprise 83% of its water sales.

Very truly yours,

[Signature]
Lizette Zamora-Dimacula
Legal and Corporate Governance
**Document Information**

- **Document ID**: 1112520110000670
- **Document Code**: 17-C
- **Period Covered**: November 25, 2011
- **No. of Days Late**: 0
- **Department**: CFD

---

**Company Information**

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

---

**Company Information**

- **Receiving Officer/Encoder**: Dharni Curanes
- **Receiving Branch**: SEC Head Office
- **Receipt Date and Time**: November 25, 2011 01:37:16 PM
- **Received From**: Head Office

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**Document Information**

- **Document ID**: 1112520110000670
- **Document Type**: 17-C (FORM 11-C:CURRENT DISCRRPT)
- **Document Code**: 17-C
- **Period Covered**: November 25, 2011
- **No. of Days Late**: 0
- **Department**: CFD

---

**Remarks**
**COVER SHEET**

A199611593  
S.S.C. Registration Number

MANILA WATER COMPANY, INC.  
(Company's Full Name)

489 KATIPUNAN ROAD, BALARA 1105  
QUEZON CITY, METRO MANILA  
(Business Address, No. Street, City / Town / Province)

Atty. JHOEL P. RAQUEDAN  
Contact Person

(632) 981-8129  
Company Telephone Number

12 31  
Month  
Day  
Fiscal Year

SEC Form 17-C  
FORM TYPE

04 Any  
Month  
Day  
Annual Meeting

A1996-11593  
Amended Articles Number / Section

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<td>Domestic</td>
<td>Foreign</td>
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</table>

To be accomplished by SEC Personnel concerned

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<tr>
<td>LCU</td>
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</thead>
<tbody>
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<td>Cashier</td>
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</tbody>
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STAMPS
November 24, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Results of the Meeting of the Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors (the "Board") of Manila Water Company, Inc. ("Manila Water") today, the Board considered and approved the following:

1. **Declaration of Cash Dividends on Participating Preferred Shares**

   The Board authorized the payment of a cash dividend per share of 10% per annum (amounting to PhP0.01), for the one year period from January 1, 2011 to December 31, 2011, on the outstanding 4 billion Participating Preferred Shares (PPS) of the capital stock of Manila Water, payable to PPS Stockholders of record as of December 1, 2011, and distributable on December 28, 2011.

2. **Retirement of Treasury Shares and Decrease in Authorized Capital Stock**

   The Board approved the retirement of 500,000,000 redeemable preferred shares with a par value of PhP1.00, which were issued and subsequently redeemed, and are now being held as treasury shares. The retirement of shares with the consequent reduction in the authorized capital stock of PhP500 million and the amendment of the Articles of Incorporation, will be presented in the annual stockholders' meeting for approval by the stockholders.

3. **Setting of 2012 Annual Stockholders' Meeting**

   The Board set April 16, 2012 as the date of the 2012 Manila Water Annual Stockholders' Meeting. The record date for the determination of stockholders entitled to notice and to vote at the meeting is February 22, 2012. Finally, the deadlines for the nomination of directors and submission of proxies are February 29, 2012 and April 2, 2012, respectively.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Head, Legal and Corporate Governance Department/
Assistant Corporate Secretary
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. JHOEL P. RAQUEDAN

Contact Person

(632) 981-8129

Company Telephone Number

SEC Form 17-C

STOCK

FORM TYPE

Month 12 Day 31 Fiscal Year

Month 04 Day 04

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

LGU

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, 2011
   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: 441120 (SEC Use Only)

7. Address of issuer’s principal office
   Postal Code
   25 MWS Admin. Bldg., 499 Katipunan Road, Balaar, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)925-7929 local 8136 / 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. Shares of Stock

      Common Shares, par value P1.00 each 2,010,915,357

      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 [ ]

1,210,915,357 Outstanding Common Shares
1,210,915,357 Shares Under the Stock Ownership Plan
2,010,915,357
12. Indicate the item numbers reported herein.


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

Issuer

By

Lizelle Zamora-Dimacuha

Legal and Corporate Governance Manager

November 8, 2011

Date
November 08, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Manila Water Signs Sale and Purchase Agreement to Acquire Clark Water Corporation

Gentlemen:

Please be informed that Manila Water Company, Inc. has signed a Sale and Purchase Agreement with Veolia Water Philippines, Inc. ("VWPI"), Philippine Water Holdings Company, Inc. ("PWHI") and Veolia Eau-Compagnie Generale Des Faux to acquire 100% of the outstanding capital stock of Clark Water Corporation ("CWC") and the receivables of VWPI and PWHI from Bonifacio Water Corporation. However, the Sale and Purchase Agreement is subject to the fulfillment by the parties of agreed conditions precedent.

CWC is the water concessionaire for the Clark Freeport Economic Zone ("CFEZ") in Pampanga and operates under a 25-year concession granted by Clark Development Corporation. CWC is currently serving 1,800 locators with a billed volume of approximately 20 million liters per day. The customer base of CWC is primarily industrial and commercial accounts comprising 83% of its total water sales.

The acquisition of the shares in CWC is not more than 10% of Manila Water’s total book value.

We will advise you of further developments on this transaction.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Head, Legal and Corporate Governance
Assistant Corporate Secretary
The following document has been received:

Receiving Officer/Encoder: Edmundo Guia
Receiving Branch: SEC Head Office
Receipt Date and Time: November 11, 2011 02:14:50 PM
Received From: Head Office

Company Information

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

Document Information

Document ID: 111112011000466
Document Type: 17-C (FORM 17-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 08, 2011
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

(832) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK

FORM TYPE

1 2 3 1
Month Fiscal Year

0 4 Any
Month Annual Meeting

Secondary License Type, If Applicable

Depl. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEcurities and exchange commission

Sec form 17-c

Current report under section 17
of the securities regulation code
and src rule 17.2(c) thereunder

1. November 8, 2011
   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
   Code
   2F MWSS Admin. Bldg. 489 Kalitunan Road, Batara, 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. Shares of Stock

    Common Shares, par value P1.00 each - 2,932,826,476

    Registrant has no other registered securities other in the form of shares, debt or
    otherwise.

11. Are any of registrant's securities listed on stock exchange?

    Yes [X] No [ ]

    1,010,013,007 Outstanding Common Shares
    2,121,469 Shares Under the Stock Ownership Plan
    2,932,826,476
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and the Securities and Exchange Corporation dated November 6, 2011 on the unaudited year-to-date September 2011 performance results of Manila Water Company, Inc.

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 6, 2011
Issuer  Date

By:  

Lizelle Zamora-Dimacuh
Legal and Corporate Governance Manager
November 8, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Gentlemen:

Manila Water announces today its unaudited year-to-date September 2011 performance results. Please refer to the enclosed financial and operational highlights.

Very truly yours,

[Signature]
Lizette Zamora-Dimacula
Legal and Corporate Governance Manager
<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>East Zone</th>
<th>New Business</th>
<th>Operating Expenses</th>
<th>EBITDA</th>
<th>EBITDA Margin</th>
<th>Net Income</th>
<th>Macy's Non-Rec/Interest Income</th>
<th>Core Income after Tax</th>
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<td>8,800</td>
<td>3,134</td>
<td>2,334</td>
<td>2,334</td>
<td>1,334</td>
<td>-3%</td>
<td>1,114</td>
<td>1,334</td>
<td>2,266</td>
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<td>2010</td>
<td>8,900</td>
<td>3,314</td>
<td>2,266</td>
<td>2,266</td>
<td>1,266</td>
<td>-13%</td>
<td>1,266</td>
<td>1,266</td>
<td>2,533</td>
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<tr>
<td>Change</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
<td>7%</td>
<td>-13%</td>
<td>7%</td>
<td>7%</td>
<td>13%</td>
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<table>
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<tr>
<th>Year</th>
<th>Total billed volume (in mcm)</th>
<th>East Zone</th>
<th>Laguna Water</th>
<th>Barangay Water</th>
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<tr>
<td>2011</td>
<td>3,134</td>
<td>3,134</td>
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<td>0.6%</td>
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<th>Barangay Water</th>
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<td>2,266</td>
<td>2,266</td>
<td>2,266</td>
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<tr>
<td>2010</td>
<td>2,533</td>
<td>2,533</td>
<td>2,533</td>
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<tr>
<td>Change</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
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### Laguna Water Financial and Operating Highlights

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<th>2011</th>
<th>2010</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>68.3</td>
<td>57.2</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>45.6</td>
<td>36.8</td>
<td>24%</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>22.7</td>
<td>20.4</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>11.2</td>
<td>9.2</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Billed Volume (in mcm)</strong></td>
<td>3.5</td>
<td>3.0</td>
<td>17%</td>
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<tr>
<td><strong>NRW</strong></td>
<td>40%</td>
<td>50%</td>
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### Boracay Water Financial and Operating Highlights

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<th>2010</th>
<th>Change</th>
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<td><strong>Revenue</strong></td>
<td>134.4</td>
<td>112.0</td>
<td>20%</td>
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<td><strong>Operating Expenses</strong></td>
<td>56.3</td>
<td>55.3</td>
<td>2%</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>78.1</td>
<td>56.7</td>
<td>38%</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>31.0</td>
<td>7.8</td>
<td>298%</td>
</tr>
<tr>
<td><strong>Billed Volume (in mcm)</strong></td>
<td>1.8</td>
<td>1.5</td>
<td>20%</td>
</tr>
<tr>
<td><strong>NRW</strong></td>
<td>25.9%</td>
<td>37.1%</td>
<td>(11)</td>
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</table>
The following document has been received:

Receiving Officer/Encoder: Julius N. Salustiano
Receiving Branch: SEC Head Office
Receipt Date and Time: November 03, 2011, 02:41:02 PM
Received From: Head Office

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: 111032011000549
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 02, 2011
No. of Days Late: 0
Department: CFD
Remarks:
12 Indicate the item numbers reported herein

Please see attached letter to the Philippine Stock Exchange dated November 2, 2011 on the clarification on the news article entitled “MWCC eyes more, bigger projects in Vietnam” posted in the Philippine Daily Inquirer on November 2, 2011.

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]

November 2, 2011

Date

Jhos P. Raquedan
Head, Legal and Corporate Governance
Assistant Corporate Secretary
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 2, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A-1298-11691

3. BIR Tax Identification No.: 005-038-429

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City,
   PhlIs.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2F MWSB Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1108

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. Shares of Stock

       Common Shares, par value P1.00 each - 2,012,536,476

       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. 2,012,536,476 Outstanding Common Shares
2. 2,012,536,476 Shares Under the Stock Ownership Plans
3. 7,937,106
2 November 2011

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 2, 2011 requesting for clarification on the news article entitled “MWC eyes more, bigger projects in Vietnam” posted in the Philippine Daily Inquirer on November 2, 2011. The article reported in part that:

“AYALA-OWNED Manila Water Co. is eyeing more business ventures in Vietnam.

In a chance interview at the Philippines Vietnam Business Forum last week, Manila Water president and chief executive Gerardo C. Ablaza Jr. said the company would like to focus on Vietnam for its future international ventures, as it was already familiar with the Vietnamese culture and regulatory landscape.

Manila Water’s next project in Vietnam would be bigger than its current one and would require actual equity infusion from the company, he said.

“We’ve been in Ho Chi Minh for three years now, so we know how to operate in that market. We’re prepared to undertake higher risks because we’re confident that we can be successful, given our experience,” he said. “Our countries of target are those that have similar structures to the Philippines. Right now, we’ll be focusing on Vietnam.”

“There are proposals in the pipeline, similar to the (Sawaco) Zone 1 arrangement, but covering a bigger territory. This one will have some equity investment on our part,” he said.

Manila Water was likewise awaiting the result of its bid for a project in Bangalore, India.

He declined to reveal details of the project, saying only that it was for bulk water supply and that the contract should awarded by this month.”
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD, BALARA 1106, QUEZON CITY, METRO MANILA

Att'y. JHOEL P. RAQUEDAN

Contact Person

(532) 981-8129

Company Telephone Number

1231

Month
Day

STOCK

Fiscal Year

FORM TYPE

D4

Month
Annual Meeting

Secondary Licensee 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 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. October 28, 2011
Date of Report (Date of earliest event reported)

2. SEC Identification Number: A-1995-11593

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,
Philippines.

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

7. Address of issuer’s principal office
2F MWSS Admin., Bldg. 489 Katipunan Road, Bacoor, Cavite City
Postal Code: 1195

8. Issuer’s telephone number, including area code:
021922-7999 local 8139 or 022983-8133

9. Former name or former address, if changed since last report:
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

a. Shares of Stock

Common Shares, par value Ph 00 each: 2,012,826,476

b. Amount of Debt Outstanding

Fixed Rate Bonds: Ph 40,000,000

Issuer has no other registered securities either in the form of shares, debt or otherwise.

--

Outstanding Common Shares

2,012,826,476

Shares under the Stock Ownership Plans

1,012,826,476
11. Are any of registrant’s securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

Issuer

By:

Thomp Ryan Qi Ortega
Legal and Corporate Governance Manager

October 26, 2011
October 26, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

RE: Redemption of PhP4 Billion Bonds Due 2013

Gentlemen:

We write in relation to Manila Water Company Inc.'s ("Manila Water") early redemption of its PhP4,000,000,000 Peso Fixed Rate Bonds due 2013 (the "Bonds").

We confirm the full payment of the Manila Water Bonds on October 25, 2011, which payment was effected through the Philippine Depository and Trust Corp., the appointed registrar and paying agent for the Bonds ("Paying Agent"). Attached herewith are the copies of the Notice to Bondholders dated September 2, 2011 on the early redemption of the Manila Water Bonds and the certifications of the Paying Agent and Rizal Commercial Banking Trust, the trustee for the Bonds.

Very truly yours,

LIZZELLE ZAMORA-DIMACUHA
Legal and Corporate Governance Manager
September 2, 2011

To the Bondholders of the Manila Water Company, Inc.
Under the Trust Agreement dated October 9, 2008

Through: Rizal Commercial Banking Corporation - Trust and Investments Division
as Trustee to the Bondholders
9th Floor, Ayala Avenue Tower, RCBC Plaza
6819 Ayala Avenue, Makati City 1227
Philippines

Ladies and Gentlemen:

Exercise of Optional Redemption on October 23, 2011
on the Php4,000,000,000 Bonds of Manila Water Company, Inc. Due 2013

Reference is made to the Trust Agreement dated October 9, 2008 (the “Trust Agreement”), by and among Manila Water Company, Inc. (“Manila Water”) as Issuer and Rizal Commercial Banking Corporation - Trust and Investments Division as Trustee to the Bondholders. Unless the context indicates otherwise, terms used herein and not otherwise defined shall have the same meaning ascribed to them in the Trust Agreement.

We are writing to you in your capacity as Bondholder under the Trust Agreement to inform you that Manila Water, pursuant to a resolution of the Executive Committee dated September 2, 2011, will exercise the Optional Redemption option on the Bonds in accordance with Section 5 (b) of the Terms and Conditions of the Bonds contained in Annex A of the Trust Agreement on October 23, 2011 (the “Optional Redemption Date”). As the Optional Redemption Date falls on a non-business day, payment of the relevant amount to each Bondholder will be made available by the Paying Agent, Philippine Depository & Trust Corp. (PDTC), on the next business day, October 24, 2011.

The amount payable to each Bondholder on record as of October 19, 2011 (the “Record Date”) in respect of such redemption shall be calculated as the sum of (i) one hundred two percent (102%) of such principal amount (or Php1.02 per Php1.00 principal amount of the Bonds held) and (ii) accrued interest on such Bonds up to the Optional Redemption Date. Transfers of the Bonds in the Register of Bondholders shall not be allowed beginning on the Record Date, and trading of the Bonds on the Philippine Dealing & Exchange Corp. (PDEX) shall cease on the Record Date. Upon payment on October 24, 2011, the Listing of the Bonds on the PDEX shall terminate.

The Bondholders are not required to take any action in order to receive the redemption amount in respect of their Bonds but are urged to update their payment details if their nominated settlement account in the Register of Bondholders maintained by the PDTC has changed since the last coupon payment. For this purpose, the Bondholders may coordinate with their respective Selling Agents to ensure that the Register of Bondholders is updated with current information.

Should you have any inquiries or concerns, please do not hesitate to contact the Investor Relations Group of Manila Water at telephone numbers (632) 917-5000 local 1414 or through e-mail address: ir@manilawater.com.

This notice is irrevocable and binding upon Manila Water to effect the redemption on the Optional Redemption Date.

MANILA WATER COMPANY, INC.

By: [Signature]

Name: Luis Juna B. Orfeo
Title: Chief Financial Officer and Treasurer
CERTIFICATION

I, Ma. Clara Q. de Veyra, of legal age, Filipino and with office address at the 37th Floor Enterprise Center Tower I, Ayala Avenue, Makati City, after being duly sworn in accordance with the law, hereby certify as follows:

1. I am a Director, Transactions Services of the Philippine Depository & Trust Corp. (“PDTC”), a corporation duly organized and existing under the laws of the Philippines.

2. I have the authority to issue and deliver this Certification for and on PDTC's behalf.

3. That PDTC is a specialized entity duly licensed by the Securities and Exchange Commission and qualified by the Monetary Board, with capacity to act as and perform the responsibilities of a registrar and paying agent of different types of bank or corporate issues.

4. That in a Paying Agency and Registry Agreement dated 4 August 2008, PDTC was appointed as the registrar and paying Agent for Manila Water Company, Inc. (MWC) fixed rate bonds due 2013 (the Bonds).

5. That in a written notice dated 2 September 2011, MWC advised PDTC that it shall be exercising its Optional Redemption option on the Bonds in full.

6. That in its exercise of the redemption option, MWC has credited payment for the Bonds to its Payment Account with PDTC for further transmission to the Bondholders, and in accordance with the Terms and Conditions of the Bonds and its pertinent records, PDTC has effected on behalf of MWC, payment for the amounts due in respect of the redemption to the account of the relevant Cash Settlement Banks, for further crediting to the accounts designated by the Bondholders.

Ma. Clara Q. de Veyra
Director, Transactions Services
OCT 25 2011

SUBSCRIBED AND SWORN TO before me in the City of Makati this ___ day of October 2011, who is personally known to me, exhibited to me the following government-issued ID:

<table>
<thead>
<tr>
<th>Name</th>
<th>Issued by/Validity</th>
<th>Government ID No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma. Clara Q. de Veyra</td>
<td>Social Security System</td>
<td>33-2019933-2</td>
</tr>
</tbody>
</table>

Doc. No. 477
Page No. 477
Book No. 363
Series of 2011.
SUBSCRIBED AND SWORN to before me, a Notary Public for and in the above-named locality, personally appeared the following with their respective contributory tax certificates and competent evidence of identity, to wit:

<table>
<thead>
<tr>
<th>Name</th>
<th>CEC No.</th>
<th>Date/Place Issued</th>
<th>Competent Evidence of Identity (Type of I.D./ I.D. No.)</th>
<th>Issued On/ Valid Until</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rizal Commercial Banking Corporation</td>
<td>00072859</td>
<td>01.05.2011 / Manila</td>
<td>Driver's License No. N11-84-628695</td>
<td>11.03.11 Makati City</td>
</tr>
<tr>
<td>Raoul V. Santos</td>
<td>01276507</td>
<td>01.06.2011 / Manila</td>
<td>TIN 258-377-019</td>
<td>Issued 02.18.2009</td>
</tr>
<tr>
<td>Virgie B. Dionela</td>
<td>01276506</td>
<td>01.06.2011 / Manila</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Known to me and to me known to be the same persons who executed the foregoing instrument, and acknowledged to me that the same are their free and voluntary act and deed as well as those of the corporations that they respectively represent.

WITNESS MY HAND AND SEAL.

Doc. No. 28
Page No. 28
Book No. 62
Series of 2011.

[Signature]

Atty. Catalino Vicente L. Arabit
Notary Public
Appointment No. 6-50 (2011-2012)
Until 31 December 2012
P.I.D. No. 2511692, Business Permit No. B-3311511, Makati City
ROLL No. 004-184
1st Floor, Yuchengco Tower 3, RCBC Plaza
Ayala Avenue, Makati City
**SECURITIES AND EXCHANGE COMMISSION**

**SECBuilding, EDSA, Mandaluyong City, Metro Manila, Philippines**
Tel:(632) 726-0931 ext. 39 Fax:(632) 726-5895 Email: info@sec.gov.ph

**Barcode Page**
The following document has been received:

- **Receiving Officer/Encoder**: Marilies S. Guavara
- **Receiving Branch**: SEC Head Office
- **Receipt Date and Time**: October 26, 2011 01:59:15 PM
- **Received From**: Head Office

**Company Representative**

**Doc Source**

**Company Information**
- **SEC Registration No.**: A19961593
- **Company Name**: MANILA WATER CO. INC.
- **Industry Classification**
- **Company Type**: Stock Corporation

**Document Information**
- **Document ID**: 1102620111000837
- **Document Type**: 17-C (FORM 11-C-CURRENT DISC/RPT)
- **Document Code**: 17-C
- **Period Covered**: October 25, 2011
- **No. of Days Late**: 0
- **Department**: CFD
- **Remarks**
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **October 25, 2011**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number A-1998-11593**

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: [0000]** (SEC Use Only)

7. **Address of Issuer’s principal office**
   Postal Code
   2F MWSS Admin, Bldg., 489 Katipunan Road, Baguio, Quezon City 1105

8. **Issuer’s telephone number, including area code**
   (02)226-7999 Local 8139 or (02)226-8133

9. **Former name or former address, if changed since last report**
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**

    a. **Shares of Stock**
       Common, Shares, par value P1.00 each – 2,032,826,476

    b. **Amount of Debt Outstanding**
       Fixed Rate Bonds – P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,032,826,476 Outstanding Common Shares
2,032,826,476 Shares Under the Stock Ownership Plans
2,032,826,476
11. Are any of registrant's securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated October 25, 2011 on the notice of the analysts' briefing to be held on November 8, 2011, Tuesday, at 3:30 in the afternoon at the South Room A & B, Ayala Tower 1, Ayala Avenue, 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

October 25, 2011

By:

Thom, Ryan O. Oltaga

Legal and Corporate Governance Manager
25 October 2011

SECURITIES AND EXCHANGE COMMISSION
Attention:    Director Justina F. Callangan
             Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention:    Ms. Janet A. Encarnacion
             Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention:    Mr. Cesar B. Crisol
             President and Chief Operating Officer

Re: Analysts’ Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on November 8, 2011,
Tuesday, at 3:30 in the afternoon at the South Room A & B, Ayala Tower I, Ayala
Avenue, Makati City.

Very truly yours,

Joel P. Raquedan
Head, Legal and Corporate Governance Department/
Assistant Corporate Secretary
Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Guevarra
Receiving Branch: SEC Head Office
Receipt Date and Time: September 21, 2011 01:39:15 PM
Received From: Head Office

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: 109212011000966
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: September 20, 2011
No. of Days Late: 0
Department: CFD
Remarks:
SEcurities and ExChange COMmission

SEC Form 17-C

Current Report Under Section 17
Of the Securities Regulation Code
and SRC Rule 17.2(c) Thereunder

↑ September 20, 2011
Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-42S

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, Salara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)297-7399 Local 8139 / or (02)297-8139

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock:
      Common Shares, par value P1.00 each - 2,032,826,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise

---

2,010,411.154 Outstanding Common Shares
22,193,014 Shares Under the Stock Ownership Plan
2,032,826,476 Shares
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 20, 2011
   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 Quizon City, Phils.

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

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balaar, Quizon City
   Postal

8. Issuer's telephone number, including area code
   (02) 926-7999 local 8139 or (02) 926-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each – 2,032,326,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds  14,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise

1 3,010,832,818 Outstanding Common Shares
2 1,991,614 Shares Under the Stock Ownership Plans
2,003,126,476
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [  ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated September 20, 2011 on the results of the board meeting of the Board of Directors (the "Board"). The Board declared the following cash dividends for second semester 2011: (i) PHP 24 per share on the outstanding common shares, and (ii) PHP 0.20 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of October 4, 2011 on October 27, 2011.

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 Manager  

September 20, 2011  
Date
September 20, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Results of the Meeting of the Board of Directors

Gentlemen:

Please be informed that at its regular meeting today, the Board of Directors of Manila Water Company (the "Board") declared the following cash dividends for second semester 2011: (i) P0.28 per share on the outstanding common shares, and (ii) P0.028 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of October 4, 2011 on October 27, 2011.

The Board also ratified the resolution of the Executive Committee approving the redemption on October 23, 2011 of the P4B Peso Fixed Rate Bonds due in 2013.

Best regards,

Sincerely,

[Signature]

Joel P. Raquedan
Head, Legal and Corporate Governance Department/
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 725-2331 to 39 Fax: (632) 725-5268 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: September 02, 2011 01:11:36 PM
Received From: Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A199011553
Company Name: MANILA WATER CO. INC.
Industry Classification: 
Company Type: Stock Corporation

Document Information

Document ID: 109022011000600
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: September 02, 2011
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD, SALARA 1105
QUEZON CITY METRO MANILA

(A Company's Full Name)

Atty. JHONEL P. RAQUEDAN

(Company's Full Name)

12 31
Month Day

STOCK
FORM TYPE

04 Any
Month Day

Secondary License Type, if applicable

A1998-11593
Amended Articles Number/Section

Department Requiring this Doc.

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LUU

Document I.D.

Cabinet

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 2, 2011
   Date of Report (Date of earliest event reported)

2. SFC Identification Number A 1998-11693

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, Phila.

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)988-7999 Local 8130 or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC)

   a. Shares of Stock
      Common Shares, par value P1.00 each - 2,032,826,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds - P1,000,000,000.00

   Registrar has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,032,826,476 Outstanding Common Shares
2 25,319,641 Shares Under the Stock Ownership Plans
3 2,032,826,476
11. Are any of registrant’s securities listed on stock exchange?
Yes [X] No [ ]

12. Indicate the item numbers reported here:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated September 2, 2011 on the redemption on October 23, 2011 of the Php4 Billion bonds due 2013

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 2, 2011
Issuer

By:

Lizella Zamora-Dinacuha

Legal and Corporate Governance Manager
September 2, 2011

SEcurities AND EXCHanGe COMMISSION
SEC Building, EDSA
Mandaluyong City

Attention: Director Justina F. Callangan
Corporate Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

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

PHILIPPINE DEALING & EXCHANGE CORP.
37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City

Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Redemption on October 23, 2011 of PhP4 Billion Bonds Due 2013

Gentlemen:

Please be informed that our Executive Committee approved today, September 2, 2011, our Company’s early redemption on October 23, 2011 of its PhP4,000,000,000 Peso Fixed Rate Bonds due 2013 (the “Bonds”), in accordance with the Terms and Conditions of the Bonds dated October 9, 2008.

The Bonds shall be redeemed by payment in cash at a redemption price set at 102% of the principal amount and accrued interest computed up to October 23, 2011 to bondholders of record as of October 19, 2011 (the “Record Date”). As the Optional Redemption Date falls on a non-business day, payment to each bondholder will be made available on the next business day, October 24, 2011.

Transfer of the Bonds in the Register of Bondholders shall not be allowed beginning on the Record Date, and trading of the Bonds on the Philippine Dealing & Exchange Corp. (PDEex) shall also cease on the Record Date. Upon payment, the listing of the Bonds on PDEex shall be terminated, in accordance with the PDEex Rules for the Fixed Income Securities Market, as Amended.

Very truly yours,

JHoeL P. R açEDaN
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Cainta, Rizal City, Medan, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: cnis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: September 02, 2011 01:12:45 PM
Received From: SEC Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A19901593
Company Name: MANILA WATER CO., INC.
Industry Classification: Stock Corporation

Document Information

Document ID: 109022911000601
Document Type: 17-C (FORM 11-C-CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: August 31, 2011
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIFUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

{632} 951-8129
Company Telephone Number

SEC Form 17-C
Company Type: STOCK

Month
Day
Fiscal Year

Month
Day
Any
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

Document ID.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **August 31, 2011**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1866-11503**

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**
   **2F MWSS Admin. Bldg., 469 Kalayaan Road, Balara, Quezon City**

   **Postal Code**
   **1105**

8. Issuer's telephone number, including area code
   (02)925-7999 local 8130 / or (02)891-8133

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. **Shares of Stock**
       Common Shares, par value P1.00 each - 2,032,826,476

    b. **Amount of Debt Outstanding**
       Fixed Rate Bonds – P4,000,000,000.00

       **Registrant has no other registered securities either in the form of shares, debt or otherwise.**

---

1 outstanding Common Shares
2,032,826,476 Shares Under Co. Stats Unrestricted Plan
11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated August 31, 2011 on the sale of the shares of Manila Water to JTF Water Infrastructure Limited ("JTF Water") on the incorporated joint venture company of Manila Water and JTF Water for purposes of undertaking development of water related projects in certain territories in India.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.          August 31, 2011
Issuer                                           Date

By

[Signature]

Lizelle Zamora-Dimacuha

Legal and Corporate Governance Manager
August 31, 2011

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: Joint Venture Agreement between Manila Water Company, Inc. and JITF Water Infrastructure Limited

Gentlemen:

Please be informed that Manila Water Company, Inc. ("Manila Water") has agreed to sell and JITF Water Infrastructure Limited ("JITF Water") has agreed to buy the shares of Manila Water in JITF Manila Water Development Company Limited ("JV Company"), the incorporated joint venture company of Manila Water and JITF Water for purposes of undertaking development of water related projects in certain territories in India.

The sale of the shares of stock of Manila Water in the JV Company to JITF Water will allow both, Manila Water and JITF Water, to freely pursue any business activity in India.

Very truly yours,

[Signature]
Lizelle Zamora-Dimaculha
Legal and Corporate Governance Manager
SECURITIES AND EXCHANGE COMMISSION

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Jojit Licudine
Receiving Branch: SEC Head Office
Receipt Date and Time: August 10, 2011 03:03:43 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

Document Information
Document ID: 10810201110011229
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: August 10, 2011
No. of Days Late: 0
Department: CFD
Remarks
COVER SHEET

MANILA WATER COMPANY, INC.

489 Katipunan Road Balara 1105
Quezon City Metro Manila

Att'y JHOEL P. RAQUEDAN
Contact Person

(832) 881-8129
Company Telephone Number

1 2 3 1
Month Day Fiscal Year

SEC Form 17-C
STOCK
0 4
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(1)

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 10, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A.1996-11893

3. BIR Tax Identification No. 095-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of Incorporation or organization Quezon City, Phils.

6. Industry Classification Code
   (SEC Use Only)

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

8. Issuer's telephone number, including area code
   (02)925-7999 local 8130 or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each - 2,032,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

1 2,310,112,812 Outstanding Common Shares
   22,121,832 Shares Under the Stock Ownership Plans
   2,012,026,476
11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine
Stock Exchange and the Philippine Dealing and Exchange Corporation dated
August 10, 2011 on the first semester results for 2011 of Manila Water Company,
Inc.

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 G. Ortega

Legal and Corporate Governance Manager

August 10, 2011

Date
August 10, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Manila Water announces today its first semester results for 2011. Please refer to the enclosed financial and operational highlights.

Sincerely,

[Signature]
Lizelle Zamora-Dimaculha
Legal and Corporate Governance Manager
### Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,476</td>
<td>5,503</td>
<td>6%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,451</td>
<td>1,483</td>
<td>3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>4,025</td>
<td>4,020</td>
<td>1%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>74%</td>
<td>74%</td>
<td></td>
</tr>
<tr>
<td>Core Income</td>
<td>1,973</td>
<td>2,143</td>
<td>9%</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,970</td>
<td>2,002</td>
<td>2%</td>
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</tbody>
</table>

### Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>billed Volume (in mcm)</td>
<td>206.27</td>
<td>207.52</td>
<td>0.6%</td>
</tr>
<tr>
<td>East Zone</td>
<td>203.25</td>
<td>204.05</td>
<td>0.4%</td>
</tr>
<tr>
<td>Laguna</td>
<td>1.97</td>
<td>2.24</td>
<td>14%</td>
</tr>
<tr>
<td>Boracay</td>
<td>1.05</td>
<td>1.23</td>
<td>17%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Service Connections (in thousands)</td>
<td>823.1</td>
<td>963.4</td>
<td>5%</td>
</tr>
<tr>
<td>East Zone</td>
<td>800.3</td>
<td>936.3</td>
<td>5%</td>
</tr>
<tr>
<td>Laguna</td>
<td>18</td>
<td>22.7</td>
<td>26%</td>
</tr>
<tr>
<td>Boracay</td>
<td>2.8</td>
<td>4.4</td>
<td>16%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>NILW (in percentage)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>11.5%</td>
<td>11.5%</td>
<td>(0)</td>
</tr>
<tr>
<td>Laguna</td>
<td>44.0%</td>
<td>48.0%</td>
<td>(6)</td>
</tr>
<tr>
<td>Boracay</td>
<td>35.0%</td>
<td>24.0%</td>
<td>(11)</td>
</tr>
</tbody>
</table>

### Collection Efficiency

<table>
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<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Zone</td>
<td>93.7%</td>
<td>99.5%</td>
<td>(5.8)</td>
</tr>
<tr>
<td>Laguna</td>
<td>87.0%</td>
<td>95.0%</td>
<td>8%</td>
</tr>
<tr>
<td>Boracay</td>
<td>84.0%</td>
<td>86.0%</td>
<td>(2)</td>
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</table>
Bar Code Page

The following document has been received:

Receiving Officer/Encoder: Dhamil Cuañas
Receiving Branch: SEC Head Office
Receipt Date and Time: August 04, 2011 01:18 55 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: 108042011000687
Document Type: 17-C (FORM 11-C: CURRENT DISC/LRPT)
Document Code: 17-C
Period Covered: August 03, 2011
No. of Days Late: 0
Department: CFD
Remarks:
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. August 3, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A-1996-11593

3. BIR Tax Identification No. 005-038-429

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

7. Address of issuer's principal office
   Postal Code
   2F MWSS Admin. Bldg., 499 Katigum Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 825-7889 local 8130 or (02) 831-8133

9. Former name or former address, if changed since last report
   No
   Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

    a. Shares of Stock

       Common Shares, par value P1.00 each - 2,012,826,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds - P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise.
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated August 3, 2011 on the notice of Analysts' Briefing to be held on August 10, 2011 at 2:30 in the afternoon at the South Room A & B, Ayala Tower 1, Ayala Avenue, 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: ____________________________  
Lizelle Zamora-Dimacuha  
Legal and Corporate Governance Manager  

August 3, 2011  
Date
3 August 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts' Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on August 10, 2011, Wednesday, at 2:30 in the afternoon at the South Room A & B, Ayala Tower 1, Ayala Avenue, Makati City.

Very truly yours,

[Signature]
Lizette Zamora-Dinacuha
Legal and Corporate Governance Manager
The following document has been received:

- **Receiving Officer/Encoder**: Marites S. Guevarra
- **Receiving Branch**: SEC Head Office
- **Receipt Date and Time**: August 02, 2011 12:47:43 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**: 108022011000459
- **Document Type**: 17-C (FORM 11-C:CURRENT DISC/RPT)
- **Document Code**: 17-C
- **Period Covered**: July 29, 2011
- **No. of Days Late**: 0
- **Department**: CFD
- **Remarks**
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALAHA 1106
QUEZON CITY METRO MANILA

(Company's Full Name)

(Securities Address: No Street City/Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

STOCK

Secondary License Type, if Applicable

Debt, Requiring this Dec.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

Refund

Documented

Stamps
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(e) THEREUNDER

1. July 29, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A-1990-11593

3. BIR Tax Identification No. 006-036-428

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
   Post Box
   2F NWSS Admin. Bldg. 489 Kalinga Road, Balara, Quezon City
   1104

8. Issuer’s telephone number, including area code
   (02)926-7992 ext. 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

   a. Shares of Stock
      Common Shares, par value P100 each: 2,032,826,178

   b. Amount of Debt Outstanding
      Fixed Rate Bonds: P4,190,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or
      otherwise.

1 2,012,472,418 Outstanding Common Shares
   2,012,472,418 Shares Under the Stock Ownership Plan
   2,012,472,418 Shares Under the Stock Ownership Plan
11. Are any of registrant's securities listed on stock exchange?

Yes [ ] No [X]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer

July 28, 2011  
Date

By:  
Lizelle Zamora-Dimacuha  
Legal and Corporate Governance Manager
Zamboanga City Water and Sewerage Company, Inc.

Hereby file as a public-private partnership between the local government and infrastructure service providers. The company will develop and implement the necessary facilities and infrastructure to support the water and sewerage needs of the community.

The company has successfully implemented a number of infrastructure projects, including the construction of water treatment plants and the expansion of the water supply network. The company has also implemented a number of environmental initiatives, including the reduction of water usage and the use of renewable energy sources.

The company is committed to providing high-quality water and sewerage services to the local community. The company has also implemented a number of training programs for its employees to ensure that they are equipped with the necessary skills to provide quality service.

The company is a member of the Environment and Science for Development Network (ESSDN) and the Philippine Infrastructure Capital Region (PICR). The company is also a member of the National Board of Water Supply and Sewerage Operators (NBWS).
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. July 14, 2011
   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
   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 6 and 12 of the Securities Regulation
    Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each - 2,032,826,976

   b. Amount of Debt Outstanding
      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or
      otherwise.

---

Outstanding Common Shares
32,793,614 Shares Under the Stock Ownership Plans
2,810,422,858

---
11 Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated July 12, 2011 on the resignation of Mr. Keiichi Asai as member of audit and governance committee and election of Mr. Ricardo N. Jacinto in place of Mr. Asai.

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
Legal and Corporate Governance Manager

July 14, 2011
Date
July 12, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Resignation and Election of Member of Audit & Governance Committee

Please be informed that at its regular meeting today, our Board of Directors approved the resignation of Mr. Keiichi Asai as member of the Audit and Governance Committee and the election of Mr. Ricardo Nicanor N. Jacinto in place of Mr. Asai.

Best regards,

Sincerely,

[Signature]

Joel P. Razon
Head, Legal and Corporate Governance Department/
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
(632) 981-8129
Contact Person
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

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Shareholders

To be accomplished by SEC Personnel concerned

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 22, 2011**
   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, Phila.

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

7. Address of issuer's principal office
   2F MWS Admin. Bldg., 489 Katipunan Road, Balaar, Quezon City
   Postal Code: 1105

8. Issuer's telephone number, including area code
   (02) 826-7999 local 8130 / or (02) 826-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC).

    a. Shares of Stock

       Common Shares, par value P1.00 each — 2,032,826,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds — P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1. 2,032,826,476 Outstanding Common Shares
   - 25,233,444 Shares Under the Stock Ownership Plans
   - 2,007,592,032 Outstanding Common Shares
11. Are any of registrant's securities listed on stock exchange?

   Yes [X]    No [ ]

12. Indicate the item numbers reported herein:

   Letter advisory to the Philippine Stock Exchange and the Philippine
   Dealing and Exchange Corporation on the amendment to the By-laws.

   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.                     June 22, 2011
   Issuer                                              Date

   By:                                                 

   Jhôel P. Raquedan
   Head, Legal and Corporate Governance Department
June 22, 2011

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Amendment of By Laws

Gentlemen:

Please be informed that on June 21, 2011, the Securities and Exchange Commission (SEC) approved the following amendments to the By-Laws of Manila Water Company, Inc. (the "Company"), to wit:

a. Section 10, Article III of the By-Laws – delegating to the Board the authority to fix the directors' compensation provided that the total yearly compensation of directors shall not exceed 1% of the income before income tax of the preceding year; and

b. Section 4, Article II - Including Electronic Communication among the modes by which the Company may send notices or information to the Shareholders.

Thank you.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Assistant Corporate Secretary

Copy Enclosed for PSE:
(1) SEC Certificate of Filing of Amended By Laws dated June 21, 2011
COVER SHEET

MANILA WATER COMPANY, INC.
(Company's Full Name)

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA
(Business Address: No, Street/City/Town/Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

12 31
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04 Any
Month Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

| Domestic | Foreign |

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. May 23, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A-1996-11593

3. DIR 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 GUEZON CITY,
   PHILS.

6. Industry Classification Code: 3 (SEC Use Only)

7. Address of issuer’s principal office
   Postal
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Brgy. Quezon City  1101

8. Issuer’s telephone number, including area code
   (02)928-7929, local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each  2,052,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 7,010,329,858 Outstanding Common Shares
   2,052,826,476 Shares Under the Stock Ownership Plan

---
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated May 20, 2011 on the FRS Aaa rating by the Philippine Rating Services Corporation on Manila Water Company and its P4.0 billion bond issue that will mature in 2013

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.  May 23, 2011
Issuer  Date

By. Lizelle Zamora-Dimacuha

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
May 20, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Please be informed that once again, Manila Water Company, Inc. ("Manila Water") has been given an issuer rating of PRS Aaa (corp.) by Philippine Rating Services Corporation ("PhilRatings") while the P4.0 billion bond issue of Manila Water that will mature in 2013 was also rated PRS Aaa. These pieces of information, among others, are reflected in the PhilRatings Press Release dated May 20, 2011, transmitted to and received by Manila Water on May 20, 2011. For more details, a copy of the PhilRatings Press Release is hereto attached for your reference.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
Manila Water Maintains PRS Aaa (corp.) Issuer Rating and PRS Aaa Issue Rating for its P4.0 Billion Bond Issue

Philippine Rating Services Corporation (PhilRatings) has maintained its existing PRS Aaa (corp.) issuer rating for Manila Water Company, Inc. (Manila Water), as well as its existing PRS Aaa issue rating for Manila Water’s outstanding P4.0 billion bond issue. The bonds will mature in 2013.

A PRS Aaa (corp.) rating is defined as: “A company rated PRS Aaa (corp.) has a very strong capacity to meet its financial commitments relative to that of other Philippine corporations.” For the issue rating, a PRS Aaa-rated debt security is defined as: “Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.”

The ratings assigned reflect the following key considerations: improvements in operational efficiencies; proactive management and competent technical staff with a proven track record; aggressive efforts to expand service areas with a current focus in the East Zone; as well as the company’s sustained profit performance and liquidity position.

PhilRatings’ ratings are based on available information and projections at the time that the rating review is on-going. PhilRatings shall continuously monitor developments relating to Manila Water and may change the ratings at any time, should circumstances warrant a change.

Improvements in the company’s operational efficiencies led to a wider water and wastewater service coverage area, broader network distribution and lower system losses or non-revenue water (NRW). NRW improved further from 15.8% in 2009 to 11% in 2010 while sewerage coverage also improved from 16% in 2008 to 23% in 2010.

The management and staff of Manila Water are viewed as proactive as demonstrated by steps and initiatives that have already been taken or are being implemented given a forecasted shortage of water supply by 2015 as predicted by the Metropolitan Waterworks and Sewerage System (MWSS). For the medium term and by 2012, the company is looking at tapping Laguna de Bay as an alternative water source which can generate 50 to 150 million liters per day (MLD) of water. The company has also taken concrete steps to strengthen or prepare its facilities against possible earthquakes and floods.

Manila Water is expanding its service area beyond the East Zone, domestically (i.e. Laguna, Boracay, Cebu) and internationally (i.e. Vietnam, India). These ventures would provide opportunities for growth in the coming years. Further expansion is also seen in the short to medium-term, particularly in the province of Rizal.

Manila Water continues to show sustained profit performance and a healthy liquidity position. Total revenues in 2010 amounted to P11 billion, a 16% growth from 2009’s P9.5 billion while net income increased from P3.2 billion to P4 billion. The company’s ability to generate significant amounts of cash on an annual basis have led to a cash and short term investments balance of about P3.9 billion as of end-2010, compared to current portion of long-term debt of P1.2 billion.
20 May 2011

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

Attention: Atty. Justina F. Callangan
Corporation Finance Department

Re: Revised Corporate Governance Manual

Gentlemen:

We write to you with regard to the supposed submission of the revised Corporate Governance Manual (the “Manual”) of Manila Water Company, Inc. (the “Company”) on March 30, 2011.

Previously, the copy of the Manual we submitted on March 30, 2011 was without the signature of our Chairman because the Meeting of the Board of Directors (the “Board”) where it was supposed to be approved was only held on April 11, 2011. Hence, we undertook to submit the signed Manual on April 12, 2011.

We were able to obtain the signature of the Chairman on the said meeting of the Board. However, the Board decided to defer the submission, subject to the discretion of the Chairman, until some provisions were clarified and some corrections were made. It was only recently that the Chairman approved the submission of the signed Manual.

Attached herewith is the signed and approved revised Manual which incorporates all the mandatory provisions of the SEC Memorandum Circular No. 6 Series of 2009.

Thank you.

Very truly yours,

JHOEL P. RAQUEDAN
Assistant Corporate Secretary

Cc: Ryzpah Capicio
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. JOHEL P. RAQUELAN
Contact Person

(632) 981-8129
Company Telephone Number

Corporate Governance Manual

STOCK FORM TYPE

1231 Month Day Fiscal Year

04 Month Day Annual Meeting

Secondary License Type, if Applicable

Depl. Requiring this Doc.

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

 STAMPS

LCU

Cashier
PREAMBLE

The Manila Water Co., Inc. ("Manila Water" or the "Company") is committed to provide the highest quality of service to all its customers within the East Zone of Metro Manila and beyond. In the process of delivering its services, the Company consciously and continuously seeks to improve the well-being of every community it serves, as well as that of the natural environment in which it operates.

As the Company moves towards the accomplishment of its corporate goals and ultimately to create and sustain increased value for all its shareholders, the Board of Directors (the "Board"), the management, officers and employees of Manila Water believe that sound and effective corporate governance is fundamental to the Company's continued success and long-term existence.

This Manual of Corporate Governance (hereinafter the "Manual") recognizes and safeguards the rights of every shareholder. It promotes shareholders' rights, particularly the rights to information and to participate in the governance process. It supplements and complements the Articles of Incorporation and By-Laws of the Company, which principally contain the basic structure of governance.

The rationale of this Manual is to improve, systematize, and make transparent the governance of Manila Water, and demonstrate the Company's commitment to good governance, by developing and furthering:

- Responsible, accountable, and value-based performance management;
- Effective oversight, with Board Committees that act in the best interests of the Company and its stakeholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and
- Adequate information disclosure and transparency, as well as effective system of risk management and internal control.
The members of the Board, the management, and employees understand this Manual as their joint obligation and obligate themselves to ensure that its provisions are fully implemented.


CORPORATE GOVERNANCE FRAMEWORK

The Company's corporate governance framework is based on the following principles:

- **Accountability** - This Manual establishes the Company's accountability to all its shareholders and guides the Board in setting strategies and monitoring the Company's management.

- **Fairness** - The Company obligates itself to safeguard shareholder rights and ensure the fair treatment of all shareholders, including minority shareholders.

- **Transparency** - The Company ensures that timely and accurate disclosures are made on all material matters, including the financial situation, performance, ownership, and governance, in a manner easily accessible to the public and all interested parties.

- **Sustainability** - The Company believes that its business goals are intertwined with the well-being of the communities that it serves, and that of the natural environment that supports its resources. It recognizes the value of working with all its stakeholders in order to achieve its social, environmental and business objectives.
ARTICLE I
GOVERNANCE

1. The Board of Directors.

The Board oversees the management of the Company and provides directions towards the formulation of a sound corporate strategy. In the exercise of their duties, the members of the Board must exercise their best and unbiased judgment in the utmost interests of the Company. The Board is the guardian of fairness, transparency, and accountability in all of the major financial and business dealings of the Company, protecting the interests of investors and stakeholders.

1.1 Composition

The Board of Directors shall have eleven (11) members who shall be elected by the Company's stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Company.

Manila Water Company shall have a minimum of two (2) independent directors or at least 20% of the members of the board, at least one of whom shall serve in the Audit Committee. The independent directors shall be identified in the annual report.

1.2 Qualifications

A director of Manila Water Company shall have the following qualifications.

a) Ownership of at least one (1) share of the capital stock of the Company;

b) At least twenty-one (21) years of age;

c) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient
experience and competence in managing a business to substitute for such
formal education;

d) Possesses integrity, probity and shall be diligent and assiduous in the
performance of his functions.

e) Other relevant qualifications, such as membership in good standing in
business, professional organizations or relevant industry.

f) Non-executive directors should possess such qualifications and stature
that would enable them to effectively participate in the deliberations of the
Board.

1.3 Disqualifications

The following persons are disqualified from being a director of the Company:

a) Any person who has been finally convicted by a competent judicial or
administrative body of the following: (i) any crime involving the purchase
or sale of securities as defined in the Securities Regulation Code, e.g.
proprietary or non-proprietary membership certificate, commodity futures
contract, or interest in a common trust fund, pre-need plan, pension plan or
life plan; (ii) any crime arising out of the person's conduct as an
underwriter, broker, dealer, investment corporation, investment adviser,
principal distributor, mutual fund dealer, futures commission merchant,
commodity trading advisor, or floor broker; or, (iii) any crime arising out of
his fiduciary relationship with a bank, quasi-bank, trust company,
investment house or as an affiliated person of any of them.

b) Any person who, by reason of any misconduct, after hearing or trial, is
permanently or temporarily enjoined by order, judgment or decree of the
Philippine Securities and Exchange Commission ("SEC") or any court or
other administrative body of competent jurisdiction from; (i) acting as an
underwriter, broker, dealer, investment adviser, principal distributor, mutual
fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code ("SRC"), or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;

(c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;

d) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;

e) Any person judicially declared to be insolvent;

f) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;
g) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment, and,

h) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged --

h.1) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Company, or

h.2) If he is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company, or when in the judgment of the Board, by at least three-fourths (3/4) vote, deems that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors, or

h.3) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.
1.4 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.

b) Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.

c) Dismissal/termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

d) Being under preventive suspension by the Company for any reason.

e) Conviction that has not yet become final referred to in the grounds for disqualification of directors

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A director shall have sixty (60) days upon the occurrence of any ground for temporary disqualification to remedy or correct the same otherwise, the disqualification shall become permanent.
1.5 Independent Directors

Independent directors shall hold no interests or relationships with the Company that may hinder their independence from the Company or its management, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An independent director shall, within thirty (30) days from his election or appointment, including any re-election or re-appointment, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Company, its management or controlling shareholder.

a) Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.

b) If a director elected or appointed as an independent director subsequently becomes an officer, employee or consultant of the Company, the Company shall forthwith cease to consider him as an independent director.

c) If the beneficial ownership of an independent director in the Company or its related corporations shall exceed 2% of the subscribed capital stock of such corporation, the Company shall forthwith cease to consider him as an independent director. However, should the independent director take the appropriate action to remedy or correct the disqualification within sixty (60) days from the occurrence of the ground he may still be considered an independent director.

The Company shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Company shall cover the reasonable expenses of providing such support.
1.6 Policy on Multiple Board Seats

a) A director shall exercise due discretion in accepting and holding directorships outside of the Company. A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Company.

1.7 Board Meetings and Quorum Requirements

a) Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the SEC.

b) The Board may, to promote transparency, require the presence of at least one independent director in all its meetings. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

1.8 General Responsibilities of the Board for Good Governance

a) A director's office is one of trust and confidence. He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.

b) Compliance with the principles of good governance shall start with the Board. It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.
operational controls; and appointing a President with the appropriate ability, integrity, and experience to fill the role;

e.4) Evaluation of proposed senior management appointments;

e.5) Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Company's personnel and human resources policies, compensation plan and the management succession plan;

e.6) Institutionalizing the internal audit and enterprise risk management functions;

e.7) Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

1.9 Specific Duties of the Board of Directors

The Board shall exert its best effort to ensure a high standard of best practice for the Company, its shareholders and stakeholders. To do so, it shall perform all the functions which it is required to perform in the Company's By-Laws, including those enumerated below, with honesty and integrity.

a) Implement a process for the selection of directors who can contribute independent judgment in the formulation and amendment of corporate strategies and policies;

b) Appointment of competent, honest, professional and highly motivated President and other management officers;

c) Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted;
d) Constitute an Audit and Governance Committee and such other Committees as may be necessary to assist the Board in discharging its functions;

e) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Company;

f) Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;

g) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices.

h) Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the SEC, the Philippine Stock Exchange ("PSE") and the Company's shareholders and other stakeholders on matters of importance;

i) Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

j) Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

k) Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas. The Board should continuously monitor these factors,
with due diligence, to enable the Company to anticipate and prepare for possible threats to its operational and financial viability.

1) The Board is primarily responsible to the stockholders for financial reporting and control, and should ensure that:

1.1) All stockholders are provided with relevant and timely information about the Company, including but not limited to a semestral report and an annual report of the Company's performance, position and prospects through publicly available reports submitted to the SEC.

1.2) A balanced and understandable assessment of the Company's position and prospects is presented. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

1.3) Their responsibility for preparing the accounts is explained and there should be a statement by the auditors about reporting responsibilities.

1.4) The business as a going concern is reported, with supporting assumptions or qualifications, if necessary.

1.5) Sound system of internal control to safeguard stakeholders' investment and the Company's assets is presented.

1.6) Based on the approved audit plans, scope and frequency of audits, internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations.
safeguarding of assets, and compliance with laws, rules, regulations, and contracts;

l.7) The Chief Audit Executive renders to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;

m) Adopt and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;

n) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit and Governance Committee;

o) Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense, which expense shall be reasonable;

p) Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including regulatory authorities, without prejudice to the Company's ability to avail of its legal rights to address or resolve conflicts or differences with such parties in the proper venue as it deems appropriate or warranted.
1.10 Specific Responsibilities of each Director

The Company's directors shall act in good faith, with due care and in the best interests of the Company and all its shareholders, including minority shareholders, based on all relevant information. Each director is expected to attend board meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

In addition to the duties and responsibilities of a Director set forth above and in the Company's By-Laws and existing relevant statutes, a Director shall.

a) **Conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions.** A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual.

b) **Devote time and attention necessary to properly discharge his duties and responsibilities.** A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

c) **Act judiciously.** Before deciding on any matter brought before the Board of Directors, every director should carefully evaluate the issues, ask questions and seek clarifications as appropriate.

d) **Exercise independent judgment.** A director should view each problem/situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position regardless of such position's unpopularity. Corollarily, he should support plans and ideas which he believes are beneficial to the Company.
a) Have a working knowledge of the statutory and regulatory requirements affecting the Company, including its articles of incorporation and by-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. The director should also keep abreast with industry developments and business trends in order to promote the Company’s competitiveness and sustained progress.

f) Observe confidentiality. A director shall keep secure and confidential all non-public information acquired or learned by reason of his position as a director. He should not reveal any confidential information to unauthorized persons without the authority of the Board.

g) Ensure the continuing soundness, effectiveness and adequacy of the Company’s control environment. Each director is responsible for assuming that actions taken by the Board maintain the adequacy of the control environment within the Company.

h) Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution. If necessary, funds shall be allocated by the Company for this purpose.

1.11 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting there from suffered by the Company, its stockholders and other persons.

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the
Company and must account for the profits which otherwise would have accrued to the Company.

1.12 Compensation and Liability Insurance Coverage of Directors

a) The Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. The compensation which may be in the form of cash remuneration and/or stock option plans shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

b) From the effective date of this Manual, no director shall be involved in deciding his own remuneration during his incumbent term.

c) The Company, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

2. Board Committees

The Board of Directors may create such committees, as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Company and to aid in good governance. The Board shall be supported by the following committees, which are required to report to the Board a summary of the actions taken:

2.1 Executive Committee

a) The Board shall appoint from among its members an Executive Committee composed of not less than five (5) members, a majority of whom shall be
citizens of the Philippines, and shall designate one of such members as Chairman of the Executive Committee.

b) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members or its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Company's By-Laws, except with respect to—

i. approval of any action for which shareholders' approval is also required;

ii. the filling of vacancies on the Board or in the Executive Committee;

iii. the amendment or repeal of By-Laws or the adoption of new By-Laws;

iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

v. the distribution of cash dividends;

vi. the exercise of powers delegated by the Board exclusively to other committees, if any.

c) The attendance of at least four (4) members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided however that the Board may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board at the meeting thereof following such action and shall be subject to revision or alteration by the Board, provided that no rights or acts of third parties shall be affected by any such revision or alteration.
c) To ensure good governance of the Company, the Board should establish the vision and mission and strategic objectives and key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance.

d) To the extent set forth above, the Board shall orient all its activities towards three general guidelines:

➤ All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Company's constitutive documents.

➤ All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Company in a sustainable manner.

➤ The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed company.

e) The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:

e.1) Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system,

e.2) Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;

e.3) Defining the duties and responsibilities of the President who shall be ultimately accountable for the Company's organizational and
2.2 Audit and Governance Committee

a) There shall be an Audit and Governance Committee composed of four (4) members, and at least one of whom shall be an independent director. The independent director shall chair the Audit and Governance Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company’s financial management systems and environment in particular.

b) The Audit and Governance Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall be responsible for ensuring the development of, compliance with, and periodic review of corporate governance policies and practices in the Company.

It shall have the following particular duties and responsibilities:

i. assist the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

ii. check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

iii. perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;

iv. be responsible for setting up an internal audit department and consider the appointment of the Chief Audit Executive; establish
and identify the reporting line of the Chief Audit Executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities;

ensure that internal auditors have free and full access to all the Company's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

provide oversight of the Company's internal and external auditors; ensure that the internal and external auditors act independently from each other; and ensure that the external auditor is given unrestricted access to all records, properties and personnel to enable it to perform its audit function;

review internal audit plans, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the objectives of the Company;

discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed in order to secure proper coverage and minimize duplication of efforts;

monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.

ensure that accounting system of the Company adheres to internationally accepted financial reporting standards and that auditing processes, practices and methodologies are compliant with generally accepted audit standards and practices.
xi. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;

xii. receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;

xiii. establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall functionally report directly to the Audit and Governance Committee which committee shall ensure the internal auditor's independence and freedom from interference by outside parties;

xiv. review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, stock exchange and other regulatory requirements;

xv. recommend and review the appointment of external auditors and their remuneration;

xvi. coordinate, monitor and facilitate compliance with laws, rules and regulations;

xvii. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual...
income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report.

xviii. conduct a yearly self-evaluation of the directors and executive officers and report the results of the same to the Board. Independant consultants may also be invited to assist the Committee in the process.

xix. develop and recommend to the Board corporate governance principles applicable to the Company.

xx. monitor and assess the Company's compliance with rules and regulations relating to corporate governance policies.

The Internal Audit group and the Office of the Compliance Officer of the Company shall support the Audit and Governance Committee in the rendition of its functions.

2.3 Nominations Committee

The Nomination Committee shall be composed of at least three (3) members including one (1) independent director. The Committee shall have the following functions:

a) install and maintain a process to ensure that all directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications stated above;

b) encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;
c) review and evaluate the qualifications of all persons nominated to positions in the Company which require appointment by the Board.

2.4 Proxy Validation Committee

The Board shall appoint three (3) persons (who need not be stockholders) to act as Proxy Validation Committee which shall be empowered to pass on the validity of proxies. The Proxy Validation Committee shall be guided by existing laws, and rules and regulations of the SEC regarding proxies. The term of office of the Committee members shall be fixed by the Board. In the event of vacancy in the Committee membership, the Board may appoint another member to such vacancy.

2.5 Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members and Chaired by an independent director.

The Committee shall have the following functions:

i. establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates;

ii. determine and approve all matters relating to the remuneration and benefits of the Board and the Company's key officers;

iii. evaluate and recommend for Board approval the pertinent guidelines on executive compensation, including non-monetary remuneration;

iv. periodically review and evaluate the policy on remuneration in order that it be in a sufficient level to attract and retain directors and key officers of the Company;

v. Disallow any director to decide his own remuneration during his incumbent term;
vi. provide in the Company’s Required Reportorial Requirements, a clear, concise and understandable disclosure of all compensation that may be paid to its directors and key officers during the preceding fiscal year.

vii. review the existing employee handbook to strengthen provisions on conflict of interest, compensation and benefit policies, promotion and career advancement and compliance with all regulatory policies.

ARTICLE II
MANAGEMENT

1 General Responsibilities of Management

a) Management is primarily responsible in deciding the day-to-day affairs of the Company. It determines the Company’s activities by putting the Company’s targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Company’s success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and the business goals of the Company; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.

b) Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company.

Reliance on information volunteered by Management may not be sufficient in all circumstances and further inquiries may have to be made by a member of the
Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

2. Executive Officers of the Company

The Executive Officers of the Company are the Chairman, the Vice-Chairman, the President, the Treasurer and/or the Chief Finance Officer, and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition:

i. The Board of Directors shall appoint (from time to time) one or more Group Directors, and such other officers, agents and employees as provided for in the Company's By-Laws.

ii. The Board of Directors may, in its discretion and in accordance with the By-Laws, elect two (2) Co-Vice-Chairmen of the Board from among its members.

iii. The roles of the Chairman and the President are separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. The Company shall disclose the relationship between the Chairman and the President, if any, in its annual report to the SEC.

If the positions of Chair and President are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

a) Chairman of the Board

The Chairman of the Board, shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall:

i. schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
ii. prepare the meeting agenda in consultation with the President;
iii. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
iv. assist in ensuring compliance with the Company’s guidelines on corporate governance.

The Chairman shall have such other responsibilities as the Board may impose upon him.

b) Co-Vice-Chairman

In the absence of the Chairman of the Board, one of the Co-Vice-Chairmen shall preside at meetings of the Board.

c) President

Minimum internal control mechanisms for management’s operational responsibility shall center on the President, being ultimately accountable for the Company’s organizational and procedural controls. In addition to the duties imposed on the President by the Board, the President shall

i. have general supervision of the business, affairs, and property of the Company, and over its employees and officers;
ii. see that all orders and resolutions of the Board are carried into effect;
iii. submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;
iv. report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice.

The President shall have such other responsibilities as the Board may impose upon him.
d) The Treasurer

The Treasurer of the Company shall have charge of the funds, securities, receipts and disbursements of the Company. He shall have the following functions:

i. deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Company in such banks or trust companies or with such bankers or other depositaries as the Board may from time to time designate;

ii. regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Company and of all his transactions as such;

iii. ensure funds availability on a timely basis and at the most economical means;

iv. optimize yields in temporary excess funds;

v. provide relevant and timely capital market information;

vi. ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

e) The Chief Finance Officer (CFO)

The Chief Finance Officer shall be appointed by the Board. The CFO who may also be the Treasurer of the Company shall be responsible for the following:

i. provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

ii. maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
promote investor confidence in the Company by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with; strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board may impose upon him.

f) The Corporate Secretary

The Corporate Secretary shall be a resident and citizen of the Philippines, who possess organizational and interpersonal skills, and the legal skills of a chief legal officer and the following additional qualifications:

i. Be loyal to the mission, vision and objectives of the Company;

ii. Have a working knowledge of the operations of the Company;

iii. If he is not at the same time the Company's legal counsel, be aware of laws, rules and regulations necessary in the performance of his duties and responsibilities;

iv. Have appropriate administrative and interpersonal skills.

The Corporate Secretary ensures that the Board and management follow internal and external rules and regulations, and facilitates clear communications between the Board and management. He also informs principal officers of latest corporate governance developments.

The Corporate Secretary shall have the following functions:

i. Serve as an adviser to the directors on their responsibilities and obligations;

ii. Be responsible for the safekeeping and preservation of the integrity of the minutes of meetings of the stockholders, the Board, the Executive
Committee, and all other committees, as well as all other official records of the Company. He shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate.

iii. Work fairly and objectively with the Board, management and stockholders;

iv. Keep in safe custody the seal of the Company and affix it to any instrument requiring the same;

v. Have charge of the stock certificate book and such other books and papers as the Board may direct.

vi. Attend to the giving and serving of notices of Board and shareholder meetings;

vii. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

viii. Be fully informed and be part of the scheduling process of other activities of the Board;

ix. Attend all Board meetings, except when justifiable causes prevent him from doing so. For this purpose, the Board shall have discretion of what causes are justifiable;

x. Ensure that all Board procedures, rules and regulations are strictly followed by the members;

xi. Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;

xii. Oversee the adequate flow of information to the Board prior to meetings;

xiii. Ensure fulfillment of disclosure requirements to the SEC and the PSE;
If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Manual.

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary.

ARTICLE III
GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of directors and officers should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interest of all shareholders and the Company without regard to their own personal and selfish interests.

a) A conflict of interest exists when a director or an officer of the Company—

i. Supplies or is attempting or applying to supply goods or services to the Company;

ii. Supplies or is attempting to supply goods, services or information to an entity in competition with the Company;

iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Company;

iv. Is offered or receives consideration for delivering the Company’s business to a third party;

v. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Company.

b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the
decision making process. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

c) A contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all the following conditions are present:

i. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;

ii. The vote of such director was not necessary for the approval of the contract;

iii. The contract is fair and reasonable under the circumstances;

iv. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

d) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, thereby obtaining profits to the prejudice of the Company, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.

e) The director is required to comply with all disclosure requirements of the SRC and its implementing Rules and Regulations and voluntarily disclose any conflict of interest, whether actual or potential, upon its occurrence. The disclosure should be made fully and immediately.
The foregoing is without prejudice to the Company's existing Rules or Code of Conduct and Ethics for its officers, employees and staff.

ARTICLE IV
RELATED PARTY TRANSACTIONS

The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.

ARTICLE V
AUDIT AND COMPLIANCE

1 Internal Audit

a) The Internal Audit Group shall provide independent and objective assurance and consulting activity to the Company designed to add value and improve the organization's operations. It shall provide the Board, Management and the stockholders with reasonable assurance that the Company's key organizational and operational controls are effective, appropriate, and faithfully complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

b) It shall perform its auditing functions faithfully by maintaining independence from the management and controlling shareholders.
c) The Internal Audit Group shall be headed by a Chief Audit Executive. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report periodically and as required by the Audit and Governance Committee of the Board of Directors on its performance, including the status of audit and consulting engagements, compliance with the Annual Audit Plan, significant interim changes, and the sufficiency and proficiency of Internal Audit resources.

d) The Internal Auditors shall report that their activities are conducted in accordance with the International Standards on Professional Practice of Internal Auditing. Otherwise, the Chief Audit Executive shall disclose to the Board and Management that it has not yet achieved full compliance with the said international standards.

2. External Audit

a) The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.

b) The External Auditor shall –

i. perform fair audits independently from the Company’s management and controlling shareholders, so that shareholders and other users may maintain confidence in the Company’s accounting information;

ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;

iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;

iv. perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
c) The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.

d) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

e) If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

3. Compliance System

To insure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer who shall hold the position of a Group Director. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

The Compliance Officer shall perform the following duties:

i. operationalize this Manual, and monitor compliance with the provisions and requirements of this Manual, as well as the rules and regulations of the regulatory agencies ("Regulatory Rules");

ii. appear before the SEC upon summon on similar matters that need to be clarified by the same;

iii. determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;

iv. issue a certification every January 30th of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same, if any;
v. provide the SEC at the end of every fiscal year with a sworn certification that the requirement for independent directors and their attendance at meetings in accordance with Sec. II(7) of SEC Memorandum Circular No. 2 has been complied with;

vi. identify, monitor and control compliance risks;

vii. determine violations of this Manual and Regulatory Rules and create a system for according due notice, hearing, and due process for dealing with violations of the Manual and Regulatory Rules;

viii. recommend the penalties for violations of the Manual and Regulatory Rules, for further review and approval of the Board, and adopt measures to prevent repetition of any violation.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC. All correspondence relative to his functions as such shall be addressed to said Officer.

ARTICLE VI

COMMUNICATION AND INFORMATION

1. Management’s Responsibility for Information

a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

➢ Present a balanced and understandable assessment of the Company’s position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;

➢ Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

➢ Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

➢ Maintain a sound system of internal control to safeguard stakeholders’ investment and the Company’s assets;
Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;

Require the Chief Audit Executive to render to the Audit and Governance Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

b) Management should formulate under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

(i) The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;

(ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained;

(iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including reliability and integrity of financial and operational information, effectiveness and efficiency of the operations, protection of assets, and compliance with contracts, laws, rules and regulations;
(iv) The Company should consistently comply with the financial reporting requirements of the SEC.

(v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department’s activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

c) Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

2. The Investor Relations Function

There shall be an Investor Relations Division within the Company, which shall be tasked with—

i. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities,

ii. Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently.
iii. Preparation of disclosure documents to the SEC and the Philippine Stock Exchange, and
iv. Dissemination of this Manual, and the conduct of an orientation program for the Board and Management.

The Investor Relations Division shall report to the Chief Financial Officer who shall oversee all reporting and disclosures to the SEC and PSE.

3. Communication of this Manual

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any stockholder of the Company at its principal office during reasonable hours on a business day.

All directors, executives and officers of the Company are required to ensure complete dissemination of this Manual to all employees and enjoin compliance in the process. If necessary, funds shall be allocated for orientation programs or workshops to implement this Manual.

ARTICLE VII

DISCLOSURE AND TRANSPARENCY

The Board shall commit at all times to adequately and timely disclose all material information that could potentially affect Manila Water’s share price and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations as well as other relevant laws. These information include but are not limited to earnings results, acquisition or disposal of significant assets, off balance sheet transactions, changes in Board membership as well changes in shareholdings of directors and officers, and remuneration of directors and officers and related party transactions.

The Company shall disclose its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.
ARTICLE VIII
EVALUATION SYSTEMS AND TRAINING

1. Evaluation Systems

The Compliance Officer shall establish an evaluation system to measure the performance of the Board and the Executive Officers of the Company in terms of good governance practices. This shall be annually conducted by the Audit and Governance Committee, which shall discuss the results thereof at a Board meeting. Independent consultants may also be invited to assist the Audit and Governance Committee in this process.

2. Training

The Company shall provide a comprehensive orientation program for new directors, including an understanding of the contribution that the Director is expected to make, an explanation of the Board and its committees, and an explanation of the Company's business, including corporate governance and other issues that will assist them in discharging their duties.

The Company shall also provide general access to training courses to its Directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Company's business. The Board Committees may also hire independent legal counsel, accounting, or other consultants to advise them when necessary.
ARTICLE IX

STOCKHOLDERS' RIGHTS AND PROTECTION
OF MINORITY STOCKHOLDERS' INTERESTS

The Board shall be committed to respect the following rights of the stockholders:

a)   Voting Right

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Company.

b)   Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation may provide the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

c)   Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.
d) Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the SEC.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

e) Right to Dividends

Shareholders have the right to receive dividends subject to the discretion of the Board. However, the SEC may direct the Company to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for a special reserve for probable contingencies.
1) Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

f.1) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

f.2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and

f.3) In case of merger or consolidation.

2) Duty of Directors to promote shareholders rights

It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any reasonable doubt about the validity of a proxy should be resolved in the stockholder's favor.
Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting that relate directly to legitimate business purposes, all in accordance with the By-laws.

ARTICLE X

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Company’s directors, officers, staff, in case of violation of any of the provisions of this Manual:

➢ In case of first violation, the subject person shall be reprimanded;
➢ In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
➢ For third violation, removal from office. The commission of a third violation of this manual by any member of the Board shall be a sufficient cause for removal from directorship.

ARTICLE XI

REVIEW AND AMENDMENT OF MANUAL

1. The provisions of this Manual and the enforcement thereof shall be subject to annual review by the Office of the Compliance Officer in coordination with the Audit and Governance Committee, unless otherwise stated by the Board.

2. All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
3. This Manual is subject to review and amendment to continuously improve the Company's corporate governance practices by assessing their effectiveness and comparing them with evolving best practices, standards identified by leading governance authorities and the Company's changing circumstances and needs.

ARTICLE XII
ADOPTION AND EFFECTIVITY

The Manual was first adopted by the Board of Directors of the Company on May 3, 2004, and was subsequently revised on November 15, 2007. The latest revision was approved by the Board on April 11, 2011.

SIGNED:

[Signature]

FERNANDO ZOBEL DE AYALA
Chairman of the Board

Date of Signing: April 11, 2011

NOTED:

[Signature]

GERARDO C. ABLAZA JR.
President
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. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-G
STOCK FORM TYPE
1231 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

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. May 19, 2011
Date of Report (Date of earliest event reported)

2. SEC Identification Number A1995-11593

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,
Philippines

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

7. Address of issuer's principal office
Postal Code

2F MVSS Admin. Bldg., 489 Kalipunan Road, Salara, Quezon City 1103

8. Issuer's telephone number, including area code
(02)247-7999 local 8139 or (02)981-8131

9. Former name of former address, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
Code (SRC):

a. Shares of Stock

Common Shares, par value P1.00 each – 2,032,826,476

b. Amount of Debt Outstanding

Fixed Rate Bonds – P4,000,000,000.00

Registrant has no other registered securities either in the form of shares, debt or
otherwise.

1,010,329,838 Outstanding Common Shares
72,496,618 Shares Under the Stock Ownership Plan
2,012,826,476
11. Are any of registrant’s securities listed on stock exchange?

   Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated May 18, 2011 on the appointment of Mr. Ferdinand dela Cruz as Group Director for East Zone Business Operations.

   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

   MANILA WATER COMPANY, INC.  May 19, 2011
   Issuer  Date

   By: [Signature]
   Lizelle Zamora-Dimacuha
   Legal and Corporate Governance Manager
May 18, 2011

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: Appointment of Mr. Ferdinand dela Cruz as Group Director for East Zone Business Operations

Gentlemen:

Please be informed that Mr. Ferdinand dela Cruz has been appointed as Group Director for East Zone Business Operations of Manila Water Company, Inc. ("Manila Water").

Mr. dela Cruz is a licensed Mechanical Engineer from the University of the Philippines and has served as the Head of Consumer Sales and After-Sales of Globe Telecom. He will bring with him a wealth of key leadership experiences in sales, distribution and marketing from his current tenure in Globe Telecom and his previous work with San Miguel Corporation, Ayala Land Incorporated and Kraft Foods, Philippines.

The appointment of Mr. dela Cruz was made to address the opportunities brought about by the rapid business expansion of Manila Water.

Thank you.

Sincerely,

[Signature]

Luis Juan B. Oreta
Compliance Officer
MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

(Company's Full Name)

(Company's 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 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. May 19, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-039-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code
   (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Kalipunan Road, Balara, Quezon City
   Postal
   1108

8. Issuer's telephone number, including area code
   (02)928-7999 local 8230 / or (02)924-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

     a. Shares of Stock

        Common Shares, par value P1.00 each 2,032,826,476

     b. Amount of Debt Outstanding

        Fixed Rate Bonds P4,000,000,000 00

    Registrant has no other registered securities either in the form of shares, debt or
    otherwise.

---

1 2,018,329,336 Outstanding Common Shares
   22,495,618 Shares Under the Stock Ownership Plans
   2,002,876,976
11 Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12 Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated May 18, 2011 on the appointment of Mr. Ferdinand dela Cruz as Group Director for East Zone Business Operations. Further to our disclosure yesterday, please be informed that the appointment shall be effective on July 1, 2011.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  May 19, 2011
Issuer  Dale

By: [Signature]

Lizette Zamora-Dimaculha
Legal and Corporate Governance Manager
May 18, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Appointment of Mr. Ferdinand dela Cruz as Group Director for East Zone Business Operations

Gentlemen:

Further to our disclosure this morning on the above-referred subject, please be informed that the appointment of Mr. Ferdinand dela Cruz as Group Director for East Zone Business Operations of Manila Water Company, Inc. shall be effective on July 1, 2011.

Thank you.

Sincerely,

[Signature]

Jhoel P. Maquedan
Head,
Legal and Corporate Governance Department / Assistant Corporate Secretary
MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD, BALARA 1105
QUEZON CITY, METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1 2 3 1
Month Day Fiscal Year

0 4
Month Day Annual Meeting

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings
Domestic: ________________________
Foreign: ________________________

To be accomplished by SEC Personnel concerned

File Number: _________________

Document No.: _________________

STAMPS
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 13, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1996-11692

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: 2122 (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Bajada, Quezon City
   Postal
   1105

8. Issuer's telephone number, including area code
   (02) 0926-7989 Local 8130 or (02) 0981-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each - 2,012,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds – P4,000,000,000.00

      Registrant has no other registered securities other than those in the form of shares, debt or otherwise.

\[2,012,826,476\] Outstanding Common Shares

\[22,496,618\] Shares Under the Stock Ownership Plan

2,012,826,476

\[2,012,826,476\]
11 Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12 Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation dated May 12, 2011 on the corrected disclosure on the core income before tax of Manila Water Company for the first quarter of 2011

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC. 
Issuer

May 13, 2011
Date

By

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
12 May 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

We refer to the disclosure dated 12 May 2011 and approved by the Philippine Stock Exchange (the "Exchange") at 2:27:25 in the afternoon of even date on the announcement of its first quarter results for 2011.

Please be informed that the core income before tax of Manila Water Company, Inc. (the "Company") increased to P1.2 billion for the first quarter of 2011, a 14% growth from the same period last year.

Please refer to the enclosed revised press release for more information.

Sincerely,

[Signature]
Lizelle Zamora-Dimaucula
Legal and Corporate Governance Manager
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

(632) 981-8129

SEC Form 17-C
STOCK
FORM TYPE
1231
Month
Day
Fiscal Year
04
Any
Month
Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowing

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 12, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No  065-033-428

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,
   Phlpe.

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

7. Address of issuer's principal office
   Code
   Posta
   2F MWSS Admin. Bldg., 4th Katipunan Road, Balara, Quezon City  1106

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. Shares of Stock

        Common Shares, par value P1.00 each – 2,032,826,476

     b. Amount of Debt Outstanding

        Fixed Rate Bonds – P4,000,000,000.00

        Registrant has no other registered securities either in the form of shares, debt or
otherwise.

1 2,032,826,476  Outstanding Common Shares
    23,896,618  Shares Under the Stock Ownership Plans
    2,012,826,476

---
11. Are any of registrant's securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.
Issuer

May 12, 2011
Date

By: ____________________________

Lizelle Zamora-Dimacula
Legal and Corporate Governance Manager
May 12, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Manila Water announces today its first quarter results for 2011. Please refer to the enclosed press release.

Sincerely,

[Signature]
Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
Manila Water increased core income by 11% for Q1 2011

Manila Water announced today that its core income increased by P1.5 billion for the first quarter of 2011, an 11% growth from the same period last year. This was driven by a 5-percent increase in revenues and stable demand. Net income, however, registered a decline of 3% to P816 million due to the decrease in the fair value related to the P4 billion peso bond amounting to P122 million.

Total operating revenues grew by 5% to P2.7 billion on the back of an additional 64,000 new household connections year-on-year. Manila Water's billed volume remained stable at 98.9 million cubic meters, 0.2% higher compared to the same quarter last year.

While electricity costs registered a double-digit increase, operating expenses grew by just 4% year-on-year to P745 million on the back of reductions in overhead costs. The company's EBITDA margin remained strong at 72%.

In the first quarter alone, Manila Water spent more than P2.4 billion on projects to boost network reliability and expand water and wastewater coverage. Over the past few years, the company has completed several sewage treatment plants (STPs) as part of its commitments relative to the clean-up of Manila Bay and other major river systems in the metropole.

As of March 2011, the company's non-revenue water level was placed at 11.9% or 2.3 percentage points lower than the same period last year. Manila Water's success in bringing down the level of water losses mitigated the impact of last year's El Nino, when its water supply allocation from Angat Dam was reduced by as much as 30%. Despite this, water service levels in the Manila Water concession area remained 24/7 at an average pressure of 19 pounds per square inch (psi).

Manila Water's concessions in Laguna and Boracay and the management contract in Vietnam also continue to show promising results. Total revenues from businesses outside the East Zone amounting to P81 million accounted for 3.3% of Manila Water's total revenues as compared to the 2.3% contributed in the same period last year.

Last March, its subsidiary, the Boracay Island Water Company (BIWC) inaugurated its newly-upgraded sewage treatment plant, increasing treatment capacity by 250 percent, from its previous 2.6 million liters per day (mld) to its current, 6.5 mld. The upgraded STP is reversing the island's previously non-compliant effluent, and consequently, exhibiting environmental compliance four years ahead of the Concession commitment DENR Class SB Standards. The capacity increase is also aimed to anticipate the growing number of tourists that flock to the country's premier vacation spot.

On top of its wastewater function, BIWC has significantly improved the island's water supply in residences, hotels and other businesses. The Company has increased 24-hour water availability to 96 percent of the population compared to the previous 60 percent, before BIWC's entry. Water pressure has also increased from an average of 15 psi to 30 psi.
### FINANCIAL HIGHLIGHTS

**In Million Pesos**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,539</td>
<td>2,671</td>
<td>5%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>714</td>
<td>745</td>
<td>4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,825</td>
<td>1,926</td>
<td>6%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>72%</td>
<td>72%</td>
<td>-</td>
</tr>
<tr>
<td>Core Income</td>
<td>1,368</td>
<td>1,515</td>
<td>11%</td>
</tr>
<tr>
<td>Net Income</td>
<td>839</td>
<td>816</td>
<td>(3%)</td>
</tr>
</tbody>
</table>

### OPERATING HIGHLIGHTS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed Volume (in million cubic meters)</td>
<td>98.7</td>
<td>98.9</td>
<td>0.2%</td>
</tr>
<tr>
<td>Household Connections (in thousands)</td>
<td>1,107</td>
<td>1,171</td>
<td>5.8%</td>
</tr>
<tr>
<td>Non-Revenue Water</td>
<td>14.2%</td>
<td>11.9%</td>
<td>(2.3 ppts)</td>
</tr>
<tr>
<td>Collection Efficiency</td>
<td>103%</td>
<td>103%</td>
<td>-</td>
</tr>
</tbody>
</table>
COVER SHEET

MANILA WATER COMPANY, INC.

489 Katipunan Road Balara 1105
Queson City Metro Manila

Atty. JOHIEL P. RAQUEDAN

(Company's Full Name)
(Business Address: No. Street City/Town/Province)

(632) 981-8129

Company Telephone Number

1231

Month Day

STOCK
FORM TYPE

SEC Form 17-C

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. May 3, 2011
   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
   Code
   2F NWSS 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) 927-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each – 2,032,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds – P4,000,000,000,000

      Registrant has no other registered securities either in the form of shares, debt or
      otherwise.

1 2,911,015,466 Outstanding Common Shares
2 22,908,008 Shares Under the Stock Ownership Plans
3 2,072,826,476
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation on the notice of analysts' briefing to be held on May 12, 2011, Thursday at 2:30 in the afternoon at the South Room A & B, Ayala Tower 1, 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: ____________________________  

Jhoel P. Raquedan  
Assistant Corporate Secretary/ 
Head, Legal and Corporate Governance Department

May 3, 2011  
Date
3 May 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts' Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts' briefing on May 12, 2011, Thursday at 2:30 in the afternoon at the South Room A & B, Ayala Tower 1, Ayala Ave, Makati City.

Best regards.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Compliance Manager
COVER SHEET

MANILA WATER COMPANY INC

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Securities and Exchange Commission Registration Number)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK

12 31
Month Day
Fiscal Year

04 Any
Month Day
Annual Meeting

Secondary License Type, if applicable

A1986-11593
Amended Articles Number/Section

Total Amount of Borrowings

Total No of Stockholders

To be accomplished by SEC Personnel concerned

File Number

Document ID

STAMPS

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

1. **April 15, 2011**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A1990-11593

3. BIR Tax Identification No. 905-938-429

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: **Quezon City, Phils.**

6. Industry Classification Code: [SEC Use Only]

7. **Address of issuer’s principal office**
   Code: 2F MWSS Admin. Bldg., 489 Katipunan Road, Bajada, Quezon City 1105

8. Issuer’s telephone number, including area code: (02)928-7999 Local 8130 or (02)981-3133

9. Former name or former address, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC).

   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,032,826,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds – P4,000,000,000.00

Registern has no other registered securities either in the form of shares, debt or otherwise.

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11. Are any of registrant’s securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation on the results of the annual stockholders and organizational meetings of the board of directors

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  April 15, 2011
Issuer  Date

By: [Signature]

Jhoel P. Raquedan
Head, Legal and Corporate Governance Department
11 April 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Meetings of the Stockholders and Board of Directors

Gentlemen:

Please be informed that at the annual meeting of the stockholders of Manila Water Company, Inc. ("Company") held today, the stockholders considered and approved the following:

1. Increase in directors' compensation such that as increased the new compensation for each director will be as follows:
   a. A fixed annual retainer fee of P500,000;
   b. P200,000 for each quarterly and annual meeting actually attended; and
   c. P50,000 per committee meeting actually attended.

2. Election of the following as members of the Board of Director:
   Fernando Zobel de Ayala
   Jaime Augusto Zobel de Ayala
   Gerardo C. Ablaza Jr.
   Antonio T. Aquino
   Ricardo Nicanor N. Jacinto
   Keiichi Asai
   John Eric T. Francin
   Simon Gardiner
   Delfin L. Lazaro
   Jose L. Cuisia Jr.
   Oscar S. Reyes

   Messrs. Cuisia and Reyes were elected as independent directors.

3. Appointment of SyCip Gorres Velayo & Co. as external auditors

   In the organizational meeting held after the stockholders' meeting, the Board of Directors elected or appointed the following:
1. Officers

Chairman of the Board : Fernando Zobel de Ayala
Vice Chairman of the Board : Jaime Augusto Zobel de Ayala
President : Gerardo C. Ablaza Jr.
Treasurer and Chief Finance Officer : Luis Juan B. Ortega
Corporate Secretary : Atty. Solomon M. Hermosura
Asst. Corporate Secretary : Atty. Jhuel P. Raquedan

Group Directors

Virgilio C. Rivera, Jr. : Regulation and Corporate Development
Gaudino V. Carpio : Operations and Project Delivery
Ruel T. Maranan : Corporate Resources

2. Committees and Memberships

Executive Committee

Fernando Zobel de Ayala - Chairman
Genado C. Ablaza Jr. - Vice Chairman
Ricardo Nicanor N. Jacinto - Member
Antonino T. Aquino - Member
John Eric T. Francia - Member

Audit and Governance Committee

Oscar S. Reyes - Chairman
Delfin C. Gonzalez Jr. - Member
Keiichi Asai - Member
Jose L. Cuisia Jr. - Member

Nomination Committee

Jose L. Cuisia Jr. - Chairman
Jaime Augusto Zobel de Ayala - Member
John Eric T. Francia - Member
Oscar S. Reyes - Member

Remuneration Committee

Oscar S. Reyes - Chairman
Gerardo C. Ablaza Jr. - Member
Fernando Zobel de Ayala - Member
Jose I. Cuisia Jr. - Member

Proxy Validation Committee

MWC Chief Internal Auditor - Chairperson (Ma. Lourdes P. Miranda)
MWC Legal & Corporate Governance - Member (Atty. Jhoel P. Raquedan)
Representative of External Auditor - Member

Luis Juan B. Onega - Compliance Officer
Abelardo P. Basilio - Director, East Zone Business Operations
Ma. Victoria P. Sugapong - Chief Risk Officer

4. Declaration of Cash Dividends

The Board declared the following first semester 2011 cash dividends: (i) ₱0.28 per share on the outstanding common shares, and (ii) ₱0.028 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of April 27, 2011, to be paid on May 19, 2011.

5. Revision of the Corporate Governance Manual

The Board also approved, in principle, the revisions on the Manual of Corporate Governance of the Company pursuant to the directive of the Securities and Exchange Commission but delegated the final approval to the Chairman.

Enclosed is the press release in relation to the stockholders' meeting.

Best regards.

Very truly yours,

JHOEL P. RAQUEDAN
Head, Legal and Corporate Governance Department
Manila Water Commits to a Sustainable Future

In its recently concluded annual stockholders meeting, Manila Water reaffirmed its commitment to deliver reliable, safe and affordable water to Filipinos across the country while continuing to protect the environment for a sustainable future.

Manila Water made efforts to improve its operational efficiencies by reducing the level of water losses to an all-time low of 11%. This allowed the company to manage its water supply effectively and maintain 24/7 water services to its customers amidst the onset of the worst El Niño episode since 1997.

In 2010, Manila Water invested P9.6 billion in capital investments. Over the next several years, the company expects to increase its investments to support key initiatives such as the development of new water sources, water and wastewater coverage expansion, and network reliability improvements. These efforts in turn will allow Manila Water to serve more people in the East Zone and mitigate the possible impact of climate change on its operations and service levels.

Manila Water is also looking at expanding to areas outside its East Zone concession. The company believes that it can replicate its success in Manila to other places that exhibit the same characteristics as the East Zone. It currently has existing concessions in Laguna and Boracay, as well as a contract for leakage reduction in Vietnam.

In Boracay specifically, Manila Water, through its subsidiary Boracay Island Water, has improved water service coverage and largely addressed the problem of deteriorating water quality by improving its wastewater operations. It has recently upgraded the island’s sewage treatment plant last March, which resulted in a doubling of treatment capacity and full compliance with environmental regulations.

"Looking forward, the future of Manila Water will be built on three pillars – maximizing growth within the East Zone, focusing on projects in the country’s top metros, and securing concession-type contracts within key Asian cities”, said Gerardo Ablaza, Jr., Manila Water President.

Manila Water also declared a cash dividend of P0.28 to common shareholders. The Company declares cash dividends twice a year corresponding to an annual dividend payout ratio of 35% of previous year’s net income. The cash dividends will be paid on May 19, 2011 to stockholders of record as of April 27, 2011.

The Company also announced changes in its line-up of board members. New members were elected to the board, namely Mssrs. Ricardo Nicamor N. Jacinto and Simon Gardiner.
COVER SHEET

MANILA WATER COMPANY, INC.

489 Katipunan Road Balara 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(932) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

12 31
Month Day
Fiscal Year

04
Month
Any
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. April 15, 2011
   Date of Report (Date of earliest event reported)

2. SEC Registration 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
   Code
   2F MWSS Admin. Bldg., 499 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)826-7999 local 8130 / or 182181-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each - 2,052,826,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

1,201,001,466 Outstanding & Common Shares
23,303,519 Shares Under the Stock Ownership Plans
27,532,426,476

1

2

3
11. Are any of registrant’s securities listed on stock exchange?

   Yes [X]  No | |

12. Indicate the item numbers reported herein.

   Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation on the results of the special meeting of the board of directors.

   SIGNATURE

   Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

   MANILA WATER COMPANY, INC.        April 15, 2011
   Issuer       Date

   By: [Signature]

   Jhose P. Raquedan
   Head, Legal and Corporate Governance Department
11 April 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Special Meeting of the Board of Directors

Gentlemen:

Please be informed that at the special meeting of the Board of Directors held today immediately before the annual meeting of the stockholders of Manila Water Company, Inc. ("Company"), the Board approved the following:

1. Increase in directors' compensation for approval of the stockholders in the annual stockholders meeting today. As proposed to be increased, the compensation for each director will be as follows:

   a. A fixed annual retainer fee of P500,000;
   b. P200,000 for each quarterly and annual meeting actually attended; and
   c. P50,000 per committee meeting actually attended.

2. Amendment of the By-Laws, to wit:

   a. Section 10, Article III of the By-Laws – delegating to the Board the authority to fix the directors' compensation provided that the total yearly compensation of directors shall not exceed 1% of the income before income tax of the preceding year; and
   b. Section 4, Article II - Including Electronic Communication among the modes by which the Company may send notices or information to the Shareholders.
Pursuant to the amendments, Section 10 Article II of the By Laws will read as follows:

Compensation of Directors: By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board or a committee of the Board. As compensation, the Board shall receive and allocate an amount of not more than one percent (1%) of the income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors (As amended on 11 April 2011)

The Compensation and Remuneration Committee of the Board shall have the responsibility for recommending to the Board the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the compensation should fairly pay directors for work required in a company of the Corporation’s size and scope. (As amended on 11 April 2011)

And Section 4 Article II of the By Laws will read as follows:

Notice of Meeting  Notices for regular or special meetings of stockholder may be sent by the Secretary by personal delivery, postal or electronic mail, telegraph or cable at least fifteen (15) working days prior to the date of the meeting to each stockholder of record at his address as it appears on the record of stockholders of the Corporation or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

The requirement for notice to the meeting shall be deemed waived if the stockholder, in person or by proxy, shall be present thereat.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.
The notice of any regular or special meeting of the stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, or sent electronically or by e-mail and addressed as herein provided.

The Corporation may provide information or documents to a stockholder by e-mail or by posting the information or documents on the website of the Corporation or another electronic network provided that a separate notice is given to the stockholder of such posting. In case the Corporation provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the later of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting. (As amended on 11 April 2011)

The Corporation shall give notice and provide information or documents electronically, as provided above, only to stockholders who have consented to receive notices, information or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information or documents electronically if he has provided an e-mail or electronic address to the Corporation and he has not notified the Corporation in writing that he requires notices, information or documents to be given to him in physical paper form. (As amended on 11 April 2011)

Very truly yours,

[Signature]

JHOET. P. RAQUEDAN
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Atty. JOEL P. RAQUEDAN
Contact Person

(632) 981-8129
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

A1996-11593
Amended Articles Number/Section

To be accomplished by SEC Personnel not concerned

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, 2011
   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, Balaar, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 926-7999 local 8130 or (02) 921-5133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC).

a. Shares of Stock
   Common Shares, par value P1.00 each - 2,012,826,476

b. Amount of Debt Outstanding
   Fixed Rate Bonds - P4,000,000,000.00

   Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,012,826,476 Outstanding Common Shares

27,816,070 Shares Under the Stock Ownership Plans

4,000,000,000
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation on the notice of the analysts' briefing. The briefing will be held at the Bahia Room, 14th floor, Hotel InterContinental Manila, Makati City on April 11, 2011 at 12:30 in the afternoon.

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-Dimacula
Legal and Corporate Governance Manager

April 6, 2011
Date
5 April 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Analysts’ Briefing

Gentlemen:

Manila Water Company, Inc. will hold an analysts’ briefing on April 11, 2011, at 12:30 in the afternoon at the Bahia Room, 14th Floor, Manila InterContinental Manila, Makati City.

Best regards.

Sincerely,

[Signature]
Lizette Zamora-Dimacuha
Legal and Compliance Manager
COVER SHEET

MANILA WATER COMPANY, INC.

459 KATIPUNAN ROAD BALAARA 1105
QUEZON CITY METRO MANILA

Atty. JOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK

12 31
Month Day
Fiscal Year

0 4
Month Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

File Number

LOU

Document I.D.

Counter

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 6, 2011
Date of Report (Date of earliest event reported)

2 SEC Identification Number A-1988-11593

3 BIR Tax Identification No. 006-039-428

4 MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5 Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6 Industry Classification Code:  
   (SEC Use Only)

7 Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 489 Kalipunan Road, Balara, Quezon City

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. Shares of Stock

   Common Shares, par value P1.00 each 2,032,826,476

b. Amount of Debt Outstanding

   Fixed Rate Bonds 14,009,000,000.00

Registrant has no other registered securities either in the form of shares, debt or otherwise.

1 2,032,826,476  Outstanding Common Shares
   14,009,000,000.00  Amounts Under the Stock Ownership Plans

   2,032,826,476  2,032,826,476
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein.

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation on the issuance of PHP 10 Billion Fixed Rate Corporate Notes.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

Issuer

April 6, 2011

Date

By

Kizelle Zamora-Dimacuha

Legal and Corporate Governance Manager
April 6, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Issuance of PhP10 Billion Fixed Rate Corporate Notes

Gentlemen:

Please be informed that Manila Water Company, Inc. signed an agreement to issue PhP10 billion in fixed rate corporate notes.

We attach the press release for more information.

Best regards.

Sincerely,

Lizette Zamora-Dimasqua
Legal and Corporate Governance Manager
Manila Water to Raise P10 billion in Notes Issuance

Manila Water, the country's leading water and wastewater operator, recently signed an agreement to issue P10 billion in fixed rate corporate notes. The offering was fully subscribed by a consortium of local lenders composed of Metropolitan Bank and Trust Company (Metrobank), Philippine Savings Bank (PS Bank) and First Metro Investment Corporation (FMIC). The amount, which is the largest that the company has borrowed to date, is a strong affirmation of Manila Water's financial and operational capability from the financial community.

Solely arranged by First Metro Investment Corporation, the notes will be issued in two tranches. The first tranche is a 10-year note with a call option on the 7th year while the second tranche is a straight 5-year note. The issue date of the corporate notes will be on April 8, 2011.

The proceeds of the issue will be used to partly fund Manila Water’s investment plan for 2011, which includes water and wastewater coverage expansion, new water source development, and various systems enhancements. These investments will directly support the attainment of the company’s regulatory targets and assure consistent delivery of 24/7 water services.

According to Manila Water President Gerardo C. Ablaza, Jr., "Our joint commitment to creating a significant difference in the lives of the people we serve has allowed both Manila Water and the Metrobank Group to be among the best in our respective fields. From a macro-perspective, this has played a crucial role in contributing to national growth and development."

The Metrobank Group has been a strong supporter of Manila Water over the years. The note issue is the latest among several milestones in which the group had an active involvement. Metrobank was one of the company's first lenders while FMIC acted as the one of the domestic co-lead underwriters during Manila Water's initial public offering in 2005. Lastly, PS Bank was also a participant in the company's initial bond offering in 2008.

These activities, in turn, provided Manila Water with the necessary financial resources to implement its investment plan over the past decade. These investments have resulted in a significant improvement in water service which reached world-class level in the East Zone.

Today, 99% of Manila Water’s customers connected to the water network benefit from 24-hour water availability at sufficient pressure. With the level of water losses in the East Zone reaching an all-time low of 11%, the company successfully maintained service levels in spite of the onset in 2010 of one of the worst El Niño episodes on record.
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 725-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
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Receiving Branch      : SEC Head Office
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Received From         : Head Office

Company Representative

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Company Information
SEC Registration No.  A199011583
Company Name         MANILA WATER CO. INC.
Industry Classification
Company Type          Stock Corporation

Document Information
Document ID           102232011000713
Document Type         17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code         17-C
Period Covered        February 23, 2011
No of Days Late       0
Department            CFD
Remarks
COVER SHEET

MANILA WATER COMPANY, INC.

439 KATIPUNAN ROAD BALAURA 1106
QUEZON CITY METRO MANILA

Attty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month
Day
Year

SEC Form 17-C
STOCK
FORM TYPE

04 Any
Month
Day
Annual Meeting

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID.

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 23, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 996-038-428

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, Balaasa, Quezon City 1105

8. Issuer's telephone number, including area code
   (02) 826-7992 local 8130 / or (02) 821-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each - 2,032,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds - P4,000,000,000,00

   Registrant has no other registered securities other in the form of shares, debt or
   otherwise.

1

1,009,902,666 Outstanding Common Shares
2,032,826,476 Shares Under the Stock Ownership Plans
2,032,826,476

1

11. Are any of registrant's securities listed on stock exchange?
   Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

   Please see attached letter to the Philippine Stock Exchange (PSE) dated February 21, 2011 incorporating the accomplished Corporate Governance Guidelines. Disclosure Survey for Companies Listed on the PSE.

   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 23, 2011
Issuer  Date

By: ________________________________

Jhoel P. Raquedan
Head, Legal and Corporate Governance Department
21 February 2011

PHILIPPINE STOCK EXCHANGE, INC.
 Philippine Stock Exchange Plaza
 Ayala Triangle, Ayala Avenue,
 Makati City 1226
 Philippines

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

Re: Compliance with the CG Guidelines

Gentlemen:

In compliance with Philippine Stock Exchange (PSE) Memorandum No. 2010-0574
dated November 26, 2010 on the Corporate Governance Guidelines for Companies
Listed on the Philippine Stock Exchange, we respectfully submit the attached
accomplished Corporate Governance Guidelines: Disclosure Survey.

Very truly yours,

[Signature]
LIZELLE ZAMORA-DIMACUHA
Legal and Corporate Governance Manager

Cc: SECURITIES AND EXCHANGE COMMISSION
    Attention: Director Justina F. Callangan
               Corporation Finance Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
    Attention: Mr. Cesar B. Crisol
                President and Chief Operating Officer
<table>
<thead>
<tr>
<th>Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY</th>
<th>COMPLY</th>
<th>EXPLAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Have a clearly defined vision, mission and core values.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.2 Have a well developed business strategy.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.4 Have its board continually engaged in discussions of strategic business issues.</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD</th>
<th>COMPLY</th>
<th>EXPLAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Have a board composed of directors of proven competence and integrity.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.2 Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.3 Have at least three (3) or thirty percent (30%) of its directors as independent directors.</td>
<td>No</td>
<td>The company has two (2) independent directors in the Board in compliance with the required number of independent directors under SEC Rules and Regulation.</td>
</tr>
<tr>
<td>2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.5 Have Audit, Risk, Governance and Nomination &amp; Election Committees of the board.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.6 Have its Chairman and CEO positions held separately by individuals who are not related to each other.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.7 Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.8 Have in place a formal board and director development program.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.9 Have a corporate secretary.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.10 Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Guideline No. 3:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td><strong>MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>3.2 Have a comprehensive enterprise-wide compliance program that is annually reviewed.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>3.3 Institutionalize quality service programs for the internal audit function.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>3.4 Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>3.5 Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guideline No. 4:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</strong></td>
<td></td>
</tr>
<tr>
<td>4.1 Have its board oversee the company's risk management function.</td>
<td>Yes</td>
</tr>
<tr>
<td>4.2 Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.</td>
<td>Yes</td>
</tr>
<tr>
<td>4.3 Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission). 1 and it.</td>
<td>Yes</td>
</tr>
<tr>
<td>4.4 Have a unit at the management level, headed by a Risk Management Officer (RMO).</td>
<td>Yes</td>
</tr>
<tr>
<td>4.5 Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.</td>
<td>Yes</td>
</tr>
<tr>
<td>4.6 Seek external technical support in risk management when such competence is not available internally</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guideline No. 5:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION</strong></td>
<td></td>
</tr>
<tr>
<td>5.1 Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.</td>
<td>Yes</td>
</tr>
<tr>
<td>5.2 Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations</td>
<td>Yes</td>
</tr>
<tr>
<td>Guideline No. 5:</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>---</td>
</tr>
<tr>
<td>Ensure that the external auditor has adequate quality control procedures.</td>
<td>Yes</td>
</tr>
<tr>
<td>Disclose relevant information on the external auditors.</td>
<td>Yes</td>
</tr>
<tr>
<td>Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.</td>
<td>Yes</td>
</tr>
<tr>
<td>Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.</td>
<td>Yes</td>
</tr>
<tr>
<td>Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.</td>
<td>Yes</td>
</tr>
<tr>
<td>Have a policy of rotating the lead audit partner every five years.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Guideline No. 6:**

**RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP**

<table>
<thead>
<tr>
<th>Guideline No. 6</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt the principle of “one share, one vote.”</td>
<td>Yes</td>
</tr>
<tr>
<td>Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</td>
<td>Yes</td>
</tr>
<tr>
<td>Have an effective, secure and efficient voting system.</td>
<td>Yes</td>
</tr>
<tr>
<td>Have effective shareholder voting mechanisms such as supermajority or &quot;majority of minority&quot; requirements to protect minority shareholders against actions of controlling shareholders.</td>
<td>Yes</td>
</tr>
<tr>
<td>Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.</td>
<td>Yes</td>
</tr>
<tr>
<td>Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.</td>
<td>Yes</td>
</tr>
<tr>
<td>Ensure that all relevant questions during the AGM are answered.</td>
<td>Yes</td>
</tr>
<tr>
<td>Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.</td>
<td>Yes</td>
</tr>
<tr>
<td>Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.</td>
<td>Yes</td>
</tr>
<tr>
<td>Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.</td>
<td>Yes</td>
</tr>
<tr>
<td>Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>7.1 Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.2 Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.3 Disclose its director and executive compensation policy.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.4 Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company’s other companies if it belongs to a corporate group.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.5 Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.6 Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.7 Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.</td>
<td>Yes</td>
</tr>
<tr>
<td>7.8 Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</td>
<td>Yes</td>
</tr>
<tr>
<td>7.9 Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Guideline No. 8:
**RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS**

| 8.1 | Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups. | Yes |
| 8.2 | Have in place a workplace development program. | Yes |
| 8.3 | Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligning their interests with those of the shareholders. | Yes |
| 8.4 | Have in place a community involvement program. | Yes |
| 8.5 | Have in place an environment-related program. | Yes |
| 8.6 | Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants. | Yes |

### Guideline No. 9:
**DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING**

| 9.1 | Develop and disclose a policy governing the company's transactions with related parties. | Yes |
| 9.2 | Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval. | Yes |
| 9.3 | Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings. | Yes |
| 9.4 | Have its independent directors or audit committee play an important role in reviewing significant RPTs. | Yes |
| 9.5 | Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report. | Yes |
| 9.6 | Have a clear policy in dealing with material non-public information by company insiders. | Yes |
| 9.7 | Have a clear policy and practice of full and timely disclosure to shareholders of all | Yes |
**Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT**

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Yes/No</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1</td>
<td>Formally adopt a code of ethics and proper conduct that guides individual behavior and decision-making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.</td>
<td>Yes</td>
</tr>
<tr>
<td>10.2</td>
<td>Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</td>
<td>Yes</td>
</tr>
<tr>
<td>10.3</td>
<td>Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.</td>
<td>Yes</td>
</tr>
<tr>
<td>10.4</td>
<td>Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.</td>
<td>Yes</td>
</tr>
<tr>
<td>10.5</td>
<td>Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulations, as well as all regulatory requirements.</td>
<td>Yes</td>
</tr>
<tr>
<td>10.6</td>
<td>Respect intellectual property rights.</td>
<td>Yes</td>
</tr>
<tr>
<td>10.7</td>
<td>Establish and commit itself to an alternative dispute resolution system so that conflicts and differences with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

**Done this 3rd day of February 2011 in Quezon City.**

*GERARDO C. ABLAZA JR.*

President and CEO
CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY
Company Name: MANILA WATER COMPANY

Attested by:

OSCAR S. REYES
Independent Director

Republic of the Philippines
Quezon City 15S.

SUBSCRIBED AND SWORN to before me this 7th day of February 2011 at Quezon City, Metro Manila, Philippines, affiant, Gerardo C. Ablaza Jr., exhibited to me his Passport with No. EB1577745 valid until December 15, 2011.

DOC. No. 
Page No. 10
Book No. 17
Series of 2011.

JUVENIO S. FULGUERAS
MY COMMISSION EXPIRES DEC. 31, 2011.
EBP No. 766391-2009 PASIG CITY
ROLL No. 30906
FTR No. 2505089-B 6-26-09 G.C.
SECURITIES AND EXCHANGE COMMISSION

The following document has been received:

Receiving Officer/Encoder: Darwin San Jose
Receiving Branch: SEC Head Office
Receipt Date and Time: February 23, 2011 02:08:30 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A198611593
Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information
Document ID: 102232011000710
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: February 23, 2011
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

(832) 881-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

12 31
Month Day Fiscal Year

D 4 Any
Month Day Annual Meeting

Secondary License Type, if Applicable

Deal Requiring the 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
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(e) THEREUNDER

1. **February 23, 2014**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A 1950-11583**

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

8. Issuer's telephonic number, including area code
   **(02)828-7999 local 8133 or (02)881-8133**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    a. **Shares of Stock**
       
       Common Shares, par value P1.00 each – 2,032,826,476

    b. **Amount of Debt Outstanding**
       
       Fixed Rate Bonds – P1,090,000,000

       Registrant has no other registered securities either in the form of shares, debt or otherwise

---

1. **609,802,966** Outstanding Common Shares
2. **22,521,310** Shares Under the Stock Ownership Plans
3. **2,032,826,476**
11. Are any of registrant's securities listed on stock exchange?

    Yes [X]  No [ ]

12. Indicate the item numbers reported herein

    Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and the Philippine Dealing and Exchange Corporation on the revised Notice for the annual meeting of our stockholders on April 11, 2011, 9:00 A.M., at the Grand Ballroom, Hotel Intercontinental, 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]

Jhèel P. Raquedan
Head, Legal and Corporate Governance Department

February 23, 2011
Date
February 22, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Annual Meeting of Stockholders

Gentlemen:

Please find attached the revised Notice for the annual meeting of our stockholders on April 11, 2011, 9:00 A.M., at the Grand Ballroom, Hotel Intercontinental, Makati City. This Notice supersedes the Notice disclosed to the Philippine Stock Exchange and Philippine Dealing and Exchange Corporation on February 2, 2011 and to the Securities & Exchange Commission on February 4, 2011.

Very truly yours,

[Signature]

Jhuel P. Raquedan
Head, Legal and Corporate Governance Department
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MANILA WATER COMPANY, INC., will be held at the Grand Ballroom, Hotel Intercontinental Manila, Makati City, on Monday, April 11, 2011, at 9:00A.M., with the following.

AGENDA

1. Determination of quorum
2. Approval of the minutes of the meeting of stockholders on April 12, 2010
3. Annual Report and approval of the Audited Financial Statements as of December 31, 2010
4. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Executive Committee, Management Committees and officers
5. Increase in the compensation of directors
6. Election of directors, including independent directors
7. Election of the external auditor and fixing of its remuneration
8. Consideration of such other business as may properly come before the meeting
9. Adjournment

Only stockholders of record as of February 16, 2011 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 21, 2011.

SOLOMON M. HERMOSURA
Corporate Secretary
Bar Code Page
The following document has been received:

Receiving Officer/Encoder: Darwin San Jose
Receiving Branch: SEC Head Office
Receipt Date and Time: February 23, 2011 02:06:14 PM
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Company Representative

Document Information

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Document Type: 17-C (FORM 11-C-CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: February 18, 2011
No. of Days Late: 0
Department: CFO
Remarks:
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOEL P. RAQUEDAN

Contact Person

(632) 981-8129

Company Telephone Number

1231
Month Day
Fiscal Year

STOCK

04
Month Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Drawings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document No.

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 18, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1886-17693

3. BIR Tax Identification No. 005-938-428

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, Kalawa, Quezon City
   Postal Code 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. Shares of Stock

       Common Shares, par value P1.00 each : 2,032,826,476

    b. Amount of Debt Outstanding

       Fixed Rate Bonds = P4,000,000,000

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise.

1 2,009,902,956  Outstanding Common Shares
27,528,510  Shares Under the Stock Ownership Plans
2,032,826,476

1
11 Are any of registrant’s securities listed on stock exchange?

Yes [X]  No []

12 Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer  

By.  

February 18, 2011  
Date  

Jhuel P. Raquedan  
Head, Legal and Corporate Governance Department
February 18, 2011

SECURITIES AND EXCHANGE COMMISSION  
Attention: Director Justina F. Callangan  
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.  
Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION  
Attention: Mr. Cesar B. Crisol  
President and Chief Operating Officer

Gentlemen:

Manila Water announces today its financial and operating highlights for 2010. Please refer to the enclosed report and press release.

Sincerely,

[Signature]

Jhuel P. Raquedan  
Head, Legal and Corporate Governance Department
Manila Water's 24/7 Service Ensures Growth despite El Niño

Manila Water has reported a net income of P3.99 billion (unaudited) for 2010 as a result of steady growth in water sales volume. The company's net income was further boosted by a one-time downward adjustment on its depreciation expense.

2010 for Manila Water was characterized by the arrival of the El Niño phenomenon, which resulted in a drastic reduction in water allocation for Metro Manila's requirements. In order to combat the impact of lower water supply, the company further improved network efficiency.

By the end of the year, the level of water losses in the East Zone further dropped from 15.8% to 11.0%, the lowest on record, thus allowing Manila Water to sustain its delivery of 24/7 potable water service to its customers and continue the connection of additional customers to its rapidly expanding network.

As a result, billed volume for the year grew by 3.5% year-on-year to 409.8 million cubic meters (mcm). To date, more than 99% of East Zone customers benefit from 24 hour water availability at an average pressure of 18 psi.

Manila Water's ability to ensure reliable service is a direct consequence of the investments that the company has implemented over the past 13 years. In 2010 alone, Manila Water invested a total of P9.6 billion to further improve the reliability and expand the coverage of its water and wastewater networks.

To support its capex requirements, Manila Water secured a $150 million loan facility from four major international banks which is guaranteed by the Nippon Export and Investment Insurance in the 2nd half of 2010. The company's total debt (excluding concession obligation) to equity ratio was placed at 1.03x.

Looking forward, the company aims to invest more than P10 billion p.a. for the next two years. Key items for implementation are the development of new water sources, foremost of which is the tapping of Laguna de Bay as an additional source of raw water supply, network reliability improvements, as well as the building of several sewage treatment plants to further improve sanitation coverage in the East Zone.

Manila Water will also complement the East Zone's growth with initiatives to expand its business outside of Metro Manila. It currently has concessions in Laguna and Boracay, as well as an ongoing management contract in Ho Chi Minh, Vietnam. The company has also recently disclosed its bid for a management contract for non-revenue water reduction and water supply improvement in Bangalore, India. In 2010, revenues from outside the East Zone totaled P290 million.
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL HIGHLIGHTS</strong> (in million Pesos)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>11,047</td>
<td>9,533</td>
</tr>
<tr>
<td>Operating Costs &amp; Expenses</td>
<td>3,412</td>
<td>2,764</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7,634</td>
<td>6,817</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,987</td>
<td>3,231</td>
</tr>
<tr>
<td><strong>OPERATIONAL HIGHLIGHTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed water volume (in million cubic meters)</td>
<td>409.8</td>
<td>396.0</td>
</tr>
<tr>
<td>NRW (%)</td>
<td>11.0</td>
<td>15.8</td>
</tr>
</tbody>
</table>
Bar Code Page
The following document has been received:

Receiving Officer/Encoder: Rosenda C. Ayson
Receiving Branch: SEC Head Office
Receipt Date and Time: February 09, 2011 01:27:30 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
SEC Registration No.: A199811593
Company Name: MANILA WATER CO, INC.
Industry Classification
Company Type: Stock Corporation

Document Information
Document ID: 102092011000342
Document Type: 17-C (FORM 11-C: CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: February 07, 2011
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

(Company's Full Name)

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

(632) 981-8129

Contact Person

Company Telephone Number

SEC Form 17-C

STOCK

12 31

Month Day

Fiscal Year

04

Any

Month Day

Annual Meeting

Secondary License Type, if Applicable

A1996-11593

Amendment Articles Number/Section

Total No. of Stockholders

Foreign

Domestic

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. February 7, 2011  
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 065-038-428

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, Balaing, Quezon City 1105

8. Issuer’s telephone number, including area code  
   (02)926-7993 local 8130 or (02)881-8133

9. Former name or former address, if changed since last report  
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each - 2,032,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,002,571,466  Outstanding Common Shares  
   23,783,810  Shares Under the Stock Ownership Plans  
   2,032,826,476
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

By: [Signature]

[Name]
Head, Legal and Corporate Governance Department

February 7, 2011
Date
7 February 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Manila Water Bids on Bangalore Project

Gentlemen:

Please be informed that Manila Water Company, Inc. (the "Company") has submitted its bid for a six-year Unaccounted for Water (UFW) Reduction and Operation and Management project to the Bangalore Water Supply and Sewerage Board ("Bangalore").

Manila Water is pursuing this bid as a sole participant and views this as a strategic move to establish a foothold in India.

We will apprise the Exchange of further developments on this project.

Thank you.

Sincerely,

Lizette Zamora-Dimacuha
Legal and Corporate Governance Manager
COVER SHEET

MANILA WATER COMPANY, INC.

489 Katipunan Road Balara 1105
Quezon City Metro Manila

(COMPANY'S FULL NAME)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 881-8129
Company Telephone Number

SEC Form 17-C

1231
Month
Day
Fiscal Year

STOCK
FORM TYPE

04
Any
Month
Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total No. of Stockholders

Domestic
Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID.

Cashless

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 2, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1996-11593

3. BIR Tax Identification No.: 005-038-428

   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
   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. Shares of Stock
       Common Shares, par value P1.00 each - 2,032,826,476

    b. Amount of Debt Outstanding
       Fixed Rate Bonds - P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or
       otherwise.

1 2,007,871,466 Outstanding Common Shares
2,032,826,476 Shares Under the Stock Ownership Plan
11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation on the notice and agenda of Manila Water's Annual Stockholders' Meeting. The annual meeting of stockholders will be on April 11, 2011, 9:00 A.M., at the Grand Ballroom, Hotel Intercontinental, Makati City. The record date for the meeting is February 18, 2011.

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 2, 2011
Issuer  Date

By:  __________________________________

Jhoel P. Raquedan  Head, Legal and Corporate Governance Department
February 2, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Annual Meeting of Stockholders

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold its annual meeting of stockholders on April 11, 2011, 9:00 A.M., at the Grand Ballroom, Hotel Intercontinental, Makati City. The record date for the meeting is February 16, 2011.

We attach the notice and agenda for your reference.

Best regards.

Sincerely,

[Signature]

Jhoel P. Raquedan
Legal and Corporate Governance Head
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MANILA WATER COMPANY, INC., will be held at the Grand Ballroom, Hotel Intercontinental Manila, Makati City, on Monday, April 11, 2011, at 9:00 A.M., with the following:

AGENDA

1. Determination of quorum
2. Approval of the minutes of the meeting of stockholders on April 12, 2010
3. Annual Report and approval of the Audited Financial Statements as of December 31, 2010
4. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Executive Committee, Management Committees and officers
5. Approval of amendments to the By-Laws (a) authorizing the Board of Directors to fix the compensation of directors subject to certain limits and (b) including electronic communication among the forms by which the Company may send notices or information to stockholders*
6. Increase in the compensation of directors*
7. Election of directors, including independent directors
8. Election of the external auditor and fixing of its remuneration
9. Consideration of such other business as may properly come before the meeting
10. Adjournment

Only stockholders of record as of February 16, 2011 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.

Balaan, Quezon City, February 2, 2011.

SOLOMON M. HERMOSURA
Corporate Secretary

* For approval of the Board of Directors before the stockholders' meeting.
BARCODE PAGE

The following document has been received:

Receiving Officer/Encoder: Julius N. Salustiano
Receiving Branch: SEC Head Office
Receipt Date and Time: February 01, 2011 12:41:05 PM
Received From: Head Office

Company Information

SEC Registration No.: A190511593
Company Name: MANILA WATER CO. INC
Industry Classification: Stock Corporation

Document Information

Document ID: 102012011001387
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: January 31, 2011
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

(Company's Full Name)

Company Telephone Number

1231
Month
Day
Fiscal Year

Form Type

SEC Form 17-C

Secondary License Type, If Applicable

1 0 4
Month
Day
Annual Meeting

Gest. Requiring this Doc.

Total No. of Stockholders

Domestic

Foreign

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. **January 31, 2011**
   Date of Report (Date of earliest event reported)

2. **SEC Identification Number** A1995-11592

3. **BIR Tax Identification No.** 005-039-428

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. **Province, country or other jurisdiction of incorporation or organization** Quezon City, Phils.

6. **Industry Classification Code:** (SEC Use Only)

7. **Address of issuer’s principal office**
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Baguio, Quezon City 1185

8. **Issuer’s telephone number, including area code**
   (02) 926-7999 local 8130 / or (02) 926-9133

9. **Former name or former address, if changed since last report**
   Not Applicable

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):**

    a. **Shares of Stock**
       Common Shares, par value P1.00 each – 2,012,826,476

    b. **Amount of Debt Outstanding**
       Fixed Rate Bonds – P4,000,000,000.00

       Registrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,007,571,446  Outstanding Common Shares
   22,222,010  Shares Under the Stock Ownership Plan
   2,032,826,476

---
11. Are any of registrant's securities listed on stock exchange?

   Yes [X]  No [  ]

12. Indicate the item numbers reported herein.

   Please see attached letter to the Securities and Exchange Commission, Philippine Stock Exchange and Philippine Dealing and Exchange Corporation on the tariff adjustment which will be implemented on February 18, 2011.

   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 31, 2011
   Issuer

   By: 

   Jhodel P. Raquedan
   Head, Legal and Corporate Governance Department
January 31, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Subject: Tariff adjustment

Gentlemen:

Please see attached tariff table which contains the new water rates to be implemented starting February 16, 2011 considering that the publication of the said rates will be on February 1, 2011. The water rates shall be effective fifteen (15) days after such publication.

Sincerely,

[Signature]

J. Noel P. Raquedan
Head, Legal and Corporate Governance Department
# NOTICE TO MANILA WATER CUSTOMERS AND THE PUBLIC

**NEW WATER RATES FOR THE EAST ZONE**

Pursuant to the recommendation of the MWSS Regulatory Board (MRB) in its Resolution No. 1038-CA dated November 3, 2010 and as approved by the MWSS Board of Trustees (BOT) in MWSS OTR Resolution No. 2011-12, dated January 10, 2011, effective 25 days after publication in a newspaper of general circulation, Manila Water Company (MWSC) hereby increases the rates of its services rendered under the Concession Agreement (CA) Term Extension regulation 2.5% and 3.5% Consumer Price Index to be applied respectively for the first six months of 2011 and the second six months of 2011.

The new schedule of water and sewer rates for all MWSC customers is as follows:

## 1. WATER CHARGE

### A. BASIC CHARGE

<table>
<thead>
<tr>
<th>RESIDENTIAL</th>
<th>OLD RATE</th>
<th>NEW RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 cu. m.</td>
<td>P 30.00</td>
<td>P 37.20</td>
</tr>
</tbody>
</table>

### B. BUSINESS

<table>
<thead>
<tr>
<th>BUSINESS GROUP</th>
<th>OLD RATE</th>
<th>NEW RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 cu. m.</td>
<td>P 43.88</td>
<td>P 52.00</td>
</tr>
</tbody>
</table>

## 2. SEWERAGE CHARGE

<table>
<thead>
<tr>
<th>RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% of Water Charge</td>
</tr>
<tr>
<td>1% of Sewerage Charge</td>
</tr>
</tbody>
</table>

### MAINTAINANCE SERVICE CHARGE

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>P 15.00</td>
</tr>
<tr>
<td>Material</td>
<td>P 10.00</td>
</tr>
</tbody>
</table>

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

The monthly bill is the sum of 1, 2, and 3.

Approved by:

[Signature]
Chief Engineer, MWSC PD

[Signature]
[Name]
ECC-Nonconcession MWSC

For further inquiries, you may call Manila Water Company's Call Center at 1627 or visit www.manilawater.com

---

**Manila Water**

**What Does Manila Water Aim to Provide?**

- Adequate Pressure
- Affordable Water Services
- Quick Customer Service Response
- Continuous Water Services Despite Extreme Drought and Climate Change

**Why Is There a Tariff Adjustment?**

Manila Water is implementing projects to keep our water supply continuously reliable even in the midst of climate change or when a natural calamity strikes.

**Proof That Manila Water Is Working for You**

Manila Water’s comprehensive water system ensures reliable and consistent water supply to its customers nationwide, even during extreme weather conditions.

---

**What Else Is Manila Water Doing?**

- Efficient System Loss Controls
- Cleaning up Manila Bay and our Rivers
- Infrastructure development in support of the Clean Water Act and the Supreme Court decision to clean up Manila Bay.

---

**Consumption of Residential Customers**

<table>
<thead>
<tr>
<th>Type of Water</th>
<th>Percentage of Water Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>50%</td>
</tr>
<tr>
<td>Non-domestic</td>
<td>50%</td>
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**Water and Environmental Educational Programs**

- Water conservation campaigns
- Water-related seminars and workshops

**Customer Service Hotline:** 1627

www.manilawater.com

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[Signature]
Chief Engineer, MWSC PD

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[Name]
ECC-Nonconcession MWSC

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**Customer Service Hotline:** 1627

www.manilawater.com
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **January 26, 2011**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **A-1996-11693**

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

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).

   a. Shares of Stock
      Common Shares, par value P1.00 each  2,932,826,476

   b. Amount of Debt Outstanding
      Fixed Rate Bonds  P4,980,000,000.00

Registrator has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,697,371,466  Outstanding Common Shares
25,355,010  Shares Under the Stock Ownership Plans
2,032,125,476  Shares Under the Employee Stock Option Plan
11. Are any of registrant's securities listed on stock exchange?

Yes [x]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange on the clarification to a news article entitled "Listed water firm to borrow P10B to fund higher capex" published in the January 28, 2011 issue of BusinessWorld.

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 28, 2011
Issuer: [Signature]

By: Jhoel P. Raquedan

Head, Legal and Corporate Governance Department
28 January 2011

PHILIPPINE STOCK EXCHANGE, INC.
 Philippine Stock Exchange Plaza
 Ayala Triangle, Ayala Avenue,
 Makati City 1226
 Philippines

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

Re: Clarification on News Article

Gentlemen:

We refer to your letter dated January 28, 2011 requesting for clarification on the news article entitled “Listed water firm borrowing P10B to fund higher capex” published in the January 28, 2011 issue of the BusinessWorld. The article reported in part that:

“EAST ZONE concessionaire Manila Water Co., Inc. plans to borrow around P10 billion for capital expenditures this year. Manila Water Chief Financial Officer Luis Juan B. Oreta told reporters the company was planning to borrow locally to fund a higher capex for the year. “We need to raise P10 billion and we plan to raise funding locally. Our capex for the year will include funding for projects including looking for new water sources,” said Mr. Oreta in an interview at the sidelines of the inauguration of a new sewage treatment plant... Gerardo C. Ablaza, Jr., Manila Water chief executive, said the company’s capex for 2011 would be “significantly higher” than its 2010 capex of P10 billion... Mr. Oreta said Manila Water was planning to build 21 sewage treatment plants until 2018...”

Manila Water Company would like to confirm that it is planning to raise around P10 billion to fund its capital expenditure projects.

We trust that the foregoing clarifies the matter.

Best regards.

Sincerely,

[Signature]

Luis Juan B. Oreta
Chief Finance Officer and Treasurer

Cc: SECURITIES AND EXCHANGE COMMISSION
    Attention: Director Justina F. Callangan
              Corporation Finance Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
    Attention: Mr. Cesar B. Crisol
              President and Chief Operating Officer
COVER SHEET

MANILA WATER COMPANY, INC.
(Company's Full Name)

489 KAPITUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA
(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
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 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. **January 26, 2011**
   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, Phils.

6. **Industry Classification Code**: (SEC Use Only)

7. **Address of Issuer’s principal office**
   2F MWSS Admin. Bldg., 489 Katipunan Road, Belara, Quezon City
   **Postal Code**: 1105

8. **Issuer’s telephone number, including area code**
   (02)926-7999 local 6130 / or (02)981-8133

9. **Former name or former address, if changed since last report**
   **Not Applicable**

10. **Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC)**:

    a. **Shares of Stock**

    - Common Shares, par value P1.00 each - 2,032,826,476

    b. **Amount of Debt Outstanding**

    - Fixed Rate Bonds - P4,000,000,000 (ID)

    Regrant has no other registered securities either in the form of shares, debt or otherwise.

---

1 2,007,571,466  Outstanding Common Shares
    25,365,010  Shares Under the Stock Ownership Plans
    2,032,826,476
11. Are any of registrant's securities listed on stock exchange?

Yes [X] No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC. January 25, 2011
Issuer

By: [Signature]

Jhuel P. Raquedan
Head, Legal and Corporate Governance Department

Date
January 25, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Please see attached Certificate of Attendance of Directors in Board Meetings for 2010.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Manager
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 five meetings, including one special meeting, of MWC's Board of Directors in 2010. Both Messrs. Oscar Reyes and Jose L. Cuisia Jr., the independent directors of MWC, attended all five meetings.

2. With the exception of Charles Thomas Cornish, each of the directors of MWC attended at least 50% of the five meetings of the Board. Below is the record of attendance of the directors in 2010:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held</th>
<th>% Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Gerardo C. Ablaza, Jr.</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>3/5</td>
<td>60%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Jose Rene D. Almendras²</td>
<td>2/2</td>
<td>100%</td>
</tr>
<tr>
<td>Takeaki Yamashita³</td>
<td>3/3</td>
<td>100%</td>
</tr>
<tr>
<td>Keichi Asai³</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Charles Thomas Cornish⁵</td>
<td>1/3</td>
<td>33%</td>
</tr>
<tr>
<td>Thomas Keevil</td>
<td>2/2</td>
<td>100%</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr.</td>
<td>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>5/5</td>
<td>100%</td>
</tr>
</tbody>
</table>

3. I execute this Certification in compliance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 2, Series of 2002, known as the

---

1 In 2010 and during the incumbency of the director.
2 Mr. Almendras resigned on June 30, 2010
3 Mr. Yamashita died on September 10, 2010
4 Mr. Asai died on November 25, 2010
5 Mr. Cornish resigned on October 4, 2010
SEC Code of Corporate Governance, as amended by SEC Memorandum Circular No. 6, Series of 2009.

IN WITNESS WHEREOF, I have hereunto affixed my signature and the corporate seal of Manila Water Co. Inc. at Quezon City, Philippines, on January 17, 2011.

SOLOMON M. HERMOSURA
Corporate Secretary

Countersigned by:

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

SUBSCRIBED AND SWORN to before me this 15th January 2011 at Quezon City, affiant exhibiting to me his Passport No. ZZ223231 issued at Manila, Philippines on 24 May 2007 and expires on 24 May 2012.
SEcurities and exchange commission

Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 33 Fax: (632) 725-5293 Email: mic@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: January 14, 2011 04:03:29 PM
Received From: Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.: A199611583
Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information

Document ID: 101142011001283
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: January 13, 2011
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

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1231
Month Day Fiscal Year

04
Any Month 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 #

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. January 13, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1998-11593

3. BIR Tax Identification No. 065-683-428

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 Kalipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02) 265-7909 Local 8130 / or (02) 861-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation
    Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each - 2,032,826,4761

   b. Amount of Debt Outstanding

      Fixed Rate Bonds - P4,000,000,000.00

      Registrant has no other registered securities either in the form of shares, debt or
      otherwise.

   __________________________________________________________________________

   1  2,032,826,476 Outstanding Common Shares
     2,032,826,476 Shares Under the Stock Ownership Plans

   2,032,826,476
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. January 13, 2011
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A.1996-11523

3. BIR Tax Identification No.: 005-039-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer’s principal office
   Code: 2F MWSS Admin. Bldg., 489 Katipunan Road, Baguio, Quezon City 1105

8. Issuer’s telephone number, including area code:
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock
      Common Shares, par value P1.00 each - 2,032,826,476

   b. Amount of Debt Outstanding

      Fixed Rate Bonds - P4,000,000,000.00

      Regisrand has no other registered securities either in the form of shares, debt or otherwise.

1 2,068,747,486 Outstanding Common Shares
   2,032,826,476 Shares Under the Stock Ownership Plans

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11. Are any of registrant's securities listed on stock exchange?

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:


SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized

MANILA WATER COMPANY, INC.  

Issuer

January 13, 2011  

Date

By, [Signature]

Jhóel P. Raquedan  

Head, Legal and Corporate Governance Department
11 January 2011

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Compliance with the Manual of Corporate Governance

Gentlemen:

Please see attached Certification of Compliance dated 11 January 2011 with the company’s Manual on Corporate Governance for the year 2010.

Best regards.

Very truly yours,

Luis Juan B. Oreta
Compliance Officer
CERTIFICATION

I, Luis Juan B. Oreta, of legal age and with office address at MWSS Administration Building, No. 489 Katipunan Road Balara, Quezon City, Metro Manila, Philippines 1105, after being sworn in accordance with law, hereby depose and state that:

1. I am the incumbent Compliance Officer of Manila Water Company, Inc. (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, No. 489 Katipunan Road Balara, Quezon City, Metro Manila, Philippines 1105.


3. The Company likewise adopted in its Manual the leading practices and principles on good corporate governance for the year 2010 including those requirements pertaining to the board of directors, board committees, officers and stockholders’ rights and interests.

4. I am executing this certificate in compliance with the requirements of the SEC on the annual reporting of the Company’s compliance with the Manual.

IN WITNESS WHEREOF, I have signed this Certificate this 11th day of January, 2011 at Quezon City, Philippines.

[Signature]

Luis Juan B. Oreta
Compliance Officer

Noted by:

[Signature]

Gerardo C. Ablaza Jr.
President and CEO

Manila Water Company, Inc.
MWSS Compound, 487 Katipunan Road, Balara, Quezon City 1105, Philippines
SUBSCRIBED AND SWORN to before me this 13th of January 2014 at Quezon City, affiant exhibiting to me his Passport No. XX2933903 issued at Manila, Philippines valid until February 3, 2014.

Doc. No. 23
Page No. 3
Book No. 2
Series of 2011.

JOVENCIO P. SULGUERAS
MY COMMISSION EXPIRES DEC. 31, 2010
REG No. 7363541-2009 PASIG CITY
SRL No. 20206
CST No. 2605003-R 6-26-09 O.C.