1. For the fiscal year ended: December 31, 2013

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 – 2,041,701,890
   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 2,014,421,738  Outstanding Common Shares
2 27,280,152  Shares Under the Stock Ownership Plans
3 2,041,701,890
2,014,421,738 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 3, 2014 the aggregate market value of the voting stock held by non-affiliates of the Company is P 29,401,335,245.10.

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, 2013.
PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Manila Water Company holds the exclusive right to provide water and used water services to the eastern side (“East Zone”) of Metro Manila under a Concession Agreement (“CA”) entered into between the Company and Metropolitan Waterworks and Sewerage System (“MWSS”) in August 1997. The original term of the concession was for a period of 25 years to expire in 2022. The Company’s concession was extended by another 15 years by MWSS and the Philippine Government in 2009, thereby extending the term from May 2022 to May 2037.

The Company provides water treatment, water distribution, sewerage and sanitation services to more than six million people in the East Zone, comprising a broad range of residential, commercial and industrial customers. The East Zone encompasses Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Quezon City, portions of Manila, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa.

Under the terms of the CA, the Company has the right to the use of land and operational fixed assets, and the exclusive right, as agent of MWSS, to extract and treat raw water, distribute and sell water, and collect, transport, treat and dispose used water, including reusable industrial effluent discharged by the sewerage system in the East Zone. The Company is entitled to recover over the concession period its operating, capital maintenance and investment expenditures, business taxes, and concession fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession.

Aside from the East Zone, the Group currently has three operating subsidiaries in the Philippines, namely Laguna AAAWater Corporation (“LWC”), Boracay Island Water Company (“BIWC”) and Clark Water Corporation (“CWC”).

It also has presence in Vietnam through a leakage reduction project in Ho Chi Minh City and two bulk water companies, namely Thu Duc Water B.O.O Corporation (“TDW”) and Kenh Dong Water Supply Joint Stock Company (“KDW”).

The Group continues to explore new business opportunities. In the first quarter of 2012, the Company through Manila Water Consortium (formerly Northern Waterworks and Rivers of Cebu), signed a Joint Investment Agreement with the Provincial Government of Cebu for the development and operation of a bulk water supply system in the province. Construction of the transmission line is ongoing and is expected to start operations in the second quarter of 2014.

In October 2013, Manila Water South Asia Holdings Pte. Ltd. (“MWSAH”), a wholly-owned subsidiary of Manila Water in Singapore, completed its subscription to 18,370,000 primary shares of Saigon Water Infrastructure Corporation (“Saigon Water”), equivalent to 31.47% of the outstanding capital stock of Saigon Water. Saigon Water is a Vietnamese company listed in the Ho Chi Minh City Stock Exchange. It aims to become the first fully integrated company in the Vietnam water and used water infrastructure sector.
The Concession

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

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

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

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

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

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

- **Concession Fees.** The Company is required to pay MWSS the following:
  
  - Concession fees consisting of the peso equivalent of (i) 10% of the payments due under any MWSS loan that was disbursed prior to the Commencement Date; (ii) 10% of payments due under any MWSS loan designated for the Umiray-AngatTransbasin Project (UATP) that was not disbursed prior to the Commencement Date; (iii) 10% of the local component costs and cost overruns related to the UATP; (iv) 100% of the payments due under any MWSS designated loans for existing projects in the East Zone that were not disbursed prior to the Commencement Date and were awarded to third party bidders or elected by the Company for continuation; and (v) 100% of the local component costs and cost overruns related to existing projects in the East Zone; and
  
  - Share in the annual operating budget of MWSS amounting to P396 million each year subject to annual inflation adjustments
MWSS is required to provide the Company with a schedule of concession fees payable during any year by January 15 of that year and a written notice of amounts due no later than 14 days prior to the scheduled payment date of principal, interest, fees and other amounts due. Currently, MWSS gives monthly invoices to the Company for these fees.

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

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

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

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

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

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

Key Performance Indicators and Business Efficiency Measures

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

Fourteen KPIs, representing critical performance levels for the range of activities the Company is responsible for, relate to water service, sewerage and sanitation service and customer service. The BEMs are intended to enable the MWSS-RO to evaluate the efficiency of the management and operation of the concessions and gauge progress toward the efficient fulfillment of the concessionaires’ business plans. There are nine (9) BEMs relating to income, operating expenses, capital expenditures and NRW. The BEMs are evaluated for trends and annual forecasts.

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 nine functional groups: (i) Operations (ii) Project Delivery; (iii) East Zone Business Operations; (iv) Corporate Strategic Affairs; (v) Corporate Strategy and Development; (vi) Corporate Human Resources; (vii) Corporate Finance and Governance; (viii) Strategic Asset Management; and (ix) Information Technology

- The Operations Group operates and maintains all of Manila Water’s water and Used Water facilities. It constantly seek ways to further improve the efficiency and reliability in managing all of Manila Water’s facilities by developing high quality engineering standards, delivering innovative technology solutions and support, exploring new technologies and promoting a culture of a safe work environment while remaining
compliant to environmental and regulatory standards. The Operations Group is committed to protect the environment through environmental sustainability programs such as the Three-River Master Plan, the protection and development of our watersheds, and other various environmental efforts.

- The Operations Group, in cooperation with counterparts from Maynilad, manages the Common Purpose Facilities (CPF)/Water Source which includes headworks upstream of the La Mesa Dam: Angat Dam, Ipo Dam and the Novaliches portals. CPF/Water Source ensures that sufficient raw water allocation is maintained throughout the year.

- From the La Mesa Dam, Water Supply Operations manages the water treatment facilities, primary transmission lines, pumping stations and service reservoirs to provide 24/7 water supply at a reliability level of, at least, 99.99% while maintaining 100% compliance in water quality as defined in 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, despite variability in consumer demand or environmental pressures.

- Used Water Operations manages the wastewater treatment facilities and lift stations to ensure that treated wastewater discharge is consistently compliant to environmental standards. It is responsible for implementing the wastewater service expansion plan, advocating the Three-River System targeted to be completed by 2022.

- Encompassing the roles of Water Supply and Used Water, 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 developing community.

- Maintenance Services provides planned, proactive, reactive maintenance support for all operations facilities as well as all of the company's physical structures.

- The Business Continuity Department is committed to develop a culture of preparedness, resiliency and continual improvement towards a world-class water utility company. Thus ensuring coordination, integration and alignment of national, local and company emergency plans and protocols. BCD enables Manila Water to immediately respond to emergencies, especially when there is a need to provide potable water to disaster-stricken areas. Through BCD, Manila Water is able to extend help even beyond its concession area by providing mobile water treatment assistance to various flood-stricken areas in the country.

- The Laboratory carries out physical, chemical and microbiological analysis of water and wastewater samples to true world-class standards. Aside from being accredited by the Department of Health (DoH), PAO Philippine Accreditation Office, and the Department of the Environment and Natural Resources (DENR), the Laboratory is also certified to ISO standards.

- The Environment Department ensures that Manila Water facilities are not only compliant with current legislation but are also constructed and maintained within
environmental sustainability parameters. It also undertakes projects to protect and develop watersheds that directly affect its water sources.

- The Fleet Management is responsible for the dispatch and maintenance of company vehicles and equipment. It also provides vehicle assistance during incidents/emergencies and special events of the company.

- The Energy Department monitors power consumption and recommends power-efficiency measures. It also develops and implements strategies for the company to enjoy advantageous power rates in all its facilities.

- The Innovations Department supports optimization initiatives throughout the Operations Group, most especially for the Water Supply and Used Water. It helps create value (of systems and processes) through a collaborative approach, as well as provides linkages and resources to ensure optimum efficiency, quality and reliability of operations.

- Operations Management Department strategizes a unified management system to ensure the effectiveness and efficiency of group targets and programs. Operations Management is accountable for the ISO certifications (Quality, Environment, Health and Safety) and serves as a framework in order to produce and promote well-balanced implementation of all policies and processes across Operations Group including specific requirements of the international standards (ISO 9001, ISO 14001, and OHSAS 18001).

- The **Project Delivery Group** (PDG) 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 and safety, 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. PDG is organized for an integrated, collaborative approach to project execution. It is composed of five (6) departments namely Engineering, Projects, Quality Assurance, Project Stakeholders Management, Safety Solutions and PDG Support.

  - The Engineering Department ensures the compliance of projects to established engineering standards by reviewing design concepts and cost estimates, conducting preliminary and detailed design (as necessary), spearheading the technical evaluation of technical proposals during bidding and design submissions during execution and developing high-quality and cost-effective engineering standards that are used across the business. It 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 (PDMs) are accountable for keeping the project in line with time, cost and quality, safety
and environmental standards by leading a cross-functional team that manages the numerous interconnected components of execution. The department is also a fertile ground for developing project managers not only for the East Zone but also expansion efforts in and out of the Philippines.

- The Quality Assurance Department is in charge of development and implementation of quality management procedures and system across PDG through (1) process documentation, including policy formulation and system rollout, (2) management of the Quality Execution Academy and, (3) review/analysis of quality execution metrics/statistics for continuous improvement of PDMs.

- The Project Stakeholders Management Department 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.

- Safety Solutions Department provides a vital role in ensuring that not only are Manila Water employees empowered to work safely, but also to ensure that our vendors and contractors are well-trained in keeping worksites safe for employees and the wider public, especially during construction activities. This utmost regard for a safety environment and mindset has top management support and carried-out by its employees and contractors.

- PDG 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 East Zone Business Operations (EZBO) deals with the Company’s customers and is responsible in the operations of the business. It is composed of four departments in the EZBO Headquarters (HQ) namely: East Zone Business Area Operations, East Zone Business Support, 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 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: Branding and Market Research, Corporate Communications, and Sustainable Development. The Branding and Market Research Department is in charge of building and differentiating the Manila Water brand through strategic communications research and development, visual standards management and advocacies. It also handles the Lakbayan or Water Trail program as the Company’s information, education and communication program on water and wastewater appreciation. The Corporate Communications 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 is also responsible for ensuring a well-informed workforce through the development and implementation of relevant internal communications. Lastly, it handles new media establishment through social media and web presence. 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 Human Resources Group is organized into four core departments: (1) Talent Management and Leadership Development, (2) Total Rewards Management, (3) Employee Engagement, and (4) Security Management. The Talent Management and Leadership Development Department is responsible for Strategic Staffing, Training and Development, Succession, Competency Management, Corporate University Development and Management as well as Manpower Planning and Organization Development. The Total Rewards Management Department is responsible for the design and implementation of programs in Performance Management, Compensation and Benefits, and HR Service Delivery functions. The Employee Engagement Department handles Employee Programs (employee recognition and sports programs), Wellness Management (employee wellness and occupational health programs), and Employee Relations (Code of Conduct and CBA administration). The Security Management Department is responsible for employee, asset and facility security.

- The Corporate Finance and Governance Group, which is headed by the Chief Finance Officer and Treasurer, provides financial and legal services to the Company. The Group is composed of eleven departments namely: Accounting, Financial Controllership, Financial Planning and Investor Relations, Treasury, Tax Management, Capex Control and Support, Contracts and Vendor Management, Logistics, Internal Audit, Legal and Corporate Governance, and Enterprise Risk Management.
  - The Accounting Department is responsible for the establishment and implementation of the Company’s accounting systems to ensure the generation of accurate, complete and timely financial reports. It also responsible for the management of the accounting records and preparation of financial statements and reports which reflects the true financial performance and condition of the Company. The Accounting Department is ISO 9001:2008 certified.
  - The Financial Controllership Department ensures implementation of stringent financial systems and controls in the East Zone but also in the New Business Operations. The department monitors the performance of the East Zone and the subsidiaries and associates with particular focus on revenue growth, improvement of operating margins, asset efficiency and future growth prospects.
  - The Financial Planning and Investor Relations Department is responsible for the budget and forward plan preparation of the Company and provides management reports on the financial performance of the company. The department also reviews CAPEX and investments and ensure that the Company’s investment parameters are met. In addition, the department implements investor-related programs to ensure that information requirements of investors and analysts are met.
  - The Treasury 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. The department is also responsible for managing financial risks inherent to Treasury-related transactions. The Treasury Department is ISO 9001:2008 certified.
The Tax Management Department provides assistance to the business units of the Company on the proper interpretation and application of tax laws, rules and regulations and ensures completion and application of tax saving programs of the Company. The department also provides tax-related legal and strategy advisory services, and liaises with regulatory agencies such as the Bureau of Internal Revenue, Board of Investments and local government units within the area of operation.

The CAPEX Control and Support Department is responsible for the acquisition of properties required for the implementation of water and wastewater projects. It is also responsible for the clearing and recovery of right-of-way owned by the Company and MWSS. The department is also in-charge of the management and monitoring of the Company’s CAPEX program through reliable CAPEX forecasting, implementation of review processes and providing feedback mechanisms to project proponents and management, and ensures the integrity of contractors’ billings through control systems.

The Contracts and Vendor Management Department is responsible for the procurement of the service requirements for the Company’s projects and operations. It is responsible for implementing a procurement process that meets quality and cost standards and is carried out with integrity and transparency. The department implements vendor management programs to ensure availability of quality vendors, contractors and service providers. The Contracts and Vendor Management Department is ISO 9001:2008 certified.

Logistics Department is responsible for the procurement of supplies and materials to support operations and project requirements. It ensures integrity in the procurement process and ensures that supplies and materials are sourced at optimal cost and comply with quality standards. The department is also responsible for the efficient management of materials inventory. The Logistics Department is ISO 9001:2008 certified.

The Internal Audit Department provides an independent and objective assurance and consulting services and evaluates the effectiveness of the Company’s risk management, control and governance processes. The department reports functionally to the Audit and Governance Committee (AGC) and administratively to the Chief Finance Officer. It supports the Committee in the effective discharge of the Committee’s oversight role and responsibility and provides the management and the Board of Directors, through the Committee, with analyses, recommendations, advice and information concerning the activities/ processes reviewed. The department obtained a “Generally Conforms” rating from the External Quality Assurance Review performed by IIA-Philippines in June 2012.

The Legal and Corporate Governance Department provides legal services, advice and support across the entire organization and ensures prompt compliance with the disclosure requirements of the Securities and Exchange Commission and the Philippine Stock Exchange for listed companies. It also provides corporate secretarial services to the Board of Directors and the Board Committees and assists the Office of the Corporate Secretary in the preparation and conduct of the stockholders’ meeting and board meetings.

The ERM Department is responsible for the sustained implementation of the Enterprise Risk Management system of the Company and ensures that key risks are identified and managed by the respective risk owners. The department also manages the insurance program of the Company with the objective of making the program optimal, risk-based and responsive to the Company’s needs. The department reports functionally to the AGC and administratively to the Chief Finance Officer.
- The **Strategic Asset Management Group** is formed to achieve the optimal and sustainable delivery of services and profitability through the efficient and effective management and development of assets. The group is mandated to provide a comprehensive, holistic and integrated master plan that will address capital investments both for water and wastewater systems, the operation and maintenance of existing and new assets, and the rationalization and disposal of surplus assets. To deliver these services, the group is organized into four (4) departments namely, (1) Strategic Asset Planning, (2) Program Management, (3) Asset Management and (4) the Asset Information Management and Support. The Strategic Asset Planning Department is responsible for the development of the master plan both for water and wastewater systems and shall ensure the attainment of business and regulatory commitments. The department’s scope is not be limited to East Zone alone but will include services to Manila Water subsidiaries. The Program Management Department is entrusted to manage the execution of capital expenditure programs of the company. The department ensures timely, cost-efficient delivery of all planned infrastructure projects. The Asset Management Department is tasked to provide a systematic integration of advance management techniques to sustain optimum performance of assets at least cost. Lastly, the Asset Investment Management and Support will provide value adding and accurate information, analytics, policies, framework and processes to each of the departments in the group. Their operation enables the whole Strategic Asset Management Group to deliver its corporate commitments with efficiency and effectiveness.

- The **Information Technology Group** is responsible for providing innovative technology solutions that support the company’s initiatives towards greater efficiency and growth. It is composed of four (4) Departments: Systems and Solutions, Service Management, Information Security, and IT Governance. The Systems and Solutions Department is responsible for the development and maintenance of all projects and systems supporting the business. It is in charge of identifying, designing, and delivering technology solutions and applications that support the success of the business. The Service Management Department oversees the day-to-day operations of ITG including the availability, performance, and capacity of ITG resources. It is responsible for the development of tactical plan for Infrastructure and the continuity framework. The Information Security Department is in charge of developing and enforcing the enterprise wide Information/IT security strategies, policies, standards, procedures, and awareness program and in ensuring compliance with relevant information security standards. It also implements and maintains technical and procedural controls to protect information flow across networks. The IT Governance Department handles the governance functions on program management, financial planning and control, risk management and other IT processes.

**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 2013, the East Zone Business Operations supplied approximately 1,354 million liters per day (MLD) and billed 433.6 MCM of water compared to 1,333 MLD of water supplied and 427.3 MCM billed in 2012. The Company served a total of 1,299,862 households through 921,898 water service connections as of December 31, 2013, as compared to last year’s level of 1,254,607 households and 896,148 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 fails 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. Only a very small amount of the Company’s water supply is still ground-sourced through deep wells, these are for the far reaches of Rizal wherein conveyance from the existing treatment plants would be impractical. As of December 31, 2013, the Company has only three (3) operational deep wells with an average production of 1.6 MLD.

**Water Treatment**

Raw water is stored at the La Mesa reservoir located immediately downstream of the Novaliches portal interconnection before going to the three (3) treatment plants, two (2) of which are in Balara located seven (7) kilometers away. The other is the newly constructed East La Mesa Treatment Plant nestled just at the northeast of La Mesa Dam.

The Balara treatment plants have a total design capacity of 1,600 MLD and consist of two (2) separate treatment systems: Balara Filter 1, which was commissioned in 1935 and Balara Filter 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. All of the filter beds have been recently 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. Both plants are currently undergoing a structural retrofit to make the facilities more resilient to earthquakes.

**Water Distribution**

After treatment, water is distributed through the Company's network of pipelines, pumping stations and mini-boosters. As of December 31, 2013, the Company's network consisted of approximately 4,700km 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 have replaced most of its Asbestos Cement Pipes (ACP) down to 0.002% which at the start were estimated to comprise approximately 25.5% of the total pipeline length from the start of the concession in 1997 until the end of 2013, the Company has laid almost 4,700 km of pipeline through expansion or replacement. This holistic pipe replacement supported with
effective area management has led to a non-revenue water percentage of 11.2%, far from the 1997 value of 63%.

Pumping stations also play a critical part in water distribution. Approximately 65% of the surface water supplied by the Company is pumped to ensure supply in high elevation areas. Currently, the Company operates nineteen (19) pumping stations with a combined maximum pumping capacity of 3000 MLD and an average plant output of 907 MLD. Most of the major pumping stations have reservoirs with a combined capacity of almost 400 ML. 2012 welcomed three (3) new reservoirs, namely: Maguey, East Ridge, and the San Juan Reservoir.

The Company operates twenty-one (21) line boosters in order to reach the fringe areas, which are quite distant from the treatment plants. 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 pump stations.

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, 2013. 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 847 (5% above the PNSDW requirement of 803 as of end of 2013) 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 and consistently is 100% compliant on the basic and health significant parameters required in the PNSDW. 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 testing and sampling in October 2006) granted by the Philippine Accreditation Office, Department of Trade and Industry (DTI). These recognition and accreditations subject the laboratory to regular surveillance audits. Consistently, the Laboratory has gained excellent and satisfactory ratings on most proficiency testing programs it has participated in which are provided by local and international proficiency testing program providers. In 2010, the Laboratory also gained 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 the Laboratory is 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.

As of the end of 2013, the Company has already served through sewer service, 160,748 households within the East Metro Manila. As of year-end 2013, the Company operates 37 Wastewater Facilities including two (2) SpTPs, with a total capacity of 131.065 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) SpTPs aimed at managing septic tank materials siphoned from the East Concession customers. A total of 77 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 1,000,000 households.

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.

**New Business/ Investments Outside of the East Zone**

It is also the Company’s objective to further bring its expertise in 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 and in selected cities in the Asian region. Other water business models, such as bulk arrangements, operations and maintenance are also being explored and implemented. Towards this end, the Company has signed joint venture agreements and/or investment agreements with local and international partners in the last few years.

LAWC is a Joint Venture (“JV”) between AAA Water Corporation, a wholly-owned subsidiary of Manila Water, and the Province of Laguna (“POL”), with shareholdings of 70% and 30%, respectively. The JV is for the purpose of undertaking 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, and the municipality of Cabuyao in Laguna. Towards this end, LAWC entered into a Concession Agreement with the POL on April 9, 2002 for an operational period of 25 years.
BIWC is a JV between Manila Water 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 Clark Development Corporation (“CDC”) in the Clark Freeport Zone in Angeles, Pampanga. It has a 25-year concession agreement with the CDC until October 2025 with the option to extend the period subject to mutual agreement. In November 2011, Manila Water acquired 100% ownership of CWC through a Sale and Purchase Agreement with Veolia Water Philippines, Inc. and Philippine Water Holdings, Inc.

In July 2008, the Company won a contract for performance-based leakage reduction project with Saigon Water Company (“SAWACO”) covering the latter’s Zone 1 service area in Ho Chi Minh City, Vietnam.

In December 2011, Manila Water purchased a 49% share ownership of Thu Duc Water BOO Corporation (“TDW”) which owns the second largest water treatment plant in Ho Chi Minh City. TDW has a bulk water supply contract with SAWACO for a minimum consumption of 300 MLD on a take-or-pay arrangement.

In the first quarter of 2012, the Company through Northern Waterworks and Rivers of Cebu, Inc. (now “Manila Water Consortium, Inc.”, a consortium of Manila Water, Metropac Water Investments Corporation and Vicsal Development Corporation), signed a Joint Investment Agreement (“JIA”) with the Provincial Government of Cebu (“PGC”) for the development and operation of a bulk water supply system in the province. The JIA resulted in the incorporation of Cebu Manila Water Development, Inc. (“CMWD”), a corporation owned by the consortium and the PGC in the proportion of 51% and 49% respectively.

In July 2012, the Company completed the acquisition of a 47.35% stake in Kenh Dong Water Supply Joint Stock Company (“KDW”), a Vietnamese company established in 2003 to build, own, and operate major water infrastructure facilities in Ho Chi Minh City.

For 2013, Manila Water continues to expand its new business operations outside the East Zone. In October 2013, Manila Water South Asia Holdings Pte. Ltd., a wholly owned subsidiary of Manila Water in Singapore, completed the acquisition of 31.47% stake in Saigon Water Infrastructure Corporation (“Saigon Water”), a listed company in Vietnam. In December of the same year, CMWD signed a 20-year Bulk Water Supply Contract with the Metropolitan Cebu Water District for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years two up to twenty. Thereafter, in the same month, LAWC signed an Asset Purchase Agreement with the Laguna Technopark, Inc. (“LTI”) for the acquisition of the water reticulation system of LTI in Laguna Technopark, a premier industrial park located in Sta. Rosa and Binan, Laguna which is home to some of the region’s largest and more successful light to medium non-polluting industries.

**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, along with all other existing environmental regulations. During and subsequent to construction, ambient conditions and facility-specific emissions (e.g. air, water, hazardous wastes, treatment by-products) from water and wastewater facilities 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 PNSDW, DOH, DENR and LLDA. The Company continues to undertake improvements in the way it manages both treated water and wastewater as well as treatment by-products such as backwash water, sludge and biosolids.

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 environmental incidents 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 gas 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.

**Sustainable Development Projects**

Sustainability for Manila Water means that while providing excellent water and wastewater services to its over six million customers, it ensures that it uses water resources efficiently so that its future customers will have the same level of services that its present customers, including low-income communities, enjoy.

As part of its efforts to strengthen sustainability in its organization, Manila Water updated its Sustainability Policy to make it more comprehensive and inclusive, and to align it to international frameworks such as the ISO26000 guidance on social responsibility. The Company likewise revised its Climate Change Policy, consistent with the national government’s anchor strategy of adaptation.

Manila Water also championed sustainability among its operating subsidiaries, Laguna Water, Boracay Water and Clark Water, by assisting them to develop their respective sustainability frameworks and programs. It was also the first time they released their Sustainability Reports, which complied with the GRI G3.1 Level C standards. For its part, Manila Water again conformed to the GRI G3.1 Level A and ISO 26000 frameworks.
While continuing to implement its flagship programs for the urban poor such as ‘Tubig Para Sa Barangay’ (TPSB) and ‘Lingap’ programs for public service institutions, Manila Water initiated Greening our Future, an environmental education program for employees, and participated in the week-long Global Handwashing Day celebration in Metro Manila, Laguna, Pampanga and Boracay.

**Employees**

As of December 31, 2013, the Company had 1,313 employees. Approximately 17% were non-management employees and 83% held management positions. Six (6) employees are seconded from Ayala.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Former MWSS</th>
<th>Direct Hires</th>
<th>Seconded from Ayala</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>675</td>
<td>632</td>
<td>6</td>
<td>1,313</td>
</tr>
</tbody>
</table>

The following table presents the number of employees by function as of the December 31, 2013:

<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>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Corporate Finance &amp; Governance</td>
<td>117</td>
<td>3</td>
<td>120</td>
</tr>
<tr>
<td>Corporate Strategy &amp; Development</td>
<td>58</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Corporate Human Resources</td>
<td>26</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>Corporate Strategic Affairs</td>
<td>21</td>
<td>1</td>
<td>22</td>
</tr>
<tr>
<td>East Zone Business Operations</td>
<td>498</td>
<td>106</td>
<td>604</td>
</tr>
<tr>
<td>Information Technology</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Operations</td>
<td>194</td>
<td>107</td>
<td>301</td>
</tr>
<tr>
<td>Project Delivery</td>
<td>98</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Strategic Asset Management</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>

| Total                                | 1,091      | 222            | 1,313 |

Before privatization, the MWSS had 8.4 employees per 1,000 service connections. Manila Water Company has improved this ratio to 1.7 employees per 1,000 service connections as of December 31, 2013. This was accomplished through improvements in productivity achieved through, among other initiatives, 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, and has empowered employees through decentralized teams with responsibility for managing territories. In addition, the company formed multi-functional working teams 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, 2013, 212 or 16 percent of the employees of the company are members of the Manila Water Employees Union (MWEU). The company and the MWEU concluded
negotiations on a new collective bargaining agreement (CBA) covering a three-year period from 2013 to 2016. The CBA provides for a grant of P500 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 continues to maintain two-pronged strategy in talent development – Strengthening Leadership Capabilities and Building and Fortifying Technical Expertise to maintain its leadership in the water industry and contribute to national development.

On the leadership front, several initiatives were undertaken to ensure a strategic, well rounded approach to leadership development:

- **Succession Management**: Manila Water continued to strengthen its succession management initiatives to ensure a steady stream of talents in the leadership pipeline. To establish objectivity of the process, identifying the talent pool for succession is done in partnership with a third party.
- **Advanced Management Development Program (AMDP)** focuses on strengthening leadership competencies and enabling talents to understand the changing business and customer needs. It helps the talents transition smoothly to their new leadership roles.
- **Business Zone Leadership School (BZLS)** aims to develop Business Zone Managers with the right mix of leadership, technical knowledge, and experience.
- **Management Development Training Program (MDTP)** enables new talents to be men on the ground – meeting business objectives, gaining exposure on water networks, and knowing intimately the customers.
- **The members of the Management Committee (MANCOM)** champion an executive Coaching and Mentorship Program with key talents of the organization.

To build and fortify technical capabilities, we implemented a Technical Coaching Program involving identified talents in our operations and technical groups. The primary purpose of the program is to equip the talents with the skills required to efficiently perform their current roles, and to ensure a sharp and seamless knowledge transfer to their respective successors.

As the business landscape becomes more complex and customers’ expectations become increasingly high, the organization is currently in the process of transitioning to competency-based development and to the Manila Water University to ensure industry leadership.

The company ensures that its reward system is market competitive, performance-based, aligned with business strategies and results, and within regulatory parameters. In 2005, the company extended an equal cash incentive to each employee covered by the 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. In 2013, line managers were engaged to take ownership and to champion the implementation of the enhanced rewards programs.

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

At the company’s inception, the company instituted 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 fifteen 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 Honour Award in the 2010 International Water Association Project Innovation Awards for the Olandes Sewage Treatment Plant project, 1st Philippine Stock Exchange Bell Awards for Corporate Governance, Platinum Plus award from the Institute of Corporate Directors, the four Best-Managed Company Awards from Asiamoney Magazine, the seven corporate governance awards from CorporateGovernance Asia, the Best-Managed Mid-Cap Company Award from FinanceAsia Magazine, twenty Anvil awards from the Public Relations Society of the Philippines from 2004 to 2012, twelve Quill Awards from the International Association of Business Communicators Philippines from 2006 to 2012, 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 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 in 2012.

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 agreement fees are based on rates negotiated and agreed upon by the parties.

As of December 31, 2013, outstanding balances for related party transactions are unsecured and
interest-free. 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 has an existing contract with Ayala Corporation for the provision of
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. On the other hand, the Technical Services Agreement with United
Utilities B.V. (an affiliate of United Utilities Pacific Holdings B.V.) for the provision of technical
services to the Company has been terminated effective July 31, 2012.

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

<table>
<thead>
<tr>
<th>2013 TOP CORPORATE RISK</th>
<th>MITIGATION STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EAST ZONE BUSINESS ENVIRONMENT</strong>&lt;br&gt;Failure to adapt to the changing business environment in the East Zone as a result of market saturation, increasing cost of operations and increasingly demanding political and consumer environment.</td>
<td>Weekly quarterbacks are in place to review operational highlights. Power-saving initiatives were implemented and management of key accounts was strengthened. In addition, the Manila Water Total Solutions have undergone a re-organization to further focus on generating new revenue sources.</td>
</tr>
<tr>
<td><strong>INVESTMENT PLAN EXECUTION</strong>&lt;br&gt;Failure to meet CAPEX targets within the approved cost, time and quality.</td>
<td>Project Lifecycle processes, functions and resources are being improved continuously to assure projects stay within the agreed budget, timeframe and quality level. There is an existing Project Challenging Group and CAPEX Committee to challenge and approve project’s variation order and time extension. The Project Quality Plan (PQP) is in place as a requirement from contractors serving as a reference during project implementation. Furthermore, there’s a random safety audit for on-going projects.</td>
</tr>
<tr>
<td><strong>REGULATORY</strong>&lt;br&gt;Failure to meet regulatory requirements and manage threats/changes to such requirements which may adversely affect the organization.</td>
<td>Programs have been implemented to ensure control of regulatory and socio-political risks at both compliance and strategic levels. Monitoring of the Company's compliance with various regulatory requirements is done (all regulatory agencies) through the Regulatory Compliance Council.</td>
</tr>
<tr>
<td><strong>WATER SUPPLY</strong>&lt;br&gt;Failure to ensure adequacy and reliability of raw water supply.</td>
<td>Activities are being done to further increase reliability and efficiency of the current water supply system such as the development of medium-term water sources, weekly monitoring and investigation of NRW contributors, preventive and corrective maintenance of dam facilities and aqueducts and implementation of metering at raw water portal and tailrace metering.</td>
</tr>
<tr>
<td><strong>NEW BUSINESS OPERATIONS</strong>&lt;br&gt;Failure to manage risks/issues linked to operating new businesses.</td>
<td>There were organizational changes to improve Manila Water’s control and visibility in the subsidiaries. To meet the talent requirements of new businesses, services of third parties and head hunters were employed.</td>
</tr>
</tbody>
</table>
Government Regulations
The Company has to comply with environmental laws and regulations which include:

- **General Environmental Safeguards**
  - Presidential Decree No. 1586 (Philippine Environmental Impact Statement System)
  - DENR Administrative Order No. 26, Series of 1992 (Appointment/Designation of Pollution Control Officers)
  - DENR Administrative Order No. 27, Series of 2003 (Self Monitoring Report System)

- **Water**
  - Republic Act No. 9275 or the Philippine Clean Water Act of 2004
  - DENR Administrative Order No. 10, Series of 2005 (Implementing Rules and Regulations of R.A. No. 9275)
  - DENR Administrative Order No. 35, Series of 1990 (General Effluent Standards)
  - DENR Administrative Order No. 39, Series of 2003 (Environmental Users Fees)

- **Air**
  - 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 R.A. 8749)

- **Solid Waste**
  - Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000
  - DENR Administrative Order No. 34, Series of 2001 (Implementing Rules and Regulations of R.A. No. 9003)

- **Hazardous Wastes and Chemicals**
  - 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)
  - Philippine Drug Enforcement Agency – Republic Act 9165- Regulatory Controls in Licit Trade of Controlled Precursors and Essential Chemicals
  - Philippine National Police – License to Possess/Purchase Explosives (Chemical used in the laboratory that are ingredients/kind of explosives)
• **Others**
  
  • 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, 2013. 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.

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 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 Company, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released the 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 Company is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

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

The Company’s corporate head office located in Balara, Quezon City is leased from MWSS and is subject to yearly renewal. In 2013, rent expense of the Company to MWSS amounted to ₱16.99 million.

For 2014, the Company expects to spend capital expenditures amounting to at least P5 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**

Except for the pending arbitration proceeding between Manila Water and the MWSS, there are no other material legal proceedings 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.

On September 24, 2013, Manila Water formally filed a Dispute Notice against the Metropolitan Waterworks and Sewerage System (“MWSS”) to contest the tariff determination made by the MWSS as contained in the Resolution No. 13-09-CA dated September 10, 2013 of the MWSS-Regulatory Office and Resolution No. 2013-101-RO dated September 12, 2013 of the Board of Trustees of the MWSS for the Rate Rebasing Period 2013 to 2017. As provided under the Concession Agreement between Manila Water and MWSS, the Dispute Notice commenced the arbitration process.
An Appeals Panel consisting of three (3) arbitrators was constituted to decide on the matters in dispute. Pursuant to the Concession Agreement, the MWSS and the Company each appointed a member of the Appeals Panel. The third member, the Chairman of the Appeals Panel, was appointed by the President of the International Chamber of Commerce. Preliminary Conference and initial hearing were held on December 11, 2013 and February 20, 2014, respectively. Subsequent hearings were held thereafter. The arbitration proceeding is still pending before the Appeals Panel.

In addition, although the Company does not consider the following cases material, these are being reported here for information purposes:


**CBAA Case No. L-69, Central Board of Assessment Appeals**

This case is an appeal to the Central Board of Assessment Appeals (CBAA) from the denial by the Local Board of Assessment Appeals of Bulacan Province (LBAA) of the appeal by Manila Water and Maynilad Water Services, Inc. ("Maynilad") 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. Manila Water was assessed for half of the amount. The concessionaires and the Metropolitan Waterworks and Sewerage System (MWSS), which intervened as a party in the case) are 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, 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 case is still pending with the CBAA. Maynilad and Manila Water have already completed presentation of their respective evidence, while MWSS waived presentation of its own evidence. The Province of Bulacan has yet to complete presentation of its evidence.

*Manila Water Company, Inc. vs The Secretary of the Department of Environment and Natural Resources,*

**Regional Director, Environmental Management Bureau-National Capital Region, et al., G.R. No. 206823**

*Supreme Court*

The case arose from a complaint filed by OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) on April 8, 2009 before the Pollution Adjudication Board (PAB) against Manila Water, Maynilad and the MWSS for alleged violation of R.A. No. 9275, particularly the five-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On April 22, 2009, the PAB through DENR Secretary and Chair Jose L. Atienza, Jr., issued a Notice of Violation finding Manila Water, Maynilad and MWSS liable. Manila Water, Maynilad and MWSS filed a Motion for Reconsideration on the PAB decision which was denied. Manila Water filed its Petition for Review dated December 21, 2009 with the Court of Appeals and an Amended Petition for Review dated January 25, 2010.
In a Decision dated August 14, 2012, the Court of Appeals dismissed Manila Water’s Petition for Review and on September 26, 2012, Manila Water filed a Motion for Reconsideration of the Court of Appeals’ Decision.

On April 29, 2013, Manila Water received the Resolution dated April 11, 2013 of the Court of Appeals, denying Manila Water’s Motion for Reconsideration.

On May 29, 2013, Manila Water filed its Petition for Review on Certiorari with the Supreme Court. In this Petition, Manila Water reinforced its argument that it did not violate Section 8 of R.A. 9275 as it was able to connect existing sewage lines to available sewage facilities contrary to the findings of the Court of Appeals.

The case remains pending with the Supreme Court.

Consolidated cases: Waterwatch Coalition, Inc. et al. vs. Ramon Alikpala, MWSS, et al., Supreme Court, G.R. No. 207444
Water for All Refund Movement vs. MWSS, et.al, Supreme Court, G.R. No. 208207
Virginia S. Javier, et al. v. The Metropolitan Waterworks and Sewerage Systems, et.al, Supreme Court, G. R. No. 210147

G.R. No. 207444, entitled “Waterwatch Coalition, Inc., et al. vs. Ramon Alikpala, et al.” is a “Petition for Certiorari and Mandamus with Prayer for the Issuance of a Temporary Restraining Order” (the “Petition”) dated 20 June 2013 which Manila Water received on June 25, 2013. The Petition seeks the following reliefs:

a. To prevent the adjustment to the tariffs through the issuance of a Status Quo Ante Order, which shall compel the parties to “maintain and observe the status quo prevailing before the commencement of the 2013 Rate Rebasing Exercises;”
b. To have the Concession Agreement between the MWSS, Manila Water and Maynilad declared void for being “constitutionally infirm” or for being ultra vires;
c. To have the 2013 tariff schedule for Maynilad and Manila Water be declared void, and to have any order/resolution of the MWSS to the contrary be set aside;
d. To have Manila Water and Maynilad declared as public utilities subject to the rules and regulations of public service laws and audit powers of the Commission on Audit.

The Petition was filed against Manila Water, Maynilad, the MWSS and the following individuals as respondents:

a. Ramon B. Alikpala, Jr., Chairman of the MWSS Board of Trustees
b. Gerardo A.I. Esquivel, Administrator of the MWSS/Vice Chairman of the MWSS BOT
c. Atty. Raoul C. Creencia, Ma. Cecilia G. Soriano, Jose Ramon T. Villarin and Benjamin J. Yambao, Members of the MWSS BOT
d. Atty. Emmanuel L. Caparas, Chief Regulator of the MWSS Regulatory Office

On July 9, 2013, Manila Water received a copy of a Notice issued by the Supreme Court, requiring the respondents to file their respective comments to the Petition within a non-extendible period of ten (10) days from receipt of the Notice. No action was taken upon the application for the issuance of a Temporary Restraining Order or Status Quo Ante Order.
Manila Water filed its Comment to the Petition on July 19, 2013. In its Comment, Manila Water prayed for the dismissal of the Petition and argued, among others that, the Concession Agreement and the rate rebasing mechanism therein are valid, legal and constitutional and protected by the non-impairment clause under the Constitution.

The second case, G.R. No. 208207, entitled “Water for All Refund Movement v. MWSS, et al.” is a “Petition for Certiorari, Prohibition and Mandamus” dated August 5, 2013, was received by Manila Water on August 14, 2013. The Petition seeks the following reliefs, among others:

a. Issuance of a Temporary Restraining Order, Status Quo Ante and/or Writ of Preliminary Injunction requiring the respondents to maintain and observe the status quo prevailing before the commencement of the Rate Rebasing Exercises;
b. Declaring the Concession Agreements dated February 21, 1997 between the MWSS and Manila Water and Maynilad to be void for being constitutionally infirm and/or ultra vires; and
c. In the alternative, declaring the 2013 Tariff Schedule for Manila Water and Maynilad void for being in violation of law;
d. Declaring Manila Water and Maynilad to be public utilities subject to the rules and regulations of the Commission on Audit;
e. Ordering Manila Water and Maynilad, whether by themselves or through MWSS, to refund to the water consumers within their respective Service Areas the amounts billed, charged, and/or collected from them:

- All amounts in excess of the 12% cap provided in Republic Act No. 6234;
- All amounts representing income taxes of MWSS and/or the concessionaires; and
- All amounts for future and/or abandoned projects.

Finally, G.R. NO. 210147, entitled “Virginia S. Javier, et al. v. The Metropolitan Waterworks and Sewerage Systems, et al.” is a “Petition for Certiorari, Prohibition, and Mandamus, pursuant to Rule 65 of the 1997 Revised Rules of Court, questioning the validity of the Concession Agreements entered into by and between Respondents. As alleged by the Petitioners, their petition is in the nature of a class action brought in behalf of themselves and all other customers of Maynilad and Manila Water who are allegedly similarly situated in having been “subject to the Concessionaires’ continuing policies and practices of water rate overpricing, advanced collections for uncompleted projects, including ghost water infrastructures, monopolistic abuse… regulatory capture over the entire MWSS concession area.”

The three cases were consolidated in a Notice dated January 14, 2014 issued by the Supreme Court in G.R. No. 210147 (Virginia S. Javier, et al. v. The Metropolitan Waterworks and Sewerage Systems, et Al.) The cases, as consolidated, remain pending with the Supreme Court.

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

No matter was submitted during the fourth quarter of 2013 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>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>1st Qtr</td>
<td>40.00</td>
<td>32.00</td>
</tr>
<tr>
<td>2nd Qtr</td>
<td>41.00</td>
<td>29.35</td>
</tr>
<tr>
<td>3rd Qtr</td>
<td>33.80</td>
<td>26.30</td>
</tr>
<tr>
<td>4th Qtr</td>
<td>28.00</td>
<td>21.35</td>
</tr>
</tbody>
</table>

The price per share information as of the close of the latest practicable trading date, April 3, 2014, is ₱24.05.

Description of Major Shareholders

The Company has an authorized capital stock of ₱3.5 billion divided into 3.1 million common shares with a par value of ₱1.00 per share and 4 billion participating preferred shares (PPS) with a par value of ₱0.10 per share.

The Company had a total of 919 certificated stockholders as of December 31, 2013. 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 two classes of equity: common shares and PPS. As of December 31, 2013, outstanding shares of the Company consisted of 2,042 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), and 4 billion PPS.

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.
Dividends

Subject to the preferential dividend rights of the participating preferred shares (“PPS”), 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 in May and October. The Company’s Board may change the cash dividend policy at any time.

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

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

<table>
<thead>
<tr>
<th>Declaration Date</th>
<th>Payment Date</th>
<th>Amount*(₱ thousands)</th>
<th>Nature of Dividends Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov-13</td>
<td>Dec-13</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Sept-13</td>
<td>Oct-13</td>
<td>779,930</td>
<td>0.382 cash dividends to common shares</td>
</tr>
<tr>
<td>Sept-13</td>
<td>Oct-13</td>
<td>152,800</td>
<td>0.0382 cash dividends to PPS</td>
</tr>
<tr>
<td>Apr-13</td>
<td>May-13</td>
<td>779,930</td>
<td>0.382 cash dividends to common shares</td>
</tr>
<tr>
<td>Apr-13</td>
<td>May-13</td>
<td>152,800</td>
<td>0.0382 cash dividends to PPS</td>
</tr>
<tr>
<td>Nov-12</td>
<td>Dec-12</td>
<td>40,000</td>
<td>10% cash dividends to PPS</td>
</tr>
<tr>
<td>Sept-12</td>
<td>Nov-12</td>
<td>607,142</td>
<td>0.298 cash dividends to common shares</td>
</tr>
<tr>
<td>Sept-12</td>
<td>Nov-12</td>
<td>119,200</td>
<td>0.0298 cash dividends to PPS</td>
</tr>
<tr>
<td>Apr-12</td>
<td>May-12</td>
<td>607,142</td>
<td>0.298 cash dividends to common shares</td>
</tr>
<tr>
<td>Apr-12</td>
<td>May-12</td>
<td>119,200</td>
<td>0.0298 cash dividends to PPS</td>
</tr>
</tbody>
</table>

* Gross amount of dividend
Recent Sale of Unregistered Securities

The following table sets out details of the issuance of new shares from 1999 up to December 31, 20123. 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 2013

For 2013, Manila Water will continue to achieve its set corporate goals anchored on the implementation of the approved 5-year Rate Rebasin Plan. The plan includes the implementation of a total capital investment amounting to P63 billion in the next five years and the strict compliance with the new set of regulatory targets. The Company’s direction for 2013 will be buoyed by the six corporate goals: execute the Company’s growth strategy, focus on leadership and talent development, formulate competitive compensation and rewards, establish industry leadership, raise the standards of resource planning and management and raise the effectiveness of regulatory and political management.

The success of the Company in the medium-term is greatly hinged on the results of the 2013 Rate Rebasin exercise. The preparation of the Rate Rebasin 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 by growing the base business. This will be achieved through enhancement of key accounts management, establishment of demand-based management, integrated meter management, and full deep-well conversion in the East Zone. Manila Water will be aggressively expanding its coverage in the East Zone by extending its services in the unserved areas in the province of Rizal. This expansion will require execution of various projects to lay primary distribution lines, build new reservoirs and pumping stations, augment capacity of existing facilities and convert subdivisions from bulk water accounts to individual residential accounts. As a result, coverage is expected to grow by 16% from 75% to 87% after five years from the onset of service extension in 2013. In addition, the Company is intent on achieving operational excellence by optimizing resources within the East Zone business areas and to embed customer centricity in all aspects of the business, such as customer concern handling and technical improvements.

The Company is pushing the boundaries for its new businesses, that non-East Zone operations are expected to increase its net income contribution to the consolidated financials. The contribution will come from existing subsidiaries and future acquisitions. As such, the Company will be actively engaged in seeking new business opportunities in the Philippines’ top metros and in emerging countries in Asia. The Company will likewise 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.

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, 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 holds the exclusive right to provide water and waste water service to the eastern side (“East Zone”) of Metro Manila under a Concession Agreement (“CA”) entered into between the Company and Metropolitan Waterworks and Sewerage System (“MWSS”) in August 1997. The original term of the concession was for a period of 25 years to expire in 2022. The Company’s concession was extended by another 15 years by MWSS and the Philippine Government in 2009, thereby extending the term from May 2022 to May 2037.

The Company provides water treatment, water distribution, sewerage and sanitation services to more than six million people in the East Zone, comprising a broad range of residential, commercial and industrial customers. The East Zone encompasses Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, most parts of Manila and Quezon City, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa.

Under the terms of the CA, the Company has the right to the use of land and operational fixed assets, and the exclusive right, as agent of MWSS, to extract and treat raw water, distribute and sell water, and collect, transport, treat and dispose wastewater, including reusable industrial effluent discharged by the sewerage system in the East Zone. The Company is entitled to recover over the concession period its operating, capital maintenance and investment expenditures, business taxes, and concession fee payments, and to earn a rate of return on these expenditures for the remaining term of the concession.

Aside from the East Zone, the Group currently has three operating subsidiaries in the Philippines, namely Laguna AAA Water Corporation (“LWC”), Boracay Island Water Company (“BIWC”) and Clark Water Corporation (“CWC”). It also has presence in Vietnam through a leakage reduction project in Ho Chi Minh City and two bulk water companies, namely Thu Duc Water B.O.O Corporation (“TDW”) and Kenh Dong Water Supply Joint Stock Company (“KDW”).

The Group continues to explore new business opportunities. In the first quarter of 2012, the Company through Manila Water Consortium (formerly Northern Waterworks and Rivers of Cebu), signed a Joint Investment Agreement with the Provincial Government of Cebu for the development and operation of a bulk water supply system in the province. Construction of the transmission line is ongoing and is expected to start operations in the second quarter of 2014.

In October 2013, Manila Water South Asia Holdings Pte. Ltd. (“MWSAH”), a wholly-owned subsidiary of Manila Water in Singapore, completed its subscription to 18,370,000 primary shares of Saigon Water Infrastructure Corporation (“SII”), equivalent to 31.47% of the outstanding capital stock of SII. SII is a Vietnamese company listed in the Ho Chi Minh City Stock
Exchange. It aims to become the first fully integrated company in the Vietnam water and wastewater infrastructure sector.

CONSOLIDATED FINANCIAL PERFORMANCE

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>15,925,817</td>
<td>14,553,068</td>
<td>1,372,749</td>
<td>9%</td>
</tr>
<tr>
<td>Total cost and expenses, excluding depreciation and amortization</td>
<td>4,653,609</td>
<td>4,228,846</td>
<td>424,763</td>
<td>10%</td>
</tr>
<tr>
<td>Other income/(expense) - net</td>
<td>375,264</td>
<td>393,637</td>
<td>(18,373)</td>
<td>-5%</td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td>293,975</td>
<td>206,762</td>
<td>87,213</td>
<td>42%</td>
</tr>
<tr>
<td>Others</td>
<td>81,289</td>
<td>186,875</td>
<td>(105,586)</td>
<td>-57%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>11,647,472</td>
<td>10,717,859</td>
<td>929,613</td>
<td>9%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,494,763</td>
<td>2,320,075</td>
<td>174,688</td>
<td>8%</td>
</tr>
<tr>
<td>Income before other income/expenses</td>
<td>9,152,709</td>
<td>8,397,784</td>
<td>754,925</td>
<td>9%</td>
</tr>
<tr>
<td>Interest income/(expense) - net</td>
<td>(1,560,575)</td>
<td>(1,299,439)</td>
<td>(261,136)</td>
<td>20%</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>7,592,134</td>
<td>7,098,345</td>
<td>493,789</td>
<td>7%</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,811,573</td>
<td>1,595,053</td>
<td>216,520</td>
<td>14%</td>
</tr>
<tr>
<td>Net income</td>
<td>5,780,561</td>
<td>5,503,292</td>
<td>277,269</td>
<td>5%</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>28,199</td>
<td>12,849</td>
<td>15,350</td>
<td>119%</td>
</tr>
<tr>
<td>Net income attributable to MWC</td>
<td>5,752,362</td>
<td>5,490,443</td>
<td>261,919</td>
<td>5%</td>
</tr>
</tbody>
</table>

For the years ended December 31 (in thousand Pesos)

Manila Water Company Inc. posted P5,752 million in net income for the year 2013, 5% higher than the P5,490 million recorded the previous year. Consolidated operating revenues reached P15,926 million, or 9% higher year-on-year. The increase was driven largely by the continued expansion in the East Zone, with the 1.5% billed volume growth and 2% improvement in average effective tariff resulting from the CPI adjustment of 3.2% implemented at the beginning of the year. The contribution from the domestic operating subsidiaries amounting to P957 million, higher by 30% year-on-year, also helped improve the growth in revenues.
A breakdown of the revenue drivers is shown below:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>11,995,693</td>
<td>11,491,724</td>
<td>503,969</td>
<td>4%</td>
</tr>
<tr>
<td>Environmental charges</td>
<td>2,250,483</td>
<td>2,236,951</td>
<td>13,532</td>
<td>1%</td>
</tr>
<tr>
<td>Sewer</td>
<td>396,664</td>
<td>390,635</td>
<td>6,029</td>
<td>2%</td>
</tr>
<tr>
<td>Revenue from contracts</td>
<td>174,939</td>
<td>169,450</td>
<td>5,489</td>
<td>3%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>1,108,038</td>
<td>264,308</td>
<td>843,730</td>
<td>319%</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>15,925,817</td>
<td>14,553,068</td>
<td>1,372,749</td>
<td>9%</td>
</tr>
</tbody>
</table>

For the years ended December 31 (in thousand Pesos)

The Group derived 75% of its operating revenues from water bills, while 17% came from environmental and sewer charges. Other revenues, which accounted for the balance of 8%, were from connection fees, management contracts in Vietnam, and septic sludge disposal, among others. The Company realized income from reconciliation of service connection costs amounting to P609 million, helping boost other operating income.

On the other hand, consolidated operating costs and expenses (excluding depreciation and amortization) rose by 10% to P4,654 million in 2013. Non-personnel costs led the growth with an increase of 19%. Overhead, in particular, rose by 30% as higher management and professional fees were incurred during the period arising from the ongoing arbitration proceedings with MWSS. This will be discussed in more detail in the East Zone Concession section. Higher non-personnel costs were however tempered by lower salaries, wages and employee benefits which dropped by 8% as the Company continued to benefit from the manpower restructuring program initiated in 2012.

Below is a summary of the operating expenses incurred during the period:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/Decrease</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries wages and employee benefits</td>
<td>1,258,241</td>
<td>1,373,488</td>
<td>(115,247)</td>
<td>-8%</td>
</tr>
<tr>
<td>Non personnel costs</td>
<td>3,152,824</td>
<td>2,639,405</td>
<td>513,419</td>
<td>19%</td>
</tr>
<tr>
<td>Direct costs, materials and supplies</td>
<td>1,302,190</td>
<td>1,196,637</td>
<td>105,553</td>
<td>9%</td>
</tr>
<tr>
<td>Overhead</td>
<td>1,676,804</td>
<td>1,285,965</td>
<td>390,839</td>
<td>30%</td>
</tr>
<tr>
<td>Premises</td>
<td>173,831</td>
<td>156,803</td>
<td>17,028</td>
<td>11%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>242,544</td>
<td>215,953</td>
<td>26,591</td>
<td>12%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>4,653,609</td>
<td>4,228,846</td>
<td>424,763</td>
<td>10%</td>
</tr>
</tbody>
</table>

Meanwhile, other income (net of expense) decreased by 5% to P375 million from P394 million in 2012. The two bulk water companies in Vietnam, Thu Duc Water and Kenh Dong Water, contributed P294 million in net income, growing by 42% from the previous year.

The movements in revenues and operating expenses, together with other income that decreased by 5%, resulted in a consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of P11,647 million in 2013, growing by 9% from the previous year. EBITDA margin was maintained at 73%.
BUSINESS SEGMENTS' FINANCIAL AND OPERATING PERFORMANCE

Results of operations detailed as to business segment are shown below:

<table>
<thead>
<tr>
<th></th>
<th>East Zone</th>
<th>Operating Subsidiaries</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>14,794,066</td>
<td>956,812</td>
<td>174,939</td>
<td>15,925,817</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>6,421,361</td>
<td>630,798</td>
<td>96,213</td>
<td>7,148,372</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>8,372,705</td>
<td>326,014</td>
<td>78,726</td>
<td>8,777,445</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>4,177,636</td>
<td>893,622</td>
<td>-</td>
<td>5,071,258</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(4,177,636)</td>
<td>(893,622)</td>
<td>-</td>
<td>(5,071,258)</td>
</tr>
<tr>
<td>Interest income</td>
<td>152,614</td>
<td>20,211</td>
<td>-</td>
<td>172,825</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,671,312)</td>
<td>(62,088)</td>
<td>-</td>
<td>(1,733,400)</td>
</tr>
<tr>
<td>Share in equity income of associates</td>
<td>-</td>
<td>293,975</td>
<td>-</td>
<td>293,975</td>
</tr>
<tr>
<td>Others</td>
<td>6,039</td>
<td>75,250</td>
<td>-</td>
<td>81,289</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>6,860,046</td>
<td>653,362</td>
<td>78,726</td>
<td>7,592,134</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,757,536</td>
<td>54,037</td>
<td>-</td>
<td>1,811,573</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>5,102,510</td>
<td>599,325</td>
<td>78,726</td>
<td>5,780,561</td>
</tr>
<tr>
<td>Unrealized loss on AFS financial assets</td>
<td>(18,568)</td>
<td>-</td>
<td>-</td>
<td>(18,568)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>-</td>
<td>127,109</td>
<td>-</td>
<td>127,109</td>
</tr>
<tr>
<td>Actuarial loss on pension liabilities - net</td>
<td>(66,233)</td>
<td>(1,462)</td>
<td>-</td>
<td>(67,695)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>5,017,709</td>
<td>724,972</td>
<td>78,726</td>
<td>5,821,407</td>
</tr>
<tr>
<td><strong>Net income attributable to:</strong></td>
<td>5,017,709</td>
<td>724,972</td>
<td>-</td>
<td>5,742,681</td>
</tr>
<tr>
<td>Equity holders of MWCI</td>
<td>5,017,709</td>
<td>696,870</td>
<td>-</td>
<td>5,714,579</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>-</td>
<td>28,102</td>
<td>-</td>
<td>28,102</td>
</tr>
<tr>
<td><strong>Segment assets, exclusive of deferred assets</strong></td>
<td>60,651,146</td>
<td>6,479,136</td>
<td>197,296</td>
<td>67,327,578</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>-</td>
<td>4,708,207</td>
<td>-</td>
<td>4,708,207</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>781,409</td>
<td>40,331</td>
<td>-</td>
<td>821,740</td>
</tr>
<tr>
<td><strong>Segment liabilities, exclusive of deferred liabilities</strong></td>
<td>61,432,555</td>
<td>11,227,674</td>
<td>197,296</td>
<td>72,857,525</td>
</tr>
<tr>
<td>Segment additions to equipment and SCA</td>
<td>38,388,811</td>
<td>3,390,062</td>
<td>24,595</td>
<td>41,803,468</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,298,103</td>
<td>196,660</td>
<td>-</td>
<td>2,494,763</td>
</tr>
<tr>
<td>Noncash expenses other than depreciation and amortization</td>
<td>32,677</td>
<td>22,968</td>
<td>-</td>
<td>55,645</td>
</tr>
</tbody>
</table>
The Group is comprised of the Metro Manila East Zone Concession, its operating subsidiaries and management contracts secured outside of the service concession. The operating subsidiaries in the Philippines include Boracay Island Water Company (“BIWC”), Clark Water Corporation (“CWC”) and Laguna AAAWater Corporation (“LWC”). The Group also has a leakage reduction contract and stakes in two bulk water suppliers in Ho Chi Minh City in Vietnam, namely Thu Duc Water BOO Corporation (Thu Duc Water) and Kenh Dong Water Supply Joint Stock Company (Kenh Dong Water). Meanwhile, contribution from the new project in the Province of Cebu will be recognized upon completion of the transmission lines which is expected to be in the second quarter of 2014.

Net income in 2013 was derived largely from the East Zone Concession, accounting for 88% of the total. Businesses outside the East Zone contributed the balance of 12% to consolidated net income.

East Zone Concession (“East Zone”)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>For the years ended December 31</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td></td>
<td>433.6</td>
<td>427.3</td>
<td>6.4</td>
<td>1%</td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td>283.6</td>
<td>278.2</td>
<td>5.4</td>
<td>2%</td>
</tr>
<tr>
<td>Semi-Commercial</td>
<td></td>
<td>45.3</td>
<td>43.0</td>
<td>2.3</td>
<td>5%</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td>89.0</td>
<td>92.4</td>
<td>-3.3</td>
<td>-4%</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td>15.7</td>
<td>13.8</td>
<td>1.9</td>
<td>14%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td></td>
<td>921,898</td>
<td>896,148</td>
<td>25,750</td>
<td>3%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td></td>
<td>11.2%</td>
<td>12.2%</td>
<td>-1.0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in thousand Pesos)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td>14,794,066</td>
<td>13,648,127</td>
<td>1,145,939</td>
<td>8%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>4,123,258</td>
<td>3,841,492</td>
<td>281,766</td>
<td>7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>10,670,808</td>
<td>9,806,635</td>
<td>864,173</td>
<td>9%</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td>5,102,510</td>
<td>5,130,555</td>
<td>(28,045)</td>
<td>-1%</td>
</tr>
</tbody>
</table>

East Zone’s billed volume, reported in millions of cubic meters (“mcm”), increased by nearly 1.5% in 2013. The number of water connections grew by 3% to 921,898 customers at the end of the period, mostly from the expansion areas of Marikina, Pasig and Rizal. However, since the new connections were mostly residential customers with relatively lower water usage, average consumption dropped by 2% to 43.1 cubic meters from 44.2 cubic meters in the previous year. The impact on tariff of the slight change in customer mix biased towards residential customers was muted by the CPI adjustment of 3.2% implemented at the beginning of the year resulting in a 2% improvement in average effective tariff.

Aside from the continued growth in residential customers, billed volume growth was also driven by the improvement in semi-commercial accounts by 5% with the completion of new buildings and the conversion of deep well users in the areas of Pasig and Taguig, as well as the 14% growth of industrial customers. This was however tempered by the 4% decline in commercial accounts.

The level of system losses, as measured by the non-revenue water (“NRW”) ratio, improved to 11.2% at the end of 2013 from 12.2% at the end of 2012. The NRW of the East Zone deteriorated in 2012 as a result of the stabilization of the Company’s operational adjustment in
the water flows from the primary transmission lines going to the expansion areas of Marikina, Pasig, Rizal and some parts of Taguig to service the demand of the existing and new customers.

Collection efficiency in 2013 was recorded at 101%, a significant improvement from the previous year’s 97%. However, average account receivable days rose to 20 days in 2013 from 17 days in 2012 as a result of the longer reading and billing days following the implementation in August 2012 of a new meter reading and billing system.

On 12 September 2013, MWSS released a new set of tariffs for the East Zone as part of the rate rebasing review of Manila Water’s investment plan for the continuing provision of quality water supply and wastewater services to its customers. MWSS determined a negative adjustment of 29.47% from Manila Water’s 2012 average basic water charge, eliminating what the Company believes to be significant programs for building and maintaining the water and wastewater systems in the East Zone.

Manila Water, on 24 September 2013, raised its objection by filing a Dispute Notice with the International Chamber of Commerce, formally commencing the arbitration process which is a dispute resolution mechanism outlined under the Concession Agreement. While awaiting the outcome of the arbitration proceedings, existing tariffs as previously approved by the MWSS will be maintained in the East Zone at present levels.

**Boracay Island Water Company (BIWC)**

<table>
<thead>
<tr>
<th>For the years ended December 31</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Highlights</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>3.6</td>
<td>3.1</td>
<td>0.5</td>
<td>15%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>5,647</td>
<td>5,288</td>
<td>359</td>
<td>7%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>13%</td>
<td>14%</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Highlights (in thousand Pesos)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>266,790</td>
<td>223,480</td>
<td>43,310</td>
<td>19%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>111,320</td>
<td>108,400</td>
<td>2,920</td>
<td>3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>155,470</td>
<td>115,080</td>
<td>40,390</td>
<td>35%</td>
</tr>
<tr>
<td>Net income</td>
<td>72,770</td>
<td>32,820</td>
<td>39,950</td>
<td>122%</td>
</tr>
</tbody>
</table>

BIWC posted a 15% increase in billed volume in 2013 to 3.6 mcm from 3.1 mcm in the previous year on the back of a 7% increase in water service connections and 13% growth in tourist arrivals that reached 1.4 million. With the continued improvement in network operations, the NRW level improved by one percentage point to 13% in 2013 from 14% in the previous year.

The growth in billed volume coupled with higher average tariff led to a 19% improvement in total revenues to P267 million. BIWC implemented its approved rate rebasing tariff adjustment in February 2013 resulting in an increase in average tariff of 6%. Operating expenses increased at a slower rate of 3% to P111 million, corresponding to the higher water production and wastewater expansion, thereby improving its EBITDA margin to 58% from 51% last year. Net income grew by 122% to P73 million as higher depreciation and amortization charges were offset by lower interest expense and deferred tax provision.
Clark Water Corporation (CWC)

For the years ended December 31

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>9.8</td>
<td>9.0</td>
<td>0.8</td>
<td>9%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>1,975</td>
<td>1,913</td>
<td>62</td>
<td>3%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>6%</td>
<td>12%</td>
<td>-6%</td>
<td></td>
</tr>
</tbody>
</table>

Financial Highlights (in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>335,612</td>
<td>318,567</td>
<td>17,045</td>
<td>5%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>167,483</td>
<td>149,213</td>
<td>18,270</td>
<td>12%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>168,129</td>
<td>169,354</td>
<td>(1,225)</td>
<td>-1%</td>
</tr>
<tr>
<td>Net income</td>
<td>85,627</td>
<td>85,935</td>
<td>(308)</td>
<td>0%</td>
</tr>
</tbody>
</table>

CWC posted a billed volume growth of 9% to 9.8 mcm as it continued to connect new customers in its concession area. Efforts to reduce non-revenue water resulted in significant results as the NRW level as of the end of 2013 declined to 6% from 12% in 2012. Proper management of water levels and monitoring of water pumping schedules led to the NRW improvement.

The increase in billed volume led to a revenue growth of 5% from P319 million in 2012 to P336 million in 2013. Meanwhile, operating expenses increased by 12% to P167 million, thereby resulting in a slight decline in EBITDA to P168 million. Net income of CWC reached P86 million in 2013, moving sideways, as the higher depreciation was offset by lower interest expense during the year.

Laguna AAAWater Corporation (LWC)

For the years ended December 31

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>11.4</td>
<td>8.1</td>
<td>3.3</td>
<td>41%</td>
</tr>
<tr>
<td>Number of water connections</td>
<td>65,665</td>
<td>42,343</td>
<td>23,322</td>
<td>55%</td>
</tr>
<tr>
<td>Non-revenue water</td>
<td>18%</td>
<td>25%</td>
<td>-7%</td>
<td></td>
</tr>
</tbody>
</table>

Financial Highlights (in thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>332,308</td>
<td>189,554</td>
<td>142,754</td>
<td>75%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>132,174</td>
<td>89,300</td>
<td>42,874</td>
<td>48%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>200,134</td>
<td>100,254</td>
<td>99,880</td>
<td>100%</td>
</tr>
<tr>
<td>Net income</td>
<td>107,539</td>
<td>56,478</td>
<td>51,061</td>
<td>90%</td>
</tr>
</tbody>
</table>

Billed volume of LWC grew by 41% to 11.4 mcm largely due to the additional service connections totalling more than 23,000. LWC converted a number of residential subdivisions and commercial accounts during year. The NRW ratio improved by seven percentage points to end 2013 at 18% from 25% the previous year with the completion of the pipe replacement projects in Cabuyao and leak repair activities in the old Matang Tubig Spring transmission lines in late 2012.

Revenues grew by 75% in 2013 to P332 million as a result of the higher billed volume and average effective tariff that went up by 8% to P21.07 per cubic meter with the improved share of commercial customers in the mix. On the other hand, operating expenses grew at a slower rate of
48%, resulting in an EBITDA growth of 100% to P200 million. Net income of LWC reached P108 million in 2013, growing by 90% from the previous year.

On January 2, 2014, LWC signed an Asset Purchase Agreement with Laguna Technopark, Inc. for the acquisition of the water reticulation and sewerage system of Laguna Technopark which is an industrial estate located within the cities of Sta. Rosa and Binan in Laguna. LWC officially took over at the beginning of 2014 as the exclusive water provider in the said industrial estate that is home to some of the region’s largest and more successful light to medium non-polluting industries.

**Thu Duc Water B.O.O Corporation (TDW)**

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume (in million cubic meters)</td>
<td>120.4</td>
<td>122.4</td>
<td>-2.0</td>
<td>-2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in million VND)</th>
<th>2013</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>360,167</td>
<td>312,568</td>
<td>47,599</td>
<td>15%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>99,358</td>
<td>90,674</td>
<td>8,684</td>
<td>10%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>260,809</td>
<td>221,894</td>
<td>38,915</td>
<td>18%</td>
</tr>
<tr>
<td>Net income</td>
<td>240,507</td>
<td>94,352</td>
<td>146,155</td>
<td>155%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in PFRS (in thousand Pesos)</th>
<th>216,301</th>
</tr>
</thead>
</table>

TDW sold a total of 120.4 mcm in 2013, dropping by 2% from the 122.4 mcm billed volume the previous year, due to the lower water intake of Saigon Water Corporation (SAWACO). The billed volume is however still higher than the guaranteed minimum consumption of 300 million liters per day (mld) under the bulk water supply take-or-pay arrangement with SAWACO.

Using Vietnamese Accounting Standards (VAS), revenues grew by 15% to VND360 billion despite the slight decline of 2% in billed volume as SAWACO drew less water from TDW during the year. Meanwhile, operating expenses went up by 10%, attributable to the increase in General and Administrative Expenses. This led to a growth of 18% in EBITDA and 155% improvement in net income to VND241 billion as the company booked lower interest expenses owing to the continued paydown of its debt, and recognized deferred tax assets. In peso terms, the PFRS-translated income reflected in the consolidated financial statements as Equity Share in Net Income of Associates amounted to P216 million, equivalent to Manila Water’s 49% stake in TDW.
Kenh Dong Water Supply Joint Stock Company (KDW)

<table>
<thead>
<tr>
<th>Operating Highlights</th>
<th>2013 (in million cubic meters)</th>
<th>2012</th>
<th>Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billed volume</td>
<td>20.6</td>
<td>-</td>
<td>%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Highlights (in million VND)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Operating expenses</td>
</tr>
<tr>
<td>EBITDA</td>
</tr>
<tr>
<td>Net income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in PFRS (in thousand Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (47% contribution)</td>
</tr>
</tbody>
</table>

KDW started commercial operations in July 2013, registering a billed volume of 20.6 mcm in the six-month period ending December. The billed volume started lower than the guaranteed minimum consumption of 150 million liters per day (mld) under the bulk water supply take-or-pay arrangement with SAWACO but improved to 150 mld in December 2013.

Using Vietnamese Accounting Standards (VAS), KDW posted revenues of VND200 billion and an EBITDA of VND142 billion. Together with depreciation and interest expenses of VND62 billion, this led to a net income of VND80 billion. Similar to TDW, income from KDW is translated into PFRS and is reported as Equity in Net Earnings of Associates in the consolidated financial statements. In peso terms, the PFRS-translated income of Manila Water’s 47% stake in KDW amounted to P77 million.

**BALANCE SHEET**

The consolidated balance sheet remained strong and prepared for expansion at the end of 2013. Strong cash inflows brought about by the higher collection efficiency during the period and additional debt brought cash and cash equivalents to P6.8 billion. Total assets rose by 9% to P72.9 billion as the Company continued to lay additional capital investments on network, water and wastewater expansion projects. Liabilities, on the other hand, rose by 4% to P41.8 billion due to new loan availments.

The Company continued to be compliant with the loan covenants, as the debt to equity ratio stood at 1.09x, excluding concession obligations. Meanwhile, net bank debt to equity registered at 0.64x.

**CAPITAL EXPENDITURES**

The Company’s East Zone spent a total of P4,682 million (inclusive of concession fee payments) for capital expenditures in 2013, 35% less than the P7,215 million spent the previous year. The bulk of capital expenditures was spent on network reliability, water supply and wastewater expansion projects, which accounted for 76% of the total. The balance of 24% was accounted for by concession fees paid to MWSS. Capital expenditures in 2013 were limited to on-going and service reliability projects in the absence of an approved business and capital expenditure plan as part of the 2013 Rate Rebasing exercise.
Meanwhile, total capital expenditures of the subsidiaries amounted to P954 million, growing by 101% from 2012. Of the total amount, 79% was used by Laguna Water for its network coverage expansion, while the balance was disbursed by Boracay Island Water and Clark Water.

Material Changes (Increase or Decrease of 5% or more in the financial statements)

Income Statement Items (End 2013 vs. End 2012)

CONSOLIDATED REVENUE

*Other operating income* – 319% increase
Increase of P844 million was accounted for mainly by income realized from the liquidation of service connection costs advanced by the Parent Company including the effect of change in the treatment of service connection fees directly as revenue starting January 2013.

CONSOLIDATED OPERATING COSTS AND EXPENSES

*Depreciation and Amortization* – 8% increase
Increase of P175 million arose from additional investments and capitalizations during the year, particularly service concession assets consisting of pipe network extensions, treatment plants and pump stations.

*Salaries, allowance and benefits* – 8% decrease
Decrease of P115 million was mainly attributable to the cost of the early retirement program implemented in 2012, a non-recurring expense needed for organizational streamlining in that year.

*Management, technical and professional fees* – 46% increase
Increase of P184 million was accounted for by the cost of a one-time consultancy service for enterprise transformation study and accrual of professional fees related to the on-going Rate Rebasing 2013 arbitration.

*Repairs and maintenance* – 16% increase
Increase of P50 million was attributable to the increase in maintenance activities brought about by the expanding service coverage area including the commissioning of additional treatment and pumping station facilities.

*Contractual services* – 50% increase
Increase of P73 million was due mainly to outsourcing of the Parent Company’s meter reading and billing services and outsourced administrative support service.

*Provision for probable losses* – 102% increase
Increase of P87 million was mainly attributable to additional provision for various taxes in 2013.

*Business meetings and representation* – 21% decrease
Decrease of P34 million was due to higher representation activities in 2012 related to a major planned acquisition.
Occupancy costs – 14% increase
Increase of P15 million was attributable to the deployment of additional security guards and janitors for new facilities and the additional cost arising from the mandated increase in their minimum wage.

Wastewater costs – 27% increase
Increase of P18 million was mainly due to higher volume of desludged wastes from customers’ septic tanks in 2013 compared to the volume in 2012.

Water treatment chemicals – 44% decrease
Decrease of P62 million was attributable to lower chemical usage this year due to lower water turbidity and use of more cost efficient treatment chemicals.

Cost of inventory sold – 70% increase
Increase of P31 million was due to higher volume of materials withdrawn by contractors and other parties during the year.

Transportation and travel – 12% decrease
 Decrease of P9 million mainly represented full year savings in 2013 against 5 months reduction in transportation expenses in 2012 due to outsourcing of meter reading services which started in August 2012.

Regulatory costs – 31% increase
Increase of P15 million was attributable to the cumulative effects of CPI adjustments on the operating cost component of annual regulatory fees paid to the Metropolitan Waterworks and Sewerage System (MWSS).

Insurance – 5% increase
Increase of P2 million pertains to higher property insurance premium paid on account of higher asset base.

Postage, telephone and supplies – 41% increase
Increase of P15 million was due to the upgrade of communication network and systems necessitated by the expanding business operations.

Reversal of prepaid transaction costs – 100% increase
This is a non-recurring item in which the increase of P33 million was a reclassification to operating expense of prepaid loan arrangement fees related to an expansion project which did not materialize.

Advertising -15% increase
Increase of P3 million was due to additional cost to run waste water advocacy programs and higher promotional and marketing costs in support of the launch of the new Manila Water brand and logo.

Cost of new market development – 293% increase
Increase of P6 million was on account of the continued pursuit of new businesses.

Premium on performance bond – 18% increase
Increase of P1 million was due to a higher premium rate on the stand-by letter of credit guaranteeing the Parent Company’s performance under the Concession Agreement with MWSS.
Other expenses – 113% increase
Increase of P90 million was attributable to higher overhead cost and miscellaneous expenses necessitated by the expanding service area and increased operational activities.

OTHER INCOME (EXPENSES)

Interest income – 35% decrease
Decrease of P92 million was driven by lower investment in Available-for-sale Financial Assets (AFS) and lower interest rates in 2013.

Amortization of deferred credits – 21% increase
Increase of P1 million was the result of higher unamortized discounts of customers’ guaranty deposits in 2013.

Interest expense – 11% increase
Increase of P169 million was mainly due to cessation of capitalization of the interest expense related to a concession (MWSS) loan. The loan was utilized for the activities related to the Angat Water Utilization Improvement Project which was completed in 2012.

Equity share in net income of associates – 42% increase
Increase of P87 million was due to higher net income generated by associates in Vietnam, namely Thu Duc Water B.O.O., Kenh Dong Water Supply Joint Stock Company and a new associate, Saigon Water Infrastructure Corporation, which was acquired in October 2013.

Gain on disposal on property and equipment – 100% decrease
Decrease of P4 million was due mainly to fewer disposals of property and equipment in 2013.

Gain on disposal on AFS – 100% decrease
Decrease of P13 million was mainly attributable to the liquidation or sale of majority of AFS in 2012.

Gain (loss) on revaluation of receivable from Bonifacio Water Corporation – 101% decrease
Decrease of P115 million was due to lower revalued receivables as of December 31, 2013 on account of non-implementation of projected tariff increase as a result of delay in the completion of the rate rebasing review.

Other income – 125% increase
Increase of P39 million was mainly attributable to indemnity income from Kenh Dong Water Holdings, Pte. Ltd. related to the delayed start of operations of Kenh Dong Water Supply Joint Stock Company.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (END 2013 vs. END 2012)

Cash and cash equivalents – 22% increase
Increase of P1,240 million mainly came from the proceeds of the Parent Company’s P5 billion loan from Metrobank and the return of escrow account from Other Current Assets.
Short-term cash investments – 100% increase
Increase of P94 million represented money placements during the year while awaiting disbursements for projects.

Concession financial receivable – current portion – 100% increase
Increase of P77 million represented current portion of a recognized receivable of Cebu Manila Water Development, Inc.’s (CMWD) from Metropolitan Cebu Water District (MCWD) by virtue of the application of the financial asset model under IFRIC12, Service Concession Arrangements. This is based on the Notice of Award for the supply of bulk water issued by MWCD to CMWD following which, CMWD and MCWD signed on December 18, 2013 a 20-year Bulk Water Supply Contract for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years two to twenty.

Materials and supplies – at cost – 7% decrease
Decrease of P8 million was mainly due to lower stock purchases for chemical inventories, water meter and service connection supplies during the year.

Other current assets – 44% decrease
Decrease of P493 million pertains mainly to the return to Cash and Cash Equivalents of the escrow deposit intended for a new business acquisition.

Property, plant and equipment (net) – 12% decrease
Decrease of P279 million was mainly due to reclassification of certain components of the “Land” account to Service Concession Assets, being part of an on-going project.

Service concession asset (net) – 8% increase
Increase of P3,828 million was the net effect of additional capital expenditures and amortizations during the year.

Available for sale financial assets (AFS) – 79% decrease
Decrease of P389 million was due to the maturities and sale of investments in 2013.

Investment in associates – 29% increase
Increase of P1,063 million was mainly attributable to acquisition of shares in Saigon Water Infrastructure Corporation and equity pick-up in net earnings of Thu Duc Water B.O.O., Kenh Dong Water Supply Joint Stock Company and Saigon Water Infrastructure Corporation.

Concession financial receivable – net of current portion – 100% increase
Increase of P604 million represented first-time take-up of CMWD’s financial receivable as a result of the signing of the Bulk Water Supply Contract with MCWD in 2013 (non-current portion).

Other noncurrent assets – 8% increase
Increase of P59 million was accounted for mainly by deferred FCDA on account of foreign exchange losses during the last quarter of 2013, recoverable through water tariff adjustment.

Current portion of long term debt – 56% decrease
Decrease of P2,374 million was mainly due to the settlement during the year of peso-loan maturities under bullet payment term.
**Current portion of service concession obligation – 54% increase**
Increase of P450 million was accounted for by maturing concession loans and the new MWSS loan used for the Angat Water Utilization Improvement Project.

**Income tax payable – 13% increase**
Increased of P63 million was on account of higher revenues during the period.

**Payable to related parties – 404% increase**
Increase of P111 million was accounted for by Manila Water Consortium’s shareholder loan from Metropac Water and VICSAL in 2013.

**Long term debt- net of current portion – 23% increase**
Increase of P4,554 million was mainly attributed to the loan availedment of the Parent Company from Metrobank amounting to P5 billion in 2013.

**Deferred tax liability – 100% decrease**
Decrease of P0.16 million was due to lower amortization expense differential and deferred taxes arising from other comprehensive income relating to the re-measurement effects on defined benefit plans under PAS 19.

**Provisions for probable losses – 16% increase**
Increase of P116 million pertains to accrual of various taxes for the year. Said taxes are either pending decision by the courts or being contested.

**Other noncurrent liabilities – 52% decrease**
Decrease of P1,048 million was mainly accounted for by deferred FCDA due to the implementation of negative FCDA effective July 2013 and liquidation of collected service connection costs.

**Subscriptions receivable – 28% increase**
Increase of P62 million was due to subscriptions made under the 2013 ESOWN grant.

**Unappropriated Retained earnings – 28% increase**
Increase of P3,847 million was on account of net income generated in 2013, net of cash dividends paid.

**Unrealized gain on available for sale financial asset – 85% decrease**
Decrease of P19 million was due to investment maturities and sale of AFS financial assets in 2013.

**Remeasurement gain (loss) on defined benefit plans – 93% increase**
Increase of P68 million pertains to remeasurement loss adjustments on valuation of pension liabilities in accordance with PAS 19, Employee Benefits.

**Cumulative translation adjustment – 1433% decrease**
Decrease of P127 million was attributable to the exchange differences arising from the translation of Manila Water Asia Pacific Pte., Ltd.'s books from Singapore Dollar into Philippine Peso which was stronger at year-end 2013.
Non-controlling interest – 116% increase
Increase of P310 million was attributable to higher net income of subsidiaries where MWC has non-controlling interests and the decrease in ownership in MW Consortium in 2013 from 84% to 51%.

Results of Operations

The Company’s revenue is composed of:

- water charges from customers;
- sewer charges from customers;
- an Environmental Charge equivalent to 20.0% of the Basic Charge plus the FCDA;
- interconnection revenue from cross border volume;
- interest income; and
- other income (which includes connection fees, reconnection fees, meter and water testing fees and income from septic sludge disposal).

The Company’s costs and expenses are comprised of:

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</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>

**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 (9) consumption bands for each residential and small business and thirty-three (33) bands for each 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 2012, the Company generated 79% of its revenue from water tariff charges to customers, 16% of its revenue from environmental charges, 2% of its revenue from sewerage charges and 3% from projects outside the East Zone and other income.
Factors Affecting the Company’s Results of Operations

Effects of Tariff Rate Increases

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

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

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

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

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

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

Effects of Philippine Economic Conditions

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

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

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

Effects of Reduced Water Supply

A big part of the Philippines experienced a prolonged and severe drought in 1998, which was caused by an unusually severe El Niño in 1997 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.
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 2013 from cash and cash equivalents, cash flow from operations and cash flow from financing.

Capital Sources

Manila Water’s cash and cash equivalents totaled ₱6,780 million as of December 31, 2013. Principal sources of these cash and cash equivalents were cash flow from operations. 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 ₱6,980 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 ₱5,540 million cash and cash equivalents at the beginning of the year, the net cash from operating activities of ₱4,345 million covered the ₱4,677 million outlay for service improvement and service concession assets for 2013. 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 ₱16 million net of interest received. This was mostly made up of ₱643 million in acquisition of an associate and ₱275 million additional property and equipment purchased which were partly covered by the ₱370 million from maturities of available-for-sale financial assets and ₱521 million decrease in noncurrent assets.

Cash Provided by Financing Activities. Net cash used in financing activities amounted to ₱3,121 million in 2013. The Company paid out a regular cash dividend of ₱0.382 per share or a total of ₱1,905 million, representing 35% percent of prior year’s net income.

Debt Financing. Manila Water had approximately ₱24,361 million in long-term debt outstanding (net of the current portion of long-term debt), of which approximately 36 percent consists of foreign currency-denominated long-term debt. The Company’s current portion of long-term debt was approximately ₱1,891 million on December 31, 2013.

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 ₱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, 2013 and 2012, the carrying value of the loan amounted to ₱1,271.40 million and ₱1,549.07 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, 2013 and 2012, outstanding loans amounted to US$9.78 million and US$13.60 million, respectively.

On July 31, 2013, the Parent Company entered into a loan agreement with IFC (the “Fourth” Omnibus Agreement) in the amount of up to $100.00 million for financing the Projects in accordance with the provisions of the Agreement. The loan has a term of 18 years, payable in semi-annual installments after the grace period. As of December 31, 2013, no drawdown has been made from the facility.

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, 2013 and 2012, outstanding loans amounted to JPY¥2,862.14 and JPY¥3,195.79 million, respectively.

On September 25, 2012, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines under the Metro Manila Wastewater Management Project (MWMP) with the World Bank. The MWMP aims to improve wastewater services in Metro Manila through increased wastewater collection and treatment. The loan has a term of twenty-five (25) years, and was made available in US Dollars in the aggregated principal amount of US$137.5 million via semi-annual installments after the seven-year grace period. As of December 31, 2013, the Parent Company has not made any drawdown from this facility.

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 P500.00 million (the Tranche 2 Loan). Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their Put Option; If the Put Option is not exercised, the loan will be subject to a yearly amortization of P10 million at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year.

On June 16, 2008, the Company prepaid a portion of the P2 billion loan from one financial institution amounting to P=600.00 million. The loan was settled in full in 2013. As of December 31, 2012, the carrying value for this loan amounted to P=1.37 billion.

On October 9, 2006, the Company entered into a Credit Facility Agreement (the “P1.5 billion Loan”) with three banks and a financial institution to finance the capital expenditures of the Company pursuant to the Agreement. This 7-year term loan with an aggregate principal amount of P=1.5 billion consists of the following:
- Tranche 1: 7-year term loan amounting to ₱950.00 million (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of one percent (1%) of the Tranche 1 Loan at the end of the 5th and 6th years, and bullet repayment of the balance at the end of the 7th year; and

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

On June 16, 2008, the Company prepaid a portion of the ₱1.5 billion loan from one financial institution amounting to ₱400.00 million. The loan was settled in full in 2013. As of December 31, 2012, the carrying value of this loan amounted to ₱1.072 billion.

On August 16, 2013, the Company entered into a Credit Facility Agreement (the "P5.00 billion loan") with Metropolitan Bank and Trust Company (Metrobank) having a fixed nominal rate of 4.42% and with a term of 7 years from the issue date which is payable annually. The Company may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter.

The amount payable in respect to such prepayment shall be calculated as 102% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 3rd anniversary but before the 4th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 4th anniversary but before the 5th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 5th anniversary but before the 6th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 100.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 6th anniversary but before the 7th anniversary of the drawdown date. The carrying value of the notes as of December 31, 2013 amounted to ₱5.00 billion.

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

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

On May 21, 2012, the Sub-Credit A Guarantee Facility Agreement was amended to extend the effectiveness of the guarantee. Two of the original guarantors, ING Bank and Sumitomo Mitsui Banking Corporation, agreed to extend the guarantee by another five years towards the maturity of the loan.

On July 30, 2013, the Sub-Credit B Guarantee Facility Agreement was amended to extend the effectiveness of the guarantee. The original guarantor, ING Bank, agreed to extend the guarantee by another five years towards the maturity of the loan.


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 P=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 amounting to P=250,000,000 each. The carrying value of the loans amounted to P=496.43 million and P=493.90 million as of December 31, 2012 and 2011, 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 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 drawdown, second drawdown, and third drawdown of the loan amounted to US$84.00 million, US$30.00 million and US$36.00 million, respectively. The carrying value of this loan as of December 31, 2013 and 2012 amounted to US$125.34 million and US$142.40 million, respectively.
On April 8, 2011, the Company issued PhP10.0 billion notes (“Fixed Rate Corporate Notes”), PhP5.0 billion having a term of 5 years (“Five-Year FXCN Note”) from the issue date and the other PhP5.0 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, 2013 and 2012 amounted to PhP9.86 billion and PhP9.89 billion, respectively.

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 PhP500 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 PhP250 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF)
- Sub-tranche 1B, the loan in the amount of PhP125 million to be provided by SBC and funded through PWRF
- Sub-tranche 1C, the loan in the amount of PhP125 million to be provided by SBC and funded through its internally-generated funds

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, 2013 included approximately P=1,891 million due in 2014.

Capital Expenditures. The Company’s cash disbursements for purchases of property, plant and equipment under its capital expenditure program totaled approximately P=4,682 million in 2013. The Company’s capital expenditure program required total expenditures of approximately P=63 billion in the next five years.

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, 2013:

<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>Long-term debt, including current portion</td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>77</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,012</td>
</tr>
<tr>
<td>Concession Fees</td>
<td>1,296</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>6,400</td>
</tr>
<tr>
<td>Commitments</td>
<td></td>
</tr>
<tr>
<td>Total Contractual Obligations</td>
<td>8,785</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 2013 performance bond) was issued by Security Bank Corporation for the full amount of US$60 million prior to the expiry of the performance bond in December 31, 2013.

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**

Representatives of SGV and Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders’ meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to SRC Rule 68, Part I (3) (B) (iv), the Company has engaged SGV and Co. as external auditor. Bernalette L. Ramos has been the partner-in-charge effective 2013.

<table>
<thead>
<tr>
<th>External Audit Fees Services:</th>
<th>(Audit and Audit-Related Fees)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Audit of Financial Statements</td>
<td>1,864,000.00</td>
</tr>
<tr>
<td>All Other Fees (MTSP and GPOBA projects and special audit engagement – pre-IFRIC 12 translation of FS balances)</td>
<td>375,000.00</td>
</tr>
<tr>
<td></td>
<td>P2,239,000.00</td>
</tr>
</tbody>
</table>

The Company’s Audit and Governance Committee\(^1\) 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. The scope of and payment of services rendered by the external auditor other than the audit of financial statements are also subject to review and approval by the Audit and Governance Committee.

\(^1\) The Audit and Governance Committee is composed of the following: Oscar S. Reyes (Chairman / independent director), Jose L. Cuisia Jr. (independent director), Ricardo Nicanor N. Jacinto, and Sherisa P. Nuesa (independent director).
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 three independent directors namely, Mr. Oscar S. Reyes, Mr. Jose L. Cuisia Jr. and Ms. Sherisa P. Nuesa.

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, 2013:

<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>53</td>
<td>Chairman of the Board and Executive Committee</td>
<td>16</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>54</td>
<td>Vice Chairman</td>
<td>16</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>60</td>
<td>President and CEO</td>
<td>4</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>66</td>
<td>Director</td>
<td>15</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>68</td>
<td>Director</td>
<td>11</td>
</tr>
<tr>
<td>Ricardo Nicanor N. Jacinto</td>
<td>53</td>
<td>Director</td>
<td>2</td>
</tr>
<tr>
<td>Sherisa P. Nuesa</td>
<td>59</td>
<td>Director</td>
<td>0</td>
</tr>
<tr>
<td>Masaji Santo</td>
<td>56</td>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>42</td>
<td>Director</td>
<td>3</td>
</tr>
<tr>
<td>Jose L. Cuisia Jr.</td>
<td>69</td>
<td>Independent Director</td>
<td>3</td>
</tr>
<tr>
<td>Oscar S. Reyes</td>
<td>67</td>
<td>Independent Director</td>
<td>8</td>
</tr>
</tbody>
</table>

Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board and National Museum.


Gerardo C. Ablaza Jr., Member of the Board, Filipino, 60 years old. President and CEO of Manila Water Company since June 30, 2010, and has been a Director since November 26, 2009. Mr. Ablaza is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee, a post he has held since 1998. Mr. Ablaza holds the following positions: Chairman of AAA Water Corporation, Boracay Island Water Company, Inc., Cebu Manila Water Development, Inc., Clark Water Corporation, Manila Water Total Solutions Corp., Manila Water Asia Pacific Pte. Ltd, Manila Water South Asia Holdings Pte. Ltd., Thu Duc Water Holdings Pte.Ltd., and Kenh Dong Water Holdings Pte.Ltd; Chairman & President of Manila Water Consortium, Inc. (formerly Northern Waterworks and Rivers of Cebu, Inc.), and Manila Water International Solutions, Inc.; Vice-Chairman of Laguna AAA Water Corporation; Co-Vice Chairman of both the Board of Directors and the Executive Committee of Globe Telecom, Inc.; Member of the Board of Directors of AG Holdings Limited; Asiacom Philippines, Inc.; Ayala Energy Holdings (formerly Michigan Power, Inc.); ACST Business Holdings, Inc.; Ayala Foundation, Inc.; Azalea International Venture Partners Limited; and LiveIT Investment Ltd.; Member of the Board of Management, Thu Duc Water B.O.O. Corp; and President of Manila Water Foundation. Mr. Ablaza was President and CEO of Globe Telecom, Inc. from 1998 to April 2009. He 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, in which he headed the Credit Payments Products Division.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. In 2013, he was recognized for his consistent leadership and innovation across the banking, investment, telecommunications and utility service industries through the Citi Distinguished Alumni Award for Leadership and Ingenuity. Mr. Ablaza was the first and only Filipino to be awarded with such an honor. Mr. Ablaza graduated summa cum laude from De La Salle University in 1974 with an AB degree major in Mathematics (Honors Program).

Antonino T. Aquino, Member of the Board, Filipino, 66 years old. Director of the Company since April 24, 1998. Mr. Aquino was elected president of Ayala Land, Inc. last April 1, 2009. He joined the Company as Group Director for Corporate Affairs and was later appointed President in January 1999. He has been with the Ayala Group in various capacities for the past 30 years and now holds the position of Senior Managing Director. He was President of the Ayala Property Management Corporation from 1990 to 1998 and Senior Vice President of Ayala Land, Inc. from 1989 to 1998. He was also a Business Unit Manager at IBM Philippines, Inc. from 1968-1980. He is currently the 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, Member of the Board, Filipino, 68 years old.** Director of the Company since May 6, 2002. Mr. Lazaro is a member of the Management Committee of Ayala Corporation. His other significant positions include: Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals Inc., Chairman and President of Michigan Power, Inc., and A.C.S.T. Business Holdings, Inc.; Chairman of Azalea Intl. Venture Partners, Ltd.; Director of Ayala Land, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., Ayala DBS Holdings, Inc., AYC Holdings, Ltd., Ayala International Holdings, Ltd., Bestfull Holdings Limited, AG Holdings, AI North America, Inc., Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successive high growth levels up to the Asian crisis in 1997. 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, Member of the Board, Filipino, 42 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, and the President of AC Infrastructure Holdings Corporation. Mr. Francia is also a director of Integrated Micro-Electronics, Inc., LiveIt Investments Ltd., and Integreon. 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, Member of the Board, Filipino, 53 years old.** Director of the Company since April 11, 2011. Mr Jacinto is the President & CEO of the Institute of Corporate Directors. He is also the President of the Nicanor P Jacinto Jr Foundation as well as a Director of LLL Holdings, Inc. He obtained his Masters Degree in Business Administration from Harvard University in 1986.

**Masaji Santo, Member of the Board, Japanese, 56 years old.** Director of the Company since July 24, 2012. Mr. Santo is also a Senior Vice President, Division COO in the Environment and Infrastructure Business Division in Mitsubishi Corporation. He held previous positions in the same company as President of Mitsubishi Chile Limitada, and General Manager of the Project Development Unit, Plant Project Division. He also worked in Houston Branch, Mitsubishi International Corporation in 1997 and other various positions in Mitsubishi since April 1981. Mr. Santo graduated with a Faculty of Law, Tokyo University, Japan in 1981.
Sherisa P. Nuesa, Filipino, 59 years old. Independent Director of the Company since April 15, 2013. Ms. Nuesa is currently the President and Board Director of the ALFM Mutual Funds Group. She is currently a member of the Boards of Directors of: Far Eastern University, East Asia Computer Center, PSi Technologies, and FERN Realty. She is also a Board Director/Trustee of the Institute of Corporate Directors, the Financial Executives Institute of the Philippines (concurrently Executive Vice-President) and the ING Foundation (Phils.). She was a Managing Director of Ayala Corporation where she served in various senior management positions until December 2011 which includes the following: 1) Chief Finance Officer and Chief Administrative Officer, Integrated Micro-Electronics, Inc. - IMI (January 2009 to July 2010); 2) Chief Finance Officer, Manila Water Company Inc. - MWC (January 2000 to December 2008); 3) Group Controller and later Vice President for Commercial Centers, Ayala Land, Inc. - ALI (January 1989 to March 1999); and 4) member of the boards of various subsidiaries of ALI, MWC and IMI. Ms. Nuesa attended the Advanced Management Program of the Harvard Business School in the US in June 1999 and completed her Master in Business Administration (MBA) degree from the Ateneo-Regis Graduate School of Business in 2011. She also attended the Financial Management Program of the Stanford University in 1991. A Certified Public Accountant, she holds a BS in Commerce degree (Summa cum Laude, 1974) from the Far Eastern University.

Oscar S. Reyes, Independent Director, Filipino, 67 years old. Independent Director of the Company since February 3, 2005. His other positions are: member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT) and of the Board of Directors of the Bank of the Philippine Islands, Pepsi Cola Products Philippines, Inc. (Chairman), PLDT Communications and Energy Ventures, Inc., Basic Energy Corporation, Cosco Capital Inc. and Sun Life Financial Phils., Inc., among other firms. He is a Director of Manila Electric Company where he also holds the position of President and Chief Executive Officer. He is also President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy, Inc. (MEI), Redondo Peninsula Energy, Inc., and PacificLight Pte. Ltd. He served as Country Chairman of the Shell Companies in the Philippines 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 One Meralco Foundation, Inc., Pilipinas Shell Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc. He completed his Bachelor of Arts degree in Economics at the Ateneo de Manila University in 1965 (Cum Laude) and did post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Jose L. Cuisia Jr., Independent Director, Filipino, 69 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; Director of BPI-Philam Life Assurance Co. 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) in September 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 also 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 and also being the Convenor-Trustee of the Philippine
Business for Education. 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 former Chairman of De La Salle University (DLSU) Board of Trustees. 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. Mr. Hermosura, 51 years old, Filipino, is the Corporate Secretary of Manila Water. He assumed his role in April 3, 2006. Mr. Hermosura is a Managing Director of Ayala Corporation and a member of its Management Committee and the Ayala Group Management Committee. He is the General Counsel, Corporate Secretary and Compliance Officer of Ayala Corporation, and the CEO of Ayala Group Legal. He also serves as Corporate Secretary of Ayala Land, Inc., Globe Telecom Inc., Ayala Foundation, Inc., Philwater Holdings Company, Inc., Integrated Micro-Electronics, Inc. and a number of other companies in the Ayala group; and as member of the Boards of Directors of a number of companies in the Ayala group. Mr. Hermosura graduated valedictorian with 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, 2013:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>60</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>57</td>
<td>Chief Finance Officer and Treasurer</td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td>52</td>
<td>Group Director, Corporate Strategy and Development</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>47</td>
<td>Group Director, East Zone Business Operations and Corporate Strategic Affairs</td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>51</td>
<td>Group Director, Corporate Human Resources</td>
</tr>
<tr>
<td>Geodino V. Carpio</td>
<td>53</td>
<td>Group Director, Operations</td>
</tr>
<tr>
<td>Abielardo P. Basilio</td>
<td>53</td>
<td>Group Director, Strategic Asset Management</td>
</tr>
<tr>
<td>Rodell A. Garcia</td>
<td>57</td>
<td>Chief Technology Adviser</td>
</tr>
</tbody>
</table>

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

Luis Juan B. Oreta, Chief Finance Officer and Treasurer, Filipino, 57 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, 52 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 several newly-formed subsidiaries of Manila Water since 2009. 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 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 Human Resources Group, Filipino, 51 years old. Mr. Maranan joined Manila Water in January 2004 and currently leads and focuses on Corporate Human Resources Group, which includes Talent Management and Leadership Development, Strategic Staffing, Manpower Planning and Organizational Development, Total Rewards Management, Employee Engagement 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, 47 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. He is also currently the Vice President of Manila Water Foundation and was elected President of Manila Water Total Solutions in December 2012. 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, 53 years old. Mr. Carpio joined Manila Water Company, Inc. in 1997 as Chief Information Officer. In 2004, he became Group Director for the Project Delivery Group (PDG) where he led various construction and pipelaying projects for both water supply and wastewater. Since 2010, he heads the Operations Group, managing Water Supply and Wastewater Operations, including initiatives in environmental protection and innovation. 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.

Rodell A. Garcia, Chief Technology Adviser, Filipino, 57 years old. Mr. Garcia has been in the IT industry for over 37 years. He joined Manila Water in September 2012 to oversee the transformation of the company’s information and communications technology. Prior to this appointment, Mr. Garcia was with Globe Telecom as Chief Information Officer (CIO) from 2000 – 2009, Chief Technical Officer (CTO) from 2009 – 2010, and Head of IT Transformation from 2011 – 2012. As CIO, Mr. Garcia was responsible for defining and implementing Globe’s IT strategy, and for ensuring the stability of the IT infrastructure. As CTO, he was primarily responsible for Network Technology Strategy, Planning, Engineering, and Network Operations. Mr. Garcia also spent 22 years in the banking industry, having worked in various capacities in companies such as Citytrust Banking Corporation, where he last held the position of Vice President of Corporate Technology Division, and DBS Bank Philippines as Executive Vice President of Information Technology. Mr. Garcia graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Mathematics, under a scholarship grant from the National Science Development Board.

Abelardo P. Basilio, Group Director, Strategic Asset Management, Filipino, 53 years old. Mr. Basilio has been with Manila Water Company for 17 years and has held several appointments under various capacities within the company including Director of Technical Services Group and Group Director of East Zone Business Operations. He is currently the Group Director of Strategic Asset Management Group. He joined Metropolitan Waterworks and Sewerage Systems (MWSS) as a young cadet in 1984 and gained experiences in utility operations which include hydraulic engineering, water treatment, distribution and network management. He later joined MWC in 1997. Currently, as the Strategic Asset Management Group Director, he provides comprehensive, holistic and integrated strategic plans that sets up the platform for capital investment, operation and maintenance of existing and new assets and the rationalization and disposal of assets. He holds a degree in Civil Engineering from University of the Philippine under the university scholarship program. He completed a Management Development Program in Asian Institute of Management, Water Network Design and Modelling in Manchester, United Kingdom and SCADA/Telemetry Training in Singapore.

Significant Employees

The Company considers its human resources working as a team as a key element for its continued success. But the Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

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:

### Annual Compensation in P millions

<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>President and CEO</td>
<td>2012</td>
<td>74.3</td>
<td>12.9</td>
<td>28.0</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>CFO and Treasurer</td>
<td>2012</td>
<td>74.3</td>
<td>12.9</td>
<td>28.0</td>
</tr>
<tr>
<td>Virgilio C. Rivera Jr.</td>
<td>Group Director – Corporate Strategy and Development</td>
<td>2012</td>
<td>74.3</td>
<td>12.9</td>
<td>28.0</td>
</tr>
<tr>
<td>Ferdinand M. dela Cruz</td>
<td>Group Director – East Zone Business Operations and Corporate Strategic Affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ruel T. Maranan</td>
<td>Group Director – Corporate Human Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above-named officers as a group:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>Estimated 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Bonus</td>
<td>Other Annual Compensation</td>
</tr>
<tr>
<td>2012</td>
<td>74.3</td>
<td>12.9</td>
<td>28.0</td>
</tr>
<tr>
<td>2013</td>
<td>84.4</td>
<td>13.3</td>
<td>35.5</td>
</tr>
<tr>
<td></td>
<td>90.3</td>
<td>14.5</td>
<td>22.8</td>
</tr>
</tbody>
</table>

All other officers as a group unnamed:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>Estimate 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Bonus</td>
<td>Other Annual Compensation</td>
</tr>
<tr>
<td>2012</td>
<td>406.7</td>
<td>102.1</td>
<td>108.0</td>
</tr>
<tr>
<td>2013</td>
<td>457.1</td>
<td>115.3</td>
<td>112.1</td>
</tr>
<tr>
<td></td>
<td>490.2</td>
<td>124.4</td>
<td>118.9</td>
</tr>
</tbody>
</table>

The Company has no standard arrangement or any other arrangements or compensation plan or arrangement with regard to the remuneration of its existing officers aside from the compensation received herein stated.

Directors’ Compensation

In a special meeting held on April 11, 2011, the Board recommended for stockholders’ approval the following compensation of the members of the Board or a committee of the Board:

- A fixed retainer fee of P500,000 per year of service;
- For each Board Director – P200,000.00 for each quarterly and annual meeting attended;
- For Board Committee Members – P50,000.00 per Committee meeting actually attended.
The aforesaid compensation of the members of the Board and committee of the Board was subsequently approved by the stockholders in the annual stockholders meeting held on even date.

Currently, 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.

**Warrants and Options Outstanding**

As of December 31, 2013, 27.8 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, 2011 and 2012.

The number of employees and officers of the Company who are eligible to participate in the ESOWN is approximately 294.

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

As of December 31, 2013, 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>791,912,996</td>
<td>38.79%</td>
</tr>
<tr>
<td>Common</td>
<td>PCD Nominee Corporation G/F MSE Bldg. Ayala</td>
<td>Aberdeen Asset Management Asia Limited*</td>
<td>Multilateral</td>
<td>107,144,200</td>
<td>5.25%</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</td>
</tr>
<tr>
<td>Philwater Holdings Company, Inc.</td>
<td>Chairman of the Meeting</td>
</tr>
<tr>
<td></td>
<td>Delfin C. Gonzalez, Jr. or the Chairman</td>
</tr>
<tr>
<td></td>
<td>of the Meeting</td>
</tr>
</tbody>
</table>

*We do not have any knowledge on how the First State Investment Management and Aberdeen Asset Management Asia shares in the Company are to be voted.*

### Security Ownership of Directors and Management

The following table sets forth, as of December 31, 2013, 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>0.00000005%</td>
</tr>
<tr>
<td>Common</td>
<td>Jaime Augusto Zobel de Ayala</td>
<td>Filipino</td>
<td>200,001 (direct and indirect)</td>
<td>0.00979580%</td>
</tr>
<tr>
<td>Common</td>
<td>Gerardo C. Ablaza Jr.</td>
<td>Filipino</td>
<td>3,626,078 (direct and indirect)</td>
<td>0.17760076%</td>
</tr>
<tr>
<td>Common</td>
<td>Delfin L. Lazaro</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common</td>
<td>Antonino T. Aquino</td>
<td>Filipino</td>
<td>12,749,543 (direct and indirect)</td>
<td>0.62445664%</td>
</tr>
<tr>
<td>Common</td>
<td>Ricardo Nicanor N. Jacinto</td>
<td>Filipino</td>
<td>48,100 (direct and indirect)</td>
<td>0.00235588%</td>
</tr>
<tr>
<td>Preferred</td>
<td>John Eric T. Francia</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common</td>
<td>Masaji Santo</td>
<td>Japanese</td>
<td>1 (direct)</td>
<td>0.00000005%</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.”)*
<table>
<thead>
<tr>
<th>Common</th>
<th>Name</th>
<th>Nationality</th>
<th>Shares Held</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>Jose L. Cuisia Jr.</td>
<td>Filipino</td>
<td>1 (direct)</td>
<td>0.00000005%</td>
</tr>
<tr>
<td>Common</td>
<td>Oscar S. Reyes</td>
<td>Filipino</td>
<td>330,001 (direct and indirect)</td>
<td>0.01616304%</td>
</tr>
<tr>
<td>Common</td>
<td>Sherisa P. Nuesa</td>
<td>Filipino</td>
<td>5,309,607 (direct and indirect)</td>
<td>0.26005790%</td>
</tr>
<tr>
<td>Common</td>
<td>Solomon M. Hermosura</td>
<td>Filipino</td>
<td>50,100 (direct and indirect)</td>
<td>0.00245384%</td>
</tr>
<tr>
<td>Common</td>
<td>Geodino V. Carpio</td>
<td>Filipino</td>
<td>1,470,700 (indirect)</td>
<td>0.07203304%</td>
</tr>
<tr>
<td>Common</td>
<td>Luis Juan B. Oreta</td>
<td>Filipino</td>
<td>1,085,341 (indirect)</td>
<td>0.05315864%</td>
</tr>
<tr>
<td>Common</td>
<td>Ferdinand M. dela Cruz</td>
<td>Filipino</td>
<td>608,517 (indirect)</td>
<td>0.02980440%</td>
</tr>
<tr>
<td>Common</td>
<td>Virgilio C. Rivera, Jr.</td>
<td>Filipino</td>
<td>1,593,212 (indirect)</td>
<td>0.07803353%</td>
</tr>
<tr>
<td>Common</td>
<td>Rodell A. Garcia</td>
<td>Filipino</td>
<td>16,000 (indirect)</td>
<td>0.00078366%</td>
</tr>
<tr>
<td>Common</td>
<td>Abelardo P. Basilio</td>
<td>Filipino</td>
<td>462,000 (indirect)</td>
<td>0.02262818%</td>
</tr>
<tr>
<td>Common</td>
<td>Ruel T. Maranan</td>
<td>Filipino</td>
<td>1,745,000 (direct and indirect)</td>
<td>0.08546791%</td>
</tr>
<tr>
<td></td>
<td>All Directors and Officers as a group</td>
<td></td>
<td>29,294,205</td>
<td>1.43479345%</td>
</tr>
</tbody>
</table>

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 and the Technical Services Agreement were terminated effective January 1, 2011 and July 31, 2012 respectively. 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 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, 2013 and 2012
Statements of Income for the Years ended December 31, 2013, 2012 and 2011
Statement of Changes in Stockholders Equity for the years ended December 31, 2013, 2012 and 2011
Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011
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, 2013 – 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 4 April 2014.

By:

[Signature]
Gerardo C. Ablaza Jr.
President and CEO

[Signature]
Luis Juan B. Oreta
Chief Finance Officer & Treasurer

[Signature]
Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 4th day of April 2014, affiant(s) exhibiting to me their respective passport numbers, as follows:

<table>
<thead>
<tr>
<th>NAMES</th>
<th>PASSPORT NO.</th>
<th>VALID UNTIL</th>
<th>PLACE OF ISSUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>EB 1577745</td>
<td>December 15, 2015</td>
<td>Manila</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>EB6664924</td>
<td>October 29, 2017</td>
<td>Manila</td>
</tr>
<tr>
<td>Solomon M. Hermosura</td>
<td>EB2913409</td>
<td>July 4, 2016</td>
<td>Manila</td>
</tr>
</tbody>
</table>

[Signature]
Jovencio P. Fulgueras

MY COMMISSION EXPIRES ON DEC. 31, 2015
ID No. 942651-2013-PASIG CITY
ROLL No. 30906
PTA No. 8297350-8-5-8-2013-Q.C.
MCLE COMPLIANCE No. IV-001424
MVSS BLDG. WASSECO BASEMENT KATIPUNAN RD.
BALARA, QUEZON CITY
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, 2013 and 2012, 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 consolidated financial statements and submits the same to the stockholders.

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, 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.
President and CEO

LUIS JUAN B. ORETA
Chief Finance Officer

SUBSCRIBED AND SWORN to before me on this ___ day of ___ 2014, at Quezon City, Metro Manila; affiants exhibiting to me their respective Passport numbers, as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Passport No.</th>
<th>Valid until</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando Zobel de Ayala</td>
<td>EB5445983</td>
<td>21 May 2017</td>
</tr>
<tr>
<td>Gerardo C. Ablaza Jr.</td>
<td>EB 1577745</td>
<td>15 December 2015</td>
</tr>
<tr>
<td>Luis Juan B. Oreta</td>
<td>EB6664924</td>
<td>29 October 2017</td>
</tr>
</tbody>
</table>

JOYCE C. FULGUERAS
MY COMMISSION EXPIRES ON DEC. 31, 2015
I.E.P NO. 942651-2013-PASIG CITY
ROLL NO. 30806
P.D. NO. 679135U-8-5-8-2013-O.C.
MCLE COMPLIANCE NO. TE-01920013
MANILA WATER COMPANY, INC.
MWSS Administration Building,
489 Kalikasan Road, 1105 Balara,
Quezon City, Philippines
T: (632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1627
INDEPENDENT AUDITORS’ REPORT

The Stockholders and the Board of Directors
Manila Water Company, Inc.

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, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, 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, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-A (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225205, January 2, 2014, Makati City

February 20, 2014
# MANILA WATER COMPANY, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the Years Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(As restated Notes 2 and 17)</td>
<td>(As restated Notes 2 and 17)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## ASSETS

### Current Assets

- Cash and cash equivalents (Notes 4, 5 and 29)
  - 2012: ₱6,779,780,845
  - 2013: ₱5,540,151,084
  - 2012 (restated): ₱5,235,141,501

- Short-term cash investments (Notes 5 and 29)
  - 2012: ₱94,344,600
  - 2013: ₱-657,999,988

- Receivables - net (Notes 6, 23 and 29)
  - 2012: ₱1,393,550,067
  - 2013: ₱1,451,972,427
  - 2012 (restated): ₱973,313,589

- Concession financial receivable - current portion (Note 10)
  - 2012: ₱77,458,500
  - 2013: ₱-|

- Materials and supplies - at cost (Note 7)
  - 2012: ₱103,597,262
  - 2013: ₱111,301,680
  - 2012: ₱115,280,254

- Other current assets - net (Note 8)
  - 2012: ₱620,673,091
  - 2013: ₱1,114,071,729
  - 2012 (restated): ₱837,613,128

**Total Current Assets**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₱9,069,404,365</td>
<td>₱8,217,496,920</td>
<td>₱7,819,348,460</td>
<td></td>
</tr>
</tbody>
</table>

## Noncurrent Assets

- Property and equipment - net (Note 9)
  - 2012: ₱2,038,760,917
  - 2013: ₱2,317,748,089
  - 2012 (restated): ₱2,092,056,053

- Service concession assets - net (Notes 4 and 10)
  - 2012: ₱54,582,229,395
  - 2013: ₱50,753,856,335
  - 2012 (restated): ₱45,695,757,897

- Available-for-sale financial assets (Notes 11, 23, 28 and 29)
  - 2012: ₱105,710,006
  - 2013: ₱494,321,556
  - 2012 (restated): ₱1,312,168,987

- Deferred tax assets - net (Note 20)
  - 2012: ₱821,740,345
  - 2013: ₱830,163,100
  - 2012 (restated): ₱760,109,469

- Investments in associates (Note 13)
  - 2012: ₱4,708,206,865
  - 2013: ₱3,644,853,132
  - 2012 (restated): ₱1,788,001,591

- Goodwill (Note 3)
  - 2012: ₱130,319,465
  - 2013: ₱130,319,465
  - 2012 (restated): ₱130,319,465

- Concession financial receivable - net of current portion (Note 10)
  - 2012: ₱603,905,224
  - 2013: ₱-|

- Other noncurrent assets (Notes 14 and 29)
  - 2012: ₱797,248,227
  - 2013: ₱738,270,581
  - 2012 (restated): ₱1,299,380,262

**Total Noncurrent Assets**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>₱63,788,120,444</td>
<td>₱58,909,532,258</td>
<td>₱53,077,793,724</td>
<td></td>
</tr>
</tbody>
</table>

## LIABILITIES AND EQUITY

### Current Liabilities

- Accounts and other payables (Notes 15 and 29)
  - 2012: ₱4,222,768,767
  - 2013: ₱4,299,089,444
  - 2012 (restated): ₱3,788,498,762

- Current portion of:
  - Long-term debt (Notes 16, 28 and 29)
    - 2012: ₱1,890,774,750
    - 2013: ₱4,264,858,738
    - 2012 (restated): ₱1,225,787,741
  - Service concession obligation (Notes 10, 28 and 29)
    - 2012: ₱1,290,405,792
    - 2013: ₱840,562,875
    - 2012 (restated): ₱980,620,157
  - Income tax payable (Note 20)
    - 2012: ₱529,962,936
    - 2013: ₱467,023,040
    - 2012 (restated): ₱191,371,881
  - Payables to related parties (Notes 23 and 29)
    - 2012: ₱139,018,853
    - 2013: ₱27,559,656
    - 2012 (restated): ₱101,744,555

**Total Current Liabilities**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>₱8,072,931,098</td>
<td>₱9,899,093,753</td>
<td>₱6,288,023,096</td>
<td></td>
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</tbody>
</table>

### Noncurrent Liabilities

- Long-term debt - net of current portion (Notes 16, 28 and 29)
  - 2012: ₱24,360,904,354
  - 2013: ₱19,806,147,351
  - 2012 (restated): ₱22,041,738,633

- Service concession obligation - net of current portion (Notes 10, 28 and 29)
  - 2012: ₱7,143,299,801
  - 2013: ₱7,508,330,566
  - 2012 (restated): ₱7,053,363,466

- Pension liabilities (Note 17)
  - 2012: ₱381,600,900
  - 2013: ₱382,024,300
  - 2012 (restated): ₱423,404,000

- Deferred tax liability - net (Note 20)
  - 2012: ₱1,290,405,792
  - 2013: ₱840,562,875
  - 2012 (restated): ₱980,620,157

**Total Noncurrent Liabilities**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₱33,730,536,956</td>
<td>₱30,473,666,195</td>
<td>₱31,896,727,394</td>
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</table>

**Total Liabilities**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₱41,803,468,054</td>
<td>₱40,372,759,948</td>
<td>₱38,184,750,490</td>
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</table>

(Forward)
<table>
<thead>
<tr>
<th></th>
<th>For the Years Ended December 31</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 (As restated Notes 2 and 17)</td>
<td>2012 (As restated Notes 2 and 17)</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable to equity holders of Manila Water Company, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock (Note 21)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>₱2,047,270,452</td>
<td>₱2,041,453,232</td>
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<tr>
<td>Preferred stock</td>
<td>400,000,000</td>
<td>400,000,000</td>
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<tr>
<td></td>
<td>2,447,270,452</td>
<td>2,441,453,232</td>
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<tr>
<td>Additional paid-in capital</td>
<td>3,908,364,990</td>
<td>3,750,425,522</td>
</tr>
<tr>
<td>Subscriptions receivable</td>
<td>(283,527,324)</td>
<td>(221,425,456)</td>
</tr>
<tr>
<td>Total paid-up capital</td>
<td>6,072,108,118</td>
<td>5,970,453,298</td>
</tr>
<tr>
<td>Common stock options outstanding (Note 21)</td>
<td>13,806,787</td>
<td>13,578,433</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated for capital expenditures (Note 21)</td>
<td>7,000,000,000</td>
<td>7,000,000,000</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>17,402,675,096</td>
<td>13,555,773,394</td>
</tr>
<tr>
<td></td>
<td>24,402,675,096</td>
<td>20,555,773,394</td>
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<tr>
<td>Unrealized gain on available-for-sale financial assets (Notes 11 and 29)</td>
<td>3,300,716</td>
<td>21,868,661</td>
</tr>
<tr>
<td>Remeasurement gain (loss) on defined benefit plans (Note 17)</td>
<td>(140,372,917)</td>
<td>(72,774,681)</td>
</tr>
<tr>
<td>Other equity reserve (Notes 1 and 21)</td>
<td>7,500,000</td>
<td>7,500,000</td>
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<tr>
<td>Cumulative translation adjustment (Note 2)</td>
<td>118,239,494</td>
<td>(8,869,509)</td>
</tr>
<tr>
<td></td>
<td>30,477,257,294</td>
<td>26,487,529,596</td>
</tr>
<tr>
<td>Treasury shares - at cost (Notes 1 and 21)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Non-controlling interests (Note 1)</td>
<td>30,477,257,294</td>
<td>26,487,529,596</td>
</tr>
<tr>
<td></td>
<td>570,799,461</td>
<td>266,739,634</td>
</tr>
<tr>
<td>Total Equity</td>
<td>31,054,056,755</td>
<td>26,754,269,230</td>
</tr>
<tr>
<td></td>
<td>₱72,837,524,609</td>
<td>₱67,127,029,178</td>
</tr>
</tbody>
</table>

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(As restated Notes 2 and 17)</td>
<td>(As restated Notes 2 and 17)</td>
</tr>
</tbody>
</table>

### REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water (Note 23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>11,322,404,038</td>
<td>10,901,483,294</td>
<td>9,451,767,211</td>
</tr>
<tr>
<td>Outside East Zone</td>
<td>673,289,068</td>
<td>590,241,076</td>
<td>247,813,952</td>
</tr>
<tr>
<td>Environmental charges (Note 23)</td>
<td>2,250,482,542</td>
<td>2,236,950,897</td>
<td>1,682,838,504</td>
</tr>
<tr>
<td>Sewer (Note 23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>265,462,739</td>
<td>264,938,493</td>
<td>276,642,344</td>
</tr>
<tr>
<td>Outside East Zone</td>
<td>131,201,229</td>
<td>125,696,513</td>
<td>41,945,520</td>
</tr>
<tr>
<td>Revenue from management contracts (Note 24)</td>
<td>174,938,833</td>
<td>169,449,785</td>
<td>168,719,755</td>
</tr>
<tr>
<td>Other operating income (Note 19)</td>
<td>1,108,039,013</td>
<td>264,308,289</td>
<td>134,185,418</td>
</tr>
</tbody>
</table>

### COST OF SERVICES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>2,384,936,194</td>
<td>2,139,883,760</td>
<td>1,800,278,837</td>
</tr>
<tr>
<td>Salaries, wages and employee benefits (Notes 17, 21 and 23)</td>
<td>960,101,617</td>
<td>1,106,810,417</td>
<td>899,855,092</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>814,227,751</td>
<td>765,611,866</td>
<td>694,118,140</td>
</tr>
<tr>
<td>Management, technical and professional fees (Note 23)</td>
<td>412,606,429</td>
<td>259,885,308</td>
<td>221,629,391</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>358,204,520</td>
<td>243,865,112</td>
<td>183,434,564</td>
</tr>
<tr>
<td>Contractual services</td>
<td>215,824,474</td>
<td>143,528,460</td>
<td>93,864,521</td>
</tr>
<tr>
<td>Collection fees</td>
<td>114,102,430</td>
<td>110,973,894</td>
<td>80,544,549</td>
</tr>
<tr>
<td>Occupancy costs (Note 26)</td>
<td>98,618,208</td>
<td>73,029,541</td>
<td>68,673,180</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>84,042,255</td>
<td>66,318,906</td>
<td>78,621,282</td>
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<tr>
<td>Water treatment chemicals</td>
<td>79,103,032</td>
<td>141,517,469</td>
<td>92,137,053</td>
</tr>
<tr>
<td>Regulatory costs (Note 1)</td>
<td>65,882,799</td>
<td>50,411,509</td>
<td>29,216,093</td>
</tr>
<tr>
<td>Insurance</td>
<td>49,702,630</td>
<td>45,215,416</td>
<td>31,899,271</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>60,531,449</td>
<td>14,314,411</td>
<td>21,253,262</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>23,020,977</td>
<td>14,141,421</td>
<td>11,253,262</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>22,505,452</td>
<td>8,879,767</td>
<td>4,423,469</td>
</tr>
<tr>
<td>Other expenses</td>
<td>149,422,277</td>
<td>49,036,332</td>
<td>98,876,754</td>
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</tbody>
</table>

### GROSS PROFIT

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>10,052,984,968</td>
<td>9,296,642,187</td>
<td>7,513,347,618</td>
</tr>
</tbody>
</table>

### OPERATING EXPENSES (Note 19)

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>1,275,539,592</td>
<td>1,292,494,676</td>
<td>970,067,184</td>
</tr>
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</table>

### INCOME BEFORE OTHER INCOME (EXPENSES)

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Before Other Income (Expenses)</td>
<td>8,777,445,376</td>
<td>8,004,147,511</td>
<td>6,543,280,434</td>
</tr>
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</table>

### OTHER INCOME (EXPENSES)

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from rehabilitation works (Notes 1, 2 and 10)</td>
<td>5,071,257,510</td>
<td>5,877,838,288</td>
<td>7,195,935,517</td>
</tr>
<tr>
<td>Cost of rehabilitation works (Notes 1, 2 and 10)</td>
<td>(5,071,257,510)</td>
<td>(5,877,838,288)</td>
<td>(7,195,935,517)</td>
</tr>
<tr>
<td>Foreign currency differentials (Note 1)</td>
<td>545,916,143</td>
<td>(1,014,755,476)</td>
<td>339,166,122</td>
</tr>
<tr>
<td>Foreign exchange gains (losses)</td>
<td>(539,490,917)</td>
<td>1,034,389,895</td>
<td>(369,898,789)</td>
</tr>
<tr>
<td>Interest income (Note 19)</td>
<td>172,825,432</td>
<td>264,518,215</td>
<td>563,588,437</td>
</tr>
<tr>
<td>Amortization of deferred credits (Note 18)</td>
<td>6,167,676</td>
<td>5,100,313</td>
<td>4,274,324</td>
</tr>
<tr>
<td>Interest expense (Notes 16 and 19)</td>
<td>(1,733,400,506)</td>
<td>(1,563,957,454)</td>
<td>(1,652,552,302)</td>
</tr>
<tr>
<td>Mark-to-market loss on derivatives (Note 28)</td>
<td>–</td>
<td>(229,613,149)</td>
<td>(6,146,038)</td>
</tr>
<tr>
<td>Realized loss on pre-termination of bonds (Note 16)</td>
<td>–</td>
<td>–</td>
<td>(6,146,038)</td>
</tr>
<tr>
<td>Equity share in net income (loss) of associates and joint venture (Notes 12 and 13)</td>
<td>293,975,032</td>
<td>206,762,409</td>
<td>(7,860,283)</td>
</tr>
<tr>
<td>Gain on disposal of property and equipment</td>
<td>13,448</td>
<td>4,352,290</td>
<td>69,687</td>
</tr>
<tr>
<td>Gain on disposal of available-for-sale financial assets (Note 11)</td>
<td>–</td>
<td>13,112,046</td>
<td>12,007,215</td>
</tr>
<tr>
<td>Gain (loss) on revaluation of receivable from Bonifacio Water Corporation (Notes 6 and 14)</td>
<td>(1,411,856)</td>
<td>113,488,599</td>
<td>–</td>
</tr>
<tr>
<td>Other income (Note 13)</td>
<td>70,093,853</td>
<td>31,186,549</td>
<td>43,229,277</td>
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### INCOME BEFORE INCOME TAX

<table>
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<tr>
<th>Description</th>
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<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Before Income Tax</td>
<td>7,592,133,681</td>
<td>7,098,344,897</td>
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### PROVISION FOR INCOME TAX (Note 20)

<table>
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<tr>
<th>Description</th>
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<th>2011</th>
<th>2011</th>
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<tbody>
<tr>
<td>Provision for Income Tax</td>
<td>1,811,572,574</td>
<td>1,595,053,389</td>
<td>957,384,587</td>
</tr>
</tbody>
</table>

### NET INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>5,780,561,107</td>
<td>5,503,291,508</td>
<td>4,282,160,368</td>
</tr>
</tbody>
</table>
### OTHER COMPREHENSIVE INCOME (LOSS)

**Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized fair value loss on available-for-sale financial assets</td>
<td>(P3,502,145)</td>
<td>(P6,537,179)</td>
<td>(P263,410)</td>
</tr>
<tr>
<td>Realized fair value gain on available-for-sale transferred to profit or loss</td>
<td>(15,065,800)</td>
<td>(17,934,347)</td>
<td>(98,326,225)</td>
</tr>
<tr>
<td>Cumulative translation adjustment (Note 13)</td>
<td>127,109,003</td>
<td>1,865,431</td>
<td>(13,385,252)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108,541,058</strong></td>
<td><strong>22,606,095</strong></td>
<td><strong>(111,974,887)</strong></td>
</tr>
</tbody>
</table>

**Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gain (loss) on pension liabilities (Note 17)</td>
<td>(68,194,900)</td>
<td>(96,530,204)</td>
<td>22,979,410</td>
</tr>
<tr>
<td>Income tax effect (Note 20)</td>
<td>499,830</td>
<td>98,130</td>
<td>358,407</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(67,695,070)</strong></td>
<td><strong>(96,432,074)</strong></td>
<td><strong>23,337,817</strong></td>
</tr>
</tbody>
</table>

**TOTAL COMPREHENSIVE INCOME**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>P5,821,407,095</td>
<td>P5,384,253,339</td>
<td>P4,193,523,298</td>
</tr>
</tbody>
</table>

**Net Income Attributable to:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>P5,752,361,946</td>
<td>P5,490,442,664</td>
<td>P4,270,205,478</td>
</tr>
<tr>
<td>Non-controlling interests (Note 1)</td>
<td>28,199,161</td>
<td>12,848,844</td>
<td>11,954,890</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P5,780,561,107</strong></td>
<td><strong>P5,603,291,508</strong></td>
<td><strong>P4,282,160,368</strong></td>
</tr>
</tbody>
</table>

**Total Comprehensive Income Attributable to:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests (Note 1)</td>
<td>28,102,327</td>
<td>11,529,759</td>
<td>11,704,005</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P5,821,407,095</strong></td>
<td><strong>P5,384,253,339</strong></td>
<td><strong>P4,193,523,298</strong></td>
</tr>
</tbody>
</table>

**Earnings Per Share (Note 22)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>P2.34</td>
<td>P2.34</td>
</tr>
<tr>
<td>2012</td>
<td>P2.24</td>
<td>P2.23</td>
</tr>
<tr>
<td>2011</td>
<td>P1.71</td>
<td>P1.71</td>
</tr>
</tbody>
</table>

See accompanying Notes to Consolidated Financial Statements.
### ATTRIBUTABLE TO EQUITY HOLDERS OF MANILA WATER COMPANY, INC.

#### CAPITAL STOCK (Note 21)

<table>
<thead>
<tr>
<th>Common stock - P=1 par value</th>
<th>Authorized - 3,100,000,000 shares</th>
<th>Issued and outstanding - 2,015,301,474 in 2013 and 2,005,443,965 in 2012 and 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>36,009,267</td>
<td>31,696,853 27,153,853</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>5,817,220</td>
<td>4,312,414 4,543,000</td>
</tr>
<tr>
<td>Issuance of shares</td>
<td>(9,857,509)</td>
<td>– –</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>31,968,978</td>
<td>36,009,267 31,696,853</td>
</tr>
</tbody>
</table>

#### Preferred stock - P=0.10 par value, 10% cumulative, voting participating, nonredeemable and nonconvertible

<table>
<thead>
<tr>
<th>Authorized and issued - 4,000,000,000 shares</th>
<th>400,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>900,000,000</td>
</tr>
</tbody>
</table>

#### Additional Paid-In Capital

<table>
<thead>
<tr>
<th>Balance at beginning of year</th>
<th>3,750,425,522</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions during the year</td>
<td>157,939,468</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>3,908,364,990</td>
</tr>
</tbody>
</table>

#### Subscriptions Receivable

<table>
<thead>
<tr>
<th>Balance at beginning of year</th>
<th>(221,425,456)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions during the year</td>
<td>(113,151,413)</td>
</tr>
<tr>
<td>Collections during the year</td>
<td>51,049,545</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(283,527,324)</td>
</tr>
</tbody>
</table>

#### Common Stock Options Outstanding (Note 21)

<table>
<thead>
<tr>
<th>Balance at beginning of year</th>
<th>13,578,433</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granted</td>
<td>50,833,629</td>
</tr>
<tr>
<td>Exercised</td>
<td>(50,605,275)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>13,806,787</td>
</tr>
</tbody>
</table>

#### Retained Earnings (Note 21)

<table>
<thead>
<tr>
<th>Appropriated for capital expenditures:</th>
<th>7,000,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning and end of year</td>
<td>7,000,000,000</td>
</tr>
</tbody>
</table>

### Retained Earnings (Note 21) (continued)

<table>
<thead>
<tr>
<th>Unappropriated:</th>
<th>7,000,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year, as previously stated</td>
<td>13,627,747,398</td>
</tr>
<tr>
<td>Effect of change on accounting for employee benefits, net of tax (Notes 2 and 17)</td>
<td>(71,974,004)</td>
</tr>
<tr>
<td>Balance at beginning of year, as restated</td>
<td>13,555,773,394</td>
</tr>
<tr>
<td>Net income</td>
<td>5,752,361,946</td>
</tr>
<tr>
<td>Dividends declared (Note 21)</td>
<td>(1,905,460,244)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>17,402,675,096</td>
</tr>
</tbody>
</table>

### Forward
<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2012</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(As restated Notes 2 and 17)</td>
<td>(As restated Notes 2 and 17)</td>
<td></td>
</tr>
<tr>
<td><strong>UNREALIZED GAIN ON AVAILABLE-FOR-SALE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>₱21,868,661</strong></td>
<td><strong>₱46,340,187</strong></td>
<td><strong>₱144,929,822</strong></td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized fair value loss on available-for-sale financial assets</td>
<td><strong>(3,502,145)</strong></td>
<td><strong>(6,537,179)</strong></td>
<td><strong>(263,410)</strong></td>
</tr>
<tr>
<td>Realized fair value gain on available-for-sale financial assets transferred to profit and loss</td>
<td><strong>(15,065,800)</strong></td>
<td><strong>(17,934,347)</strong></td>
<td><strong>(98,326,225)</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>3,300,716</strong></td>
<td><strong>21,868,661</strong></td>
<td><strong>46,340,187</strong></td>
</tr>
<tr>
<td><strong>REMEASUREMENT GAIN (LOSS) ON DEFINED BENEFIT PLANS</strong> (Note 17)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>(72,774,681)</strong></td>
<td><strong>23,588,702</strong></td>
<td>–</td>
</tr>
<tr>
<td>Actuarial gain (loss) on pension liabilities</td>
<td><strong>(68,094,610)</strong></td>
<td><strong>(96,432,074)</strong></td>
<td><strong>23,337,817</strong></td>
</tr>
<tr>
<td>Income tax effect</td>
<td><strong>496,374</strong></td>
<td><strong>68,891</strong></td>
<td><strong>250,885</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>(140,372,917)</strong></td>
<td><strong>(72,774,681)</strong></td>
<td><strong>23,588,702</strong></td>
</tr>
<tr>
<td><strong>OTHER EQUITY RESERVE</strong> (Notes 1 and 21)</td>
<td>7,500,000</td>
<td>7,500,000</td>
<td>–</td>
</tr>
<tr>
<td><strong>CUMULATIVE TRANSLATION ADJUSTMENT</strong> (Notes 2 and 13)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>(8,869,509)</strong></td>
<td><strong>(10,734,940)</strong></td>
<td><strong>2,650,312</strong></td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td><strong>127,109,003</strong></td>
<td><strong>1,865,431</strong></td>
<td><strong>(13,385,252)</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>118,239,494</strong></td>
<td><strong>(8,869,509)</strong></td>
<td><strong>(10,734,940)</strong></td>
</tr>
<tr>
<td><strong>TREASURY SHARES - cost (Note 21)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>–</td>
<td>(500,000,000)</td>
<td>(500,000,000)</td>
</tr>
<tr>
<td>Retirement of shares</td>
<td>–</td>
<td>500,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>–</td>
<td>–</td>
<td>(500,000,000)</td>
</tr>
<tr>
<td><strong>NON-CONTROLLING INTERESTS</strong> (Notes 1 and 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td><strong>266,739,634</strong></td>
<td><strong>174,451,981</strong></td>
<td><strong>162,747,976</strong></td>
</tr>
<tr>
<td>Additions</td>
<td><strong>281,957,500</strong></td>
<td><strong>79,507,499</strong></td>
<td>–</td>
</tr>
<tr>
<td>Remeasurement loss on defined benefit plans</td>
<td><strong>(96,834)</strong></td>
<td><strong>(68,891)</strong></td>
<td><strong>(250,885)</strong></td>
</tr>
<tr>
<td>Net income</td>
<td><strong>28,199,161</strong></td>
<td><strong>12,848,845</strong></td>
<td><strong>11,954,890</strong></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>516,799,461</strong></td>
<td><strong>266,739,634</strong></td>
<td><strong>174,451,981</strong></td>
</tr>
<tr>
<td><strong>₽31,054,056,755</strong></td>
<td><strong>₽26,754,269,230</strong></td>
<td><strong>₽22,712,391,694</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2013 (As restated Notes 2 and 17)</th>
<th>2012 (As restated Notes 2 and 17)</th>
<th>2011 (As restated Notes 2 and 17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>₱7,592,133,681</td>
<td>₱7,098,344,897</td>
<td>₱5,239,544,955</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>2,494,762,992</td>
<td>2,320,075,185</td>
<td>1,889,515,833</td>
</tr>
<tr>
<td>Interest expense (Notes 16 and 19)</td>
<td>1,733,400,506</td>
<td>1,563,957,454</td>
<td>1,652,552,302</td>
</tr>
<tr>
<td>Provision for probable losses (Notes 6 and 31)</td>
<td>171,294,230</td>
<td>84,761,395</td>
<td>90,807,943</td>
</tr>
<tr>
<td>Share-based payments (Note 21)</td>
<td>50,833,629</td>
<td>31,864,959</td>
<td>20,241,555</td>
</tr>
<tr>
<td>Gain on disposal of AFS financial assets (Note 11)</td>
<td>–</td>
<td>(13,112,046)</td>
<td>(12,007,215)</td>
</tr>
<tr>
<td>Mark-to-market loss on derivatives (Note 28)</td>
<td>–</td>
<td>–</td>
<td>229,613,149</td>
</tr>
<tr>
<td>Loss on pre-termination of bonds (Note 16)</td>
<td>–</td>
<td>–</td>
<td>6,146,038</td>
</tr>
<tr>
<td>Equity share in net loss of joint venture (Note 12)</td>
<td>–</td>
<td>–</td>
<td>7,860,283</td>
</tr>
<tr>
<td>Gain on disposal of property and equipment</td>
<td>(13,448)</td>
<td>(4,352,290)</td>
<td>(69,687)</td>
</tr>
<tr>
<td>Loss (gain) on revaluation of receivable from Bonifacio Water Corporation (Notes 6 and 14)</td>
<td>1,411,856</td>
<td>(113,488,599)</td>
<td>–</td>
</tr>
<tr>
<td>Equity share in net income of associate (Note 13)</td>
<td>(293,975,032)</td>
<td>(206,762,409)</td>
<td>–</td>
</tr>
<tr>
<td>Interest income (Note 19)</td>
<td>(172,825,432)</td>
<td>(264,518,215)</td>
<td>(563,588,437)</td>
</tr>
<tr>
<td>Operating income before changes in operating assets and liabilities</td>
<td>11,577,022,982</td>
<td>10,496,770,331</td>
<td>8,560,616,719</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>40,374,240</td>
<td>(472,215,297)</td>
<td>(327,279,427)</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>7,704,418</td>
<td>45,489,899</td>
<td>(58,323,959)</td>
</tr>
<tr>
<td>Service concession assets</td>
<td>(4,677,183,266)</td>
<td>(5,710,773,652)</td>
<td>(7,842,040,147)</td>
</tr>
<tr>
<td>Concession financial receivable</td>
<td>(681,363,724)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other current assets</td>
<td>391,470,005</td>
<td>(248,516,927)</td>
<td>652,467,387</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>(640,874,433)</td>
<td>589,092,433</td>
<td>889,931,321</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>(68,614,844)</td>
<td>(76,957,558)</td>
<td>(27,857,920)</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>111,459,197</td>
<td>(74,184,899)</td>
<td>16,306,916</td>
</tr>
<tr>
<td>Net cash provided by operations</td>
<td>6,059,994,575</td>
<td>4,548,704,330</td>
<td>1,758,091,145</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(1,714,907,911)</td>
<td>(1,384,792,142)</td>
<td>(1,328,962,798)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>4,345,086,664</td>
<td>3,163,912,188</td>
<td>529,128,347</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>133,816,460</td>
<td>230,686,698</td>
<td>568,600,507</td>
</tr>
<tr>
<td>Acquisitions of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in associates (Notes 1 and 13)</td>
<td>(642,759,834)</td>
<td>(1,572,144,058)</td>
<td>(1,800,101,800)</td>
</tr>
<tr>
<td>Property and equipment (Note 9)</td>
<td>(274,945,648)</td>
<td>(626,717,563)</td>
<td>(575,811,920)</td>
</tr>
<tr>
<td>Available-for-sale financial assets (Note 11)</td>
<td>–</td>
<td>(33,790,857)</td>
<td>(516,383,600)</td>
</tr>
<tr>
<td>Subsidiary through business combination - net of cash acquired</td>
<td>–</td>
<td>–</td>
<td>(1,169,036,951)</td>
</tr>
<tr>
<td>Receivable from Bonifacio Water Corporation (Note 6)</td>
<td>–</td>
<td>–</td>
<td>(599,341,670)</td>
</tr>
<tr>
<td>Proceeds from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturities of available-for-sale financial assets</td>
<td>370,043,605</td>
<td>841,343,498</td>
<td>965,253,259</td>
</tr>
<tr>
<td>Sale of shares of stock of a subsidiary (Notes 1 and 21)</td>
<td>–</td>
<td>15,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Sale of property and equipment</td>
<td>3,042,742</td>
<td>5,725,352</td>
<td>466,116</td>
</tr>
<tr>
<td>Net cash provided by (used) in investing activities</td>
<td>15,820,227</td>
<td>(663,375,497)</td>
<td>(1,845,121,077)</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM FINANCING ACTIVITIES

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt (Note 16):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availments</td>
<td>6,195,926,714</td>
<td>2,912,890,175</td>
<td>14,430,184,872</td>
</tr>
<tr>
<td>Payments</td>
<td>(4,255,918,126)</td>
<td>(1,110,022,633)</td>
<td>(5,272,635,144)</td>
</tr>
<tr>
<td>Payments of service concession obligation (Note 10)</td>
<td>(924,935,673)</td>
<td>(1,287,180,900)</td>
<td>(1,140,132,158)</td>
</tr>
<tr>
<td>Payments of dividends (Note 21)</td>
<td>(1,905,460,244)</td>
<td>(1,508,069,536)</td>
<td>(1,398,391,183)</td>
</tr>
<tr>
<td>(Forward)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*SGVFS005694*
### Years Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012 (As restated Notes 2 and 17)</th>
<th>2011 (As restated Notes 2 and 17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection of subscriptions receivable (Note 21)</td>
<td>₱51,049,545</td>
<td>₱31,435,866</td>
<td>₱49,674,430</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,515,973,850)</td>
<td>(1,244,264,127)</td>
<td>(1,276,435,421)</td>
</tr>
<tr>
<td>Decrease in other noncurrent liabilities (Note 18)</td>
<td>(1,047,922,996)</td>
<td>(62,323,453)</td>
<td>(644,043,429)</td>
</tr>
<tr>
<td>Increase in non-controlling interests of consolidated subsidiaries (Note 1)</td>
<td>281,957,500</td>
<td>72,007,500</td>
<td>–</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(3,121,277,130)</td>
<td>(2,195,527,108)</td>
<td>4,748,221,967</td>
</tr>
<tr>
<td><strong>NET INCREASE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>1,239,629,761</td>
<td>305,009,583</td>
<td>2,822,229,237</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>5,540,151,084</td>
<td>5,235,141,501</td>
<td>2,412,912,264</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</strong></td>
<td>₱6,779,780,845</td>
<td>₱5,540,151,084</td>
<td>₱5,235,141,501</td>
</tr>
</tbody>
</table>

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

Manila Water Company, Inc. (the Parent Company) was incorporated on January 6, 1997 and started commercial operations on January 1, 2000. It became a publicly listed company via an initial public offering on March 18, 2005. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly listed company which is 50.66% owned by Mermac, Inc., 10.62% owned by Mitsubishi Corporation and the rest by the public. The Parent Company and its 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 Administration 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% of which is owned by AC and 40.0% is 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. As of December 31, 2010 and 2009, Philwater owns 4.00 billion and 3.33 billion participating preferred shares, respectively, of the Parent Company. AC owns 651.91 million common shares of the Parent Company and has 60% share in Philwater which holds the whole 4.00 billion preferred shares of the Parent Company. These conditions warrant the treatment of the Parent Company as AC’s subsidiary.

On December 16, 2013, AC acquired 140 million common shares of the Parent Company representing 5.7% interest in the Company. The shares were acquired from its strategic partner, Mitsubishi Corporation, which has been a long-time partner of AC since 1974 and has been a shareholder of the Parent Company since 1997. AC’s stake in the Parent Company increased from 43.1% to 48.8% while Mitsubishi remained a shareholder with a 1.2% interest. This transaction is valued at ₱2.8 billion and was executed via a special block sale through the Philippine Stock Exchange (PSE).
The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Country of Incorporation</th>
<th>Effective Percentages of Ownership</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water International Solutions, Inc. (MWIS)</td>
<td>Philippines</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Total Solutions Corp. (MWTS)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Asia Pacific Pte. Ltd. (MWAP)</td>
<td>Singapore</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water South Asia Holdings Pte. Ltd.</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Thu Duc Water Holdings Pte. Ltd. (TDWH)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Kenh Dong Water Holdings Pte. Ltd. (KDWH)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AAAWater Corporation (AWC)</td>
<td>Philippines</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Laguna AAAWater Corporation (LAWC)</td>
<td>-do-</td>
<td>100</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Clark Water Corporation (CWC)</td>
<td>-do-</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Manila Water Consortium Inc. (MW Consortium)</td>
<td>-do-</td>
<td>51</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>[formerly Northern Waterworks and Rivers of Cebu, Inc. (NWRC)]</td>
<td>-do-</td>
<td>51</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>Cebu Manila Water Development, Inc. (CMWD)</td>
<td>-do-</td>
<td>51</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Boracay Island Water Company, Inc. (BIWC)</td>
<td>-do-</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
</tbody>
</table>

Unless otherwise indicated, the Philippines is the principal place of business and country of incorporation of the Group’s investments in subsidiaries.

The voting rights held by the Group in its investments in subsidiaries are in proportion to its ownership interest.

MWAP incorporated TDWH in October 2011 and KDWH in June 2012 for the purpose of carrying on the business of investment holding, and to undertake and to transact all kinds of investment business (see Note 13).

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

In March 2012, NWRC entered into a joint investment agreement with the Province of Cebu wherein NWRC will have 51% equity share in a joint venture company, whose principal activity is to provide bulk water supply to Cebu. Subsequently, in May 2012, CMWD was incorporated pursuant to the joint investment agreement. NWRC also changed its business name to Manila Water Consortium, Inc. (MW Consortium).

In 2012, the Parent Company sold its 10% interest in MW Consortium to Vicsal Development Corporation for ₱15.00 million. Gain on sale recognized as other equity reserves amounted to ₱7.50 million. Subsequently, the Parent Company subscribed to additional shares in MW Consortium, thus increasing its ownership to 84% as of December 31, 2012. In January 2013, Metropac Water Investments Corporation (MWIC) has entered into a subscription agreement with MW Consortium for 39% equity ownership. The entry of MWIC through the issuance of additional shares diluted the Parent Company’s ownership in MW Consortium from 84% to 51%.

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 Concession 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 Concession 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 Concession 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) up 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 until the 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 and rehabilitation works 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 Concession 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 Concession 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 Rebasings Convergence Adjustment as defined in the Concession Agreement.

The Concession 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 Concession 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 ₱187.00 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 were implemented on a staggered basis over a five year period, but adjusted for the net present value impact.

The said staggered implementation was premised on certain conditions, such as the adoption of additional performance targets and other conditions such as rationalization of sewerage and environmental charges, reclassification of some government institutions, among others. As of December 31, 2013, 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 ₱4.47 per cubic meter based on the basic charge.

On April 16, 2009, the MWSS Board of Trustees passed Resolution No. 2009-072 approving the 15-year extension of the Concession Agreement (the Extension) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (by authority from the office of the President of the Republic of the Philippines) on October 19, 2009. The significant commitments under the Extension follow:

a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a ₱1.00 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.

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

c. To increase the total investments from the approved ₱187.00 billion for the periods 2008 to 2022 to ₱450.00 billion for 2008 to 2037.

As a result of the increase in the annual regulatory cost, service concession assets and service concession obligations as of October 19, 2009 increased by ₱3.36 billion and ₱3.17 billion, respectively. Also, with the approval of the Extension, the recovery period for the Parent Company’s investment is now extended by 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 $116.60 million 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.

In 2013, the Parent Company submitted the Rate Rebasing Proposals to MWSS for final evaluation as set forth in the Concession Agreement. On September 10, 2013, MWSS-RO issued 
Resolution No. 13-09-CA providing for the MWSS rate rebasing negative adjustment of negative 29.47% to the Parent Company’s 2012 average basic water charge of ₱24.57 per cubic meter. The adjustment was supposed to be implemented in 5 equal tranches of negative 5.894% per charging year. Consequently, the Parent Company objects to MWSS’ Rate Rebasing Determination and thus brings the matter before the Appeals Panel, pursuant to the dispute resolution mechanism in the Concession Agreement sections 9.4 and 12. The Parent Company formally filed its Dispute Notice on September 24, 2013, which officially commenced the arbitration process pursuant to the Concession Agreement with MWSS.

On December 10, 2013, the MWSS Board of Trustees thru R.O. Resolution No. 13-012 CA, approved the implementation of a Status Quo for Manila Water’s Standard Rates and FCDA for any and all of its scheduled adjustments, until such time that the Appeals Panel has issued the Final Award for the 2013 Rate Rebasing determination. The adjustments resulting from the status quo for FCDA shall be reckoned upon resumption of said adjustments, subject to the principle of no-over recovery or no-under recovery.

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 and July 22, 2009) 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 any advances made by LAWC to POL. The remaining thirty percent (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 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 (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 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. No rate rebasing transpired on January 1, 2011.

BIWC requested for the deferment of the rate rebasing since it was not able to commence operations in June 2009, as originally planned, because the SEC required the Company to seek conformity from the Department of Finance before it could be incorporated.

In January 2013, TIEZA approved the new water rates for BIWC which is equivalent to an increase from its existing rates of 35% to be implemented on a staggered basis for a period of four years with 10.10% increase in 2013; 9.18% for 2014; 8.40% in 2015; and 7.75% in 2016, effective February 1, 2013.

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

As a result of the above terms of the concession agreement, BIWC recognized a total of P986.86 million service concession assets on commencement date. It includes the JICA loan assumed by BIWC, 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. which subsequently changed its name to 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. The concession agreement sets 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 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 ₱1.50 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 ₱2.80 million equivalent to six months lease rental and a performance security amounting to ₱6.70 million to ensure the faithful compliance of CWC with the terms and conditions of the lease agreement. CWC pays semi-annual rental fees of ₱2.80 million amounting to a total of ₱138.30 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.

MW Consortium Agreement with the Provincial Government of Cebu (PGC)
On March 21, 2012, MW Consortium has signed a joint investment agreement with the PGC for the formation of a joint venture company with 51% and 49% equity participation for MW Consortium and the PGC, respectively. Under the joint investment agreement, the parties agreed to develop and operate a bulk water supply system that will supply 35.00 million liters of water per day to target areas in the province of Cebu with the joint venture company serving as a bulk water provider. The term of the agreement is 30 years starting March 2012, renewable for another 25 years. MW Consortium and the PGC incorporated CMWD pursuant to the joint investment agreement.

On December 13, 2013, CMWD received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). On December 18, 2013, CMWD and MCWD signed a 20-year Bulk Water Supply Contract for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years 2 up to 20. Initial delivery of water is expected to occur after 6 months from the signing of the Bulk Water Supply Contract.

Asset Purchase Agreement with LTI
On December 23, 2013, LAWC signed an Asset Purchase Agreement with Laguna Technopark, Inc. (LTI) with a purchase price of ₱625.00 million for the acquisition of the water reticulation system of LTI. LAWC officially took over as the exclusive water service provider of LTI starting December 31, 2013.

MWSAH acquisition of Saigon Water
On October 8, 2013, the Parent Company thru its subsidiary MWSAH, acquired a 31.47% minority stake in Saigon Water Infrastructure Corporation (Saigon Water) equivalent to 18.37 million shares at VND16,900 per share for a total consideration of ₱642.76 million. Saigon Water is a listed water company in Vietnam.

Approval for the Issuance of the Consolidated Financial Statements
The Board of Directors (BOD) approved and authorized the issuance of the accompanying consolidated financial statements on February 20, 2014.

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 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, 2013, 2012 and January 1, 2012, and for each of the three years in the period ended December 31, 2013.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) the contractual arrangement with the other vote holders of the investee;
b) rights arising from other contractual arrangements; and
c) the Group’s voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted as of
January 1, 2013. Except as otherwise stated, the nature and the impact of each of new standards and amendments are described below:

  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 set off in accordance with PAS 32, *Financial Instruments: Presentation*. 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 set-off 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 to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and will have no impact on the Group’s financial position of performance since the Group does not have financial instruments that are set off in accordance with criteria in PAS 32.

- **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 that were in PAS 27.

The Group has concluded in its assessment of its investments as of December 31, 2013, that even with the adoption of PFRS 10: (a) all existing subsidiaries shall remain to be fully consolidated with the Group’s consolidated financial statements as management control over these entities remain the same; and (b) the existing associates will not have to be consolidated since the management only has significant influence over these investee companies and does not have the ability to use power to affect the amount of its returns from its involvement with the investee companies.

- **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 using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard will have no impact in the Group’s financial position and performance since the Group does not have jointly controlled entities after it has sold in
2011 its ownership interest in Jindal Manila Water Development, Co. Ltd. (JMWD), a joint venture company established through a Joint Venture Agreement with Jindal Water Infrastructure Limited (JITF Water) in 2010.

- PFRS 12, Disclosure of Interests in Other Entities
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27 as well as all 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. The adoption of this standard will not have a significant impact on the Group’s financial position and performance since the Group assessed that there will be no significant changes in the disclosures required by PAS 27, 28 and 31.

- PFRS 13, Fair Value Measurement
  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. This Standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Group does not consider that the definition of fair value that is applied in PFRS 13 differs in a material way from its current approach and consequently anticipates there will not be any impact from this standard on its financial position. However, PFRS 13 does expand the disclosure requirements in respect of fair value measurement.

- PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments will be applied retrospectively and will result to modification of the presentation of items in OCI including unrealized gains on AFS financial assets, actuarial gains (losses) on pension liabilities and cumulative translation adjustments.

- PAS 19, Employee Benefits (Revised)
  On 1 January 2013, the Group adopted the Revised PAS 19 Employee Benefits.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets, and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon the adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.
The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group’s financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

<table>
<thead>
<tr>
<th>December 31</th>
<th>January 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase (Decrease) in:</strong></td>
<td><strong>2013</strong></td>
</tr>
<tr>
<td><strong>Consolidated statements of financial position</strong></td>
<td></td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td>P143,677,909</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>956,367</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(140,789,327)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(71,974,004)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(1,118,950)</td>
</tr>
<tr>
<td><strong>Consolidated income statements</strong></td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>P18,249,100</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>57,195,900</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>(75,445,000)</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>22,633,500</td>
</tr>
<tr>
<td>Net income</td>
<td>(52,811,500)</td>
</tr>
<tr>
<td>Attributable to the owners of the Parent Company</td>
<td>(52,506,960)</td>
</tr>
<tr>
<td>Attributable to non-controlling interests</td>
<td>(304,540)</td>
</tr>
<tr>
<td>Basic/Diluted earnings per share</td>
<td>P0.03</td>
</tr>
<tr>
<td><strong>Consolidated statements of comprehensive income</strong></td>
<td></td>
</tr>
<tr>
<td>Remeasurement loss of net pension liability</td>
<td>(P68,194,900)</td>
</tr>
<tr>
<td>Income tax effects</td>
<td>499,830</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of tax</td>
<td>(67,695,070)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>(120,506,570)</td>
</tr>
<tr>
<td>Attributable to the owners of the Parent Company</td>
<td>(120,105,196)</td>
</tr>
<tr>
<td>Attributable to non-controlling interests</td>
<td>(401,374)</td>
</tr>
</tbody>
</table>
The adoption did not have impact on consolidated statements of cash flows.

Change of presentation
Upon adoption of the Revised PAS 19, the presentation of the income statement was updated to reflect these changes. Net interest is now shown under the interest expense line item (previously under salaries, wages and employee benefits). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability. In the past, the expected return on plan assets reflected the individual performance of the plan assets, which were regarded as part of the operating activities.

Restatement
Prior periods have been restated due to early adoption of Revised PAS 19 and the change in the presentation of the consolidated statements of comprehensive income.

- PAS 27, Separate Financial Statements (as revised in 2011)
As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group since the Group’s accounting policy is already consistent with the revised PAS 27.

- PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 will not have an impact on the Group’s consolidated financial statements since the Group is already accounting for its investments in associates using the equity method and the Group does not have existing investments in joint ventures.

- Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is not relevant to the Group as the Group is not involved in mining activities.

- PFRS 1, First-time Adoption of PFRS – Government Loans (Amendments)
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, Financial Instruments: Recognition and Measurement, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.
• PFRS 1, First-time Adoption of PFRS - Borrowing Costs
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, Borrowing Costs. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

• PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

The amendment will not have significant impact on the Group’s consolidated financial statements since the comparative information disclosures are in accordance with the requirements of PAS 1.

• PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and if otherwise, should be recognized as inventory.

The amendment will not have any impact on the Group’s financial position and performance since the spare parts and servicing equipment meet the definition of property and equipment in accordance with PAS 16.

• PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12. This amendment will not have any impact on the Group’s financial position or performance.

• PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity’s previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group’s financial position or performance.

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 2014

  - These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  - These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, Levies (IFRIC 21)
  - IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
  - These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

  - The amendments clarify the meaning of “currently has a legally enforceable right to set-off” 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 amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. This amendment is not expected to impact the financial position or performance of the Group because offsetting is presented only when the requirements of PAS 32 are met.

Effective 2015

- PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)
  - The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.
Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- **PFRS 2, Share-based Payment - Definition of Vesting Condition**
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- **PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination**
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- **PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets**
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

- **PFRS 13, Fair Value Measurement - Short-term Receivables and Payables**
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Group’s financial position or performance.

- **PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation**
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group’s financial position or performance.
• PAS 24, Related Party Disclosures - Key Management Personnel
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

• PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group’s financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

• PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of ‘Effective PFRSs’
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

• PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively and has no significant impact on the Group’s financial position or performance.
• PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group’s financial position or performance.

• PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group’s financial position or performance.

*Standard with No Mandatory Effective Date*

• PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity’s own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.
The Group conducted an impact evaluation of the early adoption of PFRS 9 based on the December 31, 2013 balances, and based on the results of this study, the Group will not early adopt PFRS 9 for the current year. The Group does not expect a significant impact on its consolidated financial statements based on the evaluation of existing classification and measurement of financial assets and liabilities.

**Interpretation with Deferred Effective Date**

- **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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectiveness of this interpretation until the final revenue standard is issued by the 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. This interpretation is not relevant to the Group since the Group does not engage in the construction of real estate directly or indirectly through subcontractor.

**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.

**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.

**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 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 deposits 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 profit or loss under “Other income” unless it qualifies for recognition as some other type of asset or liability. 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 profit or loss 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. Gains or losses on investments held for trading are recognized in profit or loss.

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.

**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
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 closely and clearly related derivatives that are embedded in the host contract (such as long-term debt) which does not require bifurcation.

**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 profit or loss.

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

As of December 31, 2013 and 2012, 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 twelve 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 profit or loss. The losses arising from impairment of such loans and receivables are recognized as “Provision for probable losses” in profit or loss.

This accounting policy applies primarily to the Group’s cash and cash equivalents, short-term cash investments, receivables, advances to TIEZA 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 profit or loss. 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 available-for-sale financial assets” under OCI.

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

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

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

**Other financial liabilities**

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 issuance.

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 profit or loss.

This accounting policy applies primarily to the Group’s long-term debt, accounts and other payables, customers’ guaranty deposits and other deposits under other noncurrent liabilities, service concession obligation, payable to related parties and other payables that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities and 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 when:

1. the right to receive cash flows from the asset has 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 profit or loss.

Impairment of Financial Assets
The Group assesses at each 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 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 trade receivables, which remain unpaid after thirty days from bill generation. The Group shall provide the customer with not less than seven days’ prior written notice before any disconnection.

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

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

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

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

**AFS financial assets**
For AFS financial assets, the Group assesses at each 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 profit or loss - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

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 profit or loss. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

**Financial Guarantee Contracts**
The Parent Company gives financial guarantees to its subsidiaries. Financial guarantees are initially recognized at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guaranty has become probable).

**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 (NRV). Cost is determined using the moving average method.

**Prepaid expenses**
Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for business taxes, insurance and employee health care expenses and other benefits.

**Value-Added Tax (VAT)**
The input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group’s trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.
If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under “Accounts and other payables” account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under “Other current asset” account.

Property and Equipment

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

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

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

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

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

Plant and technical equipment are depreciated 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.

On the other hand, the concession arrangement with the Provincial Government of Cebu is accounted for under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangements, CMWD is awarded the right to deliver Bulk Water supply to the grantor for a specific period of time under the concession period.
The “Service concession assets” (SCA) pertain to the fair value of the service concession obligations at drawdown date, construction costs related to the rehabilitation works performed by the Group and other local component costs and cost overruns paid by the Group. These are amortized using the straight-line method over the life of the related concession.

In addition, the Parent Company, BIWC, CWC and LAWC recognize and measure revenue from rehabilitation works in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. Recognition of revenue is by reference to the ‘stage of completion method’, also known as the ‘percentage of completion method’ as provided under PAS 11. Contract revenue and costs from rehabilitation works are recognized as “Revenue from rehabilitation works” and “Cost of rehabilitation works” in profit or loss in the period in which the work is performed.

**Investments in Subsidiaries**
The Group determined that it has control over its subsidiaries (see Note 1) by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group’s voting rights and potential voting rights

**Investments in Associates and Jointly Controlled Entities**
Investments in associates and jointly controlled entities 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 jointly controlled entities 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 or 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 non-controlling interest 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 OCI. 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.
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest 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, Operating Segments.

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 profit or loss any excess remaining after reassessment.

Impairment of Non-financial 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 profit or loss 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 profit or loss 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.

**Revenue Recognition**

*Water and Sewer Revenue*
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. Twenty percent (20%) of water revenue is 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
Interest income is recognized as it accrues, taking into account the effective yield of the assets.

Revenue from Rehabilitation Works
Revenue from rehabilitation works is recognized and measured by the Group in accordance with PAS 11 and PAS 18 for the service. This includes revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of SCA.

When the Group provides construction or upgrade services, the consideration received or receivable is recognized at fair value. The Group accounts for revenue and costs relating to operation services in accordance with PAS 18 under the captions “Revenue from rehabilitation works” and Cost of rehabilitation works” in the Consolidated Statements of Comprehensive Income.

Management Contracts
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.

Other operating income
Other customer related fees such as connection, 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 Agreement, the following will be recovered through billings to customers:

- Restatement of foreign currency-denominated loans;
- 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 PHP44.00:US$1.00 based on the last rate rebasing exercise effective on January 1, 2008.
- Excess of actual interest payment translated at exchange spot rate on settlement date over the amount of interest translated at drawdown rate; and
- 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 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 OCI 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, TDWH and KDWH is the 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 profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in OCI and reported as “Cumulative translation adjustment”, a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in OCI relating to that particular foreign operation shall be recognized in profit or loss.

In view of the automatic reimbursement mechanism, the Group recognizes deferred FCDA (included as part of “Other noncurrent assets” or “Other noncurrent liabilities” in the consolidated 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 necessarily takes a substantial period of time to get ready for its intended use 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 interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross incurred on those borrowings less any investment income arising on their temporary investment.

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 consolidated statement of financial position and are amortized using the effective interest rate method.

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 reporting date and adjusted to reflect the current best estimate.
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.

Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a) Service cost
b) Net interest on the net defined benefit liability or asset
c) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

**Termination benefit**
Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

**Employee leave entitlement**
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

**Share-Based Payment**

**Employee share purchase plans**
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Company’s shares at a discounted price. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

**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 profit or loss 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.
Other reserves pertain to gain from sale of investments in a subsidiary by the Parent Company that did not result to a loss of control.

**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 reporting date.

**Deferred tax**

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the 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 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 tax assets is reviewed at each 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 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 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, TIEZA and CDC that are operated by the Group under the Group’s concession agreements are not reflected in the consolidated statement of financial position but are considered as Assets Held in Trust.

Segment Reporting
The Group’s operating businesses are organized based on geographic location. Financial information on business segments is presented in Note 27 to the consolidated financial statements.

Events After the 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 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 consolidated financial statements when material.

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, Service Concession Arrangements, the Group has made a judgment that its concession agreements with MWSS, POL, TIEZA and CDC qualify under the Intangible Asset model while its concession agreement with the Provincial Government of Cebu qualifies under the Financial Asset model. The accounting policy on the Group’s SCA under the Intangible Asset and Financial Asset models are 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 six 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 Parent Company redeemed its outstanding redeemable preferred shares amounting to P=500.00 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 Parent Company’s option. In 2012, the Parent Company’s shareholders approved the retirement of the said shares. See Note 21 for the related balances.

Investments in subsidiaries
The Parent Company considers MWTS, MWIS, AAA, LAWC, CWC, BIWC, MWAP, MWSAH, TDWH, KDWH, MW Consortium and CMWD as its subsidiaries because it exercises control over the said entities. The Group is exposed, or has rights to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities (see Note 1).
Investments in associates
The Parent Company considers Thu Duc Water B.O.O. Corporation (TDW), Kenh Dong Water Supply Joint Stock Company (KDW) and Saigon Water Infrastructure Corporation (Saigon Water) as associates because it has the power to participate in the financial and operating policy decisions of these entities but does not have control or joint control over those policies. See Note 13 for the related balances.

Impairment of investment in associate
The Group has determined that there are no indicators of impairment for its investments in TDW, KDW and Saigon Water. Accordingly, no impairment testing was done for these investments.

Operating lease commitments - Group 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 in the ordinary conduct of business. 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 or adverse effect on the Group's financial position and results of operations (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 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 the following revenue and costs:

- **Management contracts**
  The Group’s management contracts recognized based on the percentage of completion method is 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.

- **Rehabilitation works**
  The Group measures revenue from rehabilitation works at the fair value of the consideration received or receivable. The Company's revenue from rehabilitation works recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total costs of the project. Revenue from rehabilitation works recognized by the Group is equivalent to the costs of rehabilitation works incurred as these costs are recovered by the Group through its right to charge the customers.

- **Water and Sewerage**
  The Group’s revenue from 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. Twenty percent (20%) 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.
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.

As of December 31, 2013 and 2012, the outstanding balance of allowance for doubtful accounts amounted to P=683.42 million and P=627.78 million, respectively (see Note 6).

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.

In 2013 and 2012, there were no changes in the estimated useful lives of the Group’s property and equipment. As of December 31, 2013 and 2012, the carrying value of property and equipment amounted to P=2.04 billion and P=2.32 billion, respectively (see Note 9).

Estimates used in valuation of receivable from Bonifacio Water Corporation (BWC)
The Group used estimates in determining the value of its receivable from BWC (see Notes 6 and 14). The fair value of the receivable from BWC has been determined based on the present value of forecasted collections for the receivable using appropriate discount rate. The forecasted collection is based on estimated billed volume using 1% annual growth rate. As of December 31, 2013 and 2012, the Group recorded a loss of P=1.41 million and a gain of P=113.49 million, respectively.

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, 13 and 14 for the related balances.

**Goodwill impairment**

Goodwill impairment testing requires an estimation if the recoverable amount which is the fair value less cost to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use amount requires management to make an estimate of the expected future cash flows for the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

The Parent Company’s impairment test for goodwill related to the acquisition of CWC is based on value in use and fair value less cost to sell calculations. The value in use calculations in 2013 used a discounted cash flow model. The cash flows are derived from the budget for the next 12 years and assume a steady growth rate. The Parent Company used the remaining concession life of CWC, which is a period longer than the maximum of five years. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model. The post-tax discount rate applied to cash flow projections is 11.64% for 2013.

The carrying value of goodwill in the consolidated statement of financial position amounted to ₱130.32 million as of December 31, 2013 and 2012. No impairment loss was recognized as a result of the impairment testing performed.

**Deferred tax assets**

The Group reviews the carrying amounts of deferred income taxes at each 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**

Under the concession agreements entered into by the Parent Company and BIWC with MWSS and TIEZA, respectively, the Parent Company and BIWC are entitled to recover (refund) foreign exchange losses (gains) arising from concession loans and any concessionaire loans. The Parent Company and BIWC recognized deferred FCDA (included as part of “Other noncurrent assets” or “Other noncurrent liabilities” in the consolidated statement of financial position) for both realized and unrealized foreign exchange gains and losses. Deferred FCDA is set up as an asset for the realized and unrealized exchange losses since this is a resource controlled by the Parent Company and BIWC as a result of past events and from which future economic benefits are expected to flow to the Parent Company and BIWC. Realized and unrealized foreign exchange gains, on the other hand, which will be refunded to the customers, are presented as liability. As of December 31, 2013, the Parent Company and BIWC’s deferred FCDA classified under “Other noncurrent assets” amounted to ₱55.41 million (see Note 14). As of December 31, 2012, the Parent Company and BIWC’s deferred FCDA included in “Other noncurrent liabilities” amounted to ₱544.44 million (see Note 18).

**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 which may be different from the expected volatility of the shares of stock of the Parent Company. See Note 21 for the related balances.
Pension and other retirement benefits

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net benefit liability as at December 31, 2013, 2012 and January 1, 2011 is ₱381.60 million, ₱382.02 million and ₱423.40 million, respectively (see Note 17).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 17.

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).

4. Acquisition of a Business

Laguna Technopark, Inc.

On December 23, 2013, LAWC signed an Asset Purchase Agreement with Laguna Technopark, Inc. (LTI) with a purchase price of ₱625.00 million for the acquisition of the water reticulation system of LTI, under the caption “Service concession assets”. Upon execution of the agreement, LAWC paid 45% of the purchase price or ₱281.25 million to LTI. The remaining balance of 55% or ₱343.75 million shall be paid within ninety (90) days from the execution of the agreement. LAWC officially took over as the exclusive water service provider of LTI on December 31, 2013.

The fair value of the water assets purchased has been determined based on the present value of the projected cash flows from operations. No goodwill is recognized based on the purchase price allocation.

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

Cash and cash equivalents consist of:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks (Note 23)</td>
<td>₱1,527,786,387</td>
<td>₱1,954,154,739</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>₱5,251,994,458</td>
<td>₱3,585,996,345</td>
</tr>
<tr>
<td></td>
<td>₱6,779,780,845</td>
<td>₱5,540,151,084</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 earned interest of 1.25% to 5.00% and 1.20% to 3.75% in 2013 and 2012, respectively. As of December 31, 2013, the Group’s short-term cash investments amounted to ₱94.34 million.

Interest income earned from cash in banks, cash equivalents and short-term cash investments amounted to ₱99.63 million and ₱191.69 million in 2013 and 2012, respectively (see Note 19).

6. Receivables

This account consists of receivables from:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers (Note 29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>₱1,306,382,980</td>
<td>₱1,260,349,317</td>
</tr>
<tr>
<td>Commercial</td>
<td>224,096,635</td>
<td>308,271,638</td>
</tr>
<tr>
<td>Semi-business</td>
<td>77,597,988</td>
<td>90,361,879</td>
</tr>
<tr>
<td>Industrial</td>
<td>37,522,466</td>
<td>50,109,159</td>
</tr>
<tr>
<td>Saigon Water Corporation (SAWACO) (Note 24)</td>
<td>101,904,224</td>
<td>142,411,840</td>
</tr>
<tr>
<td>BWC (Note 14)</td>
<td>544,373,611</td>
<td>572,878,039</td>
</tr>
<tr>
<td>Employees</td>
<td>54,446,968</td>
<td>34,290,779</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>11,550,628</td>
<td>17,171,498</td>
</tr>
<tr>
<td>Others</td>
<td>150,478,433</td>
<td>77,637,650</td>
</tr>
<tr>
<td></td>
<td>2,508,353,933</td>
<td>2,553,481,799</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts (Note 3)</td>
<td>(683,423,459)</td>
<td>(627,778,223)</td>
</tr>
<tr>
<td></td>
<td>1,824,930,474</td>
<td>1,925,703,576</td>
</tr>
<tr>
<td>Less noncurrent portion of receivable from BWC (Note 14)</td>
<td>(431,380,407)</td>
<td>(473,731,149)</td>
</tr>
<tr>
<td></td>
<td>₱1,393,550,067</td>
<td>₱1,451,972,427</td>
</tr>
</tbody>
</table>

The classes of the Group’s receivables arising from water and sewer services rendered to customers, collectible within 30 days from bill generation, follow:

- Residential - pertains to receivables from residential households.
- Commercial - pertains to receivables from commercial customers.
- Semi-business - pertains to receivables from small businesses.
- Industrial - pertains to receivables from customers for industrial and manufacturing purposes.

Receivable from SAWACO pertains to the unpaid portion billing for services rendered by the Group in relation to its management contract with SAWACO (see Note 24).

Receivable from BWC pertains to the assigned receivable from the share purchase agreement between the Parent Company and Veolia Water Philippines, Inc. (VWPI). On November 29, 2011, the Parent Company completed the acquisition of VWPI’s interest in the common shares of CWC resulting in the Parent Company obtaining 100% control in CWC effective December 1, 2011 and the receivable from BWC for a total contract price of ₱1.80 billion, broken down as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in CWC</td>
<td>₱1,200,658,330</td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>599,341,670</td>
</tr>
<tr>
<td></td>
<td>₱1,800,000,000</td>
</tr>
</tbody>
</table>
The fair value of the receivable from BWC has been determined based on the present value of the forecasted collections for the receivable. Rollforward analysis of the discount for 2013 and 2012 follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱246,936,510</td>
<td>₱235,136,100</td>
</tr>
<tr>
<td>Revaluation adjustments</td>
<td>492,887</td>
<td>54,845,186</td>
</tr>
<tr>
<td>Amortization</td>
<td>(44,629,842)</td>
<td>(43,044,776)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱202,799,555</td>
<td>₱246,936,510</td>
</tr>
</tbody>
</table>

The Group recognizes gains and losses arising from the change in the forecasted amounts after adjusting for the actual collections made. The loss amounting to ₱1.41 million and gain of ₱113.49 million in 2013 and 2012, respectively, was recorded as "Gain (loss) on revaluation of receivable from Bonifacio Water Corporation" in the consolidated statements of comprehensive income.

Others represent receivables from shared facilities, insurance agencies and collection facilities.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Residential</td>
<td>Commercial</td>
</tr>
<tr>
<td>At January 1</td>
<td>₱426,063,068</td>
<td>₱397,397,951</td>
</tr>
<tr>
<td>Provision</td>
<td>34,225,572</td>
<td>9,905,479</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱460,288,640</td>
<td>₱107,303,430</td>
</tr>
<tr>
<td>Individual impairment</td>
<td>₱24,815,772</td>
<td>₱10,307,199</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>435,472,868</td>
<td>96,996,231</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>Residential</td>
<td>Commercial</td>
</tr>
<tr>
<td>At January 1</td>
<td>₱390,907,748</td>
<td>₱271,232,345</td>
</tr>
<tr>
<td>Provision</td>
<td>35,155,320</td>
<td>27,212,784</td>
</tr>
<tr>
<td>Write off</td>
<td>(1,047,176)</td>
<td>–</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱426,063,068</td>
<td>₱397,397,951</td>
</tr>
<tr>
<td>Individual impairment</td>
<td>₱32,239,646</td>
<td>₱26,203,074</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>393,823,422</td>
<td>71,194,877</td>
</tr>
</tbody>
</table>

### 7. Materials and Supplies - at cost

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance materials</td>
<td>₱74,845,669</td>
<td>₱60,030,080</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>27,507,708</td>
<td>39,067,122</td>
</tr>
<tr>
<td>Water meters and connection supplies</td>
<td>1,243,885</td>
<td>12,204,478</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱103,597,262</td>
<td>₱111,301,680</td>
</tr>
</tbody>
</table>
8. Other Current Assets

This account consists of:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to contractors</td>
<td>₱398,405,369</td>
<td>₱479,429,832</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>130,665,205</td>
<td>94,884,854</td>
</tr>
<tr>
<td>Value-added input tax</td>
<td>77,162,833</td>
<td>45,820,806</td>
</tr>
<tr>
<td>Deposit in escrow</td>
<td>–</td>
<td>482,660,370</td>
</tr>
<tr>
<td>Others</td>
<td>14,439,684</td>
<td>11,275,867</td>
</tr>
<tr>
<td>Total</td>
<td>₱620,673,091</td>
<td>₱1,114,071,729</td>
</tr>
</tbody>
</table>

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

Prepaid expenses include prepayments for business taxes, insurance and employee health care expenses and other benefits.

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

Deposit in escrow represents the deposit made by the Parent Company to Suez Environnement for the acquisition of the 51% share in PT PAM Lyonnaise Jaya (PALLYJA), the water concessionaire for the West Zone of Jakarta, Indonesia. The share purchase agreement (SPA) between the Parent Company and Suez Environnement was entered into on October 18, 2012. The deposit made amounting to ₱482.66 million, representing a certain portion of the purchase price, was required and was held by an escrow agent to secure fulfillment of certain conditions precedent. In 2013, the Parent Company failed to obtain written consent from the Jakarta governor and Perusahaan Daerah Air Minum Daerah Khusus Ibukota Jakarta ("PAM Jaya"), the water concessionaire for the East Zone, for the controlling stake in PALLYJA. As a result, the deposit in escrow was refunded to the Parent Company in August 2013.

9. Property and Equipment

The rollforward analysis of this account follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land</th>
<th>Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>₱1,190,254,076</td>
<td>₱397,374,297</td>
<td>₱1,663,195,722</td>
<td>₱204,966,120</td>
<td>₱527,442,377</td>
<td>₱4,283,232,592</td>
</tr>
<tr>
<td>Additions</td>
<td>145,016,805</td>
<td>30,035,389</td>
<td>7,289,628</td>
<td>31,209,582</td>
<td>274,945,648</td>
<td>274,945,648</td>
</tr>
<tr>
<td>Transfer (Note 10)</td>
<td>(113,765)</td>
<td>(198,377,872)</td>
<td>–</td>
<td>(29,464)</td>
<td>(143,229)</td>
<td>(143,229)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(517,980)</td>
<td>(8,398,571)</td>
<td>–</td>
<td>(6,021,635)</td>
<td>(8,916,551)</td>
<td>(8,916,551)</td>
</tr>
<tr>
<td>Total</td>
<td>₱1,334,639,136</td>
<td>419,011,115</td>
<td>1,472,106,478</td>
<td>236,175,702</td>
<td>888,808,157</td>
<td>4,350,740,588</td>
</tr>
</tbody>
</table>

Accumulated Depreciation and Amortization

<table>
<thead>
<tr>
<th>Year</th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land</th>
<th>Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>₱991,417,340</td>
<td>₱299,442,260</td>
<td>–</td>
<td>162,861,246</td>
<td>511,763,657</td>
<td>1,965,484,503</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>183,182,680</td>
<td>32,788,404</td>
<td>–</td>
<td>21,628,107</td>
<td>144,926,463</td>
<td>352,525,654</td>
</tr>
<tr>
<td>Retirement</td>
<td>(6,320)</td>
<td>–</td>
<td>–</td>
<td>(2,531)</td>
<td>(8,851)</td>
<td>(8,851)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(504,504)</td>
<td>(5,517,131)</td>
<td>–</td>
<td>–</td>
<td>(6,021,635)</td>
<td>(6,021,635)</td>
</tr>
<tr>
<td>Total</td>
<td>1,174,089,196</td>
<td>326,713,533</td>
<td>–</td>
<td>184,489,353</td>
<td>626,687,589</td>
<td>2,311,979,671</td>
</tr>
</tbody>
</table>

Net Book Value at December 31

<table>
<thead>
<tr>
<th>Year</th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land</th>
<th>Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td>₱160,549,940</td>
<td>₱92,297,582</td>
<td>₱1,472,106,478</td>
<td>₱51,686,349</td>
<td>₱262,120,568</td>
<td>₱2,038,760,917</td>
</tr>
</tbody>
</table>
### 2012

<table>
<thead>
<tr>
<th>Cost</th>
<th>Office Furniture and Equipment</th>
<th>Transportation Equipment</th>
<th>Land</th>
<th>Leasehold Improvements</th>
<th>Plant and Technical Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>P=1,031,737,454</td>
<td>P=339,340,555</td>
<td>P=1,397,789,749</td>
<td>P=194,517,527</td>
<td>P=712,678,989</td>
<td>P=3,676,064,274</td>
</tr>
<tr>
<td>Additions</td>
<td>159,747,489</td>
<td>69,458,973</td>
<td>265,405,973</td>
<td>10,451,793</td>
<td>121,653,335</td>
<td>P=626,717,563</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>1,200,164</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,200,164)</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,431,031)</td>
<td>(11,425,231)</td>
<td>(3,200)</td>
<td>(5,689,783)</td>
<td>(19,549,245)</td>
<td>-</td>
</tr>
<tr>
<td>At December 31</td>
<td>1,190,254,076</td>
<td>397,374,297</td>
<td>1,663,195,722</td>
<td>204,966,120</td>
<td>827,442,377</td>
<td>P=4,283,232,592</td>
</tr>
</tbody>
</table>

#### Accumulated Depreciation and Amortization

| At January 1                | 795,587,117                  | 256,159,018              | -                        | 138,389,421            | 393,872,665                  | 1,584,006,221   |
| Depreciation and amortization| 196,585,607                  | 54,521,428               | -                        | 24,475,025             | 124,070,405                  | 399,652,465     |
| Reclassifications           | 1,663,264                    | -                        | -                        | -                      | (1,663,264)                 | -               |
| Disposals                   | (2,418,648)                  | (11,238,186)             | (3,200)                  | (4,516,149)            | (18,176,183)                | -               |
| At December 31              | 991,417,340                  | 290,442,260              | -                        | 162,861,246            | 511,763,657                  | P=1,965,484,503 |

#### Net Book Value at December 31

| P=198,836,736               | P=97,932,037                 | P=1,663,195,722          | P=42,104,874            | P=315,678,720            | P=2,317,748,089            |

As of December 31, 2013, land amounting to P=198.38 million was transferred into service concession assets since it pertains to rehabilitation works (Note 10).

As of December 31, 2013 and 2012, fully depreciated property and equipment that are still in use by the Group amounted to P=471.63 million and P=189.28 million, respectively.

### 10. Service Concession Assets and Obligations

#### A. Service concession assets

The movements in this account follow:

<table>
<thead>
<tr>
<th>Cost</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>P=63,972,074,319</td>
<td>P=56,993,553,161</td>
</tr>
<tr>
<td>Additions during the year (Note 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation works (Note 9)</td>
<td>5,071,257,510</td>
<td>5,877,838,288</td>
</tr>
<tr>
<td>Loan drawdowns</td>
<td>253,846,082</td>
<td>1,085,497,991</td>
</tr>
<tr>
<td>Local component cost</td>
<td>20,506,806</td>
<td>15,184,879</td>
</tr>
<tr>
<td>Acquired through business combination (Note 4)</td>
<td>625,000,000</td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>69,942,684,717</td>
<td>63,972,074,319</td>
</tr>
</tbody>
</table>

#### Accumulated Amortization

| Balance at beginning of year | 13,218,217,984                      | 11,297,795,264                     |
| Amortization                 | 2,142,237,338                       | 1,920,422,720                      |
| Balance at end of year       | 15,360,455,322                      | 13,218,217,984                     |

#### Net Book Value

| P=54,582,229,395              | P=50,753,856,335                     |

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, LAWC, BIWC and CWC, pursuant to the Group’s concession agreements and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements.

Total interest and other borrowing costs capitalized as part of the rehabilitation works amounted to P=299.48 million and P=343.92 million in 2013 and 2012, respectively. The capitalization rates used ranged from 4.16% to 7.06% in 2013 and 4.89% to 7.23% in 2012.

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=253.85 million and P=1,085.50 million in 2013 and 2012, respectively (see Note 1).
B. 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 30% of the annual concession fees is expensed in the period they are incurred. Advances as of December 31, 2013 and 2012 amounted to ₱149.57 million and ₱53.57 million, respectively.

BIWC Concession Fees
The aggregate concession fee pursuant to BIWC’s concession agreement with TIEZA 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 BIWC, inclusive of all applicable taxes which are for the account of BIWC;
c. Payment of annual operating budget of the TIEZA Regulatory Office starting 2010. For 2010 and 2011, the amount shall not exceed ₱15.00 million. For the year 2012 and beyond, BIWC shall pay not more than ₱20.00 million, subject to annual CPI adjustments.

In addition, advance payment of ₱60.00 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. Advance payment was fully utilized in 2012.

CDC Concession Fees
The aggregate concession fee pursuant to CWC’s concession agreement with CDC is equal to the sum of the following:

a. Annual franchise fee of ₱1.50 million;
b. Semi-annual rental fees of ₱2.80 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;

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>Year</th>
<th>In Original Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign Currency</td>
</tr>
<tr>
<td></td>
<td>Peso Loans/Project</td>
</tr>
<tr>
<td></td>
<td>Loans</td>
</tr>
<tr>
<td>2014</td>
<td>$9,537,211</td>
</tr>
<tr>
<td>2015</td>
<td>6,514,545</td>
</tr>
<tr>
<td>2016</td>
<td>8,866,507</td>
</tr>
<tr>
<td>2017</td>
<td>7,055,308</td>
</tr>
<tr>
<td>2018</td>
<td>7,262,061</td>
</tr>
<tr>
<td>2019 onwards</td>
<td>51,869,296</td>
</tr>
<tr>
<td></td>
<td>$91,104,928</td>
</tr>
</tbody>
</table>

*Peso equivalent is translated using the closing rate as of December 31, 2013 amounting to P =44.40 to US$1.

Estimated concession fee payments on future concession projects, excluding the Group’s share in current operating budget is still not determinable. It is only determinable upon loan drawdowns and actual construction of the related concession projects.

C. Concession financial receivable

On December 13, 2013, CMWD received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). In relation to this, CMWD and MCWD signed a 20-year Bulk Water Supply Contract for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years 2 up to 20. Initial delivery of water is expected to occur after six months from the signing of the Bulk Water Supply Contract.

Concession financial receivable is accounted for in accordance with IFRIC 12, arising from the bulk water contract between CMWD and MCWD whereby potable and treated water shall be delivered by CMWD at an aggregate volume of 18,000 cubic meters per day for the first year and 35,000 cubic meters per day for the succeeding years up to 20 years in the amount of P =24.59 per cubic meter or for the total amount of P =161.56 million.

The breakdown of the concession financial receivable is as follow:

<table>
<thead>
<tr>
<th></th>
<th>Péso</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>77,458,500</td>
<td></td>
</tr>
<tr>
<td>Noncurrent</td>
<td>603,905,224</td>
<td>681,363,724</td>
</tr>
</tbody>
</table>

*Estimated concession fee payments on future concession projects, excluding the Group’s share in current operating budget is still not determinable. It is only determinable upon loan drawdowns 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>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted investments -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Notes 28 and 29)</td>
<td>P103,300,716</td>
<td>P252,145,865</td>
</tr>
<tr>
<td>Debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>–</td>
<td>156,000,000</td>
</tr>
<tr>
<td>Unquoted investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>–</td>
<td>83,766,401</td>
</tr>
<tr>
<td>Equity - at cost</td>
<td>2,409,290</td>
<td>2,409,290</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>P105,710,006</strong></td>
<td><strong>P494,321,556</strong></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 6.25% to 8.25% in 2013 and 2.3% to 8.25% in 2012 with various maturity dates of up to five years.

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

Unquoted debt securities consist mainly of corporate commercial papers, corporate bonds and Tier 2 notes. These securities have a maturity of more than five years. In 2013, all the unquoted debt securities reached their maturities.

Unquoted investments in equities in 2013 and 2012 include unlisted preferred shares in a public utility company.

Changes in this account are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of year</td>
<td>P408,145,865</td>
<td>P949,306,957</td>
</tr>
<tr>
<td>Maturities during the</td>
<td>(301,343,004)</td>
<td>(566,664,313)</td>
</tr>
<tr>
<td>year</td>
<td>(3,502,145)</td>
<td>(8,287,636)</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(385,109,405)</td>
<td>(846,165,799)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of</td>
<td>P103,300,716</td>
<td>P408,145,865</td>
</tr>
<tr>
<td>year</td>
<td>P2,409,290</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>P105,710,006</strong></td>
<td><strong>P408,145,865</strong></td>
</tr>
</tbody>
</table>

The rollforward analysis of unrealized gain on AFS financial assets for 2013 and 2012 follow:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning</td>
<td>P21,868,661</td>
<td>P46,340,187</td>
</tr>
<tr>
<td>of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized fair value</td>
<td>(3,502,145)</td>
<td></td>
</tr>
<tr>
<td>loss recognized in</td>
<td></td>
<td>(6,537,179)</td>
</tr>
<tr>
<td>OCI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized fair value</td>
<td>(15,065,800)</td>
<td>(17,934,347)</td>
</tr>
<tr>
<td>gain transferred from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCI and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>recognized in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of</td>
<td>P3,300,716</td>
<td>P21,868,661</td>
</tr>
<tr>
<td>year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Translation adjustments pertain to the MWSAH’s 1% unquoted investment in TRILITTY Pty. Ltd. (TRILITTY) shares that were sold in 2012.
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. (JITF Manila Water) on March 18, 2011.

On August 30, 2011, the Parent Company sold its ownership interest in JITF Manila Water to JITF Water.

The share of the Group in the net loss of JITF Manila Water for the period January 1 to August 30, 2011 amounted to ₱7.86 million.

13. Investments in Associates

This account consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost</td>
<td>₱4,090,650,527</td>
<td>₱3,461,263,938</td>
</tr>
<tr>
<td>Accumulated equity in net earnings</td>
<td>293,975,032</td>
<td>206,762,409</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>323,581,306</td>
<td>(23,173,215)</td>
</tr>
<tr>
<td></td>
<td>₱4,708,206,865</td>
<td>₱3,644,853,132</td>
</tr>
</tbody>
</table>

Details of the Group’s investments in associates are shown below:

**Thu Duc Water B.O.O. Corporation**

On October 12, 2011, TDWH 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 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 (VND858.00 billion). The investments in associate account includes a notional goodwill amounting to ₱1.41 billion arising from the acquisition of shares of stock in TDW.

The financial information of TDW as of and for the years ended December 31, 2013 and 2012 follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>₱104,450,564</td>
<td>₱90,984,640</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>2,712,849,152</td>
<td>2,327,618,022</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>352,739,1456</td>
<td>280,546,851</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>800,601,789</td>
<td>865,495,727</td>
</tr>
<tr>
<td>Revenue</td>
<td>655,426,694</td>
<td>537,121,368</td>
</tr>
<tr>
<td>Net income</td>
<td>441,448,980</td>
<td>335,714,286</td>
</tr>
<tr>
<td>Dividend income</td>
<td>87,749,151</td>
<td>–</td>
</tr>
</tbody>
</table>

The conversion rates used was ₱0.0021 and ₱0.0020 to VND1 as of December 31, 2013 and 2012, respectively.

The share of the Group in the net income of TDW for the years ended December 31, 2013 and 2012 amounted to ₱216.31 million and ₱164.50 million, respectively.
**Kenh Dong Water Supply Joint Stock Company**

On May 17, 2012, the Parent Company thru KDWH entered into a Share Purchase Agreement (SPA) with CII for the purchase of 47.35% of CII’s interest in KDW. The payment for the shares will be done in two tranches, with additional contingent considerations subject to the fulfillment of certain conditions precedent for a total purchase price of P=1.66 billion.

As of December 31, 2012, considerations paid by MWCI for its investment in KDW amounted to P=1.57 billion (VND785.24 billion). Contingent consideration included in the purchase price allocation amounted to P=89.02 million (VND44.49 billion) (Note 18). The share purchase transaction was completed on July 20, 2012 warranting KDWH to have significant influence in KDW.

In 2013, KDW finalized its purchase price allocation which resulted in a final notional goodwill amounting to P=1.38 billion. The Group also recorded an income of P=62.90 million under the caption “Other income” in the Consolidated Statement of Comprehensive Income as indemnification for the damages resulting from the delay in the start of the bulk water operations of KDW.

The financial information of KDW as of and for the year ended December 31, 2013 follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>P=126,090,570</td>
<td>P=150,114,983</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>2,383,454,458</td>
<td>1,576,809,300</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>522,500,644</td>
<td>158,033,354</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>1,115,526,863</td>
<td>859,813,045</td>
</tr>
<tr>
<td>Revenue</td>
<td>150,828,564</td>
<td>153,435,835</td>
</tr>
<tr>
<td>Net income</td>
<td>161,879,620</td>
<td>89,259,421</td>
</tr>
</tbody>
</table>

The conversion rate used was P=0.0021 and P=0.0020 to VND1 as of December 31, 2013 and 2012, respectively.

The share of the Group in the net income of KDW for the years ended December 31, 2013 and 2012 amounted to P=76.65 million and P=42.26 million, respectively.

The Group’s share in net income from its investments in TDW and KDW resulted from concession arrangement with People’s Committee of Ho Chi Minh City (the Grantor). These concession arrangements are accounted under the Financial Asset model of IFRIC 12 as its associates have an unconditional contractual right to receive fixed and determinable amount of payment for its construction services at the direction of the Grantor.

**Saigon Water Infrastructure Corporation (Saigon Water)**

On October 8, 2013, the Parent Company thru MWSAH entered into an Investment Agreement for the acquisition of 31.47% stake in Saigon Water. The acquisition cost of the investment amounted to P=642.76 million (VND310.45 billion). The share subscription transaction was completed on October 8, 2013 warranting MWSAH to have significant influence in Saigon Water.

Included within investment in associate account is a notional goodwill amounting to P=288.84 million arising from the acquisition of shares of stock in Saigon Water by the group as of December 31, 2013.
The financial information of Saigon Water as of and for the year ended December 31, 2013 follows:

Current assets  1,107,766,503
Noncurrent assets  771,029,593
Current liabilities  113,505,825
Noncurrent liabilities  165,280,665
Revenue  74,697,010
Net income  3,241,118

The conversion rate used was 0.0021 to VND1 as of December 31, 2013.

The share of the Group in the consolidated net income of Saigon Water for the period October to December 31, 2013 amounted to 1,02 million.

The reconciliation of the net assets of the associates to the carrying amounts of the Investments in associates recognized in the consolidated financial statements is as follow:

<table>
<thead>
<tr>
<th></th>
<th>TDW</th>
<th>KDWH</th>
<th>Saigon Water</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets of</td>
<td>1,603,324,303</td>
<td>1,023,351,690</td>
<td>1,132,855,614</td>
<td>3,759,531,607</td>
</tr>
<tr>
<td>associate</td>
<td>49.00%</td>
<td>47.35%</td>
<td>31.47%</td>
<td></td>
</tr>
<tr>
<td>attributable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to common</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportionate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ownership in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the associate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in net</td>
<td>785,628,908</td>
<td>484,557,025</td>
<td>356,509,662</td>
<td>1,626,695,595</td>
</tr>
<tr>
<td>identifiable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notional</td>
<td>1,413,891,653</td>
<td>1,378,777,432</td>
<td>288,842,185</td>
<td>3,081,511,270</td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>2,199,520,561</td>
<td>1,863,334,457</td>
<td>645,351,847</td>
<td>4,708,206,865</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>TDW</th>
<th>KDWH</th>
<th>Saigon Water</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets of</td>
<td>1,052,299,842</td>
<td>710,785,901</td>
<td>1,763,085,743</td>
<td></td>
</tr>
<tr>
<td>associate</td>
<td>49.00%</td>
<td>47.35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>attributable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to common</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportionate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ownership in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the associate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in net</td>
<td>515,626,923</td>
<td>336,557,124</td>
<td>852,184,047</td>
<td></td>
</tr>
<tr>
<td>identifiable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notional</td>
<td>1,413,891,653</td>
<td>1,378,777,432</td>
<td>2,792,669,085</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1,928,518,576</td>
<td>1,715,334,556</td>
<td>3,644,853,132</td>
<td></td>
</tr>
</tbody>
</table>

14. Other Noncurrent Assets

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable from BWC - net of current portion (Note 6)</td>
<td>431,380,407</td>
<td>473,731,149</td>
</tr>
<tr>
<td>Deposits</td>
<td>181,006,265</td>
<td>128,365,246</td>
</tr>
<tr>
<td>Receivable from Ayala Multi-Purpose Cooperative (AMPC) (Note 23)</td>
<td>66,072,709</td>
<td>50,672,193</td>
</tr>
<tr>
<td>Deferred FCDA (Note 18)</td>
<td>55,407,245</td>
<td>–</td>
</tr>
<tr>
<td>Advances to Carmen Development Fund</td>
<td>35,000,000</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>28,381,601</td>
<td>50,501,993</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>797,248,227</strong></td>
<td><strong>738,270,581</strong></td>
</tr>
</tbody>
</table>

Deposits pertain to Group’s advance payments for the guarantee deposits in Manila Electric Company (MERALCO) for the electric connection, its related deferred charges, deposits to Department of Environment and Natural Resources (DENR), deposits for land acquisitions and right of way and water banking rights.
CMWD entered into a 30-year Right of Way Agreement with certain individuals for an easement of right of way of a portion of their lands wherein the pipelines and other appurtenances between the weir and water treatment plant of CMWD will pass through. For the water banking rights, the National Water Resources Board (NWRB) approved the assignment of Water Permit No. 16241 from Central Equity Ventures Inc. (now Stateland Inc.) to MW Consortium. The NWRB likewise approved the change of the purpose of Water Permit No. 16241 from Domestic to Municipal. It is the intention of MW Consortium to allow CMWD to use the said water permit for its project.

Receivable from AMPC pertains to the term loan and credit line facility agreement as discussed in Note 23.

Deferred FCDA refers to the unrecovered amounts from (amounts for refund to) customers for realized losses (gains) 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.

Advances to Carmen Development Fund pertain to the advance payment for the permit to extract water at Carmen property in Cebu.

15. **Accounts and Other Payables**

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade payables</strong></td>
<td>₱2,635,741,552</td>
<td>₱3,164,771,335</td>
</tr>
<tr>
<td><strong>Accrued expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>300,974,081</td>
<td>207,813,346</td>
</tr>
<tr>
<td>Management and professional fees</td>
<td>227,850,213</td>
<td>69,061,381</td>
</tr>
<tr>
<td>Utilities</td>
<td>146,159,674</td>
<td>72,232,680</td>
</tr>
<tr>
<td>Collection fees</td>
<td>144,045,180</td>
<td>46,578,150</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>65,533,933</td>
<td>57,019,386</td>
</tr>
<tr>
<td>Wastewater costs</td>
<td>29,740,325</td>
<td>37,869,222</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>21,058,936</td>
<td>21,227,891</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>70,353,048</td>
<td>256,809,036</td>
</tr>
<tr>
<td>Interest payable</td>
<td>333,188,939</td>
<td>305,754,632</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>216,144,886</td>
<td>–</td>
</tr>
<tr>
<td>Advances from SAWACO</td>
<td>719,292</td>
<td>719,292</td>
</tr>
<tr>
<td>Others</td>
<td>31,258,708</td>
<td>59,233,093</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱4,222,768,767</td>
<td>₱4,299,089,444</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 pertain to the advance payments 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 pertains to the accrual of expenses which requires the Group to pay the contractor upon project completion. Contracts payable are due and demandable and are normally settled within one year.

Other accrued expenses include accruals for advertising, insurance, transportation and travel, postage, telephone and supplies and other expenses.
16. Long-term Debt

This account consists of:

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Dollar (USD) loans</td>
<td></td>
</tr>
<tr>
<td>NEXI Loan</td>
<td>5,564,435,364</td>
</tr>
<tr>
<td>EIB loan</td>
<td>579,093,075</td>
</tr>
<tr>
<td>Second IFC loan</td>
<td>434,376,522</td>
</tr>
<tr>
<td>Japanese Yen (JPY) loans</td>
<td></td>
</tr>
<tr>
<td>LBP loan</td>
<td>1,213,261,962</td>
</tr>
<tr>
<td>EIB loan</td>
<td>1,031,618,857</td>
</tr>
<tr>
<td>First IFC loan</td>
<td>538,946,233</td>
</tr>
<tr>
<td>Philippine Peso (PHP) loans</td>
<td></td>
</tr>
<tr>
<td>₱10.00 billion notes</td>
<td>9,856,603,757</td>
</tr>
<tr>
<td>₱5.00 billion loan</td>
<td>4,970,576,622</td>
</tr>
<tr>
<td>₱2.00 billion loan</td>
<td></td>
</tr>
<tr>
<td>₱1.50 billion loan</td>
<td></td>
</tr>
<tr>
<td>₱0.541 billion CMWD loan</td>
<td>537,080,860</td>
</tr>
<tr>
<td>₱0.50 billion LAWC loan - 1st</td>
<td>462,097,197</td>
</tr>
<tr>
<td>₱0.50 billion LAWC loan - 2nd</td>
<td>496,296,733</td>
</tr>
<tr>
<td>₱0.50 billion BWIC loan - 1st</td>
<td>494,455,297</td>
</tr>
<tr>
<td>₱0.50 billion BWIC loan - 2nd</td>
<td>72,836,625</td>
</tr>
<tr>
<td></td>
<td>26,251,679,104</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(1,890,774,750)</td>
</tr>
<tr>
<td></td>
<td><strong>24,360,904,354</strong></td>
</tr>
</tbody>
</table>

Unamortized debt discounts and issuance of the Group’s long-term debt as of December 31, 2013 and 2012 follow:

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD loans</td>
<td>₱275,573,164</td>
</tr>
<tr>
<td>Yen loans</td>
<td>62,767,243</td>
</tr>
<tr>
<td>Peso loans</td>
<td>88,897,927</td>
</tr>
<tr>
<td></td>
<td>₱427,238,334</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>₱511,397,882</td>
</tr>
<tr>
<td>Additions</td>
<td>50,007,715</td>
</tr>
<tr>
<td>Amortization (Note 19)</td>
<td>(134,167,263)</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>₱427,238,334</td>
</tr>
</tbody>
</table>

Parent Company

NEXI Loan
On October 21, 2010, the Parent Company entered into a term loan agreement (NEXI Loan) amounting to US$150.00 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, second and third drawdowns of the loan amounted to US$84.00 million, US$30.00 million and US$36.00 million, respectively. The carrying value of the loan as of December 31, 2013 and 2012 amounted to US$125.34 million and US$142.40 million, respectively.
EIB Loan
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€60.00 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€40.00 million to be disbursed in US Dollars and Japanese Yen payable via semi-annual installments after the 2 1/2 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€20.00 million to be disbursed in Japanese Yen payable via semi-annual installments after the 2 1/2 grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.

On May 21, 2012, the Sub-Credit A Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. Two of the original guarantors, ING Bank and Sumitomo Mitsui Banking Corporation, agreed to extend the guarantee by another five years towards the maturity of the loan.

On July 30, 2013, the Sub-Credit B Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. The original guarantor, ING Bank, agreed to extend the guarantee by another five years towards the maturity of the loan.


IFC Loan
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 JPY3,591.60 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, 2013 and 2012, the carrying value of the loan amounted to JPY1,271.40 million and JPY1,549.07 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 made a full drawdown on the said facility. As of December 31, 2013 and 2012, outstanding balance of the Second IFC loan amounted to US$9.78 million and US$13.60 million, respectively.

On July 31, 2013, the Parent Company entered into a loan agreement with IFC (the “Fourth Omnibus Agreement”) in the amount of up to $100.00 million for financing the Projects in accordance with the provisions of the Agreement. The loan has a term of 18 years, payable in semi-annual installments after the grace period. As of December 31, 2013, no drawdown has been made from the facility.
**LBP Loan**

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 JPY6.59 billion payable via semi-annual installments after the 5-year grace period. The Parent Company made its last drawdown on October 26, 2012.

The total drawn amount for the loan is JPY3.99 billion. As of December 31, 2013 and 2012, the outstanding balance of the LBP loan amounted to JPY2,862.14 million and JPY3,195.79 million, respectively.

On September 25, 2012, the Parent Company entered into a Subsidiary Loan Agreement with Land Bank of the Philippines under the Metro Manila Wastewater Management Project (MWMP) with the World Bank. The MWMP aims to improve wastewater services in Metro Manila through increased wastewater collection and treatment. The loan has a term of twenty-five (25) years, and was made available in US Dollars in the aggregated principal amount of US$137.5 million via semi-annual installments after the seven-year grace period. As of December 31, 2013, the Parent Company has not made any drawdown from this facility.

**Fixed Rate Corporate Notes**

On April 8, 2011, the Parent Company issued P=10.00 billion notes (“Fixed Rate Corporate Notes”) P=5.00 billion having a term of 5 years (“Five-Year FXCN Note”) from the issue date and the other P=5.00 billion with a term of 10 years (“Ten-Year FXCN Note”) from the issue date which is both payable quarterly. The Parent Company may repay the whole and not a part only of the FXCN Notes on the 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 102% of the principal amount being prepaid and accrued interest on the prepayment date. The carrying value of the fixed rate corporate notes as of December 31, 2013 and 2012 amounted to P=9.86 billion and P=9.89 billion, respectively.

**P5.00 billion Loan**

On August 16, 2013, the Company entered into a Credit Facility Agreement (the "P5.00 billion loan") with Metropolitan Bank and Trust Company (Metrobank) having a fixed nominal rate of 4.42% and with a term of 7 years from the issue date which is payable annually. The Company may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter.

The amount payable in respect to such prepayment shall be calculated as 102% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 3rd anniversary but before the 4th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 4th anniversary but before the 5th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 5th anniversary but before the 6th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 100.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 6th anniversary but before the 7th anniversary of the drawdown date. The carrying value of the notes as of December 31, 2013 amounted to P=5.00 billion.
**P2.00 billion Loan**

On August 22, 2006, the Parent Company entered into a Credit Facility Agreement (the "P2.00 billion Loan") with 5 banks and 4 financial institutions to finance the capital expenditures of the Parent Company pursuant to the Agreement. This 7-year term loan with an aggregate principal amount of P2.00 billion consists of the following:

- **Tranche 1:** 7-year term loan amounting to P1.50 billion (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of P10.00 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 5th year, amounting to P500.00 million (the Tranche 2 Loan). Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their put option; if the put option is not exercised, the loan will be subject to a yearly amortization of P10.00 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 P2.00 billion loan from a financial institution amounting to P600.00 million. The loan was settled in full in 2013. As of December 31, 2012, the carrying value for this loan amounted to P1.37 billion.

**P1.50 billion Loan**

On October 9, 2006, the Parent Company entered into a Credit Facility Agreement (the "P1.50 billion Loan") with 3 banks and a financial institution to finance the capital expenditures of the Parent Company pursuant to the Agreement. This 7-year term loan with an aggregate principal amount of P1.50 billion consists of the following:

- **Tranche 1:** 7-year term loan amounting to P950.00 million (the Tranche 1 Loan). Such loan shall be subject to a yearly amortization of 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 5th year, amounting to P550.00 million (the Tranche 2 Loan). Such loan shall be subject to a bullet repayment at the end of the 5th year if the lenders exercise their put option. If the put option is not exercised, the loan will be subject to a yearly amortization of 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 P1.50 billion loan from a financial institution amounting to P400.00 million. The loan was settled in full in 2013. As of December 31, 2012, the carrying value for this loan amounted to P1.072 billion.

**P4.00 billion Bonds**

On October 22, 2008, the Parent Company issued P4.00 billion bonds ("the P4.00 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 12th 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’s BOD approved the early redemption of its P4.00 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 (PDEdX) was terminated. The difference between the carrying value of the bond and the payment amounted to P6.15 million.
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 are considered Concessionaire Lenders and are on pari passu status with one another.

**CMWD**

On December 19, 2013, the CMWD entered into an omnibus loan and security agreement (the Agreement) with Development Bank of the Philippines (DBP) to partially finance the construction works in relation to its bulk water supply project in Cebu, Philippines. The lender has agreed to extend a loan facility in the aggregate principal amount of ₱800 million or up to 70% of the total project cost, whichever is lower.

On December 20, 2013, CMWD made its first drawdown amounting to ₱541.13 million. The carrying value of the loan as of December 31, 2013 amounted to ₱537.08 million.

**LAWC**

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 ₱500.00 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. The first and second drawdowns from the loan were made in November 2010 and July 2011 amounting to ₱250.00 million each. The carrying value of this loan amounted to ₱462.10 million and ₱496.43 million as of December 31, 2013 and 2012, respectively.

On April 29, 2013, the Company entered into a loan agreement with Development Bank of the Philippines (DBP) to partially finance the modernization and expansion of the water network system and water supply facilities in Binan, Sta. Rosa and Cabuyao, Laguna. Under the agreement, the lender has agreed to provide a loan to the borrower through the Philippine Water Revolving Fund (PWRF) in the aggregate principal amount of up to ₱500.00 million bearing an effective interest rate of 7.25%. The first and second drawdowns were made in July 2013 and
December 2013 which amounted to ₱250.00 million each. The carrying value of this loan as of December 31, 2013 amounted to ₱496.30 million.

**BIWC**

On July 29, 2011, BIWC entered into an omnibus loan and security agreement (the Agreement) with the 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 its service area under its concession agreement with TIEZA, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of ₱500.00 million and is payable in 20 years inclusive of a 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

The first loan drawdown made on August 25, 2011 amounted to ₱150.00 million, second drawdown on August 25, 2012 amounted ₱155.00 million and final drawdown on August 23, 2013 amounted to ₱195.00 million. The carrying value of the loan as of December 31, 2013 and 2012 amounted to ₱494.46 million and ₱302.51 million, respectively.

The Agreement provided BIWC the option to borrow additional loans from the lenders. On November 14, 2012, BIWC entered into the second omnibus loan and security agreement with DBP and SBC. The agreed aggregate principal of the loan amounted to ₱500.00 million which is available in three sub-tranches:

- **Sub-tranche 2A**, the loan in the amount of ₱250.00 million to be provided by DBP and funded through Philippine Water Revolving Fund (PWRF)
- **Sub-tranche 2B**, the loan in the amount of ₱125.00 million to be provided by SBC and funded through PWRF
- **Sub-tranche 2C**, the loan in the amount of ₱125.00 million to be provided by SBC and funded through BIWC’s internally-generated funds.

On November 23, 2012, BIWC made its first loan drawdown amounting to ₱75.00 million. The carrying value of the loan as of December 31, 2013 and 2012 amounted to ₱72.84 million and ₱74.42 million, respectively.

**Compliance with loan covenants**

All these loan agreements provide for certain covenants which must be complied by the Parent Company, LAWC, BIWC and CMWD, which include compliance with certain financial ratios such as the debt-to-equity and debt-service-coverage ratios. As of December 31, 2013 and 2012, the Parent Company, LAWC, BIWC and CMWD were in compliance with all the loan covenants required by the creditors.

### 17. Retirement Plan

The Parent Company 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 as of the last year of employment. The latest actuarial valuation was made on December 31, 2013.
Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding for the plan.

The plan is covered by a retirement fund administered by trustee banks, which are under the supervision of the Retirement and Welfare Plan Committee. The Committee, which is composed of six (6) members appointed by the Board of Directors of the Group, defines the investment strategy of the fund and regularly reviews the strategy based on market developments and changes in the plan structure. When defining the investment strategy, it takes into account the plan’s objectives, benefit obligations and risk capacity. The Committee reviews, on a quarterly basis, the performance of the funds managed by trustee banks.
Changes in net defined benefit liability of funded funds are as follows:

### 2013

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Net benefit cost in consolidated statement of income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>Return on plan assets (excluding amount included in net interest)</td>
<td>Actuarial changes arising from changes in demographic assumptions</td>
</tr>
<tr>
<td>Net interest</td>
<td>Subtotal</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>432,024,300</td>
<td>57,195,900</td>
</tr>
<tr>
<td>(251,366,000)</td>
<td>–</td>
<td>(14,233,200)</td>
</tr>
<tr>
<td>2012</td>
<td>655,671,400</td>
<td>34,618,196</td>
</tr>
<tr>
<td>(232,267,400)</td>
<td>–</td>
<td>(16,813,900)</td>
</tr>
</tbody>
</table>

### 2012

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Net benefit cost in consolidated statement of income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>Return on plan assets (excluding amount included in net interest)</td>
<td>Actuarial changes arising from changes in demographic assumptions</td>
</tr>
<tr>
<td>Net interest</td>
<td>Subtotal</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>388,117,210</td>
<td>54,472,080</td>
</tr>
<tr>
<td>(230,854,600)</td>
<td>–</td>
<td>(18,946,000)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Net benefit cost in consolidated statement of income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>Return on plan assets (excluding amount included in net interest)</td>
<td>Actuarial changes arising from changes in demographic assumptions</td>
</tr>
<tr>
<td>Net interest</td>
<td>Subtotal</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>598,971,810</td>
<td>54,472,080</td>
</tr>
<tr>
<td>(230,854,600)</td>
<td>–</td>
<td>(18,946,000)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>Net benefit cost in consolidated statement of income</th>
<th>Remeasurements in other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>Return on plan assets (excluding amount included in net interest)</td>
<td>Actuarial changes arising from changes in demographic assumptions</td>
</tr>
<tr>
<td>Net interest</td>
<td>Subtotal</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>538,196,910</td>
<td>54,472,080</td>
</tr>
<tr>
<td>(230,854,600)</td>
<td>–</td>
<td>(18,946,000)</td>
</tr>
</tbody>
</table>
The fair value of net plan assets by each class is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2013</th>
<th>31 December 2012</th>
<th>January 1 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>180,649,297</td>
<td>759,890</td>
<td>15,351,421</td>
</tr>
<tr>
<td>Debt investments</td>
<td>158,818,454</td>
<td>205,702,580</td>
<td>175,943,023</td>
</tr>
<tr>
<td>Equity investments</td>
<td>63,127,421</td>
<td>45,432,476</td>
<td>41,829,256</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,256,680</td>
<td>1,872,062</td>
<td>737,694</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>403,851,852</td>
<td>253,767,008</td>
<td>233,861,394</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued trust fees</td>
<td>395,777</td>
<td>602,882</td>
<td>421,783</td>
</tr>
<tr>
<td>Unamortized tax on premium</td>
<td>1,211,175</td>
<td>1,669,196</td>
<td>—</td>
</tr>
<tr>
<td>Provision for probable losses</td>
<td>10,000</td>
<td>128,930</td>
<td>1,172,211</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,616,952</td>
<td>2,401,008</td>
<td>1,593,994</td>
</tr>
<tr>
<td><strong>Fair value of plan assets</strong></td>
<td>402,234,900</td>
<td>251,366,000</td>
<td>232,267,400</td>
</tr>
</tbody>
</table>

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in active markets.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and other post-employment medical benefits, as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuations involve making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

```
<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate</td>
<td>5.25%</td>
<td>6.50%</td>
<td>7.25%</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>7.00%</td>
<td>7.00%</td>
<td>8.00%</td>
</tr>
</tbody>
</table>
```

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

```
<table>
<thead>
<tr>
<th></th>
<th>Increase</th>
<th>Effect on defined benefit obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate</td>
<td>(1.00%)</td>
<td>(P31,952,686)</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>(1.00%)</td>
<td>37,909,967</td>
</tr>
<tr>
<td></td>
<td>(1.00%)</td>
<td>(P36,790,720)</td>
</tr>
<tr>
<td></td>
<td>(1.00%)</td>
<td>(31,699,953)</td>
</tr>
</tbody>
</table>
```
Shown below is the maturity analysis of the undiscounted benefit payments:

<table>
<thead>
<tr>
<th>Expected benefit payments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>₱30,835,800</td>
</tr>
<tr>
<td>More than 1 year to 5 years</td>
<td>262,129,000</td>
</tr>
<tr>
<td>More than 5 years to 10 years</td>
<td>609,793,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱892,758,000</strong></td>
</tr>
</tbody>
</table>

The average duration of the defined benefit obligation at the end of the reporting period is 22.80 years and 21.08 years as of December 31, 2013 and 2012, respectively.

The asset allocation of the plan is set and reviewed from time to time by the Committee taking into account the membership profile and the liquidity requirements of the Plan. This also considers the expected benefit cash flows to be matched with asset durations.

Contributions to the plan are recommended by the Committee and approved by the Company, in consideration of the contribution advice from the actuary. The Parent Company expects to contribute ₱90.58 million to the defined benefit pension plan in 2014 based on the latest actuarial valuation report.

**Manpower restructuring program**

The Parent Company implemented an early retirement program on September 1, 2012. More than 400 employees, verified by a consultant to be holding redundant, excess or non-core positions were covered by the involuntary retirement program. The program included employees who were ill and were no longer capable of productive employment. The retirement program aimed to restructure the organization to address the growing and changing customer and business needs. As a result, the Parent Company paid ₱611.90 million to its employees that were separated.

18. **Other Noncurrent Liabilities**

Other noncurrent liabilities consist of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers’ guaranty deposits and other deposits (Note 28)</td>
<td>₱550,678,621</td>
<td>₱1,090,569,346</td>
</tr>
<tr>
<td>Deferred credits</td>
<td>338,857,711</td>
<td>306,066,398</td>
</tr>
<tr>
<td>Contingent consideration (Note 13)</td>
<td>93,835,323</td>
<td>90,218,108</td>
</tr>
<tr>
<td>Deferred FCDA (Note 14)</td>
<td>–</td>
<td>544,440,798</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱983,371,655</strong></td>
<td><strong>₽2,031,294,650</strong></td>
</tr>
</tbody>
</table>

Customers’ guaranty deposits and other deposits pertain to the deposits paid by the Group’s customers for the set-up of new connections which will be refunded to the customers upon termination of the customers’ water service connections or at the end of the concession, whichever comes first, amounting to ₱0.55 billion and ₱1.09 billion as of December 31, 2013 and 2012, respectively.
The Group recognized income arising from liquidation of advanced service connection costs amounting to ₱609.47 million and ₱102.27 million in 2013 and 2012, respectively.

Deferred credits pertain to the unamortized discounts of the customers’ guaranty deposits. The rollforward analysis of the deferred credits follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱306,066,398</td>
<td>₱293,489,539</td>
</tr>
<tr>
<td>Additions</td>
<td>38,958,989</td>
<td>17,677,172</td>
</tr>
<tr>
<td>Amortization (Note 19)</td>
<td>(6,167,676)</td>
<td>(5,100,313)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱338,857,711</td>
<td>₱306,066,398</td>
</tr>
</tbody>
</table>

Contingent consideration is included in the purchase price of KDW (see Note 13).

Deferred FCDA refers to the unrecovered amounts from (amounts for refund to) customers for realized losses (gains) 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.

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

Operating expenses consist of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and employee benefits</td>
<td>₱298,139,404</td>
<td>₱266,678,043</td>
<td>₱295,928,126</td>
</tr>
<tr>
<td>(Notes 17, 21 and 23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for probable losses (Notes 6 and 31)</td>
<td>171,294,230</td>
<td>84,761,395</td>
<td>90,807,943</td>
</tr>
<tr>
<td>Management, technical and professional fees (Note 23)</td>
<td>170,462,704</td>
<td>138,963,351</td>
<td>90,811,865</td>
</tr>
<tr>
<td>Business meetings and representation</td>
<td>131,402,042</td>
<td>165,609,806</td>
<td>118,483,156</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>110,682,255</td>
<td>130,263,755</td>
<td>80,192,971</td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 9 and 10)</td>
<td>109,826,798</td>
<td>180,191,425</td>
<td>89,236,996</td>
</tr>
<tr>
<td>Cost of inventory sold</td>
<td>75,173,746</td>
<td>44,244,890</td>
<td>31,693,954</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>39,969,853</td>
<td>62,163,824</td>
<td>20,262,760</td>
</tr>
<tr>
<td>Reversal of prepaid transaction costs</td>
<td>33,053,221</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Postage, telephone and supplies</td>
<td>26,928,190</td>
<td>21,162,957</td>
<td>22,230,052</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>26,051,134</td>
<td>37,740,881</td>
<td>30,225,552</td>
</tr>
<tr>
<td>Occupancy costs (Note 26)</td>
<td>22,451,751</td>
<td>33,486,080</td>
<td>31,741,284</td>
</tr>
<tr>
<td>Advertising</td>
<td>19,700,378</td>
<td>17,139,772</td>
<td>25,493,985</td>
</tr>
<tr>
<td>Cost of new market development</td>
<td>7,717,258</td>
<td>1,964,988</td>
<td>–</td>
</tr>
<tr>
<td>Premium on performance bond (Note 30)</td>
<td>6,568,035</td>
<td>5,568,562</td>
<td>7,862,954</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>3,234,791</td>
<td>67,107,236</td>
<td>30,002,684</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,058,258</td>
<td>5,071,693</td>
<td>1,696,764</td>
</tr>
<tr>
<td>Other expenses</td>
<td>19,825,544</td>
<td>30,376,018</td>
<td>3,396,138</td>
</tr>
<tr>
<td></td>
<td>₱1,275,539,592</td>
<td>₱1,292,494,676</td>
<td>₱970,067,184</td>
</tr>
</tbody>
</table>
Interest income consists of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents and short-term cash investments</td>
<td>₱99,632,252</td>
<td>₱191,691,701</td>
<td>₱457,786,914</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>28,177,467</td>
<td>29,012,161</td>
<td>105,186,751</td>
</tr>
<tr>
<td>Amortization of discount on receivable from BWC</td>
<td>₱44,629,842</td>
<td>43,044,776</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>385,871</td>
<td>769,577</td>
<td>614,772</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽172,825,432</strong></td>
<td><strong>₽264,518,215</strong></td>
<td><strong>₽563,588,437</strong></td>
</tr>
</tbody>
</table>

Interest expense consists of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of service concession obligations and deposits</td>
<td>₱613,142,324</td>
<td>₱418,361,612</td>
<td>₱345,978,129</td>
</tr>
<tr>
<td>Long-term debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coupon interest</td>
<td>967,841,819</td>
<td>998,078,492</td>
<td>1,157,054,270</td>
</tr>
<tr>
<td>Amortization of debt discount, issuance costs and premium (Note 16)</td>
<td>134,167,263</td>
<td>122,545,450</td>
<td>125,725,783</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>18,249,100</td>
<td>24,971,900</td>
<td>23,794,120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽1,733,400,506</strong></td>
<td><strong>₽1,563,957,454</strong></td>
<td><strong>₽1,652,552,302</strong></td>
</tr>
</tbody>
</table>

Other operating income includes the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized income from liquidation of service connection costs (Note 18)</td>
<td>₱609,473,171</td>
<td>₱102,266,606</td>
<td>–</td>
</tr>
<tr>
<td>Water and service connections</td>
<td>274,736,513</td>
<td>35,233,082</td>
<td>–</td>
</tr>
<tr>
<td>Sale of inventories</td>
<td>82,666,483</td>
<td>47,557,101</td>
<td>38,127,509</td>
</tr>
<tr>
<td>Reopening fee</td>
<td>66,607,107</td>
<td>35,376,502</td>
<td>33,722,406</td>
</tr>
<tr>
<td>Septic sludge disposal and bacteriological water analysis</td>
<td>13,235,506</td>
<td>12,053,006</td>
<td>11,359,461</td>
</tr>
<tr>
<td>Sale of scrap materials</td>
<td>4,076,150</td>
<td>3,205,945</td>
<td>15,900,122</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>57,244,083</td>
<td>28,614,593</td>
<td>35,075,920</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽1,108,039,013</strong></td>
<td><strong>₽264,308,289</strong></td>
<td><strong>₽134,185,418</strong></td>
</tr>
</tbody>
</table>

Miscellaneous income includes income from rental of equipment, consultancy services, sale of signages and liquidated damages.

20. Income Tax

Provision for income tax consists of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>₱1,802,808,076</td>
<td>₱1,665,064,048</td>
<td>₱1,305,801,717</td>
</tr>
<tr>
<td>Deferred</td>
<td>8,764,498</td>
<td>(70,010,659)</td>
<td>(348,417,130)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₽1,811,572,574</strong></td>
<td><strong>₽1,595,053,389</strong></td>
<td><strong>₽957,384,587</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>2013</th>
<th>2012</th>
<th>2011</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>(0.44)</td>
<td>(0.96)</td>
<td>(3.24)</td>
</tr>
<tr>
<td>Nondeductible expense</td>
<td>0.63</td>
<td>0.61</td>
<td>0.39</td>
</tr>
<tr>
<td>Income exempt from tax</td>
<td>0.10</td>
<td>(1.42)</td>
<td>(0.52)</td>
</tr>
<tr>
<td>Excess of 40% OSD against allowable deductions</td>
<td>(10.71)</td>
<td>(5.87)</td>
<td>(5.17)</td>
</tr>
<tr>
<td>Change in unrecognized deferred tax</td>
<td>5.76</td>
<td>(0.64)</td>
<td>(3.31)</td>
</tr>
<tr>
<td>Others - net</td>
<td>(1.48)</td>
<td>0.75</td>
<td>0.13</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td><strong>23.86%</strong></td>
<td><strong>22.47%</strong></td>
<td><strong>18.28%</strong></td>
</tr>
</tbody>
</table>

The deferred tax assets of the Group pertain to the deferred income tax effects of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service concession obligations - net</td>
<td>₱814,268,740</td>
<td>₱814,327,286</td>
<td>₱750,777,156</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (Note 6)</td>
<td>6,230,883</td>
<td>14,747,613</td>
<td>8,577,190</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>₱820,499,623</td>
<td>829,074,899</td>
<td>759,348,754</td>
</tr>
<tr>
<td>Pension liabilities (Note 17)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit and loss</td>
<td>492,192</td>
<td>631,664</td>
<td>402,308</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>748,530</td>
<td>456,537</td>
<td>358,407</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>₱821,740,345</td>
<td>₱830,163,100</td>
<td>₱760,109,469</td>
</tr>
</tbody>
</table>

The components of the deferred tax liabilities of the Group represent the deferred income tax effects of the following:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent expense differential</td>
<td>₱655,933</td>
<td>₱619,616</td>
</tr>
<tr>
<td>Accrued pension liability</td>
<td>431,247</td>
<td>318,330</td>
</tr>
<tr>
<td>Amortization expense differential</td>
<td>(1,245,266)</td>
<td>(1,151,191)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>₱158,086</td>
<td>₱213,245</td>
</tr>
</tbody>
</table>

**Parent Company**

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 was applied by the Parent Company and for the years ended December 31, 2013, 2012 and 2011.

The Parent Company secured income tax holiday (ITH) benefit for the Antipolo Water Supply Project in 2011 and East La Mesa Water Treatment Plant Project in 2012. These projects have been registered with the Board of Investments (BOI).

The tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes on the net service concession obligation 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 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, 2013 and 2012 follow:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts (Note 6)</td>
<td>₱592,716,882</td>
<td>₱578,619,513</td>
</tr>
<tr>
<td>Pension liabilities (Note 17)</td>
<td>361,047,300</td>
<td>234,379,954</td>
</tr>
<tr>
<td>Unamortized discount on receivable from BWC</td>
<td>202,306,668</td>
<td>192,091,325</td>
</tr>
<tr>
<td>Unamortized debt discounts and issuance costs of long-term debt (Note 16)</td>
<td>(411,160,016)</td>
<td>(511,259,710)</td>
</tr>
<tr>
<td></td>
<td>₱744,910,834</td>
<td>₱493,831,082</td>
</tr>
</tbody>
</table>

The net reduction in deferred tax assets from applying the 18% tax rate to the recognized deferred taxes on net service obligation, 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 ₱493.25 million and ₱438.60 million as of December 31, 2013 and 2012, 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, MWIS and MWTS, have NOLCO amounting to ₱15.78 million and ₱22.97 million as of December 31, 2013 and 2012, respectively, that are available for offset against future taxable income, for which no deferred tax assets have been recognized. As of December 31, 2013 and 2012, the unrecognized deferred tax assets on NOLCO amounted to ₱4.73 million and ₱6.89 million, respectively.

**CWC**

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.

**BIWC**

On January 25, 2011, BIWC filed an application for registration with the BOI under Executive Order (EO) No. 226, as amended, as a new operator of water supply and distribution for the Boracay Island on a non-pioneer status. The application was ratified on February 9, 2011.

On June 17, 2011, BIWC’s application was registered with the BOI under Book 1 of EO 226. The ITH is for four (4) years from June 2011 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. The ITH entitlement shall be limited to the water sales schedule reflected in specific terms and condition of the registration. Further, the ITH entitlement for the wastewater or sewerage services shall be limited only to 10% of the total revenue derived from its water supply.

**LAWC**

LAWC is registered with the BOI under the Omnibus Investment Code of 1987. The registration entitles the Company to an ITH for four years until 2010. In 2011, LAWC applied for a one year extension of the ITH incentive which was approved by BOI on January 19, 2012.

In 2013, LAWC availed of the OSD and the tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes of LAWC.

**Other subsidiaries**

All other domestic subsidiaries are subject to Regular Corporate Income Tax of 30% while foreign subsidiaries are subject to tax rates applicable in their respective countries.
NOLCO
The movements of the Group’s NOLCO as of December 31, 2013, which are available for offset against future taxable income for the three succeeding years and for which no deferred tax asset have been recognized 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>2010</td>
<td>₱7,218,777</td>
<td>₱7,218,777</td>
<td>₱–</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>2012</td>
<td>11,564,673</td>
<td>–</td>
<td>11,564,673</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>₱23,001,079</td>
<td>₱7,218,777</td>
<td>₱15,782,302</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>2013</td>
<td>3,100,000,000</td>
<td>2012</td>
<td>4,000,000,000</td>
</tr>
<tr>
<td>Common stock - ₱1 per share</td>
<td>₱1,000,000,000</td>
<td>Common stock - ₱1 per share</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Authorized</td>
<td>₱2,015,301,474</td>
<td>Outstanding</td>
<td>3,100,000,000</td>
</tr>
<tr>
<td>Issued and subscribed</td>
<td>2,041,453,232</td>
<td>Preferred stock - ₱0.10 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible</td>
<td>2,005,443,965</td>
</tr>
<tr>
<td>Authorized, issued and outstanding - 4,000,000,000 shares</td>
<td>2,005,443,965</td>
<td>400,000,000</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 ₱6.50 per share. The Parent Company has 919 and 917 existing certificated shareholders as of December 31, 2013 and 2012, respectively. The Scripless shareholders are counted under PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino).

The Concession 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. On July 26, 2012, MWSS-RO waived the requirement for United Utilities to own at least 10% of the outstanding capital stock of the Parent Company.

Preferred shares
The dividends for the ₱0.10 par value and ₱1.00 par value preferred shares are declared upon the sole discretion of the Parent Company’s BOD, based on retained earnings availability.

On April 16, 2012, during the Parent Company’s Annual Stockholders’ Meeting, the shareholders approved the retirement of ₱500.00 million redeemable preferred shares that are held as treasury shares as of December 31, 2011. These shares have a par value of ₱1.00 per share.
**Dividends**
The following table shows the cash dividends declared by the Parent Company’s BOD on the outstanding capital stock for each of the three years ended December 31, 2013:

<table>
<thead>
<tr>
<th>Declaration Date</th>
<th>Record Date</th>
<th>Amount Per Share</th>
<th>Common Shares</th>
<th>Participating Preferred Shares</th>
<th>Redeemable Preferred Shares</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 11, 2011</td>
<td>April 27, 2011</td>
<td></td>
<td>P=0.280</td>
<td>0.0280</td>
<td>P=–</td>
<td>May 19, 2011</td>
</tr>
<tr>
<td>September 20, 2011</td>
<td>October 4, 2011</td>
<td></td>
<td>0.280</td>
<td>0.0280</td>
<td>–</td>
<td>October 27, 2011</td>
</tr>
<tr>
<td>November 24, 2011</td>
<td>December 1, 2011</td>
<td></td>
<td>–</td>
<td>0.0100</td>
<td>–</td>
<td>December 28, 2011</td>
</tr>
<tr>
<td>April 16, 2012</td>
<td>April 30, 2012</td>
<td></td>
<td>0.298</td>
<td>0.0298</td>
<td>–</td>
<td>May 24, 2012</td>
</tr>
<tr>
<td>September 25, 2012</td>
<td>October 9, 2012</td>
<td></td>
<td>0.298</td>
<td>0.0298</td>
<td>–</td>
<td>November 6, 2012</td>
</tr>
<tr>
<td>April 15, 2013</td>
<td>April 29, 2013</td>
<td></td>
<td>0.382</td>
<td>0.3820</td>
<td>–</td>
<td>April 29, 2013</td>
</tr>
<tr>
<td>September 26, 2013</td>
<td>October 10, 2013</td>
<td></td>
<td>0.382</td>
<td>0.3820</td>
<td>–</td>
<td>October 5, 2013</td>
</tr>
<tr>
<td>November 28, 2013</td>
<td>December 1, 2013</td>
<td></td>
<td>–</td>
<td>0.0100</td>
<td>–</td>
<td>December 27, 2013</td>
</tr>
</tbody>
</table>

There are no dividends in arrears for the Parent Company’s participating preferred shares as of December 31, 2013 and 2012.

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method amounting to P=845.29 million and P=476.11 million as of December 31, 2013 and 2012, respectively, which are not available for dividend declaration by the Company until these are declared by the investee companies.

In accordance with SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company’s retained earnings available for dividend declaration as of December 31, 2013 and 2012 amounted to P=20.10 billion and P=16.00 billion, respectively.

**Appropriation for capital expenditures**
The Parent Company has appropriated the amount of P=7.00 billion from its retained earnings to carry out its mandate under the Concession Agreement. A Business Plan was submitted to the MWSS on March 30, 2012 for Rate Rebasing charging year 2013, which included planned capital expenditures on (1) service continuity, (2) service accessibility, (3) water security and (4) environmental sustainability. Planned investments amount to an estimated P=60.00 billion to be spent over the next five years.

In 2013, the P=7.00 billion appropriation will fund the following major capital expenditures of the Parent Company which were approved by the BOD on April 15, 2013 and was part of the submitted Business Plan to the MWSS:

- Service continuity projects are endeavored to maintain the level of service provided to its customers even in times of calamity;

- Service accessibility projects would enable the Parent Company to expand its service coverage, particularly to the Municipalities of Rizal;

- Water security projects include two components: (1) new water source development and (2) existing water source rehabilitation and improvement. New water source development projects include the Rizal Province Water Supply Improvement Project, as well as the Sumag, Tayabas and Kaliwa River development projects. Other components include major improvement works for key raw water structures such as Angat Dam and Ipo Dam, transmission aqueducts extending from Bulacan to La Mesa Dam managed under the Common Purpose Facilities framework, and transmission aqueducts extending from La Mesa Dam to the Balara Treatment Plant; and

- Projects under the Environmental Sustainability Investment category are comprised of wastewater projects endeavored to achieve Manila Water’s wastewater coverage targets.
Executive Stock Option Plan (Executive SOP), Expanded Executive SOP and ESOWN

On February 26, 2004, the Parent Company’s BOD authorized the allocation of up to 20.00 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 3.60 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 23.60 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 23.60 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.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee’s payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. In computing for the stock option value for 2013 grant, the Parent Company assumed 24.90%, 3.47% and 2.99% as the volatility, dividend yield and risk-free interest rate, respectively.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon
which the options were granted. The expected volatility was determined based on an independent valuation.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares granted</td>
<td>6,627,100</td>
<td>4,772,414</td>
<td>4,617,000</td>
<td>9,241,025</td>
<td>7,796,483</td>
<td>2,130,000</td>
<td>13,625,000</td>
</tr>
<tr>
<td>Number of unsubscribed shares</td>
<td>351,889</td>
<td>460,000</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>P=10.58</td>
<td>P=11.76</td>
<td>P=8.68</td>
<td>P=5.90</td>
<td>P=10.65</td>
<td>P=9.85</td>
<td>P=4.59</td>
</tr>
<tr>
<td>Weighted average share price</td>
<td>P=23.00</td>
<td>P=26.24</td>
<td>P=19.80</td>
<td>P=13.50</td>
<td>P=18.00</td>
<td>P=12.00</td>
<td>P=6.50</td>
</tr>
<tr>
<td>Exercise price</td>
<td>P=22.92</td>
<td>P=24.07</td>
<td>P=17.38</td>
<td>P=9.63</td>
<td>P=15.13</td>
<td>P=8.08</td>
<td>P=5.47</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>24.90%</td>
<td>30.66%</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>3.47%</td>
<td>2.26%</td>
<td>2.68%</td>
<td>2.52%</td>
<td>1.96%</td>
<td>2.58%</td>
<td>3.40%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.99%</td>
<td>4.57%</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>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>Year</th>
<th>2013</th>
<th>Weighted average exercise price</th>
<th>2012</th>
<th>Weighted average exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>5,936,000</td>
<td>P=24.07</td>
<td>5,476,000</td>
<td>P=17.38</td>
</tr>
<tr>
<td>Granted</td>
<td>6,627,100</td>
<td>22.92</td>
<td>4,772,414</td>
<td>24.07</td>
</tr>
<tr>
<td>Exercised</td>
<td>(5,817,220)</td>
<td>22.92</td>
<td>(4,312,414)</td>
<td>24.07</td>
</tr>
<tr>
<td>At December 31</td>
<td>6,745,880</td>
<td>5,936,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total expense arising from equity-settled share-based payment transactions amounted to P=50.83 million and P=31.86 million in 2013 and 2012, respectively.

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 grants beginning 2008, 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.

Other equity reserve
This account pertains to gain on sale of the Parent Company’s investment in MW Consortium to Vicsal Development Corporation on May 9, 2012 amounting to P=7.50 million. The sale has decreased the ownership of the Parent Company in MW Consortium by 10% without a loss of control. Proceeds from the sale amounted to P=15.00 million.
22. Earnings Per Share

Earnings per share amounts attributable to equity holders of the Parent Company for the years ended December 31, 2013, 2012 and 2011 were computed as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2013 (As restated Notes 2 and 17)</th>
<th>2012 (As restated Notes 2 and 17)</th>
<th>2011 (As restated Notes 2 and 17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to equity holders of the Parent Company</td>
<td>₱5,752,361,946</td>
<td>₱5,490,442,664</td>
<td>₱4,270,205,478</td>
</tr>
<tr>
<td>Less dividends on preferred shares*</td>
<td>975,524,597</td>
<td>934,135,212</td>
<td>782,407,882</td>
</tr>
<tr>
<td>Net income attributable to common shareholders for basic and diluted earnings per share</td>
<td>4,776,837,349</td>
<td>4,556,307,452</td>
<td>3,487,797,596</td>
</tr>
<tr>
<td>Weighted average number of shares for basic earnings per share</td>
<td>₱2,042,422,769</td>
<td>₱2,038,218,922</td>
<td>₱2,034,112,151</td>
</tr>
<tr>
<td>Dilutive shares arising from stock options</td>
<td>2,763,058</td>
<td>2,322,628</td>
<td>2,770,140</td>
</tr>
<tr>
<td>Adjusted weighted average number of common stock for diluted earnings per share</td>
<td>2,045,185,827</td>
<td>2,040,541,550</td>
<td>2,036,882,291</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>₱2.34</td>
<td>₱2.24</td>
<td>₱1.71</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>₱2.34</td>
<td>₱2.23</td>
<td>₱1.71</td>
</tr>
</tbody>
</table>

*Including participating preferred shares’ participation in earnings.

The assumed conversion of the Group’s preferred shares has no dilutive effect. Accordingly, basic earnings per share is equal to the dilutive earnings per share.

23. Related Party Transactions

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.

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, 2013 and 2012, 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 10 years until 2007 and are renewable for successive periods of 5 years.

The BOD, in its meeting on August 16, 2007, approved the renewal of the Technical Services Agreement (TSA) with United Utilities, Administrative and Support Services Agreement (ASSA) with AC and Capital Works Agreement (CWA) with WCWI for another five years up to 2012. On July 31, 2012 the TSA with United Utilities was terminated. The CWA with WCWI was also terminated on January 1, 2011. The ASSA, on the other hand, was renewed for another five years up to 2017. Total management and professional fees charged to operations arising from these agreements amounted to ₱199.99 million and ₱219.54 million in 2013 and 2012, respectively. Total outstanding payables amounted to ₱34.88 million and ₱45.41 million as of December 31, 2013 and 2012, respectively.

b. On March 11, 2013, the shareholders of MW Consortium, the Parent Company, Metropac Water Investment Corporation (“Metropac”) and Vicsal Development Corporation (Vicsal), agreed to extend a loan amounting to ₱260.00 million to MW Consortium. The loan will be used to fund CMWD’s bulk water supply project. The loan has a fixed interest rate and applicable taxes were shouldered by CMWD.

The breakdown of the loan is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Equity in Company</th>
<th>Contributed Amounts (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWCI</td>
<td>51%</td>
<td>₱132.60</td>
</tr>
<tr>
<td>Metropac</td>
<td>39</td>
<td>101.40</td>
</tr>
<tr>
<td>Vicsal</td>
<td>10</td>
<td>26.00</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>₱260.00</td>
</tr>
</tbody>
</table>

As of December 31, 2013, MW Consortium’s advances from the Parent Company were fully paid.

c. In 2013, the Group disposed its investments in debt and equity securities of AC, and its subsidiaries and jointly controlled entities, which were previously included in the “AFS financial assets” section of the consolidated statements of financial position. The fair values of these investments in 2012 follow:

<table>
<thead>
<tr>
<th>Shareholder:</th>
<th>Debt Securities</th>
<th>Equity Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>₱–</td>
<td>₱156,000,000</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayala Land, Inc. (ALI)</td>
<td>92,799,000</td>
<td>–</td>
</tr>
<tr>
<td>Bank of the Philippine Islands (BPI)</td>
<td>36,597,104</td>
<td>–</td>
</tr>
</tbody>
</table>

|                     | 129,396,104 | ₱156,000,000 |

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. During 2012, the Parent Company disposed all of its UITF.
d. 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:

<table>
<thead>
<tr>
<th>Cash in banks and cash equivalents</th>
<th>Receivables</th>
<th>Advances to Contractors</th>
<th>Trade Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AC</td>
<td>–</td>
<td>–</td>
<td>272,552</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALI and Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>1,433,447</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>2,185,316,625</td>
<td>2,652,597,499</td>
<td>228,474</td>
</tr>
<tr>
<td>Ayala Automotive Holdings, Corp. (AAHC)</td>
<td>–</td>
<td>–</td>
<td>4,751</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Azalea Technology LLC</td>
<td>–</td>
<td>–</td>
<td>6,000</td>
</tr>
</tbody>
</table>

Receivables are primarily composed of trade receivables for water and sewerage services rendered by the Group. These are non-interest bearing and are collectible within 30 days from bill generation. No allowance for doubtful accounts was provided for receivables from related parties as of December 31, 2013 and 2012.

Advances to contractors included as part of “Other current assets” pertains to down payments related to construction of fixed assets. These are normally applied within a year against progress billings.

Trade payables pertain to retentions deducted from contractors’ billings and are normally paid within a year after project acceptance.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Shareholder:</td>
<td></td>
</tr>
<tr>
<td>AC</td>
<td>AC</td>
</tr>
<tr>
<td></td>
<td>7,515,835</td>
</tr>
<tr>
<td>Affiliates:</td>
<td></td>
</tr>
<tr>
<td>ALI and Subsidiaries</td>
<td>131,663,685</td>
</tr>
<tr>
<td>BPI and Subsidiaries</td>
<td>9,794,019</td>
</tr>
<tr>
<td>Globe and Subsidiaries</td>
<td>3,616,822</td>
</tr>
<tr>
<td>AAHC</td>
<td>420,990</td>
</tr>
<tr>
<td>Azalea Technology, LLC</td>
<td>262,349</td>
</tr>
<tr>
<td>Honda Cars Makati, Inc.</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>145,757,825</td>
</tr>
<tr>
<td></td>
<td>153,273,660</td>
</tr>
</tbody>
</table>

Revenue is mainly attributable to water and sewerage services rendered by the Group to its shareholder and affiliates. Purchases from ALI and subsidiaries mainly pertain to construction of fixed assets while purchases from HCMI relates to acquisition and repairs of transportation equipment. Purchases from Globe pertain to telecommunication services and purchases from BPI relate to banking transactions and financial services to the Group.

e. In November 2008, the Parent Company entered into a term loan and credit line facility agreement with AMPC. Under the credit line facility agreement, the 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 no interest.
As of December 31, 2013 and 2012, total loans drawn from Parent Company amounted to ₱130.00 million and ₱90.00 million, respectively.

f. On June 1, 2010, MWAP and Speedy-Tech Electronics Ltd. (STEL), a subsidiary of Integrated Microelectronics, Inc., entered into a Tenancy Agreement wherein (STEL) will lease office space to MWAP. Total rent expense paid by MWAP to STEL amounted to ₱0.45 million and ₱0.40 million in 2013 and 2012, respectively.

g. 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 ₱2.65 million in 2013 and ₱1.89 million in 2012 (see Notes 1 and 30).

h. 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.

BIWC made several advances to TIEZA since the start of its concession agreement including the ₱60.00 million advance payment which was considered part of concession assets in 2010.

As of December 31, 2012, these advances were fully offset against the annual concession fee payments (see Notes 14 and 30).

i. One of the trustee banks who manages the Group’s retirement fund is BPI, an affiliate. The Group’s plan assets under BPI amounted to ₱200.31 million and ₱169.60 million as of December 31, 2013 and 2012, respectively.

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

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>₱297,999,856</td>
<td>₱306,812,069</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>15,640,000</td>
<td>22,916,316</td>
</tr>
<tr>
<td>Share-based payment</td>
<td>50,833,629</td>
<td>25,506,509</td>
</tr>
<tr>
<td></td>
<td>₱364,473,485</td>
<td>₱355,234,894</td>
</tr>
</tbody>
</table>

On November 22, 2012, the Parent Company signed as a guarantor of a credit facility entered into by MWSAH. On August 12, 2013, the credit facility was cancelled.

k. On December 23, 2013 LAWC, signed an Asset Purchase Agreement with LTI with a purchase price of ₱625.00 million for the acquisition of the water reticulation system of LTI. As of December 31, 2013, LTI have an outstanding balance amounting to 55%, equivalent to ₱343.75 million, of the total purchase price.

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 unforeseen works; and
f. Daywork schedule
In 2013 and 2012, total revenue from the Vietnam Project amounted to ₱174.94 million and ₱169.45 million, respectively. Total costs related to the Vietnam Project amounted to ₱96.21 million and ₱124.47 million in 2013 and 2012, respectively.

25. **Significant Contracts with the West Zone Concessionaire**

In relation to the Agreement, the Parent Company 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 US$116.60 million 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 Parent Company and MWSI to shoulder equally the repayment of the loan, with such repayment to be part of the concession fees (see Notes 1 and 10).

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 ₱27.00 billion with a sound value of ₱17.20 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 ₱37.70 billion with a sound value of ₱22.90 billion.

In 2011, the Parent Company engaged the services of Cuervo Appraisers, Inc. to conduct a re-appraisal of the MWSS assets on record as of December 31, 2011. Total reproduction cost as of December 31, 2011 amounted to ₱42.78 billion with a sound value of ₱27.37 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 ₱16.99 million and ₱19.80 million in 2013 and 2012, respectively. These are included under “Occupancy costs” in consolidated statement 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.

In 2011, LAWC engaged the services of Cuervo Appraisers to conduct a re-appraisal of POL assets on record as of December 31, 2010. Total reproduction cost as of December 31, 2010 amounted to ₱434.49 million with a sound value of ₱205.93 million.

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 its concession agreement with TIEZA. 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 ₱618.29 million.

CDC
CWC is granted the right to occupy, operate, repair, maintain, decommission and refurbish all fixed and movable assets specifically listed in the concession agreement with CDC. Any new construction, change, alteration, addition or improvement on the facilities is permitted to the extent allowed under the agreement with CDC or with the prior written consent of CDC. Legal title, free of all liens and encumbrances, to improvements made or introduced by CWC on the facilities as well as title to new facilities procured by CWC in the performance of its obligations under the concession agreement shall automatically pass to CDC on the date when the concession period expires or the date of receipt of a validly served termination notice, in the latter case, subject to payment of the amount due as termination payments as defined in the concession agreement.

The net book value of the facilities transferred to CWC on commencement date based on CDC’s closing audit report amounted to ₱1.38 billion.

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.
Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

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, 2013 and 2012 and January 1, 2012 are as follows:

### 2013

<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>14,794,066</td>
<td>9,568,812</td>
<td>174,939</td>
<td>15,925,817</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>6,421,361</td>
<td>630,798</td>
<td>96,213</td>
<td>7,148,372</td>
</tr>
<tr>
<td>Operating income</td>
<td>8,372,705</td>
<td>326,514</td>
<td>78,726</td>
<td>8,777,445</td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>4,177,636</td>
<td>893,622</td>
<td></td>
<td>5,071,258</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(4,177,636)</td>
<td>(893,622)</td>
<td></td>
<td>(5,071,258)</td>
</tr>
<tr>
<td>Interest income</td>
<td>152,614</td>
<td>20,211</td>
<td></td>
<td>172,825</td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,671,312</td>
<td>62,088</td>
<td></td>
<td>(1,733,400)</td>
</tr>
<tr>
<td>Equity share in net income of associates</td>
<td></td>
<td></td>
<td>293,975</td>
<td>293,975</td>
</tr>
<tr>
<td>Other income</td>
<td>6,039</td>
<td>75,250</td>
<td></td>
<td>81,289</td>
</tr>
<tr>
<td><strong>Revenue from rehabilitation works</strong></td>
<td>6,860,046</td>
<td>653,362</td>
<td>78,726</td>
<td>7,592,134</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>1,757,536</td>
<td>54,037</td>
<td></td>
<td>1,811,573</td>
</tr>
<tr>
<td>Net income</td>
<td>5,102,510</td>
<td>599,325</td>
<td>78,726</td>
<td>5,780,561</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) on AFS financial assets</td>
<td>(18,568)</td>
<td></td>
<td></td>
<td>(18,568)</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td></td>
<td>127,109</td>
<td></td>
<td>127,109</td>
</tr>
<tr>
<td>Actuarial gain (loss) on pension liabilities - net</td>
<td>(66,233)</td>
<td>(1,462)</td>
<td></td>
<td>(67,695)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>5,017,709</td>
<td>724,972</td>
<td>78,726</td>
<td>5,821,407</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>5,017,709</td>
<td>696,870</td>
<td>78,726</td>
<td>5,793,305</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>28,102</td>
<td></td>
<td>28,102</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td>5,017,709</td>
<td>724,972</td>
<td>78,726</td>
<td>5,821,407</td>
</tr>
</tbody>
</table>

### Other information

| Segment assets, exclusive of investment in associates and deferred tax assets | 80,651,146 | 6,479,136 | 197,296 | 67,327,578 |
| Investment in associates | 4,708,207 | 4,708,207 |
| Deferred tax assets | 781,409 | 1,462 | (1,462) | 28,102 |
| **Total other information** | 61,432,555 | 11,227,674 | 197,296 | 72,857,525 |
### 2012

#### (In Thousands)

<table>
<thead>
<tr>
<th>Description</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>P7,132,844,627</td>
<td>P442,664,091</td>
<td>P205,015,672</td>
<td>P7,662,920</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>P7,727,338</td>
<td>P231,917</td>
<td>P44,892</td>
<td>P8,004,147</td>
</tr>
<tr>
<td><strong>Cost of rehabilitation works</strong></td>
<td>P5,621,199</td>
<td>P256,639</td>
<td></td>
<td>P5,877,838</td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>P256,070</td>
<td>P8,448</td>
<td></td>
<td>P264,518</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>P6,672,112</td>
<td>P381,341</td>
<td>P44,892</td>
<td>P7,098,345</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(P1,521,580)</td>
<td>(P42,377)</td>
<td></td>
<td>(P1,563,957)</td>
</tr>
<tr>
<td><strong>Equity share in net income of associates</strong></td>
<td>–</td>
<td>–</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Other income (expenses)</strong></td>
<td>P210,284</td>
<td>(P23,409)</td>
<td>–</td>
<td>P186,875</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>P5,132,555</td>
<td>P327,945</td>
<td>P44,892</td>
<td>P5,503,292</td>
</tr>
</tbody>
</table>

#### Other comprehensive income

<table>
<thead>
<tr>
<th>Description</th>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrealized gain (loss) on AFS financial assets</strong></td>
<td>(P24,471)</td>
<td>–</td>
<td>–</td>
<td>(P24,471)</td>
</tr>
<tr>
<td><strong>Cumulative translation adjustment</strong></td>
<td>–</td>
<td>1,865</td>
<td>–</td>
<td>1,865</td>
</tr>
<tr>
<td><strong>Actuarial gain (loss) on pension liabilities - net</strong></td>
<td>(P96,203)</td>
<td>(P229)</td>
<td>–</td>
<td>(P96,432)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>P5,009,881</td>
<td>P329,481</td>
<td>P44,892</td>
<td>P5,384,254</td>
</tr>
</tbody>
</table>

#### Other information

<table>
<thead>
<tr>
<th>Description</th>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Segment assets, exclusive of investment in associates and deferred tax assets</strong></td>
<td>P57,597,275</td>
<td>P4,853,217</td>
<td>P201,521</td>
<td>P62,652,013</td>
</tr>
<tr>
<td><strong>Investment in associates</strong></td>
<td>–</td>
<td>–</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>P762,488</td>
<td>67,675</td>
<td>–</td>
<td>830,163</td>
</tr>
<tr>
<td><strong>Total segment assets, exclusive of investment in associates and deferred tax assets</strong></td>
<td>P58,359,763</td>
<td>P8,565,745</td>
<td>P201,521</td>
<td>P67,127,029</td>
</tr>
<tr>
<td><strong>Segment liabilities, exclusive of deferred tax liabilities</strong></td>
<td>P38,015,672</td>
<td>P2,328,225</td>
<td>P28,705</td>
<td>P40,372,602</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>–</td>
<td>158</td>
<td>–</td>
<td>158</td>
</tr>
<tr>
<td><strong>Total segment liabilities, exclusive of deferred tax liabilities</strong></td>
<td>P38,015,672</td>
<td>P2,328,383</td>
<td>P28,705</td>
<td>P40,372,760</td>
</tr>
</tbody>
</table>

#### Segment additions to property and equipment and SCA

<table>
<thead>
<tr>
<th>Description</th>
<th>East Zone</th>
<th>Outside East Zone</th>
<th>Management Contracts</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>P7,328,538</td>
<td>P276,701</td>
<td>–</td>
<td>P7,605,239</td>
</tr>
<tr>
<td><strong>Noncash expenses other than depreciation and amortization</strong></td>
<td>P2,157,119</td>
<td>P162,957</td>
<td>–</td>
<td>P2,320,076</td>
</tr>
</tbody>
</table>

*Pertains to the amount of impairment loss recognized during the year.*
2011

<table>
<thead>
<tr>
<th></th>
<th>East Zone (In Thousands)</th>
<th>Outside East Zone (In Thousands)</th>
<th>Management Contracts (In Thousands)</th>
<th>Consolidated (In Thousands)</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>P=11,525,037</td>
<td>P=310,156</td>
<td>P=168,720</td>
<td>P=12,003,913</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>5,055,412</td>
<td>228,007</td>
<td>177,213</td>
<td>5,460,632</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from rehabilitation works</td>
<td>6,469,625</td>
<td>82,149</td>
<td>(8,493)</td>
<td>6,543,281</td>
</tr>
<tr>
<td>Cost of rehabilitation works</td>
<td>(6,044,944)</td>
<td>(250,992)</td>
<td></td>
<td>(7,194,936)</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>(1,616,715)</td>
<td>(35,637)</td>
<td></td>
<td>(1,652,552)</td>
</tr>
<tr>
<td>Equity share in net loss of joint venture</td>
<td>(7,860)</td>
<td></td>
<td></td>
<td>(7,860)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>(214,979)</td>
<td>8,067</td>
<td></td>
<td>(206,912)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>5,191,031</td>
<td>57,007</td>
<td>(8,493)</td>
<td>5,239,545</td>
</tr>
<tr>
<td>Provision for (benefit from) income tax</td>
<td>968,894</td>
<td>(11,509)</td>
<td></td>
<td>957,385</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>4,222,137</td>
<td>68,516</td>
<td>(8,493)</td>
<td>4,282,160</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on AFS financial assets</td>
<td>(P=98,590)</td>
<td></td>
<td></td>
<td>(P=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>Actuarial gain (loss) on pension liabilities - net</td>
<td>24,174</td>
<td>(836)</td>
<td></td>
<td>23,338</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>P=14,177,721</td>
<td>P=54,295</td>
<td>(P=6,493)</td>
<td>P=4,193,523</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of Manila Water Company, Inc.</td>
<td>P=14,177,721</td>
<td>P=42,591</td>
<td>(P=6,493)</td>
<td>P=4,181,189</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>11,704</td>
<td>–</td>
<td>11,704</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>P=14,177,721</td>
<td>P=54,295</td>
<td>(P=6,493)</td>
<td>P=4,193,523</td>
</tr>
<tr>
<td><strong>Other information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment assets, exclusive of investment in associates and deferred tax assets</td>
<td>P=54,043,343</td>
<td>P=4,142,554</td>
<td>P=163,134</td>
<td>P=58,349,031</td>
</tr>
<tr>
<td>Investment in associates</td>
<td>–</td>
<td>1,788,002</td>
<td>–</td>
<td>1,788,002</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>696,602</td>
<td>61,507</td>
<td></td>
<td>760,109</td>
</tr>
<tr>
<td><strong>Segment liabilities, exclusive of deferred tax liabilities</strong></td>
<td>P=36,547,197</td>
<td>P=1,451,042</td>
<td>P=166,298</td>
<td>P=38,184,537</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>–</td>
<td>213</td>
<td>–</td>
<td>213</td>
</tr>
<tr>
<td><strong>Segment additions to property and equipment and SCA</strong></td>
<td>P=8,911,864</td>
<td>P=1,332,607</td>
<td>P=10,244,471</td>
<td>P=90,808</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>P=1,821,025</td>
<td>P=66,648</td>
<td>P=1,843</td>
<td>P=1,889,516</td>
</tr>
<tr>
<td>Noncash expenses other than depreciation and amortization*</td>
<td>P=69,368</td>
<td>P=21,440</td>
<td>P=206,912</td>
<td>P=90,808</td>
</tr>
</tbody>
</table>

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

Total revenue derived from India and Vietnam amounted to P=174.94 million, P=169.45 million and P=168.72 million in 2013, 2012 and 2011, 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 carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following other financial liabilities as of December 31, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013 Carrying Value (In Thousands)</th>
<th>2013 Fair Value</th>
<th>2012 Carrying Value (In Thousands)</th>
<th>2012 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>P=26,251,679</td>
<td>P=26,779,847</td>
<td>P=24,071,006</td>
<td>P=24,906,140</td>
</tr>
<tr>
<td>Customers' guaranty deposits and other deposits</td>
<td>550,679</td>
<td>618,742</td>
<td>1,090,569</td>
<td>1,528,210</td>
</tr>
<tr>
<td>Service concession obligation</td>
<td>8,433,706</td>
<td>13,304,226</td>
<td>8,348,893</td>
<td>13,981,572</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=35,236,064</td>
<td>P=40,702,815</td>
<td>P=33,510,468</td>
<td>P=40,415,922</td>
</tr>
</tbody>
</table>
The methods and assumptions used by the Group in estimating the fair value of the other financial liabilities are:

Customers’ guaranty deposits and other deposits, long-term debt and service concession obligation - 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 1.25% to 4.08% in 2013 and 1.37% to 7.11% in 2012 while the discount rates used for foreign currency-denominated loans ranged from 0.09% to 4.27% in 2013 and 0.13% to 3.01% in 2012.

**Fair Value Hierarchy**

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

### 2013

<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>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>P=--</td>
<td>P544,373,611</td>
<td>P=--</td>
<td>P544,373,611</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>103,300,716</td>
<td></td>
<td></td>
<td>103,300,716</td>
</tr>
<tr>
<td>Equity shares</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td><strong>P103,300,716</strong></td>
<td><strong>P544,373,611</strong></td>
<td><strong>P=--</strong></td>
<td><strong>P647,674,327</strong></td>
</tr>
</tbody>
</table>

### 2012

<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>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>P=--</td>
<td>P572,878,039</td>
<td>P=--</td>
<td>P572,878,039</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>99,501,162</td>
<td>236,411,104</td>
<td></td>
<td>335,912,266</td>
</tr>
<tr>
<td>Equity shares</td>
<td>156,000,000</td>
<td>--</td>
<td>--</td>
<td>156,000,000</td>
</tr>
<tr>
<td></td>
<td><strong>P255,501,162</strong></td>
<td><strong>P809,289,143</strong></td>
<td><strong>P=--</strong></td>
<td><strong>P1,064,790,305</strong></td>
</tr>
</tbody>
</table>

During the periods ended December 31, 2013 and 2012, 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.

**Embedded Derivatives**

**Embedded Prepayment Options**

1. **P2.00 Billion and P1.50 Billion Loans**

The Parent Company has two 7-year loans with an aggregate amount of P3.5 billion (see Note 16) where it has the option to prepay the whole loan or any part of the loan. For each Tranche, the Parent Company 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 100% of the principal amount of the relevant Tranche being prepaid.

The prepayment option of the Parent Company effectively has two components: a long call option and a short put option. The long call option entitles the Parent Company 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 Parent Company 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 Parent Company 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. **₱4.00 Billion Bonds**

The Group has an embedded call option on the ₱4.00 Billion Bonds issued on October 22, 2008 (see Note 16) by the Parent Company. The embedded call option gives the Parent Company the right to redeem all but not in part the outstanding bonds on the 12th 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 call option was exercised by the Parent Company.

3. **₱10.00 Billion Notes**

The Parent Company has an embedded call option on the ₱10.00 Billion Corporate Notes issued on April 8, 2011 (see Note 16). The embedded call option gives the Parent Company the right to redeem all but not in part the outstanding notes starting on the 7th 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.

As of December 31, 2011, 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, the value of the option is not material.

As of December 31, 2012, the option has been reassessed which resulted in the option as clearly and closely related to the host contract since the amortized cost of the loan approximates the prepayment at each option exercise date.

4. **₱5.00 Billion Notes**

The Parent Company has an embedded call option on the ₱5.00 Billion Corporate Notes issued on August 16, 2013 (see Note 16). The embedded call option gives the Parent Company the right to redeem all but not in part the outstanding notes starting on the 3rd 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%-100.5% of the principal amount and accrued interest on the notes, depending on the optional redemption date.
As of December 31, 2013, the option was assessed as clearly and closely related to the host contract since the amortized cost of the loan approximates the prepayment at each option exercise date. However, as of inception date, the value of the option is not material.

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, long-term debt and service concession obligation. 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, 2013 and 2012, approximately 67% and 61%, 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.

### 2013

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>More than 4 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash in banks and Cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.375% to 3.825%</td>
<td>P=6,778,968</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=6,778,968</td>
</tr>
<tr>
<td><strong>Short term cash investments</strong></td>
<td></td>
<td></td>
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<tr>
<td>AFS Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Securities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RTBN</td>
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<tr>
<td>Interest Rate</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.25%</td>
<td>52,018</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>52,018</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.25%</td>
<td>51,283</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>51,283</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>P=103,301</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=103,301</td>
</tr>
<tr>
<td><strong>AFS Financial Assets Bonds</strong></td>
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<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=</td>
<td>P=6,976,614</td>
</tr>
<tr>
<td></td>
<td>Within 1 year</td>
<td>1-2 years</td>
<td>2-3 years</td>
<td>3-4 years</td>
<td>More than 4 years</td>
<td>Total</td>
</tr>
<tr>
<td>----------------</td>
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<td>-------------</td>
</tr>
<tr>
<td><strong>Cash in banks and Cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Interest Rates (Range)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.20% to 3.75%</td>
<td>₱5,537,728</td>
<td>₱–</td>
<td>₱–</td>
<td>₱–</td>
<td>₱–</td>
<td>₱5,537,728</td>
</tr>
<tr>
<td><strong>AFS Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Securities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RTBN</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.125%</td>
<td>52,548</td>
<td>53,365</td>
<td>₱–</td>
<td>₱–</td>
<td>₱–</td>
<td>105,913</td>
</tr>
<tr>
<td>Corporate Bonds</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rates (Range)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3% to 8.25%</td>
<td>92,795</td>
<td>53,437</td>
<td>₱–</td>
<td>₱–</td>
<td>₱–</td>
<td>229,999</td>
</tr>
<tr>
<td></td>
<td>145,343</td>
<td>106,802</td>
<td>₱–</td>
<td>₱–</td>
<td>₱–</td>
<td>335,912</td>
</tr>
<tr>
<td></td>
<td>₱5,683,071</td>
<td>₱106,802</td>
<td>₱–</td>
<td>₱–</td>
<td>₱83,767</td>
<td>₱5,873,640</td>
</tr>
</tbody>
</table>
### Liabilities:

#### Long-Term Debt

**Fixed Rate (exposed to fair value risk)**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>More than 5 years</th>
<th>Total (In JPY)</th>
<th>Total - Gross (In USD)</th>
<th>Total - Gross (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIB Loan - JPY</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥466,941,294</td>
<td>¥233,470,644</td>
<td>–</td>
<td>–</td>
<td>¥1,634,294,526</td>
<td>–</td>
<td>¥692,777,450</td>
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<tr>
<td>Interest rate</td>
<td>2.10 - 2.29%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIB Loan - USD</td>
<td>¥3,750,000</td>
<td>¥3,750,000</td>
<td>¥3,750,000</td>
<td>¥1,875,000</td>
<td>–</td>
<td>–</td>
<td>¥13,125,000</td>
<td>–</td>
<td>¥582,684,375</td>
</tr>
<tr>
<td>Interest rate</td>
<td>5.08%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥22,024,000</td>
<td>–</td>
<td>¥198,216,000</td>
<td>–</td>
<td>¥84,023,762</td>
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<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFC Loan - USD</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$1,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>$5,000,000</td>
<td>–</td>
<td>$221,975,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P10.00 Billion Notes</td>
<td>¥50,000,000</td>
<td>¥50,000,000</td>
<td>¥4,925,000,000</td>
<td>¥25,000,000</td>
<td>¥4,850,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥9,900,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.34% - 7.33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5.00 Billion Loan</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥25,000,000</td>
<td>¥4,850,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>4.42%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P0.50 Billion - LAWC</td>
<td>¥66,666,667</td>
<td>¥66,666,667</td>
<td>¥66,666,667</td>
<td>¥66,666,667</td>
<td>¥200,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥466,666,667</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.73% - 7.58%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P0.50 Billion – BIWC1</td>
<td>¥13,633,972</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.25% – 9.48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P0.50 Billion – BIWC2</td>
<td>–</td>
<td>¥1,171,875</td>
<td>¥4,687,500</td>
<td>¥4,687,500</td>
<td>¥64,453,125</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥75,000,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.25% – 9.48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P0.8 Billion – CMWD</td>
<td>–</td>
<td>¥81,169,452</td>
<td>¥27,056,484</td>
<td>¥27,056,484</td>
<td>¥405,847,260</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>¥541,129,680</td>
</tr>
<tr>
<td>Interest rate</td>
<td>7.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Floating Rate (exposed to cash flow risk)**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>More than 5 years</th>
<th>Total (In JPY)</th>
<th>Total - Gross (In USD)</th>
<th>Total - Gross (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEXI Loan</td>
<td>¥18,750,000</td>
<td>¥18,750,000</td>
<td>¥18,750,000</td>
<td>¥18,750,000</td>
<td>¥18,750,000</td>
<td>¥31,589,236</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td>128,125,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>EIB Loan</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥128,125,000</td>
<td>–</td>
<td>–</td>
<td>¥896,875,000</td>
<td>–</td>
<td>¥380,185,313</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>IFC Loan - JPY</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥121,640,000</td>
<td>–</td>
<td>–</td>
<td>¥1,094,760,000</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>IFC Loan - USD</td>
<td>¥2,000,000</td>
<td>¥2,000,000</td>
<td>¥1,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</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>
</tr>
<tr>
<td>Interest rate</td>
<td>6m Libor plus margin</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>P0.50 Billion - BIWC</td>
<td>¥1,121,324</td>
<td>¥4,485,294</td>
<td>¥4,485,294</td>
<td>¥4,485,294</td>
<td>¥61,672,794</td>
<td>–</td>
<td>–</td>
<td>¥76,250,000</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.*
## Liabilities:

### Long-Term Debt

#### Fixed Rate (exposed to fair value risk)

<table>
<thead>
<tr>
<th>Description</th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>More than 5 years</th>
<th>Total (In JPY)</th>
<th>Total - Gross (In USD)</th>
<th>Total - Gross (In PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P=2.00 Billion Loan</strong></td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
<td>$1,368,000,000</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6.0 - 9.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>P=1.50 Billion Loan</strong></td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
<td>$1,078,000,000</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6.5 - 7.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>2.10 - 2.29%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EIB Loan - USD</strong></td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$3,750,000</td>
<td>$1,875,000</td>
<td>–</td>
<td>$16,875,000</td>
<td>$16,875,000</td>
<td>$16,875,000</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>5.08%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IFC Loan - JPY</strong></td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥44,048,000</td>
<td>¥22,024,000</td>
<td>¥242,264,000</td>
<td>¥242,264,000</td>
<td>¥242,264,000</td>
<td>¥242,264,000</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IFC Loan - USD</strong></td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$1,000,000</td>
<td>–</td>
<td>–</td>
<td>$7,000,000</td>
<td>$7,000,000</td>
<td>$7,000,000</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>4.57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>P=10.00 Billion Notes</strong></td>
<td>¥50,000,000</td>
<td>¥50,000,000</td>
<td>¥50,000,000</td>
<td>¥4,925,000,000</td>
<td>¥25,000,000</td>
<td>¥4,850,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6.34% - 7.33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>P=0.50 Billion - LAWC</strong></td>
<td>¥33,333,333</td>
<td>¥33,333,333</td>
<td>¥33,333,333</td>
<td>¥33,333,333</td>
<td>¥200,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6.73% - 7.58%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>P=0.50 Billion – BIWC1</strong></td>
<td>–</td>
<td>¥33,363,972</td>
<td>¥33,455,882</td>
<td>¥33,455,882</td>
<td>¥185,018,382</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>2.25% - 9.48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>P=0.50 Billion – BIWC2</strong></td>
<td>–</td>
<td>¥1,171,875</td>
<td>¥4,887,500</td>
<td>¥4,887,500</td>
<td>¥64,531,250</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>2.25% - 9.48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Floating Rate (exposed to cash flow risk)

<table>
<thead>
<tr>
<th>Description</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
<th>6m Libor plus margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEXI Loan</strong></td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>$18,750,000</td>
<td>$56,250,000</td>
<td>–</td>
<td>$150,000,000</td>
<td>$150,000,000</td>
<td>$150,000,000</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
</tr>
<tr>
<td><strong>EIB Loan</strong></td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥256,250,000</td>
<td>¥128,125,000</td>
<td>–</td>
<td>¥1,153,125,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
</tr>
<tr>
<td><strong>IFC Loan - JPY</strong></td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥243,280,000</td>
<td>¥121,640,000</td>
<td>–</td>
<td>¥1,338,040,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
</tr>
<tr>
<td><strong>IFC Loan - USD</strong></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>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
</tr>
<tr>
<td><strong>MTSP Loan</strong></td>
<td>¥340,099,105</td>
<td>¥340,099,105</td>
<td>¥340,099,105</td>
<td>¥340,099,105</td>
<td>¥1,530,975,249</td>
<td>¥3,231,470,774</td>
<td>–</td>
<td>¥1,546,905,060</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
</tr>
<tr>
<td><strong>P=0.50Billion - BIWC</strong></td>
<td>–</td>
<td>¥1,121,324</td>
<td>¥4,485,294</td>
<td>¥4,485,294</td>
<td>¥61,672,794</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</td>
<td>6m Libor plus margin</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 OCI, gross of tax, to a reasonably possible change in interest rates on December 31, 2013 and 2012, with all variables held constant (through the impact on floating rate borrowings and AFS debt securities).

### 2013

<table>
<thead>
<tr>
<th>Changes in basis points</th>
<th>Effect on Income before Income Tax</th>
<th>Effect on OCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating rate borrowings</td>
<td>100 (P = 86,318)</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(100) 86,318</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td>50 – (311)</td>
<td>312</td>
</tr>
<tr>
<td></td>
<td>(50) –</td>
<td>312</td>
</tr>
</tbody>
</table>

### 2012

<table>
<thead>
<tr>
<th>Changes in basis points</th>
<th>Effect on Income before Income Tax</th>
<th>Effect on OCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating rate borrowings</td>
<td>100 (P = 84,790)</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(100) 84,790</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale debt securities</td>
<td>50 – (1,239)</td>
<td>1,249</td>
</tr>
<tr>
<td></td>
<td>(50) –</td>
<td>1,249</td>
</tr>
</tbody>
</table>

**Foreign exchange risk**

The Group’s foreign exchange risk results primarily from movements of PHP against the USD and JPY. Majority of revenues are generated in PHP, and substantially all capital expenditures are also in PHP. Approximately 40% and 47% of debt as of December 31, 2013 and 2012, respectively, are denominated in foreign currency. Under Amendment 1 of the Agreement, however, the Parent Company 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>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Currency</td>
<td>Peso Equivalent</td>
</tr>
<tr>
<td>(In Thousands)</td>
<td>(In Thousands)</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>$3,779</td>
</tr>
<tr>
<td>VND</td>
<td>VND21,698,540</td>
</tr>
<tr>
<td>AUD</td>
<td>AUD6</td>
</tr>
<tr>
<td>SGD</td>
<td>SGD123</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P217,889</strong></td>
</tr>
</tbody>
</table>

(Forward)
The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income 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, 2013 and 2012:

### 2013

<table>
<thead>
<tr>
<th>Foreign Exchange Rates</th>
<th>Increase/Decrease in Foreign Exchange Rates</th>
<th>Income before income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar</td>
<td>₱0.19</td>
<td>(₱1,006)</td>
</tr>
<tr>
<td>(0.19)</td>
<td></td>
<td>1,006</td>
</tr>
</tbody>
</table>

### 2012

<table>
<thead>
<tr>
<th>Foreign Exchange Rates</th>
<th>Increase/Decrease in Foreign Exchange Rates</th>
<th>Income before income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar</td>
<td>₱0.47</td>
<td>(₱2,934)</td>
</tr>
<tr>
<td>(0.47)</td>
<td></td>
<td>2,934</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.

As of December 31, 2013 and 2012, the fair values of equity investments classified as AFS financial assets amounted to nil and ₱156.00 million, respectively.

In 2013, there was no analysis made to determine impact in the possible movement in the PSE index since the security as of year-end has already matured. In 2012, 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.

### 2012

<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>23%</td>
<td>P=8,498</td>
</tr>
<tr>
<td></td>
<td>(23)</td>
<td>(8,498)</td>
</tr>
</tbody>
</table>

In 2012, 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 five 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, 2013 and 2012, the credit quality per class of the Group’s financial assets are as follows:

### 2013

<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>High Grade</td>
<td>Standard</td>
<td>Impaired</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents*</td>
<td>P=6,778,968,451</td>
<td>–</td>
<td>P=6,778,968,451</td>
</tr>
<tr>
<td>Short term cash investments</td>
<td>94,344,600</td>
<td>–</td>
<td>94,344,600</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>838,458,129</td>
<td>7,636,211</td>
<td>460,288,640</td>
</tr>
<tr>
<td>Commercial</td>
<td>113,205,385</td>
<td>3,587,820</td>
<td>107,303,430</td>
</tr>
<tr>
<td>Semi-business</td>
<td>44,372,521</td>
<td>1,106,773</td>
<td>32,118,694</td>
</tr>
<tr>
<td>Industrial</td>
<td>32,559,907</td>
<td>–</td>
<td>4,962,559</td>
</tr>
<tr>
<td>Concession financial receivable</td>
<td>681,363,724</td>
<td>–</td>
<td>681,363,724</td>
</tr>
<tr>
<td>Employees</td>
<td>191,857</td>
<td>54,255,111</td>
<td>–</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>–</td>
<td>11,550,628</td>
<td>–</td>
</tr>
<tr>
<td>Receivable from SAWACO</td>
<td>–</td>
<td>101,904,224</td>
<td>–</td>
</tr>
<tr>
<td>Receivable from BWC</td>
<td>–</td>
<td>544,373,611</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>71,728,297</td>
<td>78,750,136</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted</td>
<td>103,300,716</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Unquoted</td>
<td>2,409,290</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>P=8,689,174,580</td>
<td>796,142,675</td>
<td>P=683,423,459</td>
</tr>
</tbody>
</table>

*Excludes cash on hand.
As of December 31, 2013 and 2012, 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 which are classified as high grade pertains to receivables that are collectible within 7 days from bill delivery. Standard rated receivables 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 4 to 6 months and customers’ guaranty deposits. 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>Assets</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within 1 Year</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>P=6,779,780,845</td>
</tr>
<tr>
<td>Short term cash investments</td>
<td>94,344,600</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>1,645,600,069</td>
</tr>
<tr>
<td>Employees</td>
<td>54,446,968</td>
</tr>
<tr>
<td>SAWACO</td>
<td>101,904,224</td>
</tr>
<tr>
<td>Interest from banks</td>
<td>11,550,628</td>
</tr>
<tr>
<td>Others</td>
<td>150,478,433</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>103,300,716</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=6,941,406,483</strong></td>
</tr>
</tbody>
</table>
Assets:
- Cash and cash equivalents: P=5,540,151,084
- Receivables:
  - Customers: 1,709,091,993
  - Employees: 34,290,779
  - SAWACO: 142,411,840
  - Interest from banks: 17,171,498
  - Others: 77,637,650
- AFS financial assets: 145,343,005
  - Total: P=7,666,097,849

The Group’s financial liabilities based on contractual undiscounted payments:

2013

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>Within 1 Year</th>
<th>1-5 years</th>
<th>More than 5 years</th>
<th>Total - Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and other payables</td>
<td>P=4,222,768,767</td>
<td>P=–</td>
<td>P=–</td>
<td>P=4,222,768,767</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>139,018,853</td>
<td>–</td>
<td>–</td>
<td>139,018,853</td>
</tr>
<tr>
<td>Long-term debt*</td>
<td>3,082,880,022</td>
<td>14,660,989,105</td>
<td>13,336,795,556</td>
<td>31,080,667,683</td>
</tr>
<tr>
<td>Service concession obligation*</td>
<td>819,167,075</td>
<td>2,901,469,520</td>
<td>9,621,579,971</td>
<td>13,542,216,566</td>
</tr>
<tr>
<td>Customers’ guaranty deposits and other deposits</td>
<td>–</td>
<td>550,678,621</td>
<td>550,678,621</td>
<td>550,678,621</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=8,263,834,717</strong></td>
<td><strong>P=17,562,458,625</strong></td>
<td><strong>P=23,709,054,148</strong></td>
<td><strong>P=49,535,347,490</strong></td>
</tr>
</tbody>
</table>

*Includes contractual interest cash flows

2012

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>Within 1 Year</th>
<th>1-5 years</th>
<th>More than 5 years</th>
<th>Total - Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and other payables</td>
<td>P=4,299,089,444</td>
<td>P=–</td>
<td>P=–</td>
<td>P=4,299,089,444</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>27,559,656</td>
<td>–</td>
<td>–</td>
<td>27,559,656</td>
</tr>
<tr>
<td>Long-term debt*</td>
<td>5,596,826,512</td>
<td>15,251,913,471</td>
<td>10,163,225,638</td>
<td>31,011,965,621</td>
</tr>
<tr>
<td>Service concession obligation*</td>
<td>1,023,043,868</td>
<td>3,642,927,014</td>
<td>11,328,619,058</td>
<td>15,994,589,938</td>
</tr>
<tr>
<td>Customers’ guaranty deposits and other deposits</td>
<td>–</td>
<td>1,090,569,346</td>
<td>1,090,569,346</td>
<td>1,090,569,346</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P=10,946,519,480</strong></td>
<td><strong>P=18,894,840,485</strong></td>
<td><strong>P=22,582,414,040</strong></td>
<td><strong>P=52,423,774,005</strong></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 service concession obligation) divided by the sum of the total stockholders’ equity and total debt (less service concession obligation). The Group’s target gearing ratio is 60%. This target is to be achieved over the next 5 years, by managing the Group’s level of borrowings and dividend payments to shareholders.
For purposes of computing its net debt, the Group includes the outstanding balance of its long-term debt (including current portion), accounts and other payables, less cash and cash equivalents, short-term cash investments and AFS financial assets. To compute its total capital, the Group uses the total stockholders’ equity.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>₱41,803,468,054</td>
<td>₱40,372,759,948</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total service concession obligation</td>
<td>8,433,705,593</td>
<td>8,348,893,431</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6,779,780,845</td>
<td>5,540,151,084</td>
</tr>
<tr>
<td>Short-term cash investments</td>
<td>94,344,600</td>
<td>–</td>
</tr>
<tr>
<td>AFS financial assets</td>
<td>105,710,006</td>
<td>494,321,556</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net debt</td>
<td>₱26,389,927,010</td>
<td>₱25,989,393,877</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>31,054,056,755</td>
<td>26,754,269,230</td>
</tr>
<tr>
<td>Total net debt and stockholders’ equity</td>
<td>₱57,443,983,765</td>
<td>₱52,743,663,107</td>
</tr>
<tr>
<td>Total net debt and equity ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>49%</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$70.00</td>
</tr>
<tr>
<td>Second (January 1, 2003 - December 31, 2007)</td>
<td>70.00</td>
</tr>
<tr>
<td>Third (January 1, 2008 - December 31, 2012)</td>
<td>60.00</td>
</tr>
<tr>
<td>Fourth (January 1, 2013 - December 31, 2017)</td>
<td>60.00</td>
</tr>
<tr>
<td>Fifth (January 1, 2018 - December 31, 2022)</td>
<td>50.00</td>
</tr>
<tr>
<td>Sixth (January 1, 2023 - December 31, 2027)</td>
<td>50.00</td>
</tr>
<tr>
<td>Seventh (January 1, 2028 - December 31, 2032)</td>
<td>50.00</td>
</tr>
<tr>
<td>Eighth (January 1, 2033 - May 6, 2037)</td>
<td>50.00</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 ₱100.00 million to ₱395.00 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 2012, payable semi-annually and not exceeding:

<table>
<thead>
<tr>
<th>Month</th>
<th>Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>P=10,000,000</td>
</tr>
<tr>
<td>July</td>
<td>10,000,000</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>P=15,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>20,000,000</td>
</tr>
<tr>
<td>2013 and beyond</td>
<td>previous year, subject to annual CPI adjustment</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 P=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 Concession Agreement.
In addition, the Parent Company, as the main proponent of BIWC shall post a bank security in the amount of US$2.50 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$2.50</td>
</tr>
<tr>
<td>Second</td>
<td>2.50</td>
</tr>
<tr>
<td>Third</td>
<td>1.10</td>
</tr>
<tr>
<td>Fourth</td>
<td>1.10</td>
</tr>
<tr>
<td>Fifth</td>
<td>1.10</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 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) 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 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 CWC; and manage, own, operate, repair, maintain, decommission and refurbish the new facilities;
d. Treat raw water and wastewater in CSEZ;

e. Provide and manage all water and wastewater related services like assisting locator of relocating of pipes and assess internal leaks;

f. Bill and collect payment from the customers for the services (with the exception of SM City Clark), 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 ₱82.00 million in cash and will be responsible for all external water systems and the operation and management of the joint venture company. ALI shall infuse ₱18.00 million cash and ₱59.00 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, 2013.

Guarantee Agreement with MWSAH
On November 22, 2012, the Parent Company signed as a guarantor of a credit facility entered into with MWSAH (the Guarantee Agreement). The significant commitments of the Parent Company under the Guarantee Agreement are as follows:

a. To guarantee the creditor punctual performance of MWSAH of all its obligations under the Guarantee Agreement;

b. To pay, on demand, the amount as if it was the principal obligor in case MWSAH defaults; and

c. To indemnify the creditors on demand against any cost, loss or liability they incur as a result of MWSAH not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable under the Guarantee Agreement on the date when it would have been due.

On August 12, 2013, the credit facility was cancelled.

Bulk Water Supply Agreement with MCWD
On December 18, 2013, CMWD entered into a bulk water supply agreement with MCWD. The significant provisions under the agreement with MCWD are as follow:

a. To provide potable and treated water at an aggregate volume of 18,000 cubic meters per day for the first year and 35,000 cubic meters per day for the succeeding years up to 20 years in the amount of ₱24.59 per cubic meter.

b. CMWD shall ensure that the source shall be sustainable and 100% reliable at any day the duration of the agreement.

c. CMWD shall construct a facility capable of delivering a production capacity of 35,000 cubic meters per day. Maintenance of the same shall be on the account of CMWD.
Asset Purchase Agreement with LTI

On December 23, 2013, LAWC entered into an asset purchase agreement with LTI to acquire and operate its water operations division in Laguna. The significant provisions under the agreement with LTI follow:

a. LAWC shall offer water supply and sewerage services to all current or future locators in the Laguna Technopark, including future area(s) of expansion.

b. LAWC shall ensure the availability of an uninterrupted 24-hour supply of water to all current and future locators, subject to interruptions resulting from the temporary failure of items of the Water Facilities (where LAWC acts promptly to remedy such failure) or required for the repair of the construction of the Water Facilities where such repairs or construction cannot be performed without interruption to the supply of water.

c. Upon request from a current or future locator in the LTI for a connection to a water main, LAWC shall make such a connection as soon as reasonably practicable, upon payment of reasonable connection fees as determined by LAWC.

d. LAWC shall ensure at all times that the water supplied to current and future locators in LTI complies with Philippine National Drinking Water Standards as published by the Department of Health (or successor entity responsible for such standards) and prevailing at such time. LAWC shall observe any requirement regarding sampling, record keeping or reporting as may be specified by law.

e. LAWC shall make available an adequate supply of water for firefighting and other public purposes as the municipality and/or barangay in which LTI may reasonably request. LAWC shall not assess for such water used for firefighting purposes but may charge for all other water used for public purposes.

f. LAWC shall make a supply of water available to current and future locators in LTI, including the areas(s) of expansion in the future.

31. Provisions and Contingencies

Provisions for probable losses

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 ₱357.10 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 probable losses in this regard amounted to ₱638.71 million and ₱554.82 million as of December 31, 2013 and 2012, respectively.

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcomes of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits and claims, if any, will not have a material or adverse effect on the Group’s financial position and results of operations.
32. Notes to Cash Flow Statements

The Group’s noncash investing activities follow:

a. Contingent consideration for the purchase of KDW amounting to ₱90.22 million as of December 31, 2012 (see Note 13).

b. LAWCS’s payable to LTI amounting to ₱343.75 million representing 55% of the total purchase price amounting to ₱625.00 million as of December 31, 2013.
INDEPENDENT AUDITORS’ REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Water Company, Inc.
MWSS Administration 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, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, included in this Form 17-A and have issued our report thereon dated February 20, 2014. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules A to K listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company’s management. These schedules are presented for purposes of complying with the Securities Regulation Code Rules 68, 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.

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-A (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225205, January 2, 2014, Makati City

February 20, 2014
MANILA WATER COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unappropriated Retained Earnings, adjusted to available for</td>
<td>P16,998,503,824</td>
</tr>
<tr>
<td>dividend distribution, beginning</td>
<td></td>
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<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Net income actually earned/realized during the period</td>
<td></td>
</tr>
<tr>
<td>Net income during the period closed to Retained Earnings</td>
<td>5,445,458,420</td>
</tr>
<tr>
<td>Accretion of service concession obligation and deposit</td>
<td>494,860,354</td>
</tr>
<tr>
<td>Accretion of long term debt discount</td>
<td>132,339,303</td>
</tr>
<tr>
<td>Fair value adjustment (mark-to-market gains)</td>
<td>1,411,856</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Accretion of receivable from Bonifacio Water Corporation</td>
<td>(44,629,842)</td>
</tr>
<tr>
<td>Deferred tax benefit during the period</td>
<td>(19,377,145)</td>
</tr>
<tr>
<td>Amortization of deferred credits</td>
<td>(6,167,676)</td>
</tr>
<tr>
<td>Total</td>
<td>22,002,399,094</td>
</tr>
<tr>
<td>Less: Dividend declarations during the period</td>
<td>(1,905,480,244)</td>
</tr>
<tr>
<td>Unappropriated Retained Earnings available for dividend distribution,</td>
<td>P20,096,918,850</td>
</tr>
<tr>
<td>ending</td>
<td></td>
</tr>
</tbody>
</table>
MANILA WATER COMPANY, INC. AND SUBSIDIARIES  
SCHEDULE A - FINANCIAL ASSETS  
As of December 31, 2013

<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>
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<td></td>
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<tr>
<td>Cash equivalent</td>
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<tr>
<td>BPI</td>
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<td>1,251,298,087.87</td>
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<tr>
<td>Metrobank</td>
<td></td>
<td></td>
<td>1,860,287,628.65</td>
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<tr>
<td>BDO</td>
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<td>1,890,408,740.99</td>
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<tr>
<td>Security bank</td>
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<td>200,000,000.00</td>
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<tr>
<td>Union bank</td>
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<td>50,000,000.00</td>
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<tr>
<td>Trade receivable</td>
<td></td>
<td></td>
<td>1,645,600,069.00</td>
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<tr>
<td>Receivable from BWC</td>
<td></td>
<td></td>
<td>544,373,611.00</td>
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<tr>
<td><strong>AVAILABLE - FOR- SALE FINANCIAL ASSETS</strong></td>
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<tr>
<td>Stocks:</td>
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<tr>
<td>Meralco Preferred Shares</td>
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<td></td>
<td>2,409,290</td>
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<tr>
<td>Bonds:</td>
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<tr>
<td>PIID05141080</td>
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<td>50,000,000</td>
<td>52,018,000</td>
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<tr>
<td>SMIC Bond</td>
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<td>51,282,716</td>
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<td>105,710,006.00</td>
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<td></td>
<td>7,547,678,143.51</td>
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</tbody>
</table>

1. Each issue shall be stated separately, except for a) securities issued/guaranteed by the Phil Govt b) securities issued by others amounting to less than 2% (i)
2. State the basis for determining balance sheet amounts.
MANILA WATER COMPANY, INC. AND SUBSIDIARIES  
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
As of December 31, 2013

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>End Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICERS AND EMPLOYEES</td>
<td></td>
<td></td>
<td>Cash Collections</td>
<td>Collections Other than Cash</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>34,290,779</td>
<td>20,156,189</td>
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<td>TOTAL</td>
<td>20,156,189.16</td>
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### CURRENT

<table>
<thead>
<tr>
<th>Entity Name (Creditor)</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Endings Balance</th>
<th>Volume</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of &quot;Other Receivables&quot; Account</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>Trade receivable</td>
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### NONCURRENT

<table>
<thead>
<tr>
<th>Manila Water International Solutions, Inc.</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Endings Balance</th>
<th>Volume</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of &quot;Other Receivables&quot; Account</th>
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<td>34,284,014.34</td>
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<td>Expenses paid by MWCI in behalf of the Company</td>
</tr>
</tbody>
</table>

### NONCURRENT

<table>
<thead>
<tr>
<th>Manila Water Consortium, Inc.</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Endings Balance</th>
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<td>Trade receivable</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>32,308,159.72</td>
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<td>Expenses paid by MWCI in behalf of the Company</td>
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### NONCURRENT

<table>
<thead>
<tr>
<th>AAA Water Corporation</th>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Endings Balance</th>
<th>Volume</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of &quot;Other Receivables&quot; Account</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Trade receivable</td>
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<td>Advances to contractors</td>
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<td>Dividends receivable</td>
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<td>Interest Receivable</td>
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<td>63,277,000.39</td>
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<td>Each Advance &amp; Expenses paid by MWCI in behalf of the Company</td>
</tr>
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</table>
### Total Solutions Corporation

<table>
<thead>
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<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Collections</th>
<th>Written-off</th>
<th>Adjustments</th>
<th>Ending Balance</th>
<th>Volume</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of “Other Receivables” Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water Total Solutions Corp.</td>
<td>Trade receivable</td>
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<td>Advances to construction</td>
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<td>Notes receivable</td>
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<td>Dividends receivable</td>
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</tr>
<tr>
<td></td>
<td>Other receivables</td>
<td>8,199,467.84</td>
<td>15,804,141.18</td>
<td>9,686,834.49</td>
<td></td>
<td></td>
<td>14,316,774.53</td>
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<td></td>
<td>Expenses paid by MWCI in behalf of the Company</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8,199,467.84</td>
<td>15,804,141.18</td>
<td>9,686,834.49</td>
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<td>14,316,774.53</td>
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</tbody>
</table>

### Manila Water Holdings Pte. Ltd.

<table>
<thead>
<tr>
<th>Relationship to the Reporting Co. (Subsidiary or Parent)</th>
<th>Account Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Collections</th>
<th>Written-off</th>
<th>Adjustments</th>
<th>Ending Balance</th>
<th>Volume</th>
<th>Credit Terms</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Description of “Other Receivables” Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manila Water South Asia Holdings Pte. Ltd.</td>
<td>Trade receivable</td>
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<td>Advances to construction</td>
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<tr>
<td></td>
<td>Other receivables</td>
<td>282,105.69</td>
<td>1,398,045.04</td>
<td>1,712,165.05</td>
<td></td>
<td></td>
<td>(26,113.33)</td>
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<td></td>
<td>Expenses paid by MWCI in behalf of the Company</td>
</tr>
<tr>
<td>TOTAL</td>
<td>282,105.69</td>
<td>1,398,045.04</td>
<td>1,712,165.05</td>
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<td>(26,113.33)</td>
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</tbody>
</table>

### Description of “Other Receivables” Account

- **Trade receivable**: Accounts receivable from customers that are not billed, or billed and not yet invoiced.
- **Advances to construction**: Advances or loans made to contractors for construction projects.
- **Notes receivable**: Notes receivable are long-term debts that are due after one year.
- **Dividends receivable**: Dividends received from subsidiaries.
- **Interest Receivable**: Interest received on investments or receivables.
- **Other receivables**: Other receivables include miscellaneous amounts not fitting into the above categories.

**Remarks**

- **Expenses paid by MWCI in behalf of the Company**: Expenses paid by Manila Water Corporation (MWCI) on behalf of the Company.
<table>
<thead>
<tr>
<th>Description of &quot;Other Receivables&quot; Account</th>
<th>Volume Credit</th>
<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Credit Terms</th>
<th>Collections</th>
<th>Adjustments</th>
<th>Write-off</th>
<th>Ending Balance</th>
<th>Additions</th>
<th>Beginning Balance</th>
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<tbody>
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<td>Dividends receivable</td>
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**TOTAL**

**NONCURRENT**

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<th>Credit Terms</th>
<th>Collections</th>
<th>Adjustments</th>
<th>Write-off</th>
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**TOTAL**

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<th>Collections</th>
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<th>Write-off</th>
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<th>Additions</th>
<th>Beginning Balance</th>
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**TOTAL**

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<th>Reasons for Write-off</th>
<th>Remarks</th>
<th>Credit Terms</th>
<th>Collections</th>
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<th>Write-off</th>
<th>Ending Balance</th>
<th>Additions</th>
<th>Beginning Balance</th>
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</table>
## Schedule D - Intangible assets

As of December 31, 2013

<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>
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<tbody>
<tr>
<td>Goodwill</td>
<td>130,319,465.29</td>
<td>50,753,856,335.00</td>
<td>5,970,610,398.00</td>
<td>2,142,237,338.00</td>
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<td>54,712,548,860</td>
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<tr>
<td>Intangible Service Concession Assets</td>
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## FOREIGN CURRENCY DENOMINATED LOANS

<table>
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<tr>
<th>TITLE OF ISSUE &amp; TYPE OF OBLIGATION</th>
<th>Interest Rates</th>
<th>Principal amount as of December 31, 2013</th>
<th>Maturity</th>
<th>CURRENT PORTION OF LONG-TERM DEBT</th>
<th>LONG-TERM DEBT</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td><strong>USD</strong></td>
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<td></td>
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</tr>
<tr>
<td>Ell (tranche 2) 9.000%</td>
<td>$ 13,125,000.00</td>
<td>June 20, 2017</td>
<td>166,481,250.00</td>
<td>412,611,824.73</td>
<td>579,093,075</td>
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<tr>
<td>Ell (tranche 2-1) 8.000%</td>
<td>$ 9,000,000.00</td>
<td>Jun. 15, 2016</td>
<td>85,790,000.00</td>
<td>217,186,237</td>
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<tr>
<td>Ell (tranche 2-2) USD Libor + 2.00% spread</td>
<td>$ 5,000,000.00</td>
<td>Jun. 15, 2016</td>
<td>85,790,000.00</td>
<td>217,186,237</td>
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<tr>
<td><strong>NEXI</strong> (1st drawdown) USD Libor +1.55%</td>
<td>$ 73,500,000.00</td>
<td>Oct. 21, 2020</td>
<td>464,147,500.00</td>
<td>2,670,015,732.55</td>
<td>3,136,163,333</td>
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<tr>
<td><strong>NEXI</strong> (2nd drawdown) USD Libor +1.55%</td>
<td>$ 26,250,000.00</td>
<td>Oct. 21, 2020</td>
<td>484,292,747.85</td>
<td>1,108,770,977</td>
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<tr>
<td><strong>JPY</strong></td>
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<tr>
<td>LBP (tranche 1) JPY Libor + 2.25%</td>
<td>$ 18,750,000.00</td>
<td>Aug. 25, 2031</td>
<td>18,669,377</td>
<td>18,669,377</td>
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<tr>
<td>LBP (tranche 2) JPY Libor + 2.25%</td>
<td>$ 109,801,200.53</td>
<td>Apr. 15, 2022</td>
<td>5,482,036.91</td>
<td>18,400,285.58</td>
<td>21,782,362.49</td>
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<tr>
<td>LBP (tranche 3) JPY Libor + 2.25%</td>
<td>$ 97,902,722.14</td>
<td>Apr. 15, 2022</td>
<td>4,887,982.40</td>
<td>36,311,061.03</td>
<td>41,199,043</td>
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<tr>
<td>LBP (tranche 4) JPY Libor + 2.25%</td>
<td>$ 151,166,638.39</td>
<td>Apr. 15, 2022</td>
<td>7,546,986.69</td>
<td>50,697,614.73</td>
<td>58,244,601</td>
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<tr>
<td>LBP (tranche 5) JPY Libor + 2.25%</td>
<td>$ 163,019,639.53</td>
<td>Apr. 15, 2022</td>
<td>8,169,026.27</td>
<td>60,669,399.45</td>
<td>68,838,426</td>
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<tr>
<td>LBP (tranche 6) JPY Libor + 2.25%</td>
<td>$ 171,663,992.62</td>
<td>Apr. 15, 2022</td>
<td>8,570,656.23</td>
<td>63,647,450.32</td>
<td>72,218,107</td>
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<tr>
<td>LBP (tranche 7) JPY Libor + 2.25%</td>
<td>$ 20,089,219.11</td>
<td>Apr. 15, 2022</td>
<td>1,002,993.05</td>
<td>7,446,835.99</td>
<td>8,449,829</td>
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<tr>
<td>LBP (tranche 8) JPY Libor + 2.25%</td>
<td>$ 39,914,259.56</td>
<td>Apr. 15, 2022</td>
<td>1,987,803.77</td>
<td>14,759,073.40</td>
<td>16,746,877</td>
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<tr>
<td>LBP (tranche 9) JPY Libor + 2.25%</td>
<td>$ 45,143,641.35</td>
<td>Apr. 15, 2022</td>
<td>2,353,851.49</td>
<td>16,732,680.62</td>
<td>19,086,532</td>
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<tr>
<td>LBP (tranche 10) JPY Libor + 2.25%</td>
<td>$ 77,598,133.66</td>
<td>Apr. 15, 2022</td>
<td>3,874,236.88</td>
<td>28,761,081.20</td>
<td>32,635,318</td>
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<tr>
<td>LBP (tranche 11) JPY Libor + 2.25%</td>
<td>$ 120,343,188.73</td>
<td>Apr. 15, 2022</td>
<td>6,008,366.02</td>
<td>44,578,159.92</td>
<td>50,586,526</td>
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<tr>
<td>LBP (tranche 12) JPY Libor + 2.25%</td>
<td>$ 91,477,766.85</td>
<td>Apr. 15, 2022</td>
<td>4,567,204.11</td>
<td>33,879,820.68</td>
<td>38,447,025</td>
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<tr>
<td>LBP (tranche 13) JPY Libor + 2.25%</td>
<td>$ 83,035,248.26</td>
<td>Apr. 15, 2022</td>
<td>4,141,016.68</td>
<td>30,451,331.11</td>
<td>34,592,348</td>
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<td>EIB (tranche 3) 2.10%</td>
<td>$ 458,469,526.00</td>
<td>Jun. 20, 2017</td>
<td>55,527,209.53</td>
<td>124,027,611.66</td>
<td>179,554,821</td>
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<tr>
<td>IFC (tranche1-1) 4.660%</td>
<td>$ 197,616,969.18</td>
<td>Nov. 15, 2020</td>
<td>197,616,969.18</td>
<td>230,950,303</td>
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<tr>
<td>IFC (tranche1-2) JPY Libor + 3.00% spread</td>
<td>0.42</td>
<td>June 15, 2018</td>
<td>103,126,392.00</td>
<td>352,663,627.73</td>
<td>455,790,020</td>
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<tr>
<td>PHP Corporate Notes 4.3385% and 7.3288%</td>
<td>PHP 9,900,000,000.00</td>
<td>4/16 and 4/8/2021</td>
<td>50,000,000.00</td>
<td>9,806,603,757.48</td>
<td>9,856,603,757</td>
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<td>Metrobank 4.420%</td>
<td>PHP 5,000,000,000.00</td>
<td>Aug. 30, 2020</td>
<td>25,000,000.00</td>
<td>4,970,576,622.39</td>
<td>4,970,576,622</td>
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<td>Php 541 million loan</td>
<td>7.250%</td>
<td>Dec. 20, 2030</td>
<td>541,129,680</td>
<td>537,080,860.28</td>
<td>537,080,860</td>
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<td><strong>LAWC</strong></td>
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<tr>
<td>Php 500 million loan (1st drawdown)</td>
<td>7.2500%</td>
<td>11/15/2020</td>
<td>11/15/2020</td>
<td>33,333,333.33</td>
<td>33,333,333.34</td>
<td>66,666,666.68</td>
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<tr>
<td>Php 500 million loan (2nd drawdown)</td>
<td>7.2500%</td>
<td>11/15/2020</td>
<td>11/15/2020</td>
<td>33,333,333.33</td>
<td>33,333,333.34</td>
<td>66,666,666.68</td>
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<tr>
<td><strong>PBP</strong></td>
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<tr>
<td>Php 500 million loan (1st drawdown)</td>
<td>7.2500%</td>
<td>11/15/2020</td>
<td>11/15/2020</td>
<td>250,000,000.00</td>
<td>248,132,792.08</td>
<td>496,265,584</td>
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<tr>
<td>Php 500 million loan (2nd drawdown)</td>
<td>7.2500%</td>
<td>11/15/2020</td>
<td>11/15/2020</td>
<td>250,000,000.00</td>
<td>248,132,792.08</td>
<td>496,265,584</td>
</tr>
</tbody>
</table>

## TOTAL USD Equivalent (Pip44.48 - 1 US$)

### TOTAL Pip Equivalent

| TOTAL Pipe Equivalent | 1,890,774,749.84 | 24,360,904,354.39 | 26,251,679,104.24 |

## TOTAL

<p>| TOTAL | 548,730,811.00 | 24,360,904,354.39 | 26,251,679,104.24 |</p>
<table>
<thead>
<tr>
<th>TITLE OF ISSUE &amp; TYPE OF OBLIGATION</th>
<th>Amount authorized by indenture</th>
<th>Amount shown under caption “Current portion of long-term debt” in related balance sheet</th>
<th>Amount shown under caption “Long-term Debt” in related balance sheet</th>
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<tr>
<td><strong>FOREIGN CURRENCY DENOMINATED LOANS</strong></td>
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<td></td>
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<tr>
<td>USD</td>
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<td>ADB 1379</td>
<td>52,952,009</td>
<td>447,184,700</td>
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<td>ADB 1746</td>
<td>14,833,119</td>
<td>167,384,924</td>
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<td>ADB 2012</td>
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<tr>
<td>ADB 986</td>
<td>229,030,143</td>
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<td>IBRD 4019</td>
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<td>JBIC-PH110</td>
<td>40,226,701</td>
<td>221,246,857</td>
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<td><strong>French Loan</strong></td>
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<td>Treasury Loan</td>
<td>13,832,994</td>
<td>54,531,977</td>
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<td><strong>China Loan</strong></td>
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<td>Eximbank</td>
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<td>2,560,043,677</td>
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<td>Before turn-over(USD)</td>
<td>1,169,000</td>
<td>6,887,813</td>
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<tr>
<td>Before turn-over(FRF)</td>
<td>2,111,313</td>
<td>3,597,674</td>
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<tr>
<td><strong>TOTAL USD Equivalent</strong></td>
<td>9,537,211</td>
<td>81,567,717</td>
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<td><strong>TOTALPhp Equivalent-Concession Loan</strong></td>
<td>423,404,504</td>
<td>3,621,198,798</td>
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<td><strong>REGULATORY FEE</strong></td>
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<td>MWCI</td>
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<td>9,101,442,856</td>
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<td>BIWC</td>
<td>59,000,000</td>
<td>485,000,000</td>
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<td>CWC</td>
<td>7,031,112</td>
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<td><strong>TOTAL REGULATORY FEE</strong></td>
<td>461,746,019</td>
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<td><strong>GRAND TOTAL</strong></td>
<td>885,150,523</td>
<td>13,236,346,630</td>
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</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, 2013

<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
MANILA WATER COMPANY, INC.  
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS  
As of December 31, 2013

<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></td>
<td></td>
<td>The Group has no guarantees of securities of other issuers</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>TITLE OF ISSUE</th>
<th>NUMBER OF SHARES AUTHORIZED</th>
<th># OF SHARES ISSUED/ SUBSCRIBED</th>
<th># OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION &amp; RIGHTS</th>
<th># OF SHARES HELD BY AFFILIATES, DIRECTORS, OFFICERS &amp; EMPLOYEES</th>
<th>OTHERS</th>
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<td>Preferred stock - ₱1 par value, 10% cumulative, voting, participating, nonredeemable and nonconvertible</td>
<td>4,000,000,000</td>
<td>4,000,000,000</td>
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<td>Preferred stock - ₱1 par value, 8% cumulative, nonvoting, nonparticipating, nonredeemable, redeemable over 5 years</td>
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<td><strong>Total Preferred Shares</strong></td>
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<td>Common Stock</td>
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<td>2,047,270,452</td>
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<td>688,502,363</td>
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<td>Less: Treasury Stock</td>
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<td>688,502,363</td>
<td>1,358,768,089</td>
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MANILA WATER CORPORATION, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
[which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations as of December 31, 2013]

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<tr>
<th>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</th>
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<td></td>
</tr>
<tr>
<td>SIC-10 Government Assistance - No Specific Relation to Operating Activities</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SIC-12 Consolidation - Special Purpose Entities</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Amendment to SIC - 12: Scope of SIC 12</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SIC-15 Operating Leases - Incentives</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SIC-25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIC-29 Service Concession Arrangements: Disclosures.</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SIC-31 Revenue - Barter Transactions Involving Advertising Services</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
### Manila Water Company, Inc.

#### Schedule of Financial Ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Ratio</td>
<td>0.85</td>
<td>0.56</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>0.21</td>
<td>0.21</td>
</tr>
<tr>
<td>Debt-to-Equity Ratio</td>
<td>1.07</td>
<td>1.20</td>
</tr>
<tr>
<td>Assets-to-Equity Ratio</td>
<td>2.35</td>
<td>2.51</td>
</tr>
<tr>
<td>Interest Rate Coverage Ratio</td>
<td>6.72</td>
<td>6.85</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>8%</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) + Allowance for Bad Debts + 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, 2013:

<table>
<thead>
<tr>
<th>Name of Stockholder</th>
<th>Number of Shares</th>
<th>Percentage</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mermac, Inc.</td>
<td>303,689,196</td>
<td>50.66%</td>
<td>Filipino</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Non-Filipino)</td>
<td>142,868,630</td>
<td>23.83%</td>
<td>Various</td>
</tr>
<tr>
<td>Mitsubishi Corporation</td>
<td>63,077,540</td>
<td>10.52%</td>
<td>Japanese</td>
</tr>
<tr>
<td>PCD Nominee Corporation (Filipino)</td>
<td>53,890,584</td>
<td>8.99%</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, 2013 are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares</th>
<th>Percentage</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayala Corporation</td>
<td>333,383,330</td>
<td>60.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>1 (common)</td>
<td>0.00%</td>
<td>Filipino</td>
</tr>
<tr>
<td>Delfin C. Gonzalez, Jr.</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>Treasury</td>
<td>222,255,555</td>
<td>40.00%</td>
<td></td>
</tr>
</tbody>
</table>

(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.

(5) Aberdeen Asset Management Asia Limited

Aberdeen Asset Management Asia Limited, based in Singapore since 1992, is the main regional investment arm of the Aberdeen Group. The Group has been investing in Asia for over 25 years, where their assets under management now total over US$113.4 billion (as of Dec. 31, 2013). While the Group is one of the largest managers of regional equities globally, they also have dedicated local Asian fixed income, indirect property and alternative asset teams. Assets are invested in a variety of country and regional funds, as well as specialist products, for leading institutions, other asset managers and retail investors. In addition to Singapore, the Group has offices in Hong Kong, Thailand, Malaysia, Australia, Japan and Taiwan, plus representation in China and Korea. Their research-led, long-term investment approach has resulted in many awards for investment performance.
## GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

**NAME OF CORPORATION:** Manila Water Company Inc. and Subsidiaries  
**CURRENT ADDRESS:** MWSS Compound, 489 Katipunan Road, Balara, Quezon City 1105  
**TEL. NO.:** (02) 917 - 5900  
**FAX NO.:**  
**COMPANY TYPE:** PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2013 (in P'000)</th>
<th>2012 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</strong></td>
<td>72,857,525.00</td>
<td>67,127,029.00</td>
</tr>
<tr>
<td>A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)</td>
<td>9,175,117.00</td>
<td>8,711,820.00</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>6,779,782.00</td>
<td>5,540,151.00</td>
</tr>
<tr>
<td>A.1.1.1 On hand</td>
<td>814.00</td>
<td>2,423.00</td>
</tr>
<tr>
<td>A.1.1.2 In domestic banks/entities</td>
<td>6,778,968.00</td>
<td>5,537,728.00</td>
</tr>
<tr>
<td>A.1.1.3 In foreign banks/entities</td>
<td>1,393,550.00</td>
<td>1,451,973.00</td>
</tr>
<tr>
<td>A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)</td>
<td>1,393,550.00</td>
<td>1,451,973.00</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>1,645,600.00</td>
<td>1,709,092.00</td>
</tr>
<tr>
<td>A.1.2.1.1 Due from customers (trade)</td>
<td>54,447.00</td>
<td>34,291.00</td>
</tr>
<tr>
<td>A.1.2.1.2 Due from related parties</td>
<td>376,926.00</td>
<td>336,368.00</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>101,904.00</td>
<td>142,412.00</td>
</tr>
<tr>
<td>A.1.2.1.3.1 Receivable from SAWACO</td>
<td>112,993.00</td>
<td>99,147.00</td>
</tr>
<tr>
<td>A.1.2.1.3.2 Receivable from BIWC</td>
<td>162,029.00</td>
<td>94,809.00</td>
</tr>
<tr>
<td>A.1.2.1.3.3 Other receivables</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.2.1.4 Allowance for doubtful accounts (negative entry)</td>
<td>(683,423.00)</td>
<td>(627,778.00)</td>
</tr>
<tr>
<td>A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.2.2.1</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.2.2.2</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.2.2.3</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.2.2.4 Allowance for doubtful accounts (negative entry)</td>
<td>0.00</td>
<td>0.00</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>103,598.00</td>
<td>111,302.00</td>
</tr>
<tr>
<td>A.1.3.1 Raw materials and supplies</td>
<td>103,598.00</td>
<td>111,302.00</td>
</tr>
<tr>
<td>A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished goods)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.3.3 Finished goods</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.3.4 Merchandise/Goods in transit</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.3.5 Unbilled Services (in case of service providers)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.3.6.1</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.3.6.2</td>
<td>0.00</td>
<td>0.00</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>200,055.00</td>
<td>494,322.00</td>
</tr>
<tr>
<td>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1.1 National Government</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1.2 Public Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1.3 Public Non-Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1.4 Private Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.1.5 Private Non-Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.2.1 National Government</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.2.2 Public Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.2.3 Public Non-Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.2.4 Private Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.4.2.5 Private Non-Financial Institutions</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**NOTE:**

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

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

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 (in P'000)</th>
<th>2012 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1.3 Loans and Receivables - issued by domestic entities: (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5)</td>
<td>94,345.00</td>
<td>0.00</td>
</tr>
<tr>
<td>(A.1.3.1 National Government)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A.1.3.2 Public Financial Institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A.1.3.3 Public Non-Financial Institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A.1.3.4 Private Financial Institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A.1.3.5 Private Non-Financial Institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)</td>
<td>105,710.00</td>
<td>494,322.00</td>
</tr>
<tr>
<td>A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.5.1 Financial Assets at fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.5.2 Held-to-maturity investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.5.3 Loans and Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.5.4 Available-for-sale financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1.4.6 Allowance for decline in market value (negative entry)</td>
<td></td>
<td></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 + A.1.5.4)</td>
<td>69,132.00</td>
<td>1,114,072.00</td>
</tr>
<tr>
<td>A.1.5.1 Financial receivable - current</td>
<td>77,459.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.1.5.2 Prepaid expenses</td>
<td>130,665.00</td>
<td>94,885.00</td>
</tr>
<tr>
<td>A.1.5.3 Advances to contractors</td>
<td>398,405.00</td>
<td>479,430.00</td>
</tr>
<tr>
<td>A.1.5.4 Value-added Input Tax</td>
<td>77,163.00</td>
<td>45,821.00</td>
</tr>
<tr>
<td>A.1.5.5 Deposit in escrow</td>
<td>0.00</td>
<td>482,660.00</td>
</tr>
<tr>
<td>A.1.5.6 Others</td>
<td>14,440.00</td>
<td>11,276.00</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>
<td>2,038,760.00</td>
<td>2,317,747.00</td>
</tr>
<tr>
<td>A.2.1 Land</td>
<td>1,472,106.00</td>
<td>1,863,196.00</td>
</tr>
<tr>
<td>A.2.2 Building and improvements including leasehold improvement</td>
<td>236,176.00</td>
<td>204,966.00</td>
</tr>
<tr>
<td>A.2.3 Machinery and equipment (on hand and in transit)</td>
<td>888,808.00</td>
<td>827,442.00</td>
</tr>
<tr>
<td>A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment</td>
<td>419,011.00</td>
<td>397,374.00</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>
<td>1,334,639.00</td>
<td>1,190,254.00</td>
</tr>
<tr>
<td>A.2.5.1 Furnitures and fixtures</td>
<td>1,334,639.00</td>
<td>1,190,254.00</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)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.6.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.6.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.6.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2.7 Accumulated Depreciation (negative entry)</td>
<td>-2,311,980.00</td>
<td>-1,965,485.00</td>
</tr>
<tr>
<td>A.2.8 Impairment Loss or Reversal (if loss, negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)</td>
<td>4,708,207.00</td>
<td>3,644,853.00</td>
</tr>
<tr>
<td>A.3.1 Equity in domestic subsidiaries/affiliates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.2 Equity in foreign branches/subsidiaries/affiliates</td>
<td>4,708,207.00</td>
<td>3,644,853.00</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)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.3.3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4 Investment Property</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.5 Biological Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.6 Intangible Assets (A.6.1 + A.6.2)</td>
<td>54,712,548.00</td>
<td>50,884,175.00</td>
</tr>
<tr>
<td>A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)</td>
<td>54,712,548.00</td>
<td>50,884,175.00</td>
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<tr>
<td>A.6.1.1 Service concession assets</td>
<td>54,582,229.00</td>
<td>50,753,856.00</td>
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<tr>
<td>A.6.1.2 Goodwill</td>
<td>130,319.00</td>
<td>130,319.00</td>
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<td></td>
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<tr>
<td>A.6.1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.6.2.1</td>
<td></td>
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<tr>
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<td>A.6.2.3</td>
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<td>A.6.2.4</td>
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<tr>
<td>A.7 Assets Classified as Held for Sale</td>
<td></td>
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<tr>
<td>A.8 Assets included in Disposal Groups Classified as Held for Sale</td>
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<tr>
<td>Table 1. Balance Sheet</td>
<td>2013 (in P’000)</td>
<td>2012 (in P’000)</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)</strong></td>
<td>431,380.00</td>
<td>473,731.00</td>
</tr>
<tr>
<td>A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)</td>
<td>431,380.00</td>
<td>473,731.00</td>
</tr>
<tr>
<td>A.9.1.1 Receivable from BIWC - net of current portion</td>
<td>431,380.00</td>
<td>473,731.00</td>
</tr>
<tr>
<td>A.9.1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.9.1.3</td>
<td></td>
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</tr>
<tr>
<td>A.9.1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.9.2. From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>A.9.2.1</td>
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<td></td>
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<tr>
<td>A.9.2.4</td>
<td></td>
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</tr>
<tr>
<td>A.9.3. Allowance for doubtful accounts, net of current portion (negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)</td>
<td>1,791,513.00</td>
<td>1,094,703.00</td>
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<tr>
<td>A.10.1 Deferred charges - net of amortization</td>
<td>55,407.00</td>
<td></td>
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<tr>
<td>A.10.2 Deferred Income Tax</td>
<td>821,740.00</td>
<td>830,163.00</td>
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<tr>
<td>A.10.3 Advance/Miscellaneous deposits</td>
<td>181,006.00</td>
<td>128,365.00</td>
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<tr>
<td>A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)</td>
<td>733,360.00</td>
<td>136,175.00</td>
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<tr>
<td>A.10.4.1 Concession financial receivable - net of current portion</td>
<td>603,905.00</td>
<td></td>
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<tr>
<td>A.10.4.2 Receivable from Avila Multipurpose Cooperative (AMPC)</td>
<td>66,073.00</td>
<td>50,672.00</td>
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<tr>
<td>A.10.4.3 Advances to Carment Development Fund</td>
<td>35,000.00</td>
<td>35,000.00</td>
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<tr>
<td>A.10.4.4 Miscellaneous</td>
<td>28,382.00</td>
<td>50,603.00</td>
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<tr>
<td>A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)</strong></td>
<td>41,803,469.00</td>
<td>40,372,760.00</td>
</tr>
<tr>
<td>B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)</td>
<td>8,072,932.00</td>
<td>9,899,252.00</td>
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<tr>
<td>B.1.1 Trade and Other Payables to Domestic Entities</td>
<td>4,361,069.00</td>
<td>4,325,930.00</td>
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<tr>
<td>B.1.1.1 Loans/Notes Payables</td>
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<tr>
<td>B.1.1.2 Trade Payables</td>
<td>2,635,742.00</td>
<td>3,164,771.00</td>
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<td>B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)</td>
<td>139,019.00</td>
<td>27,560.00</td>
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<tr>
<td>B.1.1.3.1 Payable to stockholders</td>
<td>139,019.00</td>
<td>27,560.00</td>
</tr>
<tr>
<td>B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3 + B.1.1.4.4)</td>
<td>1,586,308.00</td>
<td>1,133,599.00</td>
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<td>B.1.1.4.1 Accrued expenses</td>
<td>1,005,715.00</td>
<td>768,811.00</td>
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<td>B.1.1.4.2 Interest payable</td>
<td>333,189.00</td>
<td>305,755.00</td>
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<td>B.1.1.4.3 Contracts payable</td>
<td>216,145.00</td>
<td>0.00</td>
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<tr>
<td>B.1.1.4.4 Others</td>
<td>31,259.00</td>
<td>59,233.00</td>
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<tr>
<td>B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)</td>
<td>719.00</td>
<td>719.00</td>
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<tr>
<td>B.1.2.1 Advances from SAWACO</td>
<td>719.00</td>
<td>719.00</td>
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<tr>
<td>B.1.2.2</td>
<td></td>
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<td>B.1.2.3</td>
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<td></td>
</tr>
<tr>
<td>B.1.2.4</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)</td>
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</tr>
<tr>
<td>B.1.4.1</td>
<td></td>
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<tr>
<td>B.1.4.2</td>
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<td>B.1.4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1.4.4</td>
<td></td>
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<tr>
<td>B.1.5 Liabilities for Current Tax</td>
<td>529,963.00</td>
<td>467,023.00</td>
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<tr>
<td>B.1.6 Deferred Tax Liabilities</td>
<td>158.00</td>
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<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)</td>
<td>3,181,181.00</td>
<td>5,105,422.00</td>
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<tr>
<td>B.1.7.1 Dividends declared and not paid at balance sheet date</td>
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<tr>
<td>B.1.7.2 Acceptance Payable</td>
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<tr>
<td>B.1.7.3 Liabilities under Trust Receipts</td>
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<tr>
<td>B.1.7.4 Portion of Long-term Debt Due within one year</td>
<td>1,890,775.00</td>
<td>4,264,859.00</td>
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<tr>
<td>B.1.7.5 Deferred Income</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)</td>
<td>1,290,406.00</td>
<td>840,563.00</td>
</tr>
<tr>
<td>B.1.7.6.1 Service concession obligation</td>
<td>1,290,406.00</td>
<td>840,563.00</td>
</tr>
<tr>
<td>B.1.7.6.2</td>
<td></td>
<td></td>
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<tr>
<td>B.1.7.6.3</td>
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<td></td>
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<tr>
<td>B.1.7.6.4</td>
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</tbody>
</table>
### Table 1. Balance Sheet

<table>
<thead>
<tr>
<th>Financial Data</th>
<th>2013 (in P'000)</th>
<th>2012 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)</td>
<td>24,360,904.00</td>
<td>19,806,147.00</td>
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<tr>
<td>B.2.1 Domestic Public Financial Institutions</td>
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<tr>
<td>B.2.2 Domestic Public Non-Financial Institutions</td>
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<td></td>
</tr>
<tr>
<td>B.2.3 Domestic Private Financial Institutions</td>
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<td></td>
</tr>
<tr>
<td>B.2.4 Domestic Private Non-Financial Institutions</td>
<td></td>
<td></td>
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<tr>
<td>B.2.5 Foreign Financial Institutions</td>
<td>6,543,643.00</td>
<td>10,678,043.00</td>
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<tr>
<td>B.3 Indebtedness to Affiliates and Related Parties (Non-Current)</td>
<td></td>
<td></td>
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<tr>
<td>B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale</td>
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<tr>
<td>B.5 Other Liabilities (B.5.1 + B.5.2)</td>
<td>9,369,633.00</td>
<td>10,667,361.00</td>
</tr>
<tr>
<td>B.5.1 Deferred Income Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)</td>
<td>9,369,633.00</td>
<td>10,667,361.00</td>
</tr>
<tr>
<td>B.5.2.1 Service concession obligation - net of current portion</td>
<td>7,143,300.00</td>
<td>7,508,331.00</td>
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<tr>
<td>B.5.2.2 Pension liabilities</td>
<td>381,601.00</td>
<td>382,024.00</td>
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<tr>
<td>B.5.2.3 Provisions for probable losses</td>
<td>861,360.00</td>
<td>745,711.00</td>
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<tr>
<td>B.5.2.4 Other noncurrent liabilities</td>
<td>983,372.00</td>
<td>2,031,295.00</td>
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<tr>
<td>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)</td>
<td>31,054,056.00</td>
<td>26,754,269.00</td>
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<tr>
<td>C.1 Authorized Capital Stock (no. of shares, par value and total value; show details)</td>
<td>2,447,270.00</td>
<td>2,441,453.00</td>
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<tr>
<td>(C.1.1+C.1.2+C.1.3)</td>
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<td></td>
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<tr>
<td>C.1.1 Common shares (P1 par value; 2,047,270,452 shares)</td>
<td>2,047,270.00</td>
<td>2,041,453.00</td>
</tr>
<tr>
<td>C.1.2 Preferred Shares (P0.10 par value; 4,000,000,000 shares)</td>
<td>400,000.00</td>
<td>400,000.00</td>
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<tr>
<td>C.1.3 Others</td>
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<td></td>
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<tr>
<td>C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>C.2.1 Common shares</td>
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<td></td>
</tr>
<tr>
<td>C.2.2 Preferred Shares</td>
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</tr>
<tr>
<td>C.2.3 Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.3 Paid-up Capital Stock (C.3.1 + C.3.2)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>C.3.1 Common shares</td>
<td></td>
<td></td>
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<tr>
<td>C.3.2 Preferred Shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus</td>
<td>3,908,365.00</td>
<td>3,750,426.00</td>
</tr>
<tr>
<td>C.5 Minority Interest</td>
<td>576,799.00</td>
<td>266,740.00</td>
</tr>
<tr>
<td>C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)</td>
<td>(281,063.00)</td>
<td>(260,123.00)</td>
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<tr>
<td>C.6.1 Common stock options outstanding</td>
<td>13,807.00</td>
<td>13,578.00</td>
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<tr>
<td>C.6.2 Subscriptions receivable</td>
<td>(283,527.00)</td>
<td>(221,425.00)</td>
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<tr>
<td>C.6.3 Unrealized gain on available-for-sale financial assets</td>
<td>3,301.00</td>
<td>21,869.00</td>
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<tr>
<td>C.6.4 Remeasurement loss on defined benefit plans</td>
<td>(140,373.00)</td>
<td>(72,775.00)</td>
</tr>
<tr>
<td>C.6.5 Other equity reserve</td>
<td>7,500.00</td>
<td>7,500.00</td>
</tr>
<tr>
<td>C.6.6 Cumulative translation adjustment</td>
<td>118,239.00</td>
<td>(8,870.00)</td>
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<tr>
<td>C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus</td>
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<td></td>
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<tr>
<td>C.8 Retained Earnings (C.8.1 + C.8.2)</td>
<td>24,402,675.00</td>
<td>20,555,773.00</td>
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<tr>
<td>C.8.1 Appropriated</td>
<td>7,000,000.00</td>
<td>7,000,000.00</td>
</tr>
<tr>
<td>C.8.2 Unappropriated</td>
<td>17,402,675.00</td>
<td>13,555,773.00</td>
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<tr>
<td>C.9 Head / Home Office Account (for Foreign Branches only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.10 Cost of Stocks Held in Treasury (negative entry)</td>
<td></td>
<td></td>
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<tr>
<td>D. TOTAL LIABILITIES AND EQUITY (B + C)</td>
<td>72,857,525.00</td>
<td>67,127,029.00</td>
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</table>
# Table 2. Income Statement

## F I N A N C I A L   D A T A

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)</td>
<td>15,925,817.00</td>
<td>14,553,068.00</td>
</tr>
<tr>
<td>A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method</td>
<td>293,975.00</td>
<td>206,762.00</td>
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<tr>
<td>A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)</td>
<td>74,863.00</td>
<td>154,128.00</td>
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<tr>
<td>A.3.1 Rental Income from Land and Buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)</td>
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<tr>
<td>A.3.3 Sale of Real Estate or other Property and Equipment</td>
<td>13.00</td>
<td>4,352.00</td>
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<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)</td>
<td>74,850.00</td>
<td>149,776.00</td>
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<tr>
<td>A.3.5.1 Revenue from rehabilitation works</td>
<td>5,071,258.00</td>
<td>5,877,838.00</td>
</tr>
<tr>
<td>A.3.5.2 Cost of rehabilitation works</td>
<td>(5,071,258.00)</td>
<td>(5,877,838.00)</td>
</tr>
<tr>
<td>A.3.5.3 Amortization of deferred credits</td>
<td>6,168.00</td>
<td>5,100.00</td>
</tr>
<tr>
<td>A.3.5.4 Gain (loss) on revaluation of receivable from Bonifacio Water Corp.</td>
<td>(1,412.00)</td>
<td>113,489.00</td>
</tr>
<tr>
<td>A.3.5.5 Other income</td>
<td>70,094.00</td>
<td>31,187.00</td>
</tr>
<tr>
<td>A.3.5.6</td>
<td></td>
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<tr>
<td>A.3.5.7</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>179,250.00</td>
<td>297,265.00</td>
</tr>
<tr>
<td>A.4.1 Interest Income</td>
<td>172,825.00</td>
<td>264,518.00</td>
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<tr>
<td>A.4.2 Dividend Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)</td>
<td>0.00</td>
<td>13,112.00</td>
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<tr>
<td>A.4.3.1 Gain on disposal of available-for-sale financial assets</td>
<td>0.00</td>
<td>13,112.00</td>
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<td>A.4.3.2</td>
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<td>A.4.3.3</td>
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<tr>
<td>A.4.3.4</td>
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</tr>
<tr>
<td>A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)</td>
<td>6,425.00</td>
<td>19,635.00</td>
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<tr>
<td>A.4.4.1 Foreign currency differentials</td>
<td>545,916.00</td>
<td>(1,014,755.00)</td>
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<tr>
<td>A.4.4.2 Foreign exchange gains (losses)</td>
<td>(539,491.00)</td>
<td>1,034,390.00</td>
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<td>A.4.4.3</td>
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<td>A.4.4.4</td>
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## B. COST OF GOODS SOLD (B.1 + B.2 + B.3)

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<tr>
<th>Description</th>
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<th>2012</th>
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<tbody>
<tr>
<td>B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)</td>
<td>0.00</td>
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<tr>
<td>B.1.1 Direct Material Used</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>B.1.2 Direct Labor</td>
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<tr>
<td>B.1.3 Other Manufacturing Cost / Overhead</td>
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<tr>
<td>B.1.4 Goods in Process, Beginning</td>
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<tr>
<td>B.1.5 Goods in Process, End (negative entry)</td>
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<tr>
<td>B.2 Finished Goods, Beginning</td>
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<tr>
<td>B.3 Finished Goods, End (negative entry)</td>
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</table>

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

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<thead>
<tr>
<th>Description</th>
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</thead>
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<tr>
<td>C.1 Purchases</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>C.2 Merchandise Inventory, Beginning</td>
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<tr>
<td>C.3 Merchandise Inventory, End (negative entry)</td>
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## D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td>D.1 Cost of services</td>
<td>5,872,832.00</td>
<td>5,266,426.00</td>
</tr>
<tr>
<td>D.2</td>
<td>5,872,832.00</td>
<td>5,266,426.00</td>
</tr>
<tr>
<td>D.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.6</td>
<td></td>
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</table>
### Table 2. Income Statement

<table>
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<tr>
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<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in P'000)</td>
<td>(in P'000)</td>
</tr>
<tr>
<td><strong>F. GROSS PROFIT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,601,073.00</td>
<td>9,954,797.00</td>
</tr>
<tr>
<td><strong>G. OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.1 Selling or Marketing Expenses</td>
<td>1,275,540.00</td>
<td>1,292,495.00</td>
</tr>
<tr>
<td>G.2 Administrative Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.3 General Expenses</td>
<td>1,275,540.00</td>
<td>1,292,495.00</td>
</tr>
<tr>
<td>G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>G.4.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.4.3</td>
<td></td>
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<tr>
<td>G.4.4</td>
<td></td>
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<tr>
<td>G.4.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.4.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>H. FINANCE COSTS</strong></td>
<td>1,733,401.00</td>
<td>1,563,957.00</td>
</tr>
<tr>
<td><strong>I. NET INCOME</strong></td>
<td>7,592,132.00</td>
<td>7,098,345.00</td>
</tr>
<tr>
<td>(LOSS) BEFORE TAX (F - G - H)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>J. INCOME TAX EXPENSE</strong></td>
<td>-1,811,573.00</td>
<td>-1,595,053.00</td>
</tr>
<tr>
<td>(negative entry)</td>
<td></td>
<td></td>
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<tr>
<td><strong>K. INCOME AFTER TAX</strong></td>
<td>5,780,559.00</td>
<td>5,503,292.00</td>
</tr>
<tr>
<td><strong>L. 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</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>M. Profit or Loss</strong></td>
<td>28,199.00</td>
<td>12,849.00</td>
</tr>
<tr>
<td>Attributable to Minority Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>N. Profit or Loss</strong></td>
<td>5,752,362.00</td>
<td>5,490,443.00</td>
</tr>
<tr>
<td>Attributable to Equity Holders of the Parent</td>
<td></td>
<td></td>
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### Table 3. Cash Flow Statements

<table>
<thead>
<tr>
<th><strong>FINANCIAL DATA</strong></th>
<th><strong>2013</strong></th>
<th><strong>2012</strong></th>
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</thead>
<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>7,592,134.00</td>
<td>7,098,345.00</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,494,763.00</td>
<td>2,320,075.00</td>
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<tr>
<td>Amortization, specify: Interest expense</td>
<td>1,733,401.00</td>
<td>1,563,957.00</td>
</tr>
<tr>
<td>Others, specify: Provision for probable losses</td>
<td>7,540,722.00</td>
<td>7,540,722.00</td>
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<tr>
<td>Share based payment</td>
<td>50,834.00</td>
<td>31,865.00</td>
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<tr>
<td>Gain on disposal of property and equipment</td>
<td>(13,00)</td>
<td>(4,352.00)</td>
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<tr>
<td>Gain on disposal of AFS financial assets</td>
<td>0.00</td>
<td>(13,112.00)</td>
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<tr>
<td>Loss (gain) on revaluation of receivable from Bonifacio Water Corp</td>
<td>1,412.00</td>
<td>(113,489.00)</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,412.00</td>
<td>(113,489.00)</td>
</tr>
<tr>
<td>Equity share in net income of associate</td>
<td>(293,975.00)</td>
<td>(206,762.00)</td>
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<tr>
<td>Write-down of Property, Plant, and Equipment</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Changes in Assets and Liabilities: Decrease (Increase) in:</td>
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<td></td>
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<tr>
<td>Receivables</td>
<td>40,374.00</td>
<td>(472,215.00)</td>
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<tr>
<td>Inventories</td>
<td>7,704.00</td>
<td>45,490.00</td>
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<td>Other Current Assets</td>
<td>391,470.00</td>
<td>(248,517.00)</td>
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<tr>
<td>Others, specify: Service concession assets</td>
<td>(4,677,183.00)</td>
<td>(5,710,774.00)</td>
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<tr>
<td>Concession financial receivable</td>
<td>(681,364.00)</td>
<td>0.00</td>
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<tr>
<td>Increase (Decrease) in:</td>
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<td></td>
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<tr>
<td>Trade and Other Payables</td>
<td>(640,875.00)</td>
<td>589,093.00</td>
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<tr>
<td>Income and Other Taxes Payable</td>
<td>(1,714,908.00)</td>
<td>(1,384,792.00)</td>
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<tr>
<td>Others, specify: Pension liabilities</td>
<td>(6,015.00)</td>
<td>(76,958.00)</td>
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<tr>
<td>Payables to related parties</td>
<td>111,459.00</td>
<td>(74,185.00)</td>
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<tr>
<td>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</td>
<td>4,345,087.00</td>
<td>3,163,912.00</td>
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<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
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<td></td>
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<tr>
<td>Proceeds from:</td>
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<td></td>
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<tr>
<td>Maturities of available-for-sale financial assets</td>
<td>370,044.00</td>
<td>841,343.00</td>
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<tr>
<td>Sale of property and equipment</td>
<td>3,043.00</td>
<td>5,725.00</td>
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<tr>
<td>Issuance of Securities</td>
<td>0.00</td>
<td>15,000.00</td>
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<tr>
<td>Others, specify: Interest received</td>
<td>133,816.00</td>
<td>230,687.00</td>
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<tr>
<td>Acquisitions of:</td>
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<td></td>
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<tr>
<td>Investment in associates</td>
<td>(843,786.00)</td>
<td>(1,372,144.00)</td>
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<td>Property and equipment</td>
<td>(274,946.00)</td>
<td>(626,718.00)</td>
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<tr>
<td>Available-for-sale financial assets</td>
<td>0.00</td>
<td>(33,791.00)</td>
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<tr>
<td>Others, specify (negative entry):</td>
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<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
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<td></td>
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<tr>
<td>Short-term cash investments</td>
<td>(94,345.00)</td>
<td>658,000.00</td>
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<tr>
<td>Other noncurrent assets</td>
<td>520,968.00</td>
<td>(1,814,774.00)</td>
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<tr>
<td>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</td>
<td>15,920.00</td>
<td>(683,375.00)</td>
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<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
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<tr>
<td>Long term debt:</td>
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<tr>
<td>Availments</td>
<td>6,195,927.00</td>
<td>2,912,890.00</td>
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<tr>
<td>Payments</td>
<td>(4,255,918.00)</td>
<td>(1,110,023.00)</td>
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<td>Payments of service concession obligation</td>
<td>(2,635,936.00)</td>
<td>(1,227,181.00)</td>
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<tr>
<td>Others, specify: Payments of dividends</td>
<td>(1,905,460.00)</td>
<td>(1,508,070.00)</td>
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<td>Collection of subscriptions receivable</td>
<td>51,050.00</td>
<td>31,436.00</td>
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<td>Interest paid</td>
<td>(1,515,974.00)</td>
<td>(1,244,264.00)</td>
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<td>Decrease in noncurrent liabilities</td>
<td>(1,047,924.00)</td>
<td>(82,323.00)</td>
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<td>Increase in non-controlling interest in consolidated subsidiaries</td>
<td>281,958.00</td>
<td>72,008.00</td>
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<td>Others, specify (negative entry):</td>
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<tr>
<td>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</td>
<td>(3,121,277.00)</td>
<td>(2,195,527.00)</td>
</tr>
<tr>
<td><strong>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</strong></td>
<td>1,239,830.00</td>
<td>305,010.00</td>
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<td>Cash and Cash Equivalents</td>
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<tr>
<td>Beginning of year</td>
<td>5,540,152.00</td>
<td>5,540,152.00</td>
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<tr>
<td>End of year</td>
<td>6,779,982.00</td>
<td>5,845,162.00</td>
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<td>F I N A N C I A L  D A T A</td>
<td>Capital Stock</td>
<td>Additional Paid-in Capital</td>
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<td>--------------------------</td>
<td>--------------</td>
<td>---------------------------</td>
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<tr>
<td>A. Balance, 2011</td>
<td>2,331,141.00</td>
<td>3,881,885.00</td>
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<tr>
<td>A.1 Statements of Retained Earnings</td>
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<tr>
<td>A.2 Changes in Accounting Policy</td>
<td>-122,641.00</td>
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<tr>
<td>B. Restated Balance</td>
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<td></td>
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<tr>
<td>C. Surplus</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>C.1 Surplus (Deficit) on Revaluation of Properties</td>
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</tr>
<tr>
<td>C.2 Surplus (Deficit) on Revaluation of Investments</td>
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<tr>
<td>C.3 Currency Translation Differences</td>
<td>0.00</td>
<td>1,850.00</td>
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<tr>
<td>C.4 Other (Surplus) (Deficit)</td>
<td>0.00</td>
<td>-82,380.00</td>
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<tr>
<td>C.4.1 Collections from subscriptions receivable</td>
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<tr>
<td>C.4.2 Exercised common stock outstanding</td>
<td>-7,252.00</td>
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<tr>
<td>C.4.3 Actuarial gain (loss) on defined benefit plans</td>
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<td></td>
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<tr>
<td>C.4.4 Realized FV gain transferred to profit and other comprehensive income</td>
<td>-34,472.00</td>
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<tr>
<td>C.4.5 Share of non-controlling interest</td>
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<tr>
<td>D. Net Income (Loss) for the Period</td>
<td>5,492,441.00</td>
<td></td>
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<tr>
<td>D.1 Dividends (contingent entry)</td>
<td>-1,492,684.00</td>
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<tr>
<td>D.2 Appropriation for specific purposes</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>D.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Retained Earnings, 2011</td>
<td>2,441,453.00</td>
<td>3,789,485.00</td>
</tr>
<tr>
<td>E.1 Issuance of Common Stock</td>
<td>459,468.00</td>
<td>148,620.00</td>
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<tr>
<td>E.1.2 Common Stock</td>
<td>412,420.00</td>
<td>128,600.00</td>
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<tr>
<td>E.1.3 Preferred Stock</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>E.1.4 Others</td>
<td>46,048.00</td>
<td>0.00</td>
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<tr>
<td>E.2 Retained Earnings</td>
<td>2,441,453.00</td>
<td>3,789,485.00</td>
</tr>
<tr>
<td>E.3 Conversion of Preferred Stock</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>E.4 Changes in Accounting Policy</td>
<td>-1,917.00</td>
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<tr>
<td>E.5 Restated Balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Balance, 2013</td>
<td>2,447,270.00</td>
<td>3,868,384.00</td>
</tr>
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</table>
### Table 5. Details of Income and Expenses, by source

#### GENERAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS

**NAME OF CORPORATION:** Manila Water Company Inc. and Subsidiaries  
**CURRENT ADDRESS:** MWSS Compound, 489 Katipunan Road, Balara, Quezon City 1105  
**TEL. NO.:** (02) 917 - 5900  
**FAX NO.:**  
**COMPANY TYPE:**  

If these are based on consolidated financial statements, please so indicate in the caption.

#### Description:
- **FINANCIAL DATA**
- **REVENUE / INCOME (A.1 + A.2)**
- **EXPENSES (B.1 + B.2)**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>2013 (in P'000)</th>
<th>2012 (in P'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.1</strong></td>
<td>Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) from Primary Activity (A.1.1 + A.1.2)</td>
<td>15,925,817.00</td>
<td>14,553,068.00</td>
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<tr>
<td><strong>A.1.1</strong></td>
<td>Domestic</td>
<td>15,750,878.00</td>
<td>14,383,618.00</td>
</tr>
<tr>
<td><strong>A.1.2</strong></td>
<td>Foreign</td>
<td>174,939.00</td>
<td>169,450.00</td>
</tr>
<tr>
<td><strong>A.2</strong></td>
<td>Other Revenue (A.2.1 + A.2.2)</td>
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<td></td>
</tr>
<tr>
<td><strong>A.2.1</strong></td>
<td>Domestic</td>
<td>81,289.00</td>
<td>186,875.00</td>
</tr>
<tr>
<td><strong>A.2.2</strong></td>
<td>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><strong>B.1</strong></td>
<td>Domestic</td>
<td>7,052,159.00</td>
<td>6,424,363.00</td>
</tr>
<tr>
<td><strong>B.2</strong></td>
<td>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>96,213.00</td>
<td>124,558.00</td>
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<td><strong>B.2.1</strong></td>
<td>Cost of management contracts</td>
<td>96,213.00</td>
<td>124,558.00</td>
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Page 9
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 MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City.

2. The General Form for Financial Statements (GFFS) compact disk 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 8th of April 2014 at Quezon City.

[Signature]

LUIS JUAN B. ORETA
Comptroller

SUBSCRIBED AND SWORN to before me this 8th day of April 2014, affiant exhibiting to me his Passport No. EB6664924 valid until October 29, 2017.

[Signature]

JOVENCIDO P. FULGUERAS
My Commission Expires on Dec. 31, 2015
I.B.P. No. 942654-2013 - Pasig City
Roll No. 30906
Ptr. No. 0297350-B-5-3-2015
MCLE Compliance No. 16-02042A
MWSS BLDG. WASECO BALARA, QUEZON CITY
BALARA, QUEZON CITY

MANILA WATER COMPANY, INC.
MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City, Philippines
T: (632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1627
<table>
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<th>RANK</th>
<th>STOCKHOLDERS NAME</th>
<th>NO. OF COMMON SHARES</th>
<th>% OF COMMON SHARES</th>
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<td>1</td>
<td>PCD NOMINEE CORPORATION (FILIPINO AND NON-FILIPINO)</td>
<td>1,179,617,629</td>
<td>57.7762%</td>
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<tr>
<td>2</td>
<td>AYALA CORPORATION</td>
<td>791,912,996</td>
<td>38.7869%</td>
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<td>3</td>
<td>ANTONINO AQUINO</td>
<td>7,200,000</td>
<td>0.3526%</td>
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<td>4</td>
<td>ESOWN ADMINISTRATOR 2005</td>
<td>6,717,501</td>
<td>0.3290%</td>
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<td>ESOWN ADMINISTRATOR 2009</td>
<td>6,086,383</td>
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<td>6</td>
<td>ESOWN ADMINISTRATOR 2008</td>
<td>5,226,370</td>
<td>0.2560%</td>
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<td>7</td>
<td>RUEL T. MARANAN (AS MWCI ESOP ADMINISTRATOR)</td>
<td>4,644,924</td>
<td>0.2275%</td>
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<td>8</td>
<td>ESOWN ADMINISTRATOR 2011</td>
<td>4,500,434</td>
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<td>4,256,414</td>
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<td>ERNESTO O. CHUA CHIACO AND/OR MARGARET SY CHUA CHIACO</td>
<td>2,240,000</td>
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<td>11</td>
<td>SHERISA P. NUESA</td>
<td>1,900,000</td>
<td>0.0931%</td>
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<tr>
<td>12</td>
<td>GENEVIEVE SY CHUACHIACO</td>
<td>1,490,500</td>
<td>0.0730%</td>
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<td>13</td>
<td>PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT FOUNDATION, INC.</td>
<td>1,345,000</td>
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<td>ERNESSON SY CHUA CHIACO</td>
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<td>15</td>
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<td>17</td>
<td>LOZANO A. TAN</td>
<td>850,000</td>
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<tr>
<td>18</td>
<td>VIRGINIA Z. JUGO</td>
<td>700,000</td>
<td>0.0343%</td>
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<tr>
<td>19</td>
<td>MAGDALENO B. ALBARRACIN AND/OR TRINIDAD ALBARRACIN</td>
<td>625,000</td>
<td>0.0306%</td>
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<tr>
<td>20</td>
<td>FORESIGHT REALTY &amp; DEVELOPMENT CORPORATION</td>
<td>618,000</td>
<td>0.0303%</td>
</tr>
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</table>

* PCD Nominee Corporation includes the shares of First State Investment Management and Aberdeen Asset Management Asia Limited
** This includes shares granted under the ESOWN
SECURITIES AND EXCHANGE COMMISSION
SECBuilding, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel. (632) 725-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Guervarra
Receiving Branch: SEC Head Office
Receipt Date and Time: January 03, 2014 12:38:32 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: 101032014001127
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 27, 2013
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

981-8129

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

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. December 27, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 1105

8. Issuer's telephone number, including area code
   (02)9175900 local 1418 / or (02)981-8122

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 – 2,041,701,890

    b. Debt Securities

       None

       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 [ ]

---

2,013,400,172  Outstanding Common Shares
28,391,718     Shares Under the Stock Ownership Plans
2,041,701,890  Shares Under the Stock Ownership Plans
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated December 27, 2013 regarding the signing of an Asset Purchase Agreement between Laguna Technopark, Inc. and Laguna AAAWater Corp., a Manila Water's Subsidiary.

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.

MANILA WATER COMPANY, INC.

Issuer

By:

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

January 3, 2014
Date
27 December 2013

SEcurities AND exchange commiSSion
sec building, edsa, greenhills
Mandaluyong City, Metro Manila

Attention : Director Vicente Graciano P. Felizmenio, Jr.
Markets & Securities Regulation Department

The philippine stock exchange, Inc.
3/f Tower one and exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

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

Subject : Manila Water’s Subsidiary Signs an Asset Purchase Agreement with Laguna Technopark, Inc.

Gentlemen:

Please be informed that today, Laguna AAAWater Corporation (“LAWC”), a subsidiary of Manila Water, signed an Asset Purchase Agreement with Laguna Technopark, Inc. (“LTI”) for the acquisition of the water reticulation and sewerage system of Laguna Technopark.

Laguna Technopark is a premier industrial park located in Sta. Rosa and Binan, Laguna. It is home to some of the region’s largest and more successful light to medium non-polluting industries.

On January 1, 2014, LAWC will also officially take over as the exclusive water service provider in Laguna Technopark. In this connection, LAWC is registered under PEZA as an Ecozone Utilities Enterprise for its operations inside Laguna Technopark.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Guevarra
Receiving Branch: SEC Head Office
Receipt Date and Time: December 23, 2013 10:37:19 AM
Received From: Head Office

Company Representative

Doc Source

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

Document Information
Document ID: 112232013000434
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 20, 2013
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

SEC Form 17-C
STOCK
FORM TYPE

1 2 3 1
Month Day Fiscal Year

0 4 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 20, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A1996-11553

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

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

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   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 – 2,041,701,890

    b. Debt Securities
       None

       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?

1 2,013,400,172   Outstanding Common Shares
    26,301,718    Shares Under the Stock Ownership Plans
    2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached disclosure to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the Term Loan Facility for Cebu Manila Water Development, Inc. dated December 19, 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.
Issuer

By: ____________________________

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

December 20, 2013
Date
December 19, 2013

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: Term-Loan Facility for Cebu Manila Water Development, Inc.

Gentlemen:

Please be informed that today the Cebu Manila Water Development, Inc. ("CMWD"), a subsidiary of Manila Water Company, Inc. signed a Term Loan Facility in the amount of P800 Million, with the Development Bank of the Philippines through the Philippine Water Revolving Fund ("PWRF"). The loan will partially finance the construction of the Cebu Bulk Water Supply Project.

Sincerely,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Jose Rodel Taruc
Receiving Branch : SEC Head Office
Receipt Date and Time : December 16, 2013 01:58:44 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 112162013001047
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered December 13, 2013
No. of Days Late 0
Department CFD
Remarks
SEcurities And EXchange CoMMission
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
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Receipt Date and Time: December 16, 2013 01:58:44 PM
Received From: Head Office

Company Representative

Doc Source

Company Information
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Company Name: MANILA WATER CO. INC.
Industry Classification:
Company Type: Stock Corporation

Document Information
Document ID: 112162013001047
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: December 13, 2013
No. of Days Late: 0
Department: CFD
Remarks
**COVER SHEET**

**MANILA WATER COMPANY, INC.**  
(Company's Full Name)

**489 KATIPUNAN ROAD BALARA 1105**  
(Business Address: No. Street City / Town / Province)

**Atty. JHOEL P. RAQUEDAN**  
Contact Person

**(632) 981-8129**  
Company Telephone Number

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<th>Month</th>
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SEC Form 17-C

**STOCK**  
FORM TYPE

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Secondary License Type, If Applicable

**A1996-11593**  
Amended Articles Number/Section

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<th>Total Amount of Borrowings</th>
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To be accomplished by SEC Personnel concerned

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**STAMPS**
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **December 13, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **006-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

6. Industry Classification Code: **00-0000-00** (SEC Use Only)

7. Address of issuer’s principal office  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**  
   Postal Code: **1105**

8. Issuer’s telephone number, including area code  
   **(02)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 – 2,041,701,890¹

    b. Debt Securities  
       None

   Regrant 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?

---

¹ 2,014,421,738 Outstanding Common Shares  
   27,280,152 Shares Under the Stock Ownership Plans  
   2,041,701,890 Total Shares
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission dated December 13, 2013 on the Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD) given to Cebu Manila Water Development, Inc. (CMWD), the joint venture company formed between the Manila Water Consortium, Inc. and the Provincial Government of Cebu.

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
Chief Legal Counsel/
Assistant Corporate Secretary

December 16, 2013
Date
13 December 2013

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Vicente Graciano P. Felizmenio, Jr.
Markets & Securities Regulation Department

PHILIPPINE STOCK EXCHANGE
Attention: Janet A. Encarnacion
Head, Disclosure Department

Re: Manila Water Subsidiary Wins Bid for Bulk Supply of Water to Metropolitan Cebu Water District

Gentlemen:

Further to our disclosures dated 21 March 2012 and 19 November 2012, please be informed that today, Cebu Manila Water Development, Inc. (CMWD), the joint venture company formed between the Manila Water Consortium, Inc. and the Provincial Government of Cebu, received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). In relation to this, CMWD and MCWD shall sign a 20-year Water Purchase Agreement (WPA) for the supply of 18 million liters per day of water for the first year and 35 million liters per day of water for years 2 up to 20. Initial delivery of water is expected six (6) months from the signing of the WPA.

Manila Water undertakes to inform the Exchange of further developments regarding this transaction.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Barcode Page
The following document has been received:

**Receiving Officer/Encoder**: Jose Rodel Taruc  
**Receiving Branch**: SEC Head Office  
**Receipt Date and Time**: December 16, 2013 01:58:07 PM  
**Received From**: Head Office

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<tr>
<td>Company Name</td>
<td>MANILA WATER CO. INC.</td>
</tr>
<tr>
<td>Industry Classification</td>
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<tr>
<td>Company Type</td>
<td>Stock Corporation</td>
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The following document has been received:

Receiving Officer/Encoder  : Jose Rodel Taruc
Receiving Branch         : SEC Head Office
Receipt Date and Time    : December 16, 2013 01:58:07 PM
Received From            : Head Office

Company Information

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

Document Information

Document ID              : 112162013001044
Document Type            : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code            : 17-C
Period Covered           : December 13, 2013
No. of Days Late         : 0
Department               : CFD
Remarks                  : 
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Fiscal Year

04
Any Monthly

FORM TYPE

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **December 13, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

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

8. **(02)926-7999 local 8130 / or (02)981-8133**  
   Issuer's telephone number, including area code

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 – 2,041,701,890

    b. Debt Securities

       None

       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?

---

1 2,014,421,738 Outstanding Common Shares
27,289,152 Shares Under the Stock Ownership Plans
2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission dated December 13, 2013 on the approval of new water rates of the Boracay Island Water Company, Inc., a subsidiary of Manila Water Company, Inc. by the Tourism Infrastructure and Enterprise Zone Authority Regulatory Office.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

By:  

Jhoel P. Raquedan  
Chief Legal Counsel/  
Assistant Corporate Secretary  

December 16, 2013  

Date
13 December 2013

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

Attention: Director Vicente Graciano P. Felizmenio, Jr.
Markets & Securities Regulation Department

THE PHILIPPINE STOCK EXCHANGE, INC.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

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

Re: Boracay Island Water Company, Inc. Tariff Adjustment

Gentlemen:

Please be informed that the new water rates of the Boracay Island Water Company, Inc., a subsidiary of Manila Water Company, Inc., have been approved by the Tourism Infrastructure and Enterprise Zone Authority Regulatory Office. The new rates will be effective fifteen (15) days after its date of publication in two (2) national newspapers of general circulation and the filing of a copy thereof with the University of the Philippines Law Center.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel
Asst. Corporate Secretary
Bar Code Page

The following document has been received:

Receiving Officer/Encoder: Dharril Curañes
Receiving Branch: SEC Head Office
Receipt Date and Time: November 29, 2013 01:15:25 PM
Received From: Head Office

Company Representative

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Company Information

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

Document Information

Document ID: 111292013001867
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 28, 2013
No. of Days Late: 0
Department: CFD
Remarks
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

S.E.C. Registration Number: A199611593

(Company's Full Name)
(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Fiscal Year

STOCK
FORM TYPE

04
Month Annual Meeting

Any

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
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 28, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

6. Industry Classification Code: ☐ (SEC Use Only)

7. Address of issuer’s principal office
   Code: **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City** 1105

8. Issuer’s telephone number, including area code
   **(02)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 – 2,041,701,890

   b. Debt Securities
      None

      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?

---

1, 2,013,651,738 Outstanding Common Shares
28,050,152 Shares Under the Stock Ownership Plans
2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission dated November 28, 2013 on the results of the board meeting held last November 28, 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.  November 29, 2013
Issuer

By: [Signature]

Jhoel P. Raquedan
Chief Legal Counsel/Assistant Corporate Secretary
28 November 2013

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Vicente Graciano P. Felizmenio, Jr.
Markets & Securities Regulation Department

PHILIPPINE STOCK EXCHANGE
Attention: Janet A. Encarnacion
Head, Disclosure Department

Subject: 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 following actions and resolutions were adopted:

1. Setting of 2014 Annual Stockholders’ Meeting

The Board set April 4, 2014 as the date of the 2014 Manila Water Annual Stockholders’ Meeting. The record date for the determination of stockholders entitled to notice and to vote at the meeting is February 12, 2014.

2. Approval of the Board Committee Charters

The Board adopted the Charters for the Executive Committee, the Nomination Committee, the Remuneration Committee and the Committee on Inspectors of Proxies and Ballots (formerly, the “Proxy Validation Committee”).

3. Declaration of Cash Dividends on Participating Preferred Shares

The Board declared cash dividend of Php0.01 per share on the outstanding four (4) billion Participating Preferred Shares (PPS) of the capital stock of Manila Water, payable on December 27, 2013 to holders of record of PPS as of December 1, 2013.

The cash dividend of Php0.01 per share is equivalent to 10% of the par value and issue price of the PPS.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
1400 Administration Building, 499 Katipunan Road, 1105 Balaar, Quezon City, Philippines
Barcode Page

The following document has been received:

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Company Information

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

Document Information

Document ID: 111132013001453
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: November 11, 2013
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JOHEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1 2 3 1
Month Day Fiscal Year

0 4 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 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 11, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal **1105**

8. Issuer's telephone number, including area code
   **(02)926-7999 local 8130 or (02)981-8133**

9. Former name or former address, if changed since last report
   **Not Applicable**

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

    a. Shares of Stock

       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities

       None

       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?

---

1 2,013,651,738 Outstanding Common Shares
28,040,152 Shares Under the Stock Ownership Plans
2,041,701,890

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission dated November 11, 2013 on the unaudited year-to-date September 2013 performance results.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.

Issuer

By: ____________________________

[Signature]

By: ____________________________

Jhoel P. Raquedan
Chief Legal Counsel/
Assistant Corporate Secretary

November 11, 2013
Date
November 11, 2013

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 2013 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

Joel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
## MANILA WATER FINANCIAL HIGHLIGHTS (CONSOLIDATED)

### YTD September

<table>
<thead>
<tr>
<th></th>
<th>2013 Unaudited</th>
<th>2012 Unaudited</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>13,540</td>
<td>10,899</td>
<td>6%</td>
</tr>
<tr>
<td>Cost of Services and Operating Expenses</td>
<td>3,254</td>
<td>3,325</td>
<td>(2%)</td>
</tr>
<tr>
<td>Equity in Net Income of Associates</td>
<td>207</td>
<td>70</td>
<td>195%</td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td>37</td>
<td>21</td>
<td>76%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>8,532</strong></td>
<td><strong>7,666</strong></td>
<td><strong>11%</strong></td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>44%</td>
<td>70%</td>
<td>4%</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,854</td>
<td>1,631</td>
<td>14%</td>
</tr>
<tr>
<td>Interest Income (Expenses)</td>
<td>1,131</td>
<td>1,027</td>
<td>10%</td>
</tr>
<tr>
<td>Provision for Income Tax</td>
<td>1,227</td>
<td>1,060</td>
<td>16%</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>27</td>
<td>11</td>
<td>144%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>4,293</strong></td>
<td><strong>3,936</strong></td>
<td><strong>9%</strong></td>
</tr>
</tbody>
</table>

### Assets

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013 Unaudited</th>
<th>December 31, 2012 Audited (As restated)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>12,753</td>
<td>8,217</td>
<td>52%</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>61,327</td>
<td>58,909</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>73,780</strong></td>
<td><strong>67,127</strong></td>
<td><strong>10%</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Stockholders’ Equity

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2013 Unaudited</th>
<th>December 31, 2012 Audited (As restated)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>9,624</td>
<td>9,899</td>
<td>(3%)</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>24,469</td>
<td>30,476</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>34,099</strong></td>
<td><strong>40,375</strong></td>
<td><strong>9%</strong></td>
</tr>
<tr>
<td>Stockholders’ Equity</td>
<td>29,691</td>
<td>26,752</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Stockholders’ Equity</strong></td>
<td><strong>73,780</strong></td>
<td><strong>67,127</strong></td>
<td><strong>7%</strong></td>
</tr>
</tbody>
</table>
### MANILA WATER OPERATIONAL HIGHLIGHTS (CONSOLIDATED)

<table>
<thead>
<tr>
<th>YTD September</th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Billed Volume (in mcm)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>454.9</td>
<td>426.7</td>
<td>7%</td>
</tr>
<tr>
<td>Boracay Water</td>
<td>326.1</td>
<td>321.1</td>
<td>2%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>2.7</td>
<td>2.3</td>
<td>17%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>7.1</td>
<td>6.7</td>
<td>6%</td>
</tr>
<tr>
<td>Thu Duc Water</td>
<td>38.2</td>
<td>5.5</td>
<td>49%</td>
</tr>
<tr>
<td>Kenh Dong Water</td>
<td>89.6</td>
<td>91.1</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Water Service Connections</th>
<th>9M 2013</th>
<th>9M 2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Zone</td>
<td>317,564</td>
<td>889,448</td>
<td>3%</td>
</tr>
<tr>
<td>Boracay Water</td>
<td>5,597</td>
<td>5,194</td>
<td>7%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>11,900</td>
<td>1,907</td>
<td>3%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>59,814</td>
<td>36,582</td>
<td>62%</td>
</tr>
</tbody>
</table>
Barcode Page
The following document has been received:

Receiving Officer/Encoder : Marites S. Guevarra
Receiving Branch : SEC Head Office
Receipt Date and Time : November 05, 2013 01:52:45 PM
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Company Representative

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Company Information

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

Document Information

Document ID : 111052013002563
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : November 04, 2013
No. of Days Late : 0
Department : CFD
Remarks

COVER SHEET

Manila Water Company, Inc.

489 Katipunan Road Balara 1105
Quezon City Metro Manila

Atty. Jhoel P. Raquedan
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Fiscal Year

04
Month Day

Sec Form 17-C
STOCK
FORM TYPE

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. November 4, 2013
   Date of report (Date of earliest event reported)

2. sec identification number a 1996-11593

3. bir tax identification no. 005-038-428

4. manila water company, inc.
   exact name of issuer as specified in its charter

5. province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. industry classification code: [redacted] (SEC use only)

7. address of issuer’s principal office
   postal code
   2f mwss admin. bldg., 489 katipunan road, balara, quezon city
   1105

8. Issuer’s telephone number, including area code
   (02)926-7999 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 – 2,041,701,8901

b. Debt Securities
   None

   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?

   2,013,651,738 Outstanding Common Shares
   28,050,152 Shares Under the Stock Ownership Plans
   2,041,701,890

   ________________________________

   1
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission dated November 4, 2013 on the notice of analysts’ briefing of the company to be held on November 11, 2013 at 3:00 in the afternoon at the 25th Floor, South Rooms 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.

By:

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

November 4, 2013
Date
4 November 2013

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: Analysts’ Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold its quarterly analysts’ briefing on November 11, 2013 at 3:00 in the afternoon at the 25th Floor, South Rooms A & B, Ayala Tower 1, Ayala Avenue, Makati City.

Thank you very much.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
Bar code Page
The following document has been received:

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Receiving Branch: SEC Head Office
Receipt Date and Time: October 09, 2013 01:10:07 PM
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Company Representative

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Company Information

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

Document Information

Document ID: 110092013002235
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: October 08, 2013
No. of Days Late: 0
Department: CFD
Remarks
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 726-5233 Email: mis@sec.gov.ph

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Company Representative

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

Document Information
Document ID: 110092013002235
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: October 08, 2013
No. of Days Late: 0
Department: CFD
Remarks


COVER SHEET

MANILA WATER COMPANY, INC.

(Company's Full Name)

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

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

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1 2 3 1
Month Day Fiscal Year

0 4 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 I.D.
Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION.

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **October 8, 2013**
   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: [Code] (SEC Use Only)

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

8. Issuer’s telephone number, including area code
   **(02)926-7999 local 8130 / or (02)981-8133**

9. Former name or former address, if changed since last report **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890\(^1\)
    b. Debt Securities
       None

       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?

---

\(^1\) 2,013,651,738 Outstanding Common Shares
     28,050,152 Shares Under the Stock Ownership Plans
     2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) dated October 8, 2013 on the completion of the subscription of Manila Water South Asia Holdings Pte. Ltd. ("MWSAH"), a wholly-owned subsidiary of Manila Water in Singapore, to 18,370,000 primary shares of Saigon Water Infrastructure 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.  October 8, 2013
Issuer  Date

By:  

Jhoel P. Raquedan
Chief Legal Counsel/
Assistant Corporate Secretary
8 October 2013

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Manila Water’s Singapore Subsidiary Completes Subscription to 18,370,000 Primary Shares of Saigon Water Infrastructure Corporation

Gentlemen:

Further to Manila Water’s disclosure on August 19, 2013, please be informed that today, Manila Water South Asia Holdings Pte. Ltd. (“MWSAH”), a wholly-owned subsidiary of Manila Water in Singapore, has completed its subscription to 18,370,000 primary shares of Saigon Water Infrastructure Corporation (“SII”) at the subscription price of VND16900 per share. As a result of this subscription, MWSAH now holds 31.47% of the outstanding capital stock of SII.

The transaction is in line with the investment strategy of Manila Water in Vietnam and in Asia.

Manila Water undertakes to provide the exchange with further developments regarding the transaction.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Bar Code Page
The following document has been received:

Receiving Officer/Encoder : Jose Rodel Taruc
Receiving Branch : SEC Head Office
Receipt Date and Time : October 09, 2013 01:10:30 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 110092013002236
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Document Code 17-C
Period Covered October 09, 2013
No. of Days Late 0
Department CFD
Remarks
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**Receiving Officer/Encoder**: Jose Rodel Taruc  
**Receiving Branch**: SEC Head Office  
**Receipt Date and Time**: October 09, 2013 01:10:30 PM  
**Received From**: Head Office

### Company Information

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<th>A199611593</th>
<th>Company Name</th>
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<td>Company Type</td>
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### Document Information

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<td>October 09, 2013</td>
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| Remarks | }
MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

(632) 981-8129

12 31
Month Day
Fiscal Year

SEC Form 17-C

STOCK
FORM TYPE

04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEcurities and exchange commission

sec form 17-c

current report under section 17 of the securities regulation code and src rule 17.2(c) thereunder

1. October 9, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postal
   2F MWSS Admin., Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report Not Applicable

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

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities
       None

       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?

---

\(^{1}\) 2,013,651,738 Outstanding Common Shares
36,050,152 Shares Under the Stock Ownership Plans
2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) dated October 9, 2013 on the clarification on the news article entitled “Roving in Indonesia” posted in Inquirer.net on 9 October 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.  

October 9, 2013

By: [Signature]

Jhoel P. Raquedan  
Chief Legal Counsel/Assistant Corporate Secretary
9 October 2013

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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

Re: Clarification on News Article

Gentlemen:

We refer to your letter dated 9 October 2013 requesting for clarification on the news article entitled “Roving in Indonesia” posted in Inquirer.net on 9 October 2013. The article reported in part that:

"After a frustrated bid to take over a water concession in Jakarta, Ayala-led Manila Water Co. is not giving up on its attempts to export its water management expertise to Indonesia, Southeast Asia’s biggest economy.

MWC is working on another project in Indonesia outside of the capital of Jakarta, said MWC president Gerry Ablaza. Despite a dispute with regulators on a water tariff cut order, Ablazo said MWC’s search for opportunities overseas will continue. MWC has already established a foothold in Vietnam. Indonesia – with a population thrice as large as that of the Philippines – is seen to be another lucrative market.

..."

We would like to clarify the above-quoted report by stating that Manila Water, despite the non-completion of the Palyja deal, is still keen on finding prospective business in Indonesia and the region. In fact, Manila Water is expanding its presence in Vietnam, as reflected in our Disclosure to the Exchange on 8 October 2013. However, these prospective projects in Indonesia and in other parts of Asia are still in the exploratory stages and Manila Water has not yet closed or obtained a contract for the implementation of any of these prospective projects.

Manila Water will provide the Exchange with information once definitive agreements on the prospective projects have been executed.

We trust that the foregoing clarifies the matter.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

04
Any
Month
Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings
Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.
Cashier

STAMPS
1. **October 1, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office  
   Code  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal **1105**

8. Issuer’s telephone number, including area code  
   **(02)926-7999 local 8130 / or (02)981-8133**

9. Former name or former address, if changed since last report  
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):  
    
    a. Shares of Stock  
       Common Shares, par value P1.00 each – 2,041,701,890\(^1\)
    
    b. Debt Securities  
       None

    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?

\(^1\) 2,013,642,072 Outstanding Common Shares  
28,059,818 Shares Under the Stock Ownership Plans  
2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) dated October 1, 2013 on the reconsideration of the appointment of Ms Sherisa Nuesa as an independent director of the Company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer

October 1, 2013
Date

By: __________________________

Jhoel P. Raquedan
Chief Legal Counsel/
Assistant Corporate Secretary
Bar Code Page

The following document has been received:

Receiving Officer/Encoder: Marites S. Guevarra
Receiving Branch: SEC Head Office
Receipt Date and Time: July 01, 2013 04:03:44 PM
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Company Information

SEC Registration No.: A199811593
Company Name: MANILA WATER CO. INC.
Industry Classification:
Company Type: Stock Corporation

Document Information

Document ID: 107012013004568
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Document Code: 17-C
Period Covered: July 01, 2013
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Department: CFD
Remarks:
1 July 2013

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA
Greenhills, Mandaluyong City

Attention: Atty. Justina Callangan
Director, Corporation Finance Department

Subject: Request for Reconsideration of the Disqualification of Ms. Sherisa P. Nuesa as Independent Director of MWC Because of Her PRA Directorship

Gentlemen:

We write to request for reconsideration of your disqualification of Ms. Sherisa Nuesa as independent director of our Company because of her “recent appointment as Director of the Philippine Reclamation Authority (PRA), a government agency.” You notified us of the disqualification in your letter dated 15 May 2013, which we received on 10 June 2013. In support of your reversing the disqualification, we would like to mention the following:

(1) The directorship of Ms. Nuesa in the PRA was disclosed in our Definitive Information Statement (DIS) for our annual stockholders’ meeting on 15 April 2013, when Ms. Nuesa was elected as one of our independent directors. That Ms. Nuesa was a director of PRA was a disclosed fact before the Honorable Commission approved the DIS and before her election as our independent director. Our apologies if we caused the misimpression that Ms. Nuesa’s appointment as PRA director is “recent,” or that it came after the Honorable Commission approved the DIS and Ms. Nuesa’s election as our independent director.

(2) Our Company has no business relationship with the PRA, which holds office outside our service area. PRA also exercises no authority over our Company. In no reasonable way may the directorship of Ms. Nuesa in the PRA affect her being independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with her exercise of independent judgment in carrying out her responsibilities as a director of our Company. Ms. Nuesa possesses all the qualifications and has none of the disqualifications of independent director of our Company pursuant to SEC Memorandum Circular No. 16, Series of 2002, and the Code of Corporate Governance.

(3) The PRA was formed directly by law, and not incorporated under the Corporation Code. PRA also does not have securities registered under the Securities Regulation Code. Accordingly, the Honorable Commission has no authority over PRA or its directors under the Corporation Code and the Securities Regulation Code.
Thus, we believe the Honorable Commission is not disqualifying Ms. Nuesa as our independent director because of restrictions or limitations that apply to her as PRA director. In other words, the Honorable Commission is not resolving the question of whether Ms. Nuesa, as PRA director, can hold positions in private enterprises as the Honorable Commission is not charged with the responsibility of resolving this issue. The Honorable Commission is only addressing the question of whether Ms. Nuesa can serve as independent director of our Company, a private corporation, concurrently with her directorship in PRA, a government agency. As we have shown above, Ms. Nuesa’s directorship in the PRA does not disqualify her from serving as independent director (or even as regular director) of our Company.

In any event, to assure the Honorable Commission that the directorship of Ms. Nuesa in MWC is not a violation of the restrictions or limitations that apply to her as PRA director, we would like to inform the Honorable Commission that the Governance Commission for GOCCs approved the directorship of Ms. Nuesa in PRA concurrently with her directorships in private corporations. We also would like to provide the Honorable Commission a copy of the enclosed Opinion No. 40, Series of 2002, of the Department of Justice (DOJ), where it was ruled that, “a public officer, like Mr. [Jesus] Alcendo [the President of the National Power Corporation], may hold a position in a private corporation and receive compensation for the services rendered therefor [provided the private corporation is not “regulated, supervised or licensed by his office”]. Receipt of such compensation will not violate the constitutional provision against double compensation because the prohibition of double compensation applies only when compensation is also paid for the other public position sans express legal authority.”

Should the Honorable Commission deem it necessary, we will be pleased to present our position in a hearing or meeting. We will also submit to the Honorable Commission other information that it may require and that we can provide.

Very truly yours,

[Signature]

SOLOMON M. HERMOSURA
Corporate Secretary
DOJ OPINION NO. 040, s. 2002

June 4, 2002

Secretary Vincent S. Perez
Department of Energy
Energy Center, Merritt Road
Fort Bonifacio, Taguig
Metro Manila

Sir:

Reference is made to your request for opinion on certain issues relating to conflict of interest.

You state that East Asia Power Resources Corporation (EAPRC), a publicly listed corporation which is traded in the Philippine Stock Exchange, is the holding company for various independent power producers; that its major shareholders include El Paso Phils. Energy Co. Inc. (El Paso Energy) and HEIPC Phils. Holdings Co., Inc., with JMJ Holdings Corporation (JMJ) as one of its minority stockholders; that Mr. Jesus Alcordo used to be a stockholder of JMJ but on account of his appointment as President of the National Power Corporation (NPC), he fully divested himself of his equity in JMJ in favor of his children pursuant to the requirements of law; that some of the minority owners of EAPRC, including JMJ, recently filed a case against El Paso Energy for specific performance on the basis of the unfulfilled commitment of El Paso Energy to purchase the shares of all the minority ownership of EAPRC; and that because Mr. Alcordo was President and CEO of EAPRC when the commitment was purportedly made, it is almost certain that he would be asked to be a witness in trial or deposition, under compulsion of a court order, would violate any law, rule or regulation, particularly the conflicts of interest rules governing public officials.

Opinion is also requested on whether Mr. Alcordo, as President of NPC, may be elected and receive compensation as director of private corporations not involved in the power or energy sectors, within or outside of the Philippines.

With regret, this Department is unable to render opinion on the first issue. By established precedents, the Secretary of Justice has consistently desisted from expressing his views on matters that are speculative and anticipatory, 1 as well as issues that relate or involve the exercise of the constitutional prerogatives and powers of the courts. 2 To rule on your query would be an unwarranted intrusion into the exercise of judicial powers and functions pertaining to a separate and coordinate branch of the government and could subject this Department to criticism for violation of the independence of the judiciary. 3

Regarding the second issue, this Department, subject to the discussion below, resolves the same in the affirmative.

Absent any constitutional proscription, a public officer may generally be allowed to hold an office or employment in a private enterprise. Holding this view, this Department issued Opinion No. 49, series of 1989, which, in part, reads:
"There is no provision in the Constitution that generally prohibits a public officer from holding any other office or employment or financial interest in any private business or enterprise. The prohibition in Section 7, Article IX-B of the 1987 Constitution enjoins any appointive or elective official from holding any other government office or position. It does not, therefore, proscribe the holding of a private office or position. There are specific provisions in the Constitution prohibiting the concurrent holding of positions in the government or in a private enterprise, such as those found in Article VI, Sections 13 and 14, in Article VII, Section 13, and in Article IX-A, Section 2, . . .

However, we have repeatedly ruled that the Anti-Graft Law (R.A. No. 3019, as amended) does not preclude any public officer from intervening in the management or control of, or from having any material or financial interest in, a private enterprise which does not have any transaction with the office held by him (Ops. No. 93, s. 1961; No. 103, s. 1962; No. 54, s. 1975; No. 53, s. 1977; No. 23, s. 1984). Likewise, mere financial or material interest on the part of the public officer in a business or enterprise which might, at some future time, transact business with his office is not prohibited. What is prohibited under the Anti-Graft Law is actual taking part or intervention in his official capacity with respect to a transaction in which he has 'financial or pecuniary interest' (Ops. No. 94, s. 1972; No. 51, s. 1979). This is also the kind of office or interest proscribed under the newly enacted 'Code of Conduct and Ethical Standards for Public Officials and Employees' (see Sec. 3[i]) and Sec. 7, R.A. No. 6713).

In this connection, 'financial or pecuniary interest' refers to interest of a personal or private character and the legal injunction, though apparently comprehensive and unqualified, should be confined to cases which might exhibit conflict between public and private interests (Op. No. 127, s. 1976). Relatedly, the interest of the wife has been held to be the interest of the husband in view of the prevailing law in our jurisdiction governing the property relations between husband and wife. Similarly, the interest of the unemancipated children is deemed to be the indirect interest of the parents in view of the usufructuary rights that the law vests in the parents over their property (Op. No. 208, s. 1960).

In fine, the test which has been invariably applied to determine whether or not a violation of the Anti-Graft Law has been committed by a public officer is the existence or non-existence of a conflict between his private interest and his public duty. . . ."

Section 7(b)(1) of the Code of Conduct and Ethical Standards for Public Officials and Employees (RA No. 6713), however, provides the limitation on the employment in a private enterprise as it describes the nature of outside employment that is proscribed. It reads:

SEC. 7: Prohibited Acts and Transactions. — In addition to acts and omissions of public officials and employees now prescribed in the Constitution and existing laws, the following shall constitute prohibited acts and transactions of any public official and employee and are hereby declared to be unlawful:

xxx xxx xxx
(b) Outside employment and other activities related thereto. — Public officials and employees during their incumbency shall not:

(1) Own, control, manage or accept employment as officer, employee, consultant, counsel, broker, agent, trustee or nominee in any private enterprise regulated, supervised or licensed by their office unless expressly allowed by law.

xxx xxx xxx

The said provision expressly prohibits a public officer from being employed in a private enterprise regulated, supervised or licensed by his office, unless expressly allowed by law.

Closely related to the above legal provision is Section 1, Rule IX of the Rules Implementing the Code of Conduct and Ethical Standards for Public Officials and Employees which enjoins an official or employee to avoid conflict of interest at all times. "Conflict of interest arises when a public official or employee is a member of a board, or officer, or a substantial stockholder of a private corporation or owner or has a substantial interest in a business; and the interest of such corporation or business, or his rights or duties therein, may be opposed to or affected by the faithful performance of official duty." 4 A public officer should then keep as a norm of conduct the avoidance of conflict of interest.

Subject to the above limitations, therefore, a public officer, like Mr. Alcordo, may hold a position in a private corporation and receive compensation for the services rendered therefor. Receipt of such compensation will not violate the constitutional provision against double compensation because the prohibition of double compensation applies only when compensation is also paid for the other public position sans express legal authority.

Very truly yours,

(SGD.) HERNANDO B. PEREZ

Secretary

Footnotes

4. Section 3 (i), RA No. 6713.

Copyright 2002 CD Technologies Asia Inc
July 11, 2013

Manila Water Company, Inc.
MWSS Administration Building
489 Katipunan Road
1105 Balara, Quezon City

Attention: Atty. Solomon M. Hermosura
Corporate Secretary

Dear Atty. Hermosura:

This pertains to the appointment of Ms. Sherisa Nuesa as independent director of the company.

We note the points raised in your letter dated July 1, 2013 and hereby GRANT your request to qualify her as such.

Very truly yours,

JUSTINA P. CALLANGAN
Director

JVA
Gentlemen:

This refers to the appointment of Ms. Sherisa Nuesa as an Independent Director of your company.

Your attention is called to the following:

1. Republic Act No. 6713\(^1\) (or the Code) prohibits public officials from accepting outside employment during their incumbency in office. Specifically, Section 7 (b) provides:

Section 7. Prohibited Acts and Transactions. - In addition to acts and omissions of public officials and employees now prescribed in the Constitution and existing laws, the following shall constitute prohibited acts and transactions of any public official and employee and are hereby declared to be unlawful:

xxxx

(b) Outside employment and other activities related thereto. - Public officials and employees during their incumbency shall not:

(1) Own, control, manage or accept employment as officer, employee, consultant, counsel, broker, agent, trustee or nominee in any private enterprise regulated, supervised or licensed by their office unless expressly allowed by law; (emphasis supplied)

\(^1\) The Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees To Uphold the Time-Honored Principle of Public Office Being a Public Trust, Granting Incentives and Rewards for Exemplary Service, Enunciating Prohibited Acts and Transactions and Providing Penalties for Violations Thereof and for Other Purposes.
2. Rules Implementing the Code of Conduct and Ethical Standards for Public Officials and Employees (or Implementing Rules) also provide:

Rule IX

Conflict of Interest and Divestment

Section 1. (a) An official or employee shall avoid conflict of interest at all times.

(b) Conflict of interest occurs:

(1) When the official or employee is:

(a) a substantial stockholder; or
(b) a member of the Board of Directors; or
(c) an officer of the corporation; or
(d) an owner or has substantial interest in a business;
(e) a partner in a partnership (emphasis supplied); and

(2) The interest of such corporation or business, or his rights or duties therein, are opposed to or affected by the faithful performance of official duty.

(c) A substantial stockholder is any person who owns, directly or indirectly, shares of stock sufficient to elect a director of a corporation. This term shall also apply to the parties to a voting trust.

(d) A voting trust means an agreement in writing between one or more stockholders of a stock corporation for the purpose of conferring upon a trustee or trustees the right to vote and other rights pertaining to the shares for certain periods and subject to such other conditions provided for in the Corporation Law.

3. Office of the President Memorandum: Circular No. 172

"No officer or employee shall engage directly in any private business, vocation or profession or be connected with any commercial, credit, agricultural, or industrial undertaking without a written permission from the head of department; Provided, that this prohibition will be absolute in the case of those officers and employees whose duties and responsibilities require that their entire time be at the disposal of the Government; Provided, further, that if an employee is granted permission to engage in outside activities, the time so devoted outside of office hours should be fixed by the chief of the agency to the end that it will not impair in any way the efficiency of the other officer or employee: And provided,
finally, that no permission is necessary in the case of investments, made by an officer or employee, which do not involve any real or apparent conflict between his private interests and public duties, or in any way influence him in the discharge of his duties, and he shall not take part in the management of the enterprise or become an officer or member of the board of directors." (emphasis supplied)

4. Section 12, Rule XVIII of the Revised Civil Service Rules:

No officer or employee shall engage directly or indirectly in any private business, vocation or profession or be connected with any commercial, credit, agricultural, or industrial undertaking without a written permission from the head of Department; Provided, that this prohibition will be absolute in the case of those officers and employees whose duties and responsibilities require that their entire time be at the disposal of the Government: Provided, further, that if an employee is granted permission to engage in outside activities, the time so devoted outside of office hours should be fixed by the chief of the agency to the end that it will not impair in any way the efficiency of the officer or employee; And provided, finally, that no permission is necessary in the case of investments, made by an officer or employee, which do not involve any real or apparent conflict between his private interests and public duties, or in any way influence him in the discharge of his duties, and shall not take part in the management of the enterprise or become an officer or member of the board of directors." (emphasis supplied)

In view of the foregoing, the company is hereby directed to submit, within fifteen (15) days from receipt hereof, the written permission from the head of the department of Ms. Sherisa Nuesa's government office.

Very truly yours,

JUSTINA P. CALLANGAN
Acting Director
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)

(632) 981-8129

接触人

接触人

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 Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID.

Cashier

STAMPS
1. **September 26, 2013**  
   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 MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. **Issuer’s telephone number, including area code**:  
   (02)926-7999 local 8130 / or (02)981-8133

9. **Former name or former address, if changed since last report**:  
   **Not Applicable**

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

    a. **Shares of Stock**  
       Common Shares, par value P1.00 each – 2,041,701,890

    b. **Debt Securities**  
       None

       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?**  

    1,013,642,072  
    Outstanding Common Shares
    28,059,615  
    Shares Under the Stock Ownership Plans
    2,041,701,890  
    Shares Under the Stock Ownership Plans
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) dated September 26, 2013 on the results of the 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.

Issuer

By:

Jhoel P. Raquedan
Chief Legal Counsel/
Assistant Corporate Secretary

September 26, 2013
Date
26 September 2013

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 Meeting of Board of Directors

Gentlemen:

Please be informed that at the regular meeting of the Board of Directors, the Board declared the following second semester 2013 cash dividends: (i) PHP 0.382 per share on the outstanding common shares, and (ii) PHP 0.0382 per share on the outstanding participating preferred shares. The dividends will be paid on October 25, 2013 to stockholders of record as of October 10, 2013.

Best regards.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SECBuilding, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Marites S. Guevarra
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Receipt Date and Time: September 25, 2013 02:51:48 PM
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Company Representative

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

Document Information
Document ID: 109252013002596
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Document Code: 17-C
Period Covered: September 24, 2013
No. of Days Late: 0
Department: CFD
Remarks:
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month
Fiscal Year

04
Any
Month
Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **September 24, 2013**
   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 Katipunan Road, Balara, Quezon City**
   Postal **1105**

8. Issuer's telephone number, including area code
   **(02)926-7999 local 8130 / or (02)981-8133**

9. Former name or former address, if changed since last report
   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):
   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,041,701,890
   b. Debt Securities
      None
      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?

---

1. **2,013,642,072** Outstanding Common Shares
2. **28,059,818** Shares Under the Stock Ownership Plans
3. **2,041,701,890**
Yes [ ] No [x]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) dated September 24, 2013 on the filing of the Dispute Notice and has provided copies to the Metropolitan Waterworks and Sewerage System.

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

Chief Legal Counsel/Assistant Corporate Secretary

September 24, 2013
Date
24 September 2013

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: Filing of Dispute Notice

Gentlemen:

In relation to our disclosure dated 12 September 2013, please be informed that today, Manila Water Company, Inc. ("Manila Water") has formally filed a Dispute Notice and has provided copies thereof to the Metropolitan Waterworks and Sewerage System (MWSS).

The Dispute Notice commences the arbitration process and is being filed to contest the tariff determination made by the MWSS as contained in Resolution No. 13-09-CA dated 10 September 2013 of the MWSS - Regulatory Office and Resolution No. 2013-101-RO dated 12 September 2013 of the Board of Trustees of MWSS on the Rate Rebasings Adjustment for the Rate Rebasings Period 2013 to 2017.

We will disclose to the PSE any further development regarding the arbitration proceedings. Attached is the Official Statement of Manila Water in relation to the filing of the Dispute Notice.

Thank you very much.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
Manila Water issues Dispute Notice, goes into arbitration

East Zone concessionaire Manila Water Company has formally filed a Dispute Notice with the International Chamber of Commerce challenging the tariff determination recently released by the Metropolitan Waterworks and Sewerage System (MWSS). The issuance of the Dispute Notice officially commences the arbitration process.

Manila Water has decided to go into arbitration after MWSS, in its decision, cut away significant programs for building and maintaining water and wastewater systems in the East Zone which will severely compromise and impair the former’s ability to fulfill its service obligations to its customers.

The Concession Agreement (CA) between MWSS and Manila Water provides for a dispute resolution called arbitration to resolve disagreements, disputes, controversies or claims arising out of or relating to the CA or the interpretation or any arrangements or the breach, termination or invalidity (including all decisions by the Regulatory Office with respect to the Concession), which cannot be resolved through consultation or negotiation among the parties.

The Arbitration Panel, also called the Appeals Panel shall be appointed and will conduct proceedings in accordance with the arbitration rules of the United Nations Commission on International Trade Law.

The panel will be composed of three members: one member appointed by Manila Water and another member appointed by MWSS and the third member, the Appeals Chairman, appointed by the President of the International Chamber of Commerce.

Until the Appeals Panel arrives at a final decision on the tariff determination, existing water rates shall remain in effect.
**Document Information**

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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

Contact Person

SEC Form 17-C
STOCK

FORM TYPE

04
Any

Month
Day
Annual Meeting

Secondary License Type, If Applicable

1231
Month
Day
Fiscal Year

A1996-11593

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **September 13, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer’s principal office
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **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 – 2,041,701,890¹

    b. Debt Securities
       None

       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?

---

¹ 2,013,642,072  Outstanding Common Shares
    28,059,818   Shares Under the Stock Ownership Plans
    2,041,701,890
Yes [X] No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) dated September 12, 2013 on the objection to Metropolitan Waterworks and Sewerage System Rate Rebasings Determination.

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
Chief Legal Counsel/
Assistant Corporate Secretary

September 13, 2013

Date
12 September 2013

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: Objection to MWSS Rate Rebasıng Determination

Gentlemen:

Please be informed that today, Manila Water Company, Inc. ("Manila Water") received Resolution No. 13-09-CA dated 10 September 2013 of the Metropolitan Waterworks and Sewerage System - Regulatory Office (MWSS-RO) and Resolution No. 2013-101-RO dated 12 September 2013 of the Board of Trustees of MWSS on the Rate Rebasıng Adjustment for the Rate Rebasıng Period 2013 to 2017 (both resolutions are hereafter referred to as the “Rate Rebasıng Determination”).

Manila Water objects to the Rate Rebasıng Determination and has formally notified the MWSS-RO of its objection and its intention to avail of the dispute resolution mechanism under the Concession Agreement duly executed by and between MWSS and Manila Water. Manila Water will file a Dispute Notice before a duly-convened arbitration panel and commence the arbitration process outlined under the Concession Agreement.

While awaiting the outcome of the arbitration proceedings, Manila Water will continue to implement the existing tariffs as previously approved by the MWSS-RO.

Attached is the Official Statement of Manila Water in relation to the Rate Rebasıng Determination.

Thank you very much.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER COMPANY’S OFFICIAL STATEMENT
ON THE MWSS TARIFF DETERMINATION

The Metropolitan Waterworks and Sewerage System (MWSS) has recently released a new set of tariffs for the Metro Manila East Zone. This is part of the rate rebasing review of Manila Water’s investment plan for the continuing provision of quality water supply and wastewater services to its customers in the East Zone.

It is clear that the MWSS arrived at this rate determination after cutting away significant programs for building and maintaining the water and wastewater systems in the East Zone. Because of this, our ability to fulfill our service obligations to our customers will be severely compromised and impaired.

Under these circumstances, we feel it is our duty to challenge the MWSS rate determination. As such, we will file the dispute notice which officially commences the process of arbitration as prescribed in the Concession Agreement.

The recourse to arbitration is anchored on the following:

**Our customers’ need for assurance for sustainable and secure water supply.** The MWSS rate determination takes this assurance away. It overlooks the importance of the sustainability of water supply not only for our present customers but also for future generations.

**The need for Government to preserve the momentum and gains achieved by the most successful public-private partnership for the last 16 years.** The MWSS rate determination completely ignores and threatens to set back the service improvement advances made since the water crisis of 1995.

**The need for the country to protect the sanctity of business covenants entered into by the Philippine government.** The MWSS rate determination undermines the Concession Agreement and puts at risk the Government’s efforts to promote public-private partnerships.

We continue to express our faith in the mechanisms prescribed in the Concession Agreement to resolve disputes.

Our recourse to the arbitration process is a reaffirmation of our commitment to the sanctity of the Concession Agreement which enables us to serve the needs and promote the interests of our present and future customers.
12 September 2013

MANILA WATER COMPANY, INC.
MWSS Compound, Kalipunan Road
Balara, Quezon City

Attention: MR. GERARDO G. ABLAZA, JR.  
President

Dear Mr. Ablaza:

We are transmitting herewith copies of the following:

1. MWSS Board of Trustees Resolution No. 2013-101-RO dated 12 September 2013; and

2. MWSS Regulatory Office's Resolution No. 13-09-CA dated 10 September 2013 on the RATE REBASEING DETERMINATION FOR MANILA WATER COMPANY, INC. FOR CHARGING YEARS 2013 TO 2017.

Accordingly, please submit the related Standard Rates not later than 10:00 am of 13 September 2013 so that the same can be published in a newspaper of general circulation not later than 15 September 2013.

Thank you.

Very truly yours,

EMMANUEL L. CAPARAS  
Acting Chief Regulator

Encl.
IN RE: RATE REBASING DETERMINATION FOR MANILA WATER COMPANY, INC. FOR CHARGING YEARS 2013 TO 2017

BOARD RESOLUTION NO. 2013-101-RO

WHEREAS, under Section 3 of Republic Act No. 6234, otherwise known as the Metropolitan Waterworks and Sewerage System (MWSS) Charter, the MWSS Board of Trustees has the sole power to "fix periodically water rates and sewerage service fees as the System may deem just and equitable."

WHEREAS, under the respective Concession Agreements (CA) with the Concessionaires, the MWSS Board of Trustees, upon the recommendation by the Regulatory Office, retains the power to approve any and all proposed rate adjustments;

WHEREAS, the rate-fixing power of the MWSS Board of Trustees carries with it the authority to approve or disapprove the individual components of the proposed rates;

WHEREAS, the CA provides the following guidelines in determining the adjustments in the Standard Rates through the Rate Rebasin process:

"9.4 General Rates Setting Policy/Rate Rebasin Determination"

The maximum rates chargeable by the Concessionaire for water and sewerage services hereunder applicable to the period through the Second Rate Rebasin date (subject to interim adjustments as described in this Article 9) are set out in Schedule 6 to this Agreement. It is the intention of the parties that, from and after the Second Rate Rebasin Date, the rates for water sewerage services provided by the Concessionaire shall be set at a level that will permit the Concessionaire to recover over the 25-year term of the Concession (net of any grants from third parties and any possible Expiration Payment) operating, capital maintenance and investment expenditures efficiently and prudently incurred, Philippine business taxes and payment corresponding to debt service on the MWSS Loans and Concessionaire Loans incurred to finance such expenditures, and to earn a rate of return (referred to herein as the "Appropriate Discount Rate") on these expenditures for the remaining term of the Concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines. The parties further agree that 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 Rebasin Date; provided that the Regulatory Office may exercise its discretion to make a general adjustment of such rates on the First Rate Rebasin Date, but if it does not do so, the Regulatory Office shall implement the assumptions set out in paragraph 2 of Exhibit E on the fifth anniversary of the Commencement Date. It is understood that the determination of the appropriate rate of return will be made separately at the time of each generalized rate rebase;

It is also the intention of the parties that rates be set in such a way as to provide appropriate efficiency incentives to the Concessionaire, with a view toward benefiting both the Customers and the Concessionaires.
The Regulatory Office shall determine the Rebasin Adjustment to be used for the purpose of calculating the Rates Limit for each of the five Charging Years of each Rebasin Period, in accordance with the provisions set forth below.*

xxx

9.4.2 Rebasin Adjustment

For the purpose of determining the Rates Adjustment Limit to apply to Standard rates to come into effect on a Rate Rebasin Date commencing with the second Rate Rebasin Date, and the Rate Adjustment Limits for the following four Charging Years, the Regulatory Office shall, by taking into account all information available at the time, and by making reasonable projections of all factors relevant to the future Cash Flows of the Concessionaire, determine:

(i) The Net Present Value, which may either be positive or negative, of the Opening Cash Position, as at June 30 following that Rate Rebasin Date;

(ii) The amount, either positive or negative, which if made to the Rate Adjustment Limit for the following Charging Year would cause the Net Present Value of the Future Cash Flows, as at June 30 following that Rate Rebasin Date, to be equal but opposite in sign to the Net Present Value of the Opening Cash Position as determined in (i) above (the "Rebasin Adjustment").

WHEREAS, on 30 March 2012, Manila Water petitioned for an upward adjustment of 22.79% of its 2012 average basic water charge, beginning 1 January 2013 or an equivalent increase of Php 5.83 per cu.m.;

WHEREAS, pending the final determination of the Rebasin Adjustment, Manila Water sought an interim rate increase of Php1.00 per cu.m. and a 3.2% Consumer Price Index (CPI) adjustment in its letter dated 13 November 2012 to apply to its average basic water charge, beginning 1 January 2013;

WHEREAS, upon the recommendation of the Regulatory Office in its Resolution No. 12-009-CA dated 28 November 2012, the MWSS Board of Trustees in its Resolution No. 2012-164, declined Manila Water's proposed interim rate increase of Php 1.00 per cu.m., but allowed the CPI adjustment of 3.2%;

WHEREAS, the Regulatory Office, with the assistance of its financial, legal and technical consultants, evaluated Manila Water proposals and conducted the Rate Rebasin process, pursuant to its mandate under the CA, and mindful of its duty to determine a reasonable tariff pursuant to Article 9.4 of the CA;

WHEREAS, for this Rate Rebasin exercise, the Regulatory Office revisited and resolved various lingering issues and proposed the following:

1. In its Resolution No. 13-005-CA dated 7 June 2013, the Regulatory Office recommended the non-recognition of Corporate Income Tax as part of recoverable expense and the application of 0% Tax in the computation of the Appropriate Discount Rate (ADR);
2. In its Resolution No. 13-008-CA dated 6 September 2013, the Regulatory Office recommended the discontinuance of the charging of the Currency Exchange Rate Adjustment (CERA); and
3. In its Resolution No. 13-003-A-CA dated 7 August 2013, the Regulatory Office adopted new set of Implementing Rules and Regulations (IRR) pertaining to the following matters:
a. 2013 Revised IRR on the Disconnection and Reconnection of Water Service Connection;
b. IRR on Rate Classification and Billing Scheme of Small-Scale (Home-Based Business);
c. IRR on Rate Classification of Places of Worship;
d. 2013 Revised IRR on the Billing Scheme and Rate Classification for High Rise and Other Multiple Dwellings;
e. IRR on the Treatment and Rate Reclassification of Domestic Customers inside Military and Police Installations;
f. IRR on Additional Meter and Transfer of Connection Tapping Point; and
g. IRR on the Rate Reclassification of Certain Government Institutions.

WHEREAS, as part of the Rate Rebas ing process, the Regulatory Office has, from time-to-time, updated and discussed with the MWSS Board of Trustees the pertinent issues concerning its final determination of Manila Water's Rate Adjustment;

WHEREAS, finding the Regulatory Office's resolutions on the above issues to be in order for being in accordance with the CA, MWSS policies, relevant laws and established rules and regulations, the MWSS Board of Trustees is inclined to approve the same;

WHEREAS, from Manila Water's claimed OCP of PhP 41.144 Billion, the Regulatory Office determined the OCP to be only PhP 17.175 Billion as shown in the Table 1 below:

<p>| Table: Regulatory Office's Calculation of Manila Water's 2013 OCP (in Million Pesos) |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|</p>
<table>
<thead>
<tr>
<th></th>
<th>2008 Actual</th>
<th>2009 Actual</th>
<th>2010 Actual</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts (current prices)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water/Sewer</td>
<td>6,015</td>
<td>9,422</td>
<td>10,570</td>
<td>11,411</td>
<td>13,403</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>358</td>
<td>306</td>
<td>362</td>
<td>146</td>
<td></td>
<td>(20)</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>9,173</td>
<td>9,728</td>
<td>10,932</td>
<td>11,558</td>
<td>13,375</td>
<td></td>
</tr>
<tr>
<td>Expenditures (current prices)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>2,058</td>
<td>2,502</td>
<td>2,936</td>
<td>2,607</td>
<td>3,589</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>3,037</td>
<td>3,862</td>
<td>5,926</td>
<td>6,752</td>
<td>2,378</td>
<td></td>
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<tr>
<td>Concession Assets</td>
<td>527</td>
<td>687</td>
<td>907</td>
<td>1,240</td>
<td>1,112</td>
<td></td>
</tr>
<tr>
<td>Corporate Income (loss)</td>
<td>1,469</td>
<td>1,006</td>
<td>1,256</td>
<td>989</td>
<td>1,546</td>
<td></td>
</tr>
<tr>
<td>(Loss) Gain on disposal of property and equipment as Working Capital</td>
<td>(0.4)</td>
<td>(0.1)</td>
<td>(1.0)</td>
<td>(0.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditres</td>
<td>7,793</td>
<td>8,164</td>
<td>10,382</td>
<td>10,824</td>
<td>8,406</td>
<td></td>
</tr>
<tr>
<td>Total Net Cash Flows (current year prices)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation</td>
<td>9.3%</td>
<td>3.2%</td>
<td>3.8%</td>
<td>4.4%</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Price Index</td>
<td>100%</td>
<td>103.2%</td>
<td>107.1%</td>
<td>111.5%</td>
<td>115.4%</td>
<td>118.1%</td>
</tr>
<tr>
<td>Real Cash Flows (2013 prices)</td>
<td>(17,539)</td>
<td>1,804</td>
<td>545</td>
<td>975</td>
<td>5,125</td>
<td></td>
</tr>
<tr>
<td>Discount Factor as at June 30, 2013 (9.3%)</td>
<td>0.64</td>
<td>0.70</td>
<td>0.77</td>
<td>0.64</td>
<td>0.91</td>
<td>1.00</td>
</tr>
<tr>
<td>Discounted Cash Flows as at June 30, 2013 (PhP 27,360)</td>
<td>(27,360)</td>
<td>2,575</td>
<td>842</td>
<td>1,165</td>
<td>5,002</td>
<td></td>
</tr>
</tbody>
</table>

WHEREAS, considering all adjustments in the Future CAPEX and Future OPEX of Manila Water, as well as in its Future Receipts, Manila Water's Net Future Cash Flows is determined to be PhP 112.097 Billion as shown in Table 2 below:
### Table 2: Summary of Manila Water's Net FCA

<table>
<thead>
<tr>
<th></th>
<th>Based on Manila Water's Model</th>
<th>Adjustments</th>
<th>As Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues and Other Income</td>
<td>677,230</td>
<td>(270,043)</td>
<td>407,187</td>
</tr>
<tr>
<td>Guarantee Deposits</td>
<td></td>
<td>(2,202)</td>
<td>(2,202)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concession Fees</td>
<td>54,724</td>
<td>(47,436)</td>
<td>7,288</td>
</tr>
<tr>
<td>AWTIP</td>
<td></td>
<td>3,035</td>
<td>3,035</td>
</tr>
<tr>
<td>Regulatory Fees</td>
<td>9,893</td>
<td>-</td>
<td>9,893</td>
</tr>
<tr>
<td></td>
<td>64,617</td>
<td>(44,401)</td>
<td>20,216</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Continuity</td>
<td>32,908</td>
<td>(11,787)</td>
<td>21,111</td>
</tr>
<tr>
<td>Service Accessibility</td>
<td>11,773</td>
<td>1,217</td>
<td>12,990</td>
</tr>
<tr>
<td>Water Security</td>
<td>23,010</td>
<td>3,732</td>
<td>26,742</td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>82,125</td>
<td>3,810</td>
<td>85,935</td>
</tr>
<tr>
<td>Parked CAPEX</td>
<td></td>
<td>3,142</td>
<td>3,142</td>
</tr>
<tr>
<td></td>
<td>145,815</td>
<td>0,105</td>
<td>145,920</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>135,514</td>
<td>(12,273)</td>
<td>123,241</td>
</tr>
<tr>
<td><strong>WORKING CAPITAL</strong></td>
<td>33,917</td>
<td>(32,550)</td>
<td>1,367</td>
</tr>
<tr>
<td><strong>INCOME TAX</strong></td>
<td>76,947</td>
<td>(76,389)</td>
<td>0,558</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS</strong></td>
<td>216,420</td>
<td>(104,323)</td>
<td>112,097</td>
</tr>
</tbody>
</table>

**WHEREAS,** considering the foregoing adjustments and applying an ADR of 7.35%, the Regulatory Office determined a NEGATIVE adjustment of 28.47% in Manila Water's 2012 average basic water charge of P=24.57 per cu.m., as shown in Table 3 below:

### Table 3: Derivation of the FR (In Billion Pesos)

<table>
<thead>
<tr>
<th>OCP</th>
<th>(17.176)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Rebasings Adjustment</td>
<td>(29.47%)</td>
</tr>
<tr>
<td>Rate Rebasings Amount (peso per cu.m.)</td>
<td>(7.24)</td>
</tr>
<tr>
<td><strong>With Rate Rebasings Adjustment</strong></td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Water Revenue</td>
<td>137,821</td>
</tr>
<tr>
<td>Sewer Revenue</td>
<td>2,158</td>
</tr>
<tr>
<td>Environmental Charges</td>
<td>27,564</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>1,875</td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>169,418</td>
</tr>
<tr>
<td>Less: OPEX</td>
<td>(56,882)</td>
</tr>
<tr>
<td>+/- Changes in Working Capital</td>
<td>(0.862)</td>
</tr>
<tr>
<td>Corporate Income Taxes</td>
<td>(0.548)</td>
</tr>
<tr>
<td>Net Cash Flows from Operations</td>
<td>111,118</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>CAPEX</td>
<td>82,697</td>
</tr>
<tr>
<td>Concession Fees</td>
<td>11,533</td>
</tr>
<tr>
<td>Total expected expenditures in 2013 prices</td>
<td>93,390</td>
</tr>
<tr>
<td>Discounted Cash Flows</td>
<td></td>
</tr>
<tr>
<td>NPV Discounted Cash Flows</td>
<td>82,697</td>
</tr>
</tbody>
</table>
WHEREAS, pursuant to Article 9.4.3 of the CA, the application of the NEGATIVE adjustment of 29.47% shall, for each of the Charging Years of the Rebasining Period, be equal to the Rebasining Adjustment divided by five. This translates to a NEGATIVE adjustment of 5.894% for each of the Charging Years 2013, 2014, 2015, 2016 and 2017:

"9.4.3 Rebasining Convergence Adjustment

The "Rebasining Convergence Adjustment" to be used for the purposes of calculating the Rates Adjustment Limit for each of the five Charging Years of the Rebasining Period shall be determined as follows:

(i) where the Rebasining Adjustment is found to be positive, the Rebasining Convergence Adjustment for the first Charging Year of the Rate Rebasining Period shall be equal to the Rebasining Adjustment, and the Rebasining Convergence Adjustment for each of the following four Charging Years shall be zero;

(ii) where the Rebasining Adjustment is found to be negative, the Rebasining Adjustment for each of the five Charging Years of the Rebasining Period shall be equal to the Rebasining Adjustment divided by five." (Emphasis supplied.)

WHEREAS, the MWSS Board of Trustees reviewed and evaluated the Regulatory Office's Rate Adjustment determination for Manila Water and found the same to be in accordance with the relevant provisions of the CA, MWSS policies, relevant laws, rules and regulations, applicable and established audit parameters, including locally and internationally recognized practices;

WHEREFORE, as recommended by the Regulatory Office, in accordance with its Resolution No. 13-009-CA dated 10 September 2013 (a copy of which is attached and made an integral part hereof as Annex "A"), the MWSS Board of Trustees RESOLVED, as it is hereby resolved, to APPROVE AND CONFIRM the following Resolutions of the Regulatory Office:

1. RO Resolution No. 13-005-CA dated 7 June 2013, treating Corporate Income Tax as a non-recoverable expense and the application of 0% Tax in the computation of the Appropriate Discount Rate (ADR);
2. RO Resolution No. 13-008-CA dated 6 September 2013, discontinuing the charging of the Currency Exchange Rate Adjustment (CERA); and
3. RO Resolution No. 13-003-A-CA dated 7 August 2013, adopting of a new set of Implementing Rules and Regulations (IRR) pertaining to the following matters:
   a. 2013 Revised IRR on the Disconnection and Reconnection of Water Service Connection;
   b. IRR on Rate Classification and Billing Scheme of Small-Scale (Home-Based Business);
   c. IRR on Rate Classification of Places of Worship;
   d. 2013 Revised IRR on the Billing Scheme and Rate Classification for High Rise and Other Multiple Dwellings;
   e. IRR on the Treatment and Rate Reclassification of Domestic Customers Inside Military and Police Installations;
   f. IRR on Additional Meter and Transfer of Connection Tapping Point; and
   g. IRR on the Rate Reclassification of Certain Government Institutions
RESOLVED, FURTHER, to DENY Manila Water's petition for an upward adjustment of its average basic water charge; and to EFFECT a NEGATIVE adjustment of 29.47% of Manila Water's 2012 average basic water charge of PhP 24.57 per cu.m. to be implemented in 5 equal tranches of NEGATIVE 5.894% per Charging Year.

RESOLVED, FURTHER, to direct the Regulatory Office:

1. To determine, within 30 days from the approval of this Resolution, the total amount of the incremental revenue brought about by the delayed application of the “R” and the interim adjustment of the rates by the “C” factor of 3.2% beginning 1 January 2013 and to propose the appropriate treatment of the collected incremental revenue thus determined;

2. To review and propose revisions to existing rules, and to recommend new guidelines relating to the following matters:
   a. Audit Parameters and Prudence and Efficiency Framework
   b. Transparency Measures (for project management and monitoring and regulatory audit purposes)
   c. CAPEX Monitoring
   d. Key Performance Indicators and Business Efficiency Measures
   e. Rewards and Penalties Framework
   f. Timelines and Monitoring Tools (pertaining to enforcement of the Implementing Rules and Regulations)
   g. Instances of Delay (affecting timely implementation of the Rate Rebasings process)

RESOLVED, FINALLY, that the new rate shall become effective fifteen (15) days after publication in a newspaper of general circulation, pursuant to Section 12 of the MWSS Charter.

Quezon City, Philippines, 12 September 2013.

[Signatures]

RAMON R. ALIPIALA
Chairman

GERARDO A. I. ESQUIVEL
Vice-Chairman & Administrator

MA. CECILIA G. SORIANO, Ph.D.
Member

EMMANUEL L. CAPARAS
Member

RAOUL C. CREENCIA
Member

JOSE RAMON T. VILLARIN, SJ
Member

BENJAMIN J. YAMBAO
Member
Barcode Page
The following document has been received:

Receiving Officer/Encoder : Marites S. Guevarra
Receiving Branch : SEC Head Office
Receipt Date and Time : August 22, 2013 04:52:04 PM
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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 108222013002793
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered August 22, 2013
No. of Days Late 0
Department CFD
Remarks
COVER SHEET

MANILA WATER COMPANY, INC.
(Company's Full Name)

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA
(Business Address: No. Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1 2 3 1
Month Day Fiscal Year

0 4 Any
Month Day Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

To be accomplished by SEC Personnel concerned

Total Amount of Borrowings
Domestic
Foreign

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. August 22, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

7. Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal
   1105

8. Issuer’s telephone number, including area code
   (02)926-7999 Local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890¹

    b. Debt Securities
       None

       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?

¹ 2,013,439,672 Outstanding Common Shares
    28,262,218 Shares Under the Stock Ownership Plans
    2,041,701,890

Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) dated August 16, 2013 on the Term-Loan Facility from Metropolitan Bank and Trust Company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer

By:

Jhoel P. Raquedan  
Chief Legal Counsel/Assistant Corporate Secretary

August 22, 2013  
Date
August 16, 2013

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: Term-Loan Facility from Metropolitan Bank & Trust Company

Gentlemen:

Please be informed that today, Manila Water Company, Inc. signed a 7-year Php5.0 Billion term loan facility with Metropolitan Bank & Trust Company to finance its capital investment program.

Sincerely,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
# SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

---

**Barcode Page**
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**Receipt Date and Time**: August 22, 2013 04:51:24 PM  
**Received From**: Head Office

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**Company Representative**

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**Doc Source**

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**Company Information**

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COVER SHEET

A199611593
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

12 31
Month Day
Fiscal Year

SEC Form 17-C
STOCK FORM TYPE
04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. August 22, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code:  (SEC Use Only)

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

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

    a. Shares of Stock

       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities

       None

       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?

1

2,013,439,672 Outstanding Common Shares
28,262,218 Shares Under the Stock Ownership Plans
2,041,701,890
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.                                            August 22, 2013
Issuer.                                                                   Date

By:                                                                

Jhoel P. Raquedan
Chief Legal Counsel/
Assistant Corporate Secretary
19 August 2013

SECURITIES AND EXCHANGE COMMISSION
Attention : Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention : Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject : Manila Water's Singapore Subsidiary Signs Agreement to
Invest in Saigon Water Infrastructure Corporation in Vietnam

Gentlemen:

Please be informed that today, Manila Water South Asia Holdings Pte. Ltd. ("MWSAH"), a wholly-owned subsidiary of Manila Water Company, Inc. ("Manila Water") in Singapore, has signed an Investment Agreement ("Agreement") with Saigon Water Infrastructure Corporation ("SII") for the acquisition of 18,370,000 primary shares of SII which will constitute 31.47% of the outstanding capital stock of SII. However, under the Agreement, MWSAH shall pay the subscription price only after compliance by SII with all the Conditions Precedent, which compliance shall occur within 105 days from today.

SII is a Vietnam company listed in the Ho Chi Minh City Stock Exchange since September 2012. It aims to become the first fully integrated company in the Vietnam water and wastewater infrastructure sector, through the construction of water and wastewater treatment plants and the provision of engineering, operation and management services and other similar activities.

There are no material relationships between the directors or officers of Manila Water and MWSAH, and SII at the time of the signing of the Agreement.

Manila Water undertakes to provide the Exchange with all the necessary information about the transaction upon the closing of the acquisition.

Very truly yours,

[Koel P. Raquedan]
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building,
489 Kalipunan Road, 1105 Bala
Quezon City, Philippines
T: (632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1827
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

(Company's Full Name)

(Company's Address: No. Street City / Town / Province)

(632) 981-8129

Contact Person

Company Telephone Number

12 31
Month Day

Fiscal Year

SEC Form 17-C

STOCK FORM TYPE

0 4 Any
Month Day Annual Meeting

Secondary License Type, If Applicable

A1996-11593

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **August 15, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**  
   Postal **1105**

8. Issuer's telephone number, including area code  
   **(02)926-7999 local 8130 / or (02)981-8133**

9. Former name or former address, if changed since last report  
   **Not Applicable**

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

    a. Shares of Stock  
       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities  
       None

       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?

---

1 2,013,439,672  
   Outstanding Common Shares

2 28,262,218  
   Shares Under the Stock Ownership Plans

3 2,041,701,890  
   Total Shares
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) dated August 14, 2013 on the Petition for Certiorari and Prohibition with Prayer for Issuance of Temporary Restraining Order and/or Writ or Preliminary Injunction in the Supreme Court.

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 15, 2013
Issuer

By:                                                Date

Thom Ryan Ortega
Corporate Governance Manager
August 14, 2013

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: Petition for Certiorari and Prohibition
With Prayer for Issuance of Temporary Restraining Order
And/or Writ of Preliminary Injunction in the Supreme Court

Gentlemen:

Please be informed that we have received a copy of a Petition to the Supreme Court seeking to enjoin the rate rebasing exercises being conducted by the MWSS, Maynilad Water Services Inc. ("Maynilad") and Manila Water Company, Inc. ("Manila Water") and/or declare void the 2013 Tariff Schedule of Maynilad and Manila Water, among other reliefs prayed for. The Petition was initiated by Water for All Refund Movement, et al. against the Metropolitan Waterworks and Sewerage System (MWSS), the members of its Board of Trustees and Regulatory Office. Manila Water was named as one of the private respondents.

A similar petition has been filed in June 2013 by Waterwatch Coalition Inc. against the respondents before the Supreme Court. Manila Water filed its comment to the said petition stating, among others, that the arguments and allegations raised by the petitioners lack merit.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

A199611593
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

1231
Month
Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month
Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. **August 12, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **006-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**  
   Postal Code **1105**

8. Issuer's telephone number, including area code  
   **(02)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 – 2,041,701,890

   b. Debt Securities  
      None

      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?

   ---

   1 2,013,439,672  
   Outstanding Common Shares
   28,262,213  
   Shares Under the Stock Ownership Plans
   2,041,701,890  
   **Total Listed Securities**
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) dated August 8, 2013 on the unaudited year-to-date June 2013 performance results.

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
Chief Legal Counsel
Assistant Corporate Secretary

August 12, 2013  
Date
August 8, 2013

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 June 2013 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

[Signature]

Joel F. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
Bar Code Page

The following document has been received:

Receiving Officer/Encoder: Jose Rodel Taruc
Receiving Branch: SEC Head Office
Receipt Date and Time: August 01, 2013 03:51:49 PM
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Company Representative

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Company Information

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

Document Information

Document ID: 108012013004030
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: August 01, 2013
No. of Days Late: 0
Department: CFD
Remarks
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Company's Full Name)

(Company Address: No, Street City / Town / Province)

Atty. JHOEL P. RAQUEDAN
Contact Person

(832) 981-8129
Company Telephone Number

1231
Month Day Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04
Month
Any
Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID.

Cashier

STAMPS
1. **August 1, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   Quezon City, Phils.

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

7. Address of issuer’s principal office  
   Postal Code  
   2F MWSS Admin., Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code  
   (02)9175900 local 1418 / or (02)981-8122

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 – 2,041,701,890
    b. Debt Securities  
       None  
       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 2,013,400,172 Outstanding Common Shares  
28,301,718 Shares Under the Stock Ownership Plans  
2,041,701,890
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated August 1, 2013 on the notice of analysts' briefing of Manila Water Company, Inc. to be held on August 8, 2013 at three o'clock in the afternoon at 25th Floor, South Rooms 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.

MANILA WATER-COMPANY, INC.
Issuer

By: ________________________________

Jhoel P. Raquetan
Chief Legal Counsel
Assistant Corporate Secretary

August 1, 2013
Date
1 August 2013

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: Analysts’ Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold an analysts’ briefing on August 8, 2013 at three o’clock in the afternoon at 25th Floor, South Rooms A & B, Ayala Tower 1, Ayala Avenue, Makati City.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0331 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
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Company Representative

Doc Source

Company Information

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Company Name MANILA WATER CO. INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108052013002745
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered August 02, 2013
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

981-8129
Company Telephone Number

1231
Month Day Fiscal Year

04
Month Day Annual Meeting

SEC Form 17-C STOCK
FORM TYPE

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **August 2, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization
   **Quezon City, Phils.**

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

7. Address of issuer's principal office
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal Code **1105**

8. Issuer's telephone number, including area code
   **(02)9175900 local 1418 / or (02)981-8122**

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 – 2,041,701,890
    b. Debt Securities
       None

       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 2,013,400,172 Outstanding Common Shares
   28,301,718 Shares Under the Stock Ownership Plans
   2,041,701,890
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated August 1, 2013 on the notice of analysts’ briefing of Manila Water Company, Inc. to be held on August 8, 2013 at 4:00 p.m. at the 25th Floor, South Rooms 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.

MANILA WATER COMPANY, INC.  August 2, 2013
Issuer

By:  

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
2 August 2013

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: Amended Notice of Analysts' Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold an analysts’ briefing on 8 August 2013 at 4:00 p.m. at the 25th Floor, South Rooms A & B, Ayala Tower 1, Ayala Avenue, Makati City.

Please disregard our previous notice. For avoidance of doubt, with the exception of the time, the date and venue of the briefing remain the same.

Thank you.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 725-0931 to 39 Fax: (632) 725-5233 Email: mis@sec.gov.ph

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Company Representative

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Company Information

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

Document Information

Document ID 108012013004038
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered July 31, 2013
No. of Days Late 0
Department CFD
Remarks
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

04
Any
Month
Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

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. **July 31, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization  
   **Quezon City, Phils.**

6. Industry Classification Code:  
   (SEC Use Only)

7. Address of issuer's principal office  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**  
   Postal Code **1105**

8. Issuer's telephone number, including area code  
   **(02)9175900 local 1418 / or (02)981-8122**

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 – 2,041,701,890¹

   b. Debt Securities  
      
      None

   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 2,013,400,172 Outstanding Common Shares  
   28,301,718 Shares Under the Stock Ownership Plans  
   2,041,701,890
12. Indicate the item numbers reported herein:

Please see attached disclosure to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the Term Loan Facility from International Finance Corp. (IFC) dated July 31, 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.

MANILA WATER COMPANY, INC.  

Issuer  

By: ___________________________  

Jhoy P. Raquedan  
Chief Legal Counsel  
Assistant Corporate Secretary  

August 1, 2013  
Date
July 31, 2013

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: Term-Loan Facility from International Finance Corp.

Gentlemen:

Please be informed that today, Manila Water Company, Inc. signed an 18-year USD 100M term loan facility with the International Finance Corporation to finance its capital expenditure program.

Kindly refer to the enclosed press release for more details.

Sincerely,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Manila Water Signs a $100 Million 18-year Fixed-Rate Term Loan

On July 31, 2013, Manila Water Company, Inc. (Manila Water) signed the loan agreement for a USD100M term loan facility with the International Finance Corporation ("IFC"). This fixed-rate term loan, which is Manila Water’s fourth loan facility with IFC since 2003, has a tenor of 18-years, the longest IFC has provided for the Philippine water sector.

The loan is expected to partly finance construction of water and sewerage treatment plants as part of Manila Water’s capital expenditure program, enabling the company to meet its service obligations under the Concession Agreement.

Since its establishment in 1997, Manila Water has been providing world-class water and wastewater services to its customers in Metro Manila’s East Zone, maintaining 24/7 water availability at an average pressure of 20 psi to 99% of its distribution network.
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

Contact Person
Company Telephone Number

1231
Month Day Fiscal Year

STOCK
FORM TYPE

04 Any
Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. July 4, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No.  005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code:   (SEC Use Only)

7. Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City  1105

8. Issuer’s telephone number, including area code
   (02)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 – 2,041,701,890

    b. Debt Securities
       None

       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?

   2,013,400,172 Outstanding Common Shares
   28,301,718 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the Share Purchase Agreement between Manila Water and Suez Environnement.

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
Chief Legal Counsel
Assistant Corporate Secretary

July 4, 2013
Date
July 3, 2013

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: Share Purchase Agreement between Manila Water Company, Inc. and Suez Environnement

Gentlemen:

In relation to our disclosure dated October 18, 2012 and June 24, 2013, we have informed the Philippine Stock Exchange ("PSE") regarding the execution by Manila Water Company, Inc. ("Manila Water") of a Share Purchase Agreement ("SPA") with Suez Environnement ("Suez") for the acquisition of Suez's 51% equity in PT PAM Lyonnaise Jaya ("PALYJA"). We also disclosed to the PSE that the closing of the acquisition was subject to certain government and regulatory approvals in Indonesia and the fulfillment of other conditions precedent contained in the SPA. These conditions precedent include the issuance by Perusahaan Daerah Air Minum Daerah Khusus Ibukota Jakarta ("PAM Jaya") of a (i) written consent, or (ii) confirmation of no objection to the transfer of the Suez equity pursuant to the Restated Cooperation Agreement between PAM Jaya and PALYJA. Finally, the SPA also provides that Manila Water and Suez may agree to assign the shares to Manila Water's subsidiary, Manila Water South Asia Holdings, Pte. Ltd. ("MWSAH").

In this connection, please be informed that at the close of business hours yesterday, 2 July 2013, we have been furnished with the letter from PAM Jaya to PALYJA informing the latter that PAM Jaya did not give its approval to the transfer of Suez equity in PALYJA to MWSAH.

We will disclose to the PSE any further development regarding this transaction as soon as we obtain sufficient information.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
**SECURITIES AND EXCHANGE COMMISSION**
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 726-5233 Email: mis@sec.gov.ph

**Barcode Page**
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**Company Information**

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**Document Information**

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1 July 2013

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA
Greenhills, Mandaluyong City

Attention: Atty. Justina Callangan
Director, Corporation Finance Department

Subject: Request for Reconsideration of the Disqualification of Ms. Sherisa P. Nuesa as Independent Director of MWC Because of Her PRA Directorship

Gentlemen:

We write to request for reconsideration of your disqualification of Ms. Sherisa Nuesa as independent director of our Company because of her “recent appointment as Director of the Philippine Reclamation Authority (PRA), a government agency.” You notified us of the disqualification in your letter dated 15 May 2013, which we received on 10 June 2013. In support of your reversing the disqualification, we would like to mention the following:

(1) The directorship of Ms. Nuesa in the PRA was disclosed in our Definitive Information Statement (DIS) for our annual stockholders’ meeting on 15 April 2013, when Ms. Nuesa was elected as one of our independent directors. That Ms. Nuesa was a director of PRA was a disclosed fact before the Honorable Commission approved the DIS and before her election as our independent director. Our apologies if we caused the misimpression that Ms. Nuesa’s appointment as PRA director is “recent,” or that it came after the Honorable Commission approved the DIS and Ms. Nuesa’s election as our independent director.

(2) Our Company has no business relationship with the PRA, which holds office outside our service area. PRA also exercises no authority over our Company. In no reasonable way may the directorship of Ms. Nuesa in the PRA affect her being independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with her exercise of independent judgment in carrying out her responsibilities as a director of our Company. Ms. Nuesa possesses all the qualifications and has none of the disqualifications of independent director of our Company pursuant to SEC Memorandum Circular No. 16, Series of 2002, and the Code of Corporate Governance.

(3) The PRA was formed directly by law, and not incorporated under the Corporation Code. PRA also does not have securities registered under the Securities Regulation Code. Accordingly, the Honorable Commission has no authority over PRA or its directors under the Corporation Code and the Securities Regulation Code.
Thus, we believe the Honorable Commission is not disqualifying Ms. Nuesa as our independent director because of restrictions or limitations that apply to her as PRA director. In other words, the Honorable Commission is not resolving the question of whether Ms. Nuesa, as PRA director, can hold positions in private enterprises as the Honorable Commission is not charged with the responsibility of resolving this issue. The Honorable Commission is only addressing the question of whether Ms. Nuesa can serve as independent director of our Company, a private corporation, concurrently with her directorship in PRA, a government agency. As we have shown above, Ms. Nuesa's directorship in the PRA does not disqualify her from serving as independent director (or even as regular director) of our Company.

In any event, to assure the Honorable Commission that the directorship of Ms. Nuesa in MWC is not a violation of the restrictions or limitations that apply to her as PRA director, we would like to inform the Honorable Commission that the Governance Commission for GOCCs approved the directorship of Ms. Nuesa in PRA concurrently with her directorships in private corporations. We also would like to provide the Honorable Commission a copy of the enclosed Opinion No. 40, Series of 2002, of the Department of Justice (DOJ), where it was ruled that, "a public officer, like Mr. [Jesus] Alcordo [the President of the National Power Corporation], may hold a position in a private corporation and receive compensation for the services rendered therefor [provided the private corporation is not "regulated, supervised or licensed by his office"]'). Receipt of such compensation will not violate the constitutional provision against double compensation because the prohibition of double compensation applies only when compensation is also paid for the other public position sans express legal authority."

Should the Honorable Commission deem it necessary, we will be pleased to present our position in a hearing or meeting. We will also submit to the Honorable Commission other information that it may require and that we can provide.

Very truly yours,

[Signature]
SOLOMON M. HERMOSURA
Corporate Secretary
DOJ OPINION NO. 040, s. 2002

June 4, 2002

Secretary Vincent S. Perez
Department of Energy
Energy Center, Merritt Road
Fort Bonifacio, Taguig
Metro Manila

Sir:

Reference is made to your request for opinion on certain issues relating to conflict of interest.

You state that East Asia Power Resources Corporation (EAPRC), a publicly listed corporation which is traded in the Philippine Stock Exchange, is the holding company for various independent power producers; that its major shareholders include El Paso Phils. Energy Co. Inc. (El Paso Energy) and HEIPC Phils. Holdings Co., Inc., with JMJ Holdings Corporation (JMJ) as one of its minority stockholders; that Mr. Jesus Alcordon used to be a stockholder of JMJ but on account of his appointment as President of the National Power Corporation (NPC), he fully divested himself of his equity in JMJ in favor of his children pursuant to the requirements of law; that some of the minority owners of EAPRC, including JMJ, recently filed a case against El Paso Energy for specific performance on the basis of the unfulfilled commitment of El Paso Energy to purchase the shares of all the minority ownership of EAPRC; and that because Mr. Alcordon was President and CEO of EAPRC when the commitment was purportedly made, it is almost certain that he would be asked to be a witness or give deposition in favor of the minority shareholders. In the light of the foregoing developments, this Department's opinion is now sought on "whether being such a witness in trial or deposition, under compulsion of a court order, would violate any law, rule or regulation, particularly the conflicts of interest rules governing public officials."

Opinion is also requested on whether Mr. Alcordon, as President of NPC, may be elected and receive compensation as director of private corporations not involved in the power or energy sectors, within or outside of the Philippines.

With regret, this Department is unable to render opinion on the first issue. By established precedents, the Secretary of Justice has consistently desisted from expressing his views on matters that are speculative and anticipatory, as well as issues that relate to or involve the exercise of the constitutional prerogatives and powers of the courts. To rule on your query would be an unwarranted intrusion into the exercise of judicial powers and functions pertaining to a separate and coordinate branch of the government and could subject this Department to criticism for violation of the independence of the judiciary.

Regarding the second issue, this Department, subject to the discussion below, resolves the same in the affirmative.

Absent any constitutional proscription, a public officer may generally be allowed to hold an office or employment in a private enterprise. Holding this view, this Department issued Opinion No. 49, series of 1989, which, in part, reads:
"There is no provision in the Constitution that generally prohibits a public officer from holding any other office or employment or financial interest in any private business or enterprise. The prohibition in Section 7, Article IX-B of the 1987 Constitution enjoins any appointive or elective official from holding any other government office or position. It does not, therefore, proscribe the holding of a private office or position. There are specific provisions in the Constitution prohibiting the concurrent holding of positions in the government or in a private enterprise, such as those found in Article VI, Sections 13 and 14, in Article VII, Section 13, and in Article IX-A, Section 2, . . .

However, we have repeatedly ruled that the Anti-Graft Law (R.A. No. 3019, as amended) does not preclude any public officer from intervening in the management or control of, or from having any material or financial interest in, a private enterprise which does not have any transaction with the office held by him (Ops. No. 93, s. 1961; No. 103, s. 1962; No. 54, s. 1975; No. 53, s. 1977; No. 23, s. 1984). Likewise, mere financial or material interest on the part of the public officer in a business or enterprise which might, at some future time, transact business with his office is not prohibited. What is prohibited under the Anti-Graft Law is actual taking part or intervention in his official capacity with respect to a transaction in which he has 'financial or pecuniary interest' (Ops. No. 94, s. 1972; No. 51, s. 1979). This is also the kind of office or interest proscribed under the newly enacted 'Code of Conduct and Ethical Standards for Public Officials and Employees' (see Sec. 3[i] and Sec. 7, R.A. No. 6713).

In this connection, 'financial or pecuniary interest' refers to interest of a personal or private character and the legal injunction, though apparently comprehensive and unqualified, should be confined to cases which might exhibit conflict between public and private interests (Op. No. 127, s. 1976). Relatedly, the interest of the wife has been held to be the interest of the husband in view of the prevailing law in our jurisdiction governing the property relations between husband and wife. Similarly, the interest of the unemancipated children is deemed to be the indirect interest of the parents in view of the usufructuary rights that the law vests in the parents over their property (Op. No. 208, s. 1960).

In fine, the test which has been invariably applied to determine whether or not a violation of the Anti-Graft Law has been committed by a public officer is the existence or non-existence of a conflict between his private interest and his public duty . . ."

Section 7(b)(1) of the Code of Conduct and Ethical Standards for Public Officials and Employees (RA No. 6713), however, provides the limitation on the employment in a private enterprise as it describes the nature of outside employment that is proscribed. It reads:

SEC. 7. Prohibited Acts and Transactions. — In addition to acts and omissions of public officials and employees now prescribed in the Constitution and existing laws, the following shall constitute prohibited acts and transactions of any public official and employee and are hereby declared to be unlawful:

xxx xxx xxx
(b) Outside employment and other activities related thereto. — Public officials and employees during their incumbency shall not:

1. Own, control, manage or accept employment as officer, employee, consultant, counsel, broker, agent, trustee or nominee in any private enterprise regulated, supervised or licensed by their office unless expressly allowed by law.

XXX XXX XXX

The said provision expressly prohibits a public officer from being employed in a private enterprise regulated, supervised or licensed by his office, unless expressly allowed by law.

Closely related to the above legal provision is Section 1, Rule IX of the Rules Implementing the Code of Conduct and Ethical Standards for Public Officials and Employees which enjoins an official or employee to avoid conflict of interest at all times. "Conflict of interest arises when a public official or employee is a member of a board, or officer, or a substantial stockholder of a private corporation or owner or has a substantial interest in a business, and the interest of such corporation or business, or his rights or duties therein, may be opposed to or affected by the faithful performance of official duty." 4 A public officer should then keep as a norm of conduct the avoidance of conflict of interest.

Subject to the above limitations, therefore, a public officer, like Mr. Alcordo, may hold a position in a private corporation and receive compensation for the services rendered therefor. Receipt of such compensation will not violate the constitutional provision against double compensation because the prohibition of double compensation applies only when compensation is also paid for the other public position sans express legal authority.

Very truly yours,

(SGD.) HERNANDO B. PEREZ

Secretary

Footnotes

4. Section 3 (i), RA No. 6713.
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SECO Form 17-C
STOCK
FORM TYPE
04
Any
Secondary License Type, if Applicable

1231
Month Fiscal Year

Amended Articles Number/Section
A1996-11593

Total Amount of Borrowings

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU
Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 24, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

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

7. Address of issuer's principal office
   Postal
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)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 ₱1.00 each --2,041,701,890

   b. Debt Securities

      None

      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?

   1 2,013,400,172 Outstanding Common Shares
   28,301,718 Shares Under the Stock Ownership Plans

   [Signature]
   [Name]
   [Title]
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) regarding the clarification on the Inquirer.net news article entitled “Manila Water’s Indonesian bid hits a snag” dated June 23, 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.  

Issuer  

By:  

Jhoel P. Raquedan  
Chief Legal Counsel  
Assistant Corporate Secretary

June 24, 2013  
Date
June 24, 2013

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: Inquirer.net news article on Indonesia bid

Gentlemen:

We refer to your letter dated June 24, 2013 requesting for clarification on the news article entitled “Manila Water’s Indonesian bid hits a snag” posted in the Inquirer.net on June 23, 2013, in particular, the quoted portion thereof which states that:

“The planned takeover by Manila Water Co. (MWC) of a majority interest in a water concession in Jakarta has hit a snag as officials of Indonesia’s capital city are reportedly considering an option to nationalize water utility operation.

According to media reports coming out of Indonesia, Jakarta Governor Joko Widodo is said to be setting up a city-owned company to buy out the 51 percent stake held by French-controlled Suez Environment in PAM Lyonnais Jaya (Palyja), one of the two water utility operators in Jakarta.

This is reportedly the same stake that Suez has committed to sell to Manila Water under a share purchase agreement signed in October 2012.

....

Asked about this development, MWC president Gerardo Ablaza Jr. said in a telephone interview on Saturday that the company is still awaiting Jakarta’s official word on the matter.

“We’ll just have to wait and see what the [Jakarta] government has to say,” Ablaza said, adding that MWC has yet to hear solid news about Jakarta’s reported change of heart.

..."
The seller, Suez Environnement, informed us that it is clarifying this matter with Perusahaan Daerah Air Minum Daerah Khusus Ibukota Jakarta ("PAM Jaya").

We would like to reiterate that as of this moment, we have not yet received official communication from PAM Jaya regarding the subject of the news article posted in Inquirer.net.

We will disclose to the Exchange any significant development regarding this transaction at the appropriate time or as soon as we obtain sufficient information.

We trust that the foregoing clarifies the matter.

Very truly yours,

[Signature]

JHOEL F. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

12 31
Month Fiscal Year

04 Any
SEC Form 17-C
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Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

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AND SRC RULE 17.2(c) THEREUNDER

1. **June 26, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City**, Phils.

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

7. Address of issuer’s principal office
   Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   Postal **1105**

8. Issuer’s telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   **Not Applicable**

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

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities
       None

       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?

    **2,013,400,172** Outstanding Common Shares
    **28,301,718** Shares Under the Stock Ownership Plans
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the Petition for Certiorari dated June 26, 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.
Issuer

By:

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

June 26, 2013
Date
June 26, 2013

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: Petition for Certiorari in the Supreme Court

Gentlemen:

Please be informed that we have received a copy of a Petition for Certiorari and Mandamus with Prayer for the Issuance of a Temporary Restraining Order (the “Petition”).

The Petition was initiated by Waterwatch Coalition, Inc. represented by Rodrigo G. Gatmaitan, Jr., and Alyansa ng Mamamayang Naghihirap Inc., represented by Eduardo F. Landayan, Nicanor E. Faeldon, Cristeto Dinopol, Jr., Dr. Restituto T. Enriquez, Dr. Nowell P. Letrondo, Alda E. Garado, Alvin “Tado” Jimenez, Michael P. Untalan, Salvacion Corp, and Eduardo D. Verzola.

The respondents in the Petition include the Metropolitan Waterworks and Sewerage System (MWSS), Maynilad Water Systems, Inc., Ramon B. Alikpala, Jr., in his capacity as Chairman of the Board of Trustees of the MWSS, Gerardo A.I. Esquivel, in his capacity as Administrator/Vice Chairman of the MWSS, Atty. Emmanuel L. Caparas, in his capacity as Chief Regulator and Member of the Board of Trustees of the MWSS, and Atty. Raoul C. Creencia, Ma. Cecilia G. Soriano, Jose Ramon T. Villarin, and Benjamin J. Yamboa, in their capacities as Members of the Board of Trustees of the MWSS. Manila Water Company, Inc. was named as one of the private respondents.

In the said Petition, the petitioners pray, among others, for the Supreme Court to stop the rate rebasing exercises being conducted by the MWSS and/or nullify any tariff adjustments that have been made, if any.

We shall wait for the action of the Supreme Court on the Petition.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET
A199611593
S.E.C. Registration Number

MANILA WATER COMPANY, INC.
(Company's Full Name)

489 KATIPUNAN ROAD BALAURA 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
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. June 26, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A-1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

7. Address of issuer's principal office
   Postal
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

    a. Shares of Stock
        Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities
        None

        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?

---

1, 2,013,400,172 Outstanding Common Shares
28,301,718 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on the Corporate Credit Rating of PRS Aaa (corp.) given to the company by the Philippine Rating Services Corporation dated June 26, 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.
Issuer
By: [Signature]

June 26, 2013  Date

Shoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
June 26, 2013

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: Philippine Rating Services Corporation gives Manila Water a Corporate Credit Rating of PRS Aaa (corp.)

Gentlemen:

Please be informed that Manila Water Company, Inc. has been given a Corporate Credit Rating of PRS Aaa (corp.) by the Philippine Rating Services Corporation (“Philratings”).

For more information, please refer to the attached copy of the Philratings Press Release.

Very truly yours,

[Signature]

MIHEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary

MANILA WATER COMPANY, INC.
MWSS Administration Building,
489 Kalipunan Road, 1105 Belara,
Quezon City, Philippines
T: (632) 917 5900
W: www.manilawater.com
Customer Service Hotline 1827
Manila Water Receives Top Corporate Credit Rating

Philippine Rating Services Corporation (PhilRatings) assigned a Corporate Credit Rating of PRS Aaa (corp.) to Manila Water Company, Inc. ("Manila Water" or the "Company"). Companies rated PRS Aaa (corp.) have a very strong capacity to meet their financial obligations relative to other Philippine corporations. It is the highest rating assigned by PhilRatings.

The rating takes into consideration the following factors: Manila Water’s strong liquidity position and financial flexibility; adequate capitalization; proactive management, sustained profit performance, and competent technical staff with a proven track record and the company’s aggressive efforts to expand its service areas. PhilRatings also considered the delays being experienced by the company in its Rate Rebasings Exercise with the Metropolitan Waterworks and Sewerage System (MWSS).

PhilRatings’ ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to Manila Water and may change the rating at any time, should circumstances warrant a change. A corporate credit rating is an over-all measure of creditworthiness for a one-year period prospectively and is not tied to a particular debt issue.

Manila Water provides water and wastewater services for the East Zone of the MWSS franchise area. The East Zone encompasses Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, and most parts of Manila and Quezon City, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa. The Company has also expanded its reach beyond the East Zone and has subsidiaries with projects in Laguna, Pampanga, Boracay and Cebu. It also has ventures outside the country, particularly in Vietnam.
Since it first began operations in 1997, the Company has been able to consistently meet and surpass its regulatory and financial targets. Its management has also been very proactive in dealing with issues relating to the water industry, such as the development of new water sources, as well as the management of non-revenue water (NRW) levels. Manila Water’s NRW was at 11.40% as of March 2013.

The Company increased its net income by 28%, from P4.2 billion in 2011 to P5.4 billion in 2012. Its net profit margin also improved from 36% in 2011 to 37% in 2012.

Manila Water keeps comfortable levels of cash and cash equivalents on hand. This amounted to P5.5 billion in 2012 and further increased to P6.3 billion as of the end of the first quarter of 2013, providing an adequate buffer to support its current debt. The Company’s EBITDA interest cover\(^1\) was also high at 6.66x in 2012 while its Debt service coverage ratio\(^1\) remained more than adequate at 1.77x.

The Company remains adequately capitalized, with debt to equity\(^1\) (DE) level improving from 1.02x in 2011 to 0.89x in 2012. The trend continued as of the end of the first quarter of 2013 as its DE level improved further to a relatively conservative 0.81x.

The Company is currently undergoing its third Rate Rebasing period as the Concessionaire for the East Zone. Rate Rebasing occurs every five years after 1997, when the Company was awarded the concession. Manila Water submitted the requirements for the exercise in the first quarter of 2012 but, to date, the process has yet to be concluded. Expectations are for the rate rebasing to be completed between July to October 2013. PhilRatings shall monitor developments in relation to this, with a focus on the impact on the Company’s assumed rate structure in the coming years.

---

\(^1\) Kindly note that all ratios presented in this press release are based on the internal computations and analysis of PhilRatings.
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04
Month Day
Any 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 I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **June 17, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal Code 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 – 2,041,701,890

   b. Debt Securities
      None

      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?

   ![Outstanding Common Shares](2,013,400,172)
   ![Shares Under the Stock Ownership Plans](2,041,701,890)
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated June 17, 2013 on the Foreign Currency Differential Adjustment (FCDA) which will be effective within fifteen (15) days after publication. Water rates for the customers of Manila Water Company, Inc. ("Manila Water") will have a downward adjustment of P0.54 per cubic meter due to the FCDA, based on the exchange rate of US$1:PHP41.14 and JPY1:PHP0.4221.

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
Chief Legal Counsel
Assistant Corporate Secretary

June 17, 2013
Date
June 17, 2013

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: Foreign Currency Differential Adjustment

Gentlemen:

Effective fifteen (15) days after publication, water rates for the customers of Manila Water Company, Inc. ("Manila Water") will have a downward adjustment of P0.54 per cubic meter due to the Foreign Currency Differential Adjustment (FCDA), based on the exchange rate of US$1:PHP41.14 and JPY1:PHP0.4221. The FCDA component of the water bill will be adjusted from negative 0.37% of the second quarter of 2013 to negative 1.97% of the basic charge for the third quarter of 2013.

As provided in the Concession Agreement between Manila Water and the Metropolitan Waterworks and Sewerage System (MWSS), as amended, the FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS, as well as loans of Manila Water for service expansion and improvement of its services. The FCDA has no impact on the projected net income of the company.

For more information, please see attached Notice.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
NOTICE TO
MANILA WATER CUSTOMERS

Effective fifteen (15) days after publication, Manila Water will implement a negative 1.97% Foreign Currency Differential Adjustment (FCDA) of the basic charge. Low-income households consuming 10 cubic meters a month or less will be exempt from the adjustment.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) through Board Resolution No. 2013-077-RO dated 13 June 2013, confirming MWSS Regulatory Office Resolution No. 13-006-CA dated 10 June 2013.

FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS as well as loans of Manila Water for service expansion and improvement of its services. The tariff adjustment has no impact on the projected net income of the company.

SERVICE COVERAGE AREA

Manila Water provides water and wastewater services to the following areas: Mandaluyong, Pasig, San Juan, Marikina, Pateros, Taguig, Makati, southeastern part of Quezon City, and San Andres and Sta. Ana in Manila; and several towns of Rizal Province which include San Mateo, Rodriguez, Antipolo, Cainta, Taytay, Angono, Baras, Binangonan, and Jala jala.
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

12 31
Month Day Fiscal Year

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 I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **June 13, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office
   Postal Code
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105**

8. Issuer's telephone number, including area code
   **(02)926-7999 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 – 2,041,701,890

   b. **Debt Securities**
      
      None

      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?

   ![Outstanding Common Shares](2,013,460,172)
   ![Shares Under the Stock Ownership Plans](28,391,318)
   ![Total Shares](2,041,701,890)
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated June 13, 2013 on the public consultation conducted by Metropolitan Waterworks and Sewerage System ("MWSS") at the Seameo Innotech in UP Technohub, Quezon City for the purpose of discussing the proposed tariff adjustment of Manila Water Company, Inc. ("Manila Water") contained in its Business Plan submitted pursuant to the current Rate Rebasing exercise.

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: ____________________________

June 13, 2013

Date

Dhoel P. Raquedan

Chief Legal Counsel

Assistant Corporate Secretary
13 June 2013

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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

Re: Public Consultation

Gentlemen:

Please be informed that, today, 13 June 2013, the Metropolitan Waterworks and Sewerage System (“MWSS”) conducted a public consultation at the Seameo Innotech in UP Technohub, Quezon City for the purpose of discussing the proposed tariff adjustment of Manila Water Company, Inc. (“Manila Water”) contained in its Business Plan submitted pursuant to the current Rate Rebasing exercise.

Under the proposed Business Plan, Manila Water will spend a total of Php 426 billion up to 2037 for its water and wastewater projects to comply with its service obligations under the Concession Agreement with the MWSS. Manila Water will be allowed to recover its capital investments and operating expenses through the tariff adjustment which is proposed to be at Php 5.83 per cubic meter.

Thank you very much.

Very truly yours,

JIOEL F. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1231
Month Day Fiscal Year:

04
Month Day Annual Meeting

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 11, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A.1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal 1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities
       None

       Regrant 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?

---

1,2013,400,172 Outstanding Common Shares
28,301,718 Shares Under the Stock Ownership Plans
2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated June 10, 2013 on the disqualification of Sherisa P. Nuesa as Independent Director of the company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  

June 11, 2013  

Date

By:  

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
10 June 2013

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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

Re: Disqualification of Sherisa P. Nuesa as Independent Director

Gentlemen:

Please be informed that, today, 10 June 2013, we received a letter from the Securities and Exchange Commission (SEC) stating that Sherisa P. Nuesa is disqualified to become an Independent Director of Manila Water Company, Inc. ("Manila Water") on the ground that she was recently appointed as Director of the Philippine Reclamation Authority. A copy of the 10 June 2013 letter is hereto attached as Annex "A".

Nevertheless, despite such disqualification, Manila Water still has two (2) independent directors out of eleven (11) members of the Board of Directors.

In order to protect its interest, Manila Water intends to pursue the appropriate course of action under the circumstances.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
May 15, 2013

ATTY. JOEL P. RAQUEDAN  
Chief Legal Counsel/Asst. Corporate Secretary  
MANILA WATER COMPANY, INC.  
489 Katipunan Road, Balaan 1103  
Quezon City

Dear Atty. Raquedan:

This refers to the election of Ms. Nefisa P. Nuesa as Independent Director of Manila Water Company, Inc.

Considering her recent appointment as Director of the Philippine Reclamation Authority (PRA), a government agency, she is disqualified to become an Independent Director.

Please be guided accordingly.

JUSTINA P. CALLANGAN  
Acting Director
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

12 31
Month  Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04  Any
Month  Day
Annual Meeting

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic  Foreign

To be accomplished by SEC Personnel concerned

LCU

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **May 7, 2013**
   Dale of Report (Date of earliest event reported)

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

3. BIR Tax identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization: **Quezon City, Phils.**

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer's principal office
   
   Code: **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**
   
   Postal: **1105**

8. Issuer's telephone number, including area code
   
   (02)926-7999 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 – 2,041,701,890

   b. Debt Securities
      
      None

      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?

12. **2,013,249,172** Shares Outstanding Common Shares

13. **28,452,718** Shares Under the Stock Ownership Plans
12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated May 7, 2013 on the unaudited year-to-date March 2013 performance results.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer

By: [Signature]

Jhoel P. Raquedan  
Chief Legal Counsel  
Assistant Corporate Secretary

May 7, 2013  
Date
May 7, 2013

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 March 2013 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

[Signature]
Joel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER FINANCIAL HIGHLIGHTS (CONSOLIDATED)

### First Quarter (In Million Pesos)

<table>
<thead>
<tr>
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<th>2013 Unaudited</th>
<th>2012 Unaudited (as restated)</th>
<th>Change</th>
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<tr>
<td>Revenues</td>
<td>3,681</td>
<td>3,419</td>
<td>6%</td>
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<tr>
<td>Cost of Services and Operating Expenses</td>
<td>(1,015)</td>
<td>(922)</td>
<td>11%</td>
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<tr>
<td>Equity in Net Income of Associates</td>
<td>69</td>
<td>26</td>
<td>167%</td>
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<td>Other Income (Expenses)</td>
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<td>(2)</td>
<td>(1,817%)</td>
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<td>EBITDA</td>
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<td>EBITDA Margin</td>
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<tr>
<td>Minority Interest</td>
<td>(7)</td>
<td>1</td>
<td>(768%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,333</td>
<td>1,338</td>
<td>(0%)</td>
</tr>
</tbody>
</table>

### (In Million Pesos)

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2013 Unaudited</th>
<th>December 31, 2012 Audited (as restated)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>8,836</td>
<td>8,217</td>
<td>8%</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>59,707</td>
<td>58,909</td>
<td>1%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>68,543</td>
<td>67,127</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Stockholders' Equity</th>
<th>March 31, 2013 Unaudited</th>
<th>December 31, 2012 Audited (as restated)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>10,586</td>
<td>9,899</td>
<td>3%</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>68,937</td>
<td>30,476</td>
<td>(2%)</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>79,523</td>
<td>40,375</td>
<td>(1%)</td>
</tr>
<tr>
<td>Stockholders' Equity</td>
<td>28,253</td>
<td>26,752</td>
<td>6%</td>
</tr>
<tr>
<td>Total Liabilities &amp; Stockholders' Equity</td>
<td>107,776</td>
<td>67,127</td>
<td>2%</td>
</tr>
</tbody>
</table>
## MANILA WATER OPERATIONAL HIGHLIGHTS (CONSOLIDATED)

<table>
<thead>
<tr>
<th>First Quarter</th>
<th>2016</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Billed Volume (in mc m)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>136.7</td>
<td>137.7</td>
<td>(1%)</td>
</tr>
<tr>
<td>Boracay Water</td>
<td>100.7</td>
<td>103.1</td>
<td>1%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>5.0</td>
<td>0.8</td>
<td>13%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>2.1</td>
<td>2.1</td>
<td>5%</td>
</tr>
<tr>
<td>Thu Duc Water</td>
<td>1.6</td>
<td>30.1</td>
<td>38%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Water Service Connections</th>
<th>1Q 2013</th>
<th>1Q 2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Zone</td>
<td>872,288</td>
<td>869,266</td>
<td>4%</td>
</tr>
<tr>
<td>Boracay Water</td>
<td>4,232</td>
<td>4,944</td>
<td>10%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>1,839</td>
<td>1,890</td>
<td>3%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>32,027</td>
<td>32,027</td>
<td>41%</td>
</tr>
</tbody>
</table>
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

Contact Person

(632) 981-8129

Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE

04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **April 29, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

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

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 – 2,041,701,890

    b. Debt Securities
       None

       Regrant 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?

    | Shares of Stock          | Debt Securities               |
    |--------------------------|-------------------------------|
    | 2,013,200,998            | 28,500,892                    |
    | Outstanding Common Shares| Shares Under the Stock Ownership Plans |
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated 29 April 2013 on the Independent Directors' Certifications of Manila Water Company in compliance with the requirements of the SEC in its Notice dated 20 October 2006.

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
Chief Legal Counsel
Assistant Corporate Secretary

April 29, 2013
Date
29 April 2013

SECURITIES AND EXCHANGE COMMISSION
Attention:      Director Justina F. Callangan
                Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention:      Ms. Janet A. Encarnacion
                Head, Disclosure Department

Independent Directors' Certifications

Gentlemen:

Please see enclosed certifications from the independent directors of Manila Water Company, Inc., Messrs. Oscar S. Reyes and Jose L. Cuisia Jr. and Ms. Sherisa P. Nuesa, submitted in compliance with the requirements of the Securities and Exchange Commission in its Notice dated 20 October 2006 directing all independent directors to submit a certification, under oath, that they possess all the qualifications and none of the disqualifications provided for in the Securities Regulation Code of the Philippines and its Implementing Rules and Regulations.

Very truly yours,

[Signature]

Joel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
CERTIFICATION OF INDEPENDENT DIRECTORS

I, OSCAR S. REYES, Filipino, of legal age, and resident of Unit 6 Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company,

2. I am affiliated with the following companies or organizations:

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of the Philippine Islands</td>
<td>Director</td>
<td>2003-present</td>
</tr>
<tr>
<td>Ayala Land, Inc.</td>
<td>Director</td>
<td>2009-present</td>
</tr>
<tr>
<td>Philippine Long Distance Telephne Company</td>
<td>Director, Member, Advisory Board</td>
<td>2001-2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2010-present</td>
</tr>
<tr>
<td>SMART Communications, Inc.</td>
<td>Director</td>
<td>2006-present</td>
</tr>
<tr>
<td>Manila Electric Co.</td>
<td>President &amp; CEO/ Director</td>
<td>2010-present</td>
</tr>
<tr>
<td>Sun Life Prosperity Funds</td>
<td>Independent Director</td>
<td>2002-present</td>
</tr>
<tr>
<td>Sun Life Financial Plans, Inc.</td>
<td>Independent Director</td>
<td>2006-present</td>
</tr>
<tr>
<td>Sun Life Prosperity Dynamic Fund</td>
<td>Independent Director</td>
<td>2012-present</td>
</tr>
<tr>
<td>Grepalife Dollar Bond Fund Corporation</td>
<td>Independent Director</td>
<td>2011-present</td>
</tr>
<tr>
<td>Grepalife Fixed Income Fund Corporation</td>
<td>Independent Director</td>
<td>2011-present</td>
</tr>
<tr>
<td>Grepalife Bond Fund Corporation</td>
<td>Independent Director</td>
<td>2011-present</td>
</tr>
<tr>
<td>Pepsi Cola Products Philippines, Inc.</td>
<td>Independent Director/Chairman</td>
<td>2007-2011/2012-present</td>
</tr>
<tr>
<td>Basic Energy Corporation</td>
<td>Independent Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Alcorn Gold Resources Corp.</td>
<td>Independent Director</td>
<td>2009-present</td>
</tr>
<tr>
<td>Petroll Inc.</td>
<td>Independent Director</td>
<td>2007-present</td>
</tr>
<tr>
<td>Redondo Peninsula Energy, Inc.</td>
<td>Chairman</td>
<td>2011-present</td>
</tr>
<tr>
<td>Meralco Industrial Engineering Services Inc.</td>
<td>Chairman</td>
<td>2010-present</td>
</tr>
<tr>
<td>Meralco Energy, Inc.</td>
<td>Chairman</td>
<td>2010-present</td>
</tr>
<tr>
<td>Meralco Powergen Corporation</td>
<td>President/Director</td>
<td>2010-present</td>
</tr>
<tr>
<td>CIS Bayad Center, Inc.</td>
<td>Chairman</td>
<td>2010-present</td>
</tr>
<tr>
<td>Republic Surety &amp; Insurance Co., Inc.</td>
<td>Director</td>
<td>2010-present</td>
</tr>
<tr>
<td>Calamba Aero Power Corporation</td>
<td>Director</td>
<td>2011-present</td>
</tr>
<tr>
<td>Link Edge inc.</td>
<td>Chairman</td>
<td>2002-present</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Manila Water Company as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of Manila Water Company of any changes in the abovementioned information within five days of its occurrence.

Done this 24th day of March 2013 at Pasig City.

__________________________
OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me this 24th day of March 2013, at affiant exhibited to me his Passport No. XX2143931 issued on

29 September 2009 in Manila.

__________________________
NOTARY PUBLIC

JOVENCIO P. FULGUERA
MY COMMISSION EXPIRES DEC. 31, 2015
IBP No. 868320-2011 - PASIG CITY
ROLL No. 90905
PTR No. 5453953 B-7-6-11 & C.
L.C.E. COMPLIANCE No. R-00054072
FOREIGN SERVICE OF THE PHILIPPINES
EMBASSY OF THE PHILIPPINES
WASHINGTON, D.C., U.S.A.

BEFORE ME, ARLENE TULLID-MAGNO, Consul of the Republic of the Philippines for the District of Columbia and the States of Alabama, Florida, Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, Virginia and West Virginia, duly commissioned and qualified as such, on this 3rd day of April 2013 personally appeared:

JOSE LAMPE CUISIA, JR.

with Philippine Diplomatic Passport No. DP0007838 issued in Manila, Philippines on 09 March 2011, known to me to be the same person who executed the annexed document and acknowledged that the signature on the document was voluntarily affixed by him for the purpose stated in the document and the same is his free and voluntary act and deed.

For the contents of the annexed document, the Embassy assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand on these presents and fixed the seal of the Philippine Consular Service, Washington, District of Columbia, United States of America on this 3rd day of April 2013.

ARLENE TULLID-MAGNO
Consul

Annexed document is a Certification of Independent Directors executed on this 3rd day of April 2013 by JOSE LAMPE CUISIA, JR. xxxxxxxxxxxxxxxxxxxx

Document No. : ACK-13-2957
Series of : 2013
Service No. : 6194
Fee : Gratis
O.R. No. : -0-

This Certificate is not valid if it is altered in any way.
CERTIFICATION OF INDEPENDENT DIRECTORS

1. JOSE L. CUISIA, JR., Filipino, of legal age, and resident of 2253 R. St., N.W., Washington, D.C., U.S.A. 20008, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company,

2. I am affiliated with the following companies or organizations:

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Foreign Affairs Republic of the Philippines</td>
<td>Ambassador Extraordinary and Plenipotentiary to the United States of America</td>
<td>March 2011 to present</td>
</tr>
<tr>
<td>The Philippine American Life and General Insurance Company (Philam Life)</td>
<td>Vice-Chairman, Board of Directors</td>
<td>August 2009 to present</td>
</tr>
<tr>
<td>The Covenant Card Company/ Chevrolet Cars</td>
<td>Chairman, Board of Directors</td>
<td>July 2009 to present</td>
</tr>
<tr>
<td>SM Prime Holdings, Inc. (SMPHI)</td>
<td>Vice-Chairman, Board of Directors</td>
<td>July 1994 to present</td>
</tr>
<tr>
<td>BPI-Philam Assurance Corp. (BPLAC)</td>
<td>Director</td>
<td>December 2009 to present</td>
</tr>
<tr>
<td>Holcim Philippines, Inc.</td>
<td>Director</td>
<td>October 1993 to present</td>
</tr>
<tr>
<td>Integra Business Processing Solutions, Inc. (Integra BPSI)</td>
<td>Director</td>
<td>June 2008 to present</td>
</tr>
<tr>
<td>iPHINMA Corporation</td>
<td>Director</td>
<td>November 1995 to present</td>
</tr>
<tr>
<td>Manila Water</td>
<td>Director</td>
<td>April 2011 to present</td>
</tr>
<tr>
<td>Asia Society (International Advisory Council)</td>
<td>Member</td>
<td>1998 to present</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Manila Water Company as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of Manila Water Company of any changes in the abovementioned information within five days of its occurrence.

Done this 31st day of April 2013 at Washington, D.C., USA.

JOSE L. CUISIA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of April 2013, at Washington, D.C., USA, affiant exhibited to me his Passport No. DP0007638 valid until 08 March 2016 issued in Manila.
PASAPORTE DIPLOMATIKO
DIPLOMATIC PASSPORT

REPUBLICA NG PILIPINAS
REPUBLIC OF THE PHILIPPINES

KAGAWARAN NG UGNAYANG PANLABAS
DEPARTMENT OF FOREIGN AFFAIRS

Ang Kalihim ng Ugnayang Panlabas ng Republika ng Pilipinas ay humihiling sa lahat ng kinainulan na pahintulutan ang pinagkakoban ay ilabang mamamayan ng Pilipinas at

The Secretary of Foreign Affairs of the Republic of the Philippines requests all concerned to permit, decree, a citizen of the Philippines and,

AMBASSADOR EXTRAORDINARY
and PLENIPOTENTIARY
OF THE REPUBLIC OF THE PHILIPPINES
TO THE UNITED STATES OF AMERICA
WITH CONCURRENT JURISDICTION OVER
THE U.S. VIRGIN ISLANDS, GRENADA,
AND THE COMMONWEALTH OF
PUERTO RICO

na makaarang ng malaya at walang segalat ay, kung kailangan, ay pag-usapan siya ng lahat ng tulong at proteksyon ayon sa batas.

To pass freely and freely and, in case of need to give him/her all lawful aid and protection.
CERTIFICATION OF INDEPENDENT DIRECTORS

I, SHERISA P. NUESA, Filipino, of legal age, and resident of 39B One Legazpi Park, 121 Rada St., Legaspi Village, Makati City, after having been duly sworn to in accordance with the law do hereby declare that:

1. I am an independent director of Manila Water Company,

2. I am affiliated with the following companies or organizations:

<table>
<thead>
<tr>
<th>Company/Organization</th>
<th>Position/Relationship</th>
<th>Service period, from:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALFM Mutual Funds</td>
<td>Independent Director</td>
<td>May 2012</td>
</tr>
<tr>
<td>Blackhorse Emerging Enterprises Funds (Singapore)</td>
<td>Independent Director</td>
<td>2009</td>
</tr>
<tr>
<td>Far Eastern University, Inc.</td>
<td>Independent Director</td>
<td>Aug. 2010</td>
</tr>
<tr>
<td>Psi Technologies, Inc.</td>
<td>Board Director</td>
<td>Oct. 2010</td>
</tr>
<tr>
<td>FERN Realty Corp.</td>
<td>Independent Director</td>
<td>Aug. 2012</td>
</tr>
<tr>
<td>FEU Health, Welfare &amp; Retirement Fund</td>
<td>Board Trustee</td>
<td>June 2012</td>
</tr>
<tr>
<td>ING Foundation, Inc. (Phil.)</td>
<td>Independent Director</td>
<td>July 2012</td>
</tr>
<tr>
<td>Institute of Corporate Directors (ICD)</td>
<td>Board Trustee</td>
<td>May 2012</td>
</tr>
<tr>
<td>Financial Executives Institute of the Phils. (FINEX)</td>
<td>Board Member &amp; Treasurer</td>
<td>Jan. 2012</td>
</tr>
<tr>
<td>Vicsal Development Corp.</td>
<td>Consultant</td>
<td>Mar. 2012</td>
</tr>
</tbody>
</table>

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Manila Water Company as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations;

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;

5. I shall inform the corporate secretary of Manila Water Company of any changes in the abovementioned information within five days of its occurrence.

Done this 4th day of April 2013 at Quezon City.

SHERISA P. NUESA
Affiant

SUBSCRIBED AND SWORN to before me this 11th day of April 2013, at Quezon City, affidavit exhibited to me this his Passport No. EA 0044411 issued on 05 March 2010 in Manila.

JOYCE N. FULGUERAS
BY COMMISSION EXPIRES DEC 31 2013
IBP No. 863320-2011 - PASIG CITY
ROLL No. 30905
PTR No. 5459553 8-7-6-11 C.C.
MCLE COMPLIANCE No. III-0005522
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK
FORM TYPE
04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 30, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code:   (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin., Bldg., 489 Katipunan Road, Balara, Quezon City    1105

8. Issuer's telephone number, including area code
   (02)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 - 2,041,701,890

    b. Debt Securities
       None

       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?

   2,013,200,998 Outstanding Common Shares
   28,500,693 Shares Under the Stock Ownership Plans
   2,041,701,892

---
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and Securities and Exchange Commission (SEC) dated April 30, 2013 on the notice of analysts' briefing of Manila Water Company to be held on May 7, 2013 at 3:00 in the afternoon at South Rooms 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.  April 30, 2013
Issuer  Date

By:  

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
30 April 2013

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: Analysts' Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold an analysts’ briefing on May 7, 2013 at 3:00 in the afternoon at South Rooms A & B, Ayala Tower 1, Ayala Avenue, Makati City.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK FORM TYPE
04 Any
Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 29, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal
   1105

8. Issuer’s telephone number, including area code
   (02)928-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

   a. Shares of Stock
      Common Shares, par value P1.00 each – 2,041,701,890

   b. Debt Securities
      None

      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?

   2,013,200,998 Outstanding Common Shares
   28,500,892 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated April 29, 2013 on the signing of a Php500 million Term Loan Facility, with an option to increase the amount to a maximum of Php1.33 billion, of the Laguna AAAWater Corporation, a subsidiary of Manila Water Company, Inc., with the Development Bank of the Philippines through the Philippine Water Revolving Fund.

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. Ra quedan
Chief Legal Counsel
Assistant Corporate Secretary

April 29, 2013
Date
April 29, 2013

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: Term-Loan Facility for Laguna AAAWater Corporation

Gentlemen:

Please be informed that today the Laguna AAAWater Corporation ("Laguna Water"), a subsidiary of Manila Water Company, Inc., signed a Php500 million Term Loan Facility, with an option to increase the amount to a maximum of Php1.33 billion, with the Development Bank of the Philippines through the Philippine Water Revolving Fund. The loan will finance the additional capital expenditures of Laguna Water in fulfilment of its service obligations in the province of Laguna.

Enclosed is the press release for additional information.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
Laguna Water Loan to Support Expansion of Water Coverage Requirements

Laguna AAA Water Corporation ("Laguna Water") recently closed a P500 million loan with an option to increase up to P1.33 billion with the Development Bank of the Philippines through the Philippine Water Revolving Fund (PWRF) to finance the additional capital expenditures for the company’s water projects in its service concession area.

The PWRF is a collaborative undertaking of the Philippine Government, United States Agency for International Development (USAID) and the Japan International Cooperation Agency (JICA) to address the need to mobilize additional and sustainable resources to meet one of the country’s Millennium Development Goals.

The loan facility will provide the company with financial support to undertake modernization and expansion of water network system and water supply facilities. These expansion projects will deliver 24 hours of water supply among the unserved population within its concession area comprising the cities of Sta. Rosa, Biñan and Cabuyao.

Since taking over the concession’s operations more than three years ago, Laguna Water was able to more than double its customer base, significantly reduce non-revenue water from 48% to 24% and provide potable quality water available 24/7.

Laguna Water is a result of a Public Private Partnership between Manila Water Company, Inc. and the Provincial Government of Laguna.
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105 QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN

Contact Person

(632) 981-8129

Company Telephone Number

12 31

Month Day

Fiscal Year

SEC Form 17-C

STOCK

FORM TYPE

04

Any

Month Day

Annual Meeting

Secondary License Type, If Applicable

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

L CU

Document ID.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. April 29, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number: A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code: (SEC Use Only)

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

8. Issuer's telephone number, including area code
   (02)926-7999 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 – 2,041,701,890

    b. Debt Securities
       None

       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?

---

1 2,013,200,598 Outstanding Common Shares
   28,500,892 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated April 29, 2013 on the Denial of Motion for Reconsideration for the DENR-PAB case of the Company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  April 29, 2013
Issuer  Date
By:  

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
29 April 2013

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

Gentlemen:

In connection with our disclosure dated 24 April 2013, please be informed that Manila Water Company, Inc. ("Manila Water") received today a copy of the Court of Appeals Resolution dated 11 April 2013 in the case docketed as CA-G.R. SP No. 112023 entitled "Manila Water Company, Inc. vs. The Regional Director, Environmental Management Bureau-National Capital Region (EMB-NCR), et. al." denying our Motion for Reconsideration filed on 26 September 2012.

Manila Water intends to file an appeal before the Supreme Court within the reglementary period.

Very truly yours,

[Signature]

JOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

A199611593
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

1231
Month
Day
Fiscal Year

04
Any
Month
Day
Annual Meeting

Primary 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. April 24, 2013
   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,
   Phile.

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)928-7999 local 9130 / 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 – 2,041,701,890

    b. Debt Securities

       None

       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?

    1,201,200,998 Outstanding Common Shares
    28,500,892 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) dated April 24, 2013 on the clarification to the news article entitled "Fines on MWSS, water firms for noncompliance affirmed" published in the BusinessWorld on April 24, 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.
Issuer

By:

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

April 24, 2013
Date
24 April 2013

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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

Re: Clarification on News Article

Gentlemen:

We refer to your letter dated 24 April 2013 requesting for clarification on the news article entitled “Fines on MWSS, water firms for noncompliance affirmed” published in the BusinessWorld on 24 April 2013. The article reported in part that:

"The COURT of Appeals (CA) has upheld the decision of the Department of Environment and Natural Resources (DENR) that imposed a fine on the Metropolitan Waterworks and Sewerage System (MWSS) and concessionaires Manila Water Co., Inc. and Maynilad Water Services, Inc. for failure to comply with the Clean Water Act.

The DENR in 2009 imposed on MWSS and the two firms a 29.4-million fine for the period May 7 to Sept. 30, 2009 and 200,000 per day thereafter for failure to fulfill obligations under Republic Act (RA) 9275.

..."

In a three-page resolution dated April 11 and penned by Associate Justice Ramon M. Bato, Jr., the CA’s 1st division affirmed its earlier decision dated Aug. 14, 2012 that dismissed for lack of merit the appeal filed by Manila Water that sought to reverse the ruling affirming the DENR order.

...

We would like to clarify that Manila Water Company, Inc. ("Manila Water") has not received a copy of the purported Court of Appeals Resolution dated 11 April 2013 (the "Resolution") mentioned in the news article. Manila Water will disclose to the Exchange all necessary information relating to the Resolution as soon as the same is received.

We trust that the foregoing clarifies the matter.

Very truly yours,

[Signature]

JEOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

(Company's Full Name)

(Assignment 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 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 17, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities
       None

       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?

   Outstanding Common Shares 2,013,200,998
   Shares Under the Stock Ownership Plans 28,500,892
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) dated April 17, 2013 on the clarification to the news article entitled "Manila Water's Asia expansion to increase profit, president says" published in the The Business Mirror on April 17, 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.

Issuer

By: ____________________________

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary

April 17, 2013
Date
17 April 2013

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 17 April 2013 requesting for clarification on the news article entitled “Manila Water’s Asia expansion to increase profit, president says” published in the The Business Mirror on April 17, 2013. The article reported in part that:

“Manila Water Co. Inc. (MWC)’s new ventures may make up about a third of profit by 2018 as the Ayala Corp. unit expands outside the Philippine capital to Vietnam and Indonesia.

The company that supplies water to half of metropolitan Manila plans to bid for projects in 15 areas across the Philippines, President Gerardo Ablaza said after the annual meeting. The “aspiration” is for new businesses to account for 35 to 40 percent of profit in five years from 7 percent now, he said in an interview.

...”

We would like to confirm that the Company remains interested in pursuing water projects in the top metros in the Philippines and key cities in the region which offer opportunities for growth.

However, we wish to clarify that the figures mentioned by Mr. Ablaza in his interview, are company projections based on current trends but are still subject to and dependent on several factors, including growth of existing new businesses and regulatory approvals of new acquisitions.

We will disclose to the Exchange significant developments in the Company, particularly in relation to acquisitions, at the appropriate time.

We trust that the foregoing clarifies the matter.

Very truly yours,

JHoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

A199611593

S.E.C. Registration Number

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Company’s Full Name

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

Atty. JHOEL P. RAQUEDAN

(632) 981-8129

Contact Person

Company Telephone Number

SEC Form 17-C

STOCK

FORM TYPE

04

Any

Month

Day

Annual Meeting

Secondary License Type, If Applicable

1231

Month

Day

Fiscal Year

A1996-11593

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
1. April 16, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City
   Postal
   1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

10. Securities registered pursuant to Sections 6 and 12 of the Securities Regulation Code (SRC):

   a. Shares of Stock

      Common Shares, par value P1.00 each – 2,041,701,890

   b. Debt Securities

      None

      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?

1 2,013,200,998 Outstanding Common Shares
    28,500,892 Shares Under the Stock Ownership Plans
    2,041,701,890
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission dated April 15, 2013 on the results of the Annual Stockholders Meeting and the Organizational Board Meeting of Manila Water.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer  

By:  

Jhoel P. Raquedan  
Chief Legal Counsel  
Assistant Corporate Secretary  

April 16, 2013  
Date
15 April 2013

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: 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 elected the following as members of the Board of Directors:

Fernando Zobel de Ayala
Jaime Augusto Zobel de Ayala
Gerardo C. Ablaza, Jr.
Antonino T. Aquino
Ricardo Nicanor N. Jacinto
Masaji Santo

John Eric T. Francia
Delfin L. Lazaro
Sherisa P. Nuesa (Independent)
Jose L. Cuisia, Jr. (Independent)
Oscar S. Reyes (Independent)

Messrs. Cuisia and Reyes, and Ms. Nuesa were elected as independent directors.

Our stockholders also adopted the following resolutions:

1. Resolution No. 1 (2013) approving the minutes of the Annual Stockholders Meeting held on 16 April 2012.


3. Resolution No. 3 (2013) ratifying all the acts and resolutions of the Board of Directors, Executive Committee and other Board Committee, as well as all the acts of the Management taken or adopted since the annual stockholders’ meeting on 16 April 2012 until 15 April 2013.”
4. Resolution No. 4 (2013) approving the appointment of the firm of SyCip Gorres Velayo & Company as external auditor for the fiscal year January 1, 2013 to December 31, 2013 for an audit fee of Pesos: One Million Eight Hundred Sixty Four Thousand (₱1,864,000.00), exclusive of value-added tax and out-of-pocket expenses.

At its organizational and regular meeting held after the stockholders’ meeting, the Board of Directors:

1. Elected the following Officers:
   
   - **Fernando Zobel de Ayala**
     - Chairman of the Board
   - **Jaime Augusto Zobel de Ayala**
     - Vice Chairman of the Board
   - **Gerardo C. Ablaza, Jr.**
     - President and CEO
   - **Luis Juan B. Oreta**
     - Chief Finance Officer/Treasurer, Compliance Officer and Group Director, Corporate Finance and Governance
   - **Virgilio C. Rivera, Jr.**
     - Group Director, Corporate Strategy and Development
   - **Geodino V. Carpio**
     - Group Director, Operations
   - **Ruel T. Maranan**
     - Group Director, Corporate Human Resources
   - **Ferdinand M. dela Cruz**
     - Group Director, East Zone Business Operations and Corporate Strategic Affairs
   - **Abelardo P. Basilio**
     - Group Director, Strategic Asset Management
   - **Rodell A. Garcia**
     - Group Director, Chief Technology Adviser
   - **Ma. Victoria P. Sugapong**
     - Chief Risk Officer
   - **Solomon M. Hermosura**
     - Corporate Secretary
   - **Jhoel P. Raquedan**
     - Assistant Corporate Secretary
2. Elected the following Chairmen and Members of the Board Committees:

**Executive Committee**

Fernando Zobel de Ayala  
Chairman

Gerardo C. Ablaza, Jr.  
Member

Ricardo Nicanor N. Jacinto  
Member

Antonino T. Aquino  
Member

John Eric T. Francia  
Member

**Audit and Governance Committee**

Oscar S. Reyes  
Chairman

Ricardo Nicanor N. Jacinto  
Member

Sherisa P. Nuesa  
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

Fernando Zobel de Ayala  
Member

Gerardo C. Ablaza, Jr.  
Member

Jose L. Cuisia, Jr.  
Member

**Proxy Validation Committee**

MWC Chief Internal Auditor – Ma. Lourdes P. Miranda  
Chairman

MWC Chief Legal Counsel – Jhoel P. Raquedan  
Member

Representative of External Auditor  
Member


4. Declared Cash Dividends:

The Board declared the following first semester 2013 cash dividends: (i) ₱0.382 per share on the outstanding common shares, and (ii) ₱0.0382 per share on the outstanding participating preferred shares. The dividends are payable on May 15, 2013 to stockholders of record as of April 29, 2013.

5. Re-appropriated Php 7 Billion from the Retained Earnings:

The Board authorized the Company to maintain the appropriation of Pesos Seven Billion (₱7,000,000,000.00) from its retained earnings for the purpose of financing the capital expenditure requirements of its projects included in the Business Plan submitted to the Metropolitan Waterworks and Sewerage System pursuant to the 2013 Rate Rebasining exercise.

Very truly yours,

[Signature]

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK
FORM TYPE

1231
Month
Day
Fiscal Year

04
Month
Day
Annual Meeting

Secondary License Type, if Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **March 20, 2013**
   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 Katipunan Road, Balara, Quezon City**
   Postal
   **1105**

8. Issuer's telephone number, including area code
   (02)926-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   **Not Applicable**

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

    a. Shares of Stock
       Common Shares, par value P1.00 each – 2,041,701,890

    b. Debt Securities
       None

       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?

---

1. 2,013,162,998 Outstanding Common Shares
   28,528,892 Shares Under the Stock Ownership Plans
Yes [X]   No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange (PSE) dated March 20, 2013 and the accomplished Corporate Governance Guidelines Disclosure Survey in compliance with the PSE Memorandum No. 2011-0024 dated December 14, 2011 on the Corporate Governance Guidelines 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.

Issuer

By: [Signature]

Lizelle Zamora-Dimacuha
Senior Legal Counsel

March 20, 2013
Date
20 March 2013

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. 2011-0024 dated December 14, 2011 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,

LIZELLE ZAMORA-DIMACUHA
Senior Legal Counsel

Cc: SECURITIES AND EXCHANGE COMMISSION
   Attention: Director Justina F. Callangan
              Corporation Finance Department
<table>
<thead>
<tr>
<th>Guideline No.</th>
<th>Establishes a Well-Structured and Functioning Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.10</td>
<td>Comply</td>
</tr>
<tr>
<td>2.9</td>
<td>Have a Corporate Secretary</td>
</tr>
<tr>
<td>2.8</td>
<td>Have in place a formal board and director development program</td>
</tr>
<tr>
<td>2.7</td>
<td>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>
</tr>
<tr>
<td>2.6</td>
<td>Have in place written manuals, guidelines and issuance procedures and policies.</td>
</tr>
<tr>
<td>2.5</td>
<td>Have auditor, risk governance and nomination &amp; election committees of the board.</td>
</tr>
<tr>
<td>2.4</td>
<td>Have in place written manuals, guidelines and issuances that outline procedures and processes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guideline No.</th>
<th>Have at least three (3) or thirty percent (30%) of its directors as independent directors.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>2.3</td>
<td>Have a board composed of directors of proven competence and integrity.</td>
</tr>
<tr>
<td>2.2</td>
<td>Have at least one (1) or ten percent (10%) of its directors as independent directors.</td>
</tr>
<tr>
<td>2.1</td>
<td>Have a board composed of directors of proven competence and integrity.</td>
</tr>
</tbody>
</table>

The SEC rules and regulation require a number of independent directors under the Act. The number of independent directors in the board must be two (2) independent directors in the company has two (2) independent directors in the board.

<table>
<thead>
<tr>
<th>Guideline No.</th>
<th>Develops and executes a sound business strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Comply</td>
</tr>
<tr>
<td>3.3</td>
<td>Have a strategic execution process that yields effective performance.</td>
</tr>
<tr>
<td>3.2</td>
<td>Have a well-developed business strategy.</td>
</tr>
<tr>
<td>3.1</td>
<td>Have a clear strategic vision, mission and core values.</td>
</tr>
</tbody>
</table>

MADLA WATER COMPANY
CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY
<table>
<thead>
<tr>
<th>Guideline No. 3:</th>
<th><strong>MAUNA WATER COMPANY</strong> CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MAUNA WATER COMPANY</strong> CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ENSHURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Guideline No. 5:</strong> Ensure that the external auditor is credible, competent, and should have the ability to ensure that the fees earned from the external audit are not excessive. The committee should ensure that non-audit fees do not exceed 5% of the audit fee. The board audit committee approves all non-audit services conducted by the external auditor.</td>
</tr>
<tr>
<td><strong>Guideline No. 4:</strong> Seek external technical support in risk management when such competence is not available internally.</td>
</tr>
<tr>
<td><strong>Guideline No. 3:</strong> Have a unit at the management level headed by a Risk Management Officer (RMO).</td>
</tr>
<tr>
<td><strong>Guideline No. 2:</strong> Have a formal risk management policy that guides the company's risk management function.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</strong></th>
</tr>
</thead>
</table>
| **Guideline No. 4:** Working effectively, the board should:
  - Have a formal risk management policy that guides the company's risk management function.
  - Have a unit at the management level headed by a Risk Management Officer (RMO).
  - Have a formal risk management policy that guides the company's risk management function.
  - Ensure that the external auditor is credible, competent, and should have the ability to ensure that the fees earned from the external audit are not excessive. The committee should ensure that non-audit fees do not exceed 5% of the audit fee. The board audit committee approves all non-audit services conducted by the external auditor. |
| **Guideline No. 3:** Seek external technical support in risk management when such competence is not available internally. |
| **Guideline No. 2:** Have a formal risk management policy that guides the company's risk management function. |

<table>
<thead>
<tr>
<th><strong>Prominently and Iris-Centric</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Guideline No. 4:</strong> Have a formal risk management policy that guides the company's risk management function.</td>
</tr>
<tr>
<td><strong>Guideline No. 3:</strong> Seek external technical support in risk management when such competence is not available internally.</td>
</tr>
<tr>
<td><strong>Guideline No. 2:</strong> Have a formal risk management policy that guides the company's risk management function.</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>6.1</td>
</tr>
<tr>
<td>6.2</td>
</tr>
<tr>
<td>6.3</td>
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<td>6.4</td>
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<td>6.8</td>
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<td>6.9</td>
</tr>
<tr>
<td>6.10</td>
</tr>
<tr>
<td>Section</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>7.1</td>
</tr>
<tr>
<td>7.2</td>
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<tr>
<td>7.3</td>
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<td>7.4</td>
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<td>7.6</td>
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<td>7.7</td>
</tr>
<tr>
<td>7.8</td>
</tr>
<tr>
<td>7.9</td>
</tr>
</tbody>
</table>

**MANILA WATER COMPANY**

**CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY**

**AND TRANSPARENCY REGIME**

**ADAPTS AND IMPLEMENTS AN INTERNATIONALLY ACCEPTED DISCLOSURE GUIDELINE NO. 7:**

- Yes

**Hair a transparent dividend policy.**

- Yes

**Hair at least thirty percent (30%) public float to increase liquidity in the market.**

- Yes

**Shareholders:**

- Yes

**Have a communications strategy to promote effective communication with shareholders through various channels.**

- Yes
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insiders:</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>There is a clear policy in place for situations where material non-public information is acquired by insiders.</td>
</tr>
<tr>
<td>Yes</td>
<td>The company should ensure that all transactions are disclosed and approved.</td>
</tr>
<tr>
<td>Yes</td>
<td>The company should have independent directors or audit committees play an important role in overseeing the financial reporting process.</td>
</tr>
<tr>
<td>Yes</td>
<td>The company should have a voting system whereby a majority of non-related shareholders can approve special types of related party transactions in shareholders meetings.</td>
</tr>
<tr>
<td><strong>Trading Guidelines:</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>Compliance with trading guidelines is demonstrated by the company's transactions with related parties.</td>
</tr>
<tr>
<td><strong>Does Not Engage in Abusive Related-Party Transactions and Insiders:</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>The company has a clear policy in place to ensure that transactions are conducted in a fair and transparent manner.</td>
</tr>
<tr>
<td>Yes</td>
<td>Employees of the company are held accountable for their actions and are subject to the same standards and controls as other employees.</td>
</tr>
<tr>
<td>Yes</td>
<td>The company has a single, clear set of policies and procedures that address the risks associated with related party transactions.</td>
</tr>
<tr>
<td><strong>Community, Environment, and Other Stakeholders:</strong></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>The company has a clear policy statement that outlines the company's commitment to stakeholders.</td>
</tr>
</tbody>
</table>

**Manila Water Company:**

**Corporate Governance Guidelines Disclosure Survey**
| Yes | Other key stakeholders, would be selected in a fair and expeditious manner. Conflicts and differences with counterparties, parties, shareholders and stakeholders and procedures to handle disputes that resolution system so that.
| Yes | Embrace Intellectual Property Rights. Rules and regulation as well as all regulatory requirements.
| Yes | Have a designated officer responsible for ensuring compliance with all relevant laws.
| Yes | Has employee involvement in shaping, writing and reviewing codes.
| Yes | Have clear and strong policies and procedures on whistleblowing and penalties.
| Yes | Reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.
| Yes | Not seek exemption from the application of a law, rule or regulation, especially when the salient issues.
| Yes | Ensure that policies, procedures, and practices are updated and revised.
| Yes | Conduct ethics training in accordance with all relevant regulations.
| Yes | Have a formal code of ethics and conduct that guides individual behavior.

**Enforcement**

Develops and nurtures a culture of ethics, compliance.

**Guideline No. 10.2**

Manila Water Company

Corporate Governance Guidelines: Disclosure Survey
Done this 15th day of March 2013 in Quezon City.

Information contained forth in this document is true, complete and correct.

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the

MANILA WATER COMPANY
CORPORATE GOVERNANCE GUIDELINES: DISCLOSURE SURVEY
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 726-5293 Email: mis@sec.gov.ph

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Company Information

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

Document Information

Document ID: 103182013002453
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: March 15, 2013
No. of Days Late: 0
Department: CFD
Remarks


COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHIOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

Month Day
12 31
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

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. March 15, 2013
   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
   Postai
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer’s telephone number, including area code
   (02)928-7999 local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

   a. Shares of Stock

      Common Shares, par value P1.00 each – 2,041,701,890¹

   b. Debt Securities

      None

      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?

¹ 2,013,162,998 Outstanding Common Shares
     28,558,892 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated March 15, 2013 on the tariff adjustment 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: [Signature]
Lizelle Zamora-Dimacuha
Senior Legal Counsel

March 15, 2013
Date
March 15, 2013

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 Tariff Adjustment for 2013

Gentlemen:

Effective fifteen (15) days after publication, water rates for Manila Water customers will have a downward adjustment of P0.10 per cubic meter due to the Foreign Currency Differential Adjustment (FCDA). This is based on the exchange rate of USS1:PHP40.73 and JPY1:PHP0.4580. The FCDA component of the water bill will be adjusted from 1.23% of the first quarter to negative 0.37% of the basic charge for the second quarter.

As provided in the Concession Agreement between Manila Water and the Metropolitan Waterworks and Sewerage System (MWSS), as amended, the FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS, as well as loans of Manila Water for service expansion and improvement of its services. The tariff adjustment has no impact on the projected net income of the company.

For more information, please see attached Notice.

Very truly yours,

[Signature]
Lizelle Zamora-Dimacula
Senior Legal Counsel
NOTICE TO
MANILA WATER CUSTOMERS

Effective fifteen (15) days after publication, Manila Water will implement a negative 0.37% Foreign Currency Differential Adjustment (FCDA) of the basic charge. Low-income households consuming 10 cubic meters a month or less will be exempt from the adjustment.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) through Board Resolution No. 2013-039-RO dated 14 March 2013, confirming MWSS Regulatory Office Resolution No. 2013-001-CA dated 11 March 2013.

FCDA is a tariff mechanism formulated to account for foreign exchange losses or gains arising from the payment by Manila Water of concession loans and foreign currency-denominated borrowings of the MWSS as well as loans of Manila Water for service expansion and improvement of its services. The tariff adjustment has no impact on the projected net income of the company.

SERVICE COVERAGE AREA

Manila Water provides water and wastewater services to the following areas: Mandaluyong, Pasig, San Juan, Marikina, Pateros, Taguig, Makati, southeastern part of Quezon City, and San Andres and Sta. Ana in Manila; and several towns of Rizal Province which include San Mateo, Rodriguez, Antipolo, Cainta, Taytay, Angono, Baras, Binangonan, and Jalajala.

Securing Your Future Today
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Company Representative

Doc Source

Company Information

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

Document Information

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<td>17-C</td>
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<td>February 26, 2013</td>
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<tr>
<td>No. of Days Late</td>
<td>0</td>
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<td>Department</td>
<td>CFD</td>
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COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

SEC Form 17-C
STOCK FORM TYPE

Month
Day
04
Any

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Total Amount of Borrowings
Domestic
Foreign

To be accomplished by SEC Personnel concerned

LCU
Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

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

1. **February 26, 2013**  
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No. **005-038-428**

4. **MANILA WATER COMPANY, INC.**  
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer’s principal office  
   Code  
   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City**  
   Postal **1105**

8. Issuer’s telephone number, including area code  
   **(02)926-7999 local 8138 / 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 – 2,041,701,890

    b. Debt Securities  
       None

       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?

---

1. **2,012,808,075**  
   Outstanding Common Shares

2. **28,893,815**  
   Shares Under the Stock Ownership Plans
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

February 26, 2013

Date

By:

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
February 26, 2013

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 full-year 2012 performance results. Please refer to the enclosed financial and operating highlights.

Very truly yours,

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
MANILA WATER FINANCIAL HIGHLIGHTS (CONSOLIDATED)

<table>
<thead>
<tr>
<th>Full-year (In Million Pesos)</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>14,858</td>
<td>12,004</td>
<td>21%</td>
</tr>
<tr>
<td>Cost of Services and Operating Expenses</td>
<td>-8,334</td>
<td>-3,599</td>
<td>22%</td>
</tr>
<tr>
<td>Equity in Net Income of Associates</td>
<td>207</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td>62</td>
<td>215</td>
<td>-</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6,959</td>
<td>8,190</td>
<td>29%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>53%</td>
<td>59%</td>
<td>4%pts</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>(2,712)</td>
<td>(1,890)</td>
<td>19%</td>
</tr>
<tr>
<td>Interest Income (Expenses)</td>
<td>(1,249)</td>
<td>(1,065)</td>
<td>17%</td>
</tr>
<tr>
<td>Provision for Income Tax</td>
<td>(2,691)</td>
<td>(957)</td>
<td>67%</td>
</tr>
<tr>
<td>Minority Interest</td>
<td>(12)</td>
<td>(12)</td>
<td>(3%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>6410</td>
<td>4,266</td>
<td>28%</td>
</tr>
<tr>
<td>Extraordinary Items</td>
<td>297</td>
<td>250</td>
<td>20%</td>
</tr>
<tr>
<td>Core income</td>
<td>5,717</td>
<td>4,496</td>
<td>27%</td>
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(In Million Pesos)

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<tr>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
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<tbody>
<tr>
<td>Assets</td>
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<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
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</tr>
<tr>
<td>Total Assets</td>
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<td>Liabilities and Stockholders' Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>(5%)</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders' Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities &amp; Stockholders' Equity</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
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### MANILA WATER OPERATIONAL HIGHLIGHTS (CONSOLIDATED)

<table>
<thead>
<tr>
<th>Full-year</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Billed Volume (in mcm)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Zone</td>
<td>588.4</td>
<td>419.0*</td>
<td>39%</td>
</tr>
<tr>
<td>Boracay Water</td>
<td>477.2</td>
<td>411.6</td>
<td>4%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>5.0</td>
<td>2.5</td>
<td>26%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>80.0</td>
<td>49.9</td>
<td>63%</td>
</tr>
<tr>
<td>Thu Duc Water</td>
<td>162.0</td>
<td>134.0*</td>
<td>(1%)</td>
</tr>
</tbody>
</table>

* Excludes billed volume from Clark Water and Thu Duc

**For reference only, Clark Water and Thu Duc Water were acquired in November 2011 and December 2011, respectively**

### Total Water Service Connections

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Zone</td>
<td>366,108</td>
<td>837,981</td>
<td>5%</td>
</tr>
<tr>
<td>Boracay Water</td>
<td>228.0</td>
<td>433.6</td>
<td>12%</td>
</tr>
<tr>
<td>Clark Water</td>
<td>1,970</td>
<td>1,891</td>
<td>1%</td>
</tr>
<tr>
<td>Laguna Water</td>
<td>12,248</td>
<td>9,235</td>
<td>44%</td>
</tr>
</tbody>
</table>
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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Company Name: MANILA WATER CO. INC.
Industry Classification
Company Type: Stock Corporation

Document Information

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Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: February 14, 2013
No. of Days Late: 0
Department: CFD
Remarks
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

12 31
Month Day
Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **February 14, 2013**
   Date of Report (Date of earliest event reported)

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

3. BIR Tax Identification No.  **005-038-428**

4. **MANILA WATER COMPANY, INC.**
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Phils.**

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

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City  1105

8. Issuer's telephone number, including area code
   (02)926-7999 local 8139 / or (02)911-9133

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 – 2,041,701,890¹

    b. Debt Securities
       None

       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?

    1,012,808,075  **Outstanding Common Shares**
    28,893,815  **Shares Under the Stock Ownership Plans**
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated February 14, 2013 on the notice of analysts' briefing of the Company which will be held on February 26, 2013, at 3:00 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

February 14, 2013
Date

By: [Signature]
Lizelle Zamora-Dimacuha
Senior Legal Counsel
February 14, 2013

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: Analysts’ Briefing

Gentlemen:

Please be informed that Manila Water Company, Inc. will hold an analysts’ briefing on February 26, 2013, at 3:00 in the afternoon at the South Room A & B, Ayala Tower 1, Ayala Avenue, Makati City.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
Bar code Page

The following document has been received:

Receiving Officer/Encoder : Marites S. Guevarra
Receiving Branch : SEC Head Office
Receipt Date and Time : February 07, 2013 03:08:40 PM
Received From : Head Office

Company Information

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<th>SEC Registration No.</th>
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<tr>
<td>Industry Classification</td>
<td>Stock Corporation</td>
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Document Information

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<td>Department</td>
<td>CFD</td>
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<td>Remarks</td>
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. February 7, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City, Phils.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)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 - 2,041,701,890¹

    b. Debt Securities
       None

       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?

    ¹ 2,012,808,075 Outstanding Common Shares
    28,893,815 Shares Under the Stock Ownership Plans

² 2,041,701,890

³ 0,000
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated February 7, 2013 on the Notice and Agenda of the Annual Stockholders' Meeting of the Company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA WATER COMPANY, INC.  
Issuer

By:  

Jhoel P. Raquedan
Chief Legal Counsel / Assistant Corporate Secretary

February 7, 2013
Date
February 7, 2013

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Green Hills
Mandaluyong City, Metro Manila
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE INC.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Annual Meeting of Stockholders

Gentlemen:

Please be informed that Manila Water Company, Inc., will hold its annual meeting of stockholders on April 15, 2013, 9:00 a.m., at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City. The record date for the meeting is February 21, 2013.

We attach the notice and agenda for the meeting for your reference.

Best regards.

Sincerely,

[Signature]

Joel P. Raquedan
Assistant Corporate Secretary
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 Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City, on Monday, April 15, 2013, 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 16, 2012
3. Annual Report and approval of the Audited Financial Statements as of December 31, 2012
4. Ratification of all acts and resolutions during the preceding year of the Board of Directors, Executive Committee, Management Committees and officers
5. Election of directors, including independent directors
6. Election of the external auditor and fixing of its remuneration
7. Consideration of such other business as may properly come before the meeting
8. Adjournment

Only stockholders of record as of February 21, 2013 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 7, 2013.

SOLOMON M. HERMOSURA
Corporate Secretary
The following document has been received:

Receiving Officer/Encoder: Fernando T. Fernandez
Receiving Branch: SEC Head Office
Receipt Date and Time: January 21, 2013 04:01:50 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: 101212013002701
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: January 21, 2013
No. of Days Late: 0
Department: CFD
Remarks:
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. January 21, 2013
   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 Katipunan Road, Balara, Quezon City
   Postal
   1105

8. Issuer’s telephone number, including area code
   (02) 926-7999 local 8130 / or (02) 981-8133

9. Former name or former address, if changed since last report
   Not Applicable

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

    a. Shares of Stock

       Common Shares, par value P1.00 each – 2,041,701,890¹

    b. Debt Securities

       None

       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?

¹2,012,808,075 Outstanding Common Shares
   28,853,815 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and
Exchange Commission dated January 21, 2013 on the Certificate of Attendance of
Directors in Board Meetings for 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.
Issuer

By: ________________________________

Lizelle Zamora-Dimacuha
Senior Legal Counsel
Legal and Corporate Governance Department

January 21, 2013
Date
January 21, 2013

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: Certificate of Attendance of Directors

Gentlemen:

Please see attached Certificate of Attendance of Directors in Board Meetings for 2012.

Very truly yours,

Joel P. Raquedan
Chief Legal Counsel
Assistant Corporate Secretary
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 2012. Both Messrs. Oscar Reyes and Jose L. Cuisia Jr., the independent directors of MWC, attended all five meetings.

2. 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 2012:

<table>
<thead>
<tr>
<th>Directors</th>
<th>No. of Meetings Attended/Held¹</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>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>Antonino T. Aquino</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>Delfin L. Lazaro</td>
<td>4/5</td>
<td>80%</td>
</tr>
<tr>
<td>John Eric T. Francia</td>
<td>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>Ricardo Nicanor N. Jacinto</td>
<td>5/5</td>
<td>100%</td>
</tr>
<tr>
<td>Akinobu Ogata²</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Masaji Santo³</td>
<td>3/4</td>
<td>75%</td>
</tr>
<tr>
<td>Simon Gardiner</td>
<td>3/5</td>
<td>60%</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>


¹ In 2012 and during the incumbency of the director.
² Mr. Ogata resigned on July 24, 2012
³ Mr. Santo was elected on July 24, 2012
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, 2013.

SOLOMON M. HERMOSURA
Corporate Secretary

Countersigned by:

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

SUBSCRIBED AND SWORN to before me this 17th January 2013 at Quezon City, affiant exhibiting to me his Passport No. EB2913409 issued at Manila, Philippines on 5 July 2011 and expires on 4 July 2016.
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
The following document has been received:

Receiving Officer/Encoder : Catherine E. Galiza
Receiving Branch : SEC Head Office
Receipt Date and Time : January 15, 2013 03:42:15 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 : 101152013002442
Document Type : 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code : 17-C
Period Covered : January 15, 2013
No. of Days Late : 0
Department : CFD
Remarks


COVER SHEET

MANILA WATER COMPANY, INC.

489 KATIPUNAN ROAD BALARA 1105
QUEZON CITY METRO MANILA

Atty. JHOEL P. RAQUEDAN
Contact Person

(632) 981-8129
Company Telephone Number

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

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

   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

7. Address of issuer's principal office     Postal Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105

8. Issuer's telephone number, including area code
   (02)926-7999 Local 6190 / 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 - 2,041,701,890

   b. Debt Securities
      None

      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?

   2,012,808,075 Outstanding Common Shares
   28,893,815 Shares Under the Stock Ownership Plans
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated January 14, 2013 on the Boracay Island Water Company Inc.'s, a subsidiary of the Company, tariff adjustment.

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
Chief Legal Counsel
Assistant Corporate Secretary

January 15, 2013  
Date
14 January 2013

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

Attention: Director Justina F. Callangan
Corporation Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
3/F Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

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

Re: Boracay Island Water Company, Inc. Tariff Adjustment

Gentlemen:

Please be informed that the new water rates of the Boracay Island Water Company, Inc., a subsidiary of Manila Water Company, Inc., have been approved by the Tourism Infrastructure and Enterprise Zone Authority. The new rates will be effective fifteen (15) days after its date of publication in two (2) national newspapers of general circulation and the filing of a copy thereof with the University of the Philippines Law Center.

Very truly yours,

[Signature]

Jhoel P. Raquedan
Chief Legal Counsel and Asst. Corporate Secretary
The following document has been received:

Receiving Officer/Encoder: Marites S. Guevarra
Receiving Branch: SEC Head Office
Receipt Date and Time: January 11, 2013 02:03:17 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: 10112013001525
Document Type: 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code: 17-C
Period Covered: January 11, 2013
No. of Days Late: 0
Department: CFD
Remarks: 
COVER SHEET

A199611593
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

12 31
Month Day
Fiscal 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

LCU

Cashier

STAMPS
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. January 11, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number  A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer’s principal office
   Code
   2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105
   Postal

8. Issuer’s telephone number, including area code
   (02)926-7999 local 8130 / or (02)984-8133

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 – 2,041,701,890

    b. Debt Securities
       None

       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?

---

1 2,012,808,075  Outstanding Common Shares
   28,891,815  Shares Under the Stock Ownership Plans
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: [Signature]

January 11, 2013
Date

Lizelle Zamora-Dimacuha
Senior Legal Counsel
Legal and Corporate Governance Department
9 January 2013

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: Compliance with the Manual of Corporate Governance

Gentlemen:

Please see attached Certification dated 8 January 2013 on the Compliance of the Company for the year 2012 with the provisions of its Manual on Corporate Governance.

Best regards.

Very truly yours,

LUIS JUAN B. ORETA
Compliance Officer
CERTIFICATION

I, LUIS JUAN B. ORETA, Filipino, 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 under Philippine laws, with office address at MWSS Administration Building, No. 489 Katipunan Road, Balara, Quezon City, Metro Manila, Philippines 1105.


3. The Company did not deviate from any provision of the Manual for the year 2012.

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 8th day of January, 2013 at Quezon City, Philippines.

[Signature]

LUIS JUAN B. ORETA
Compliance Officer

Noted by:

[Signature]
GERARDO C. ABLAZA JR.
President and CEO

REPUBLIC OF THE PHILIPPINES )
QUEZON CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 8th of January 2013 at Quezon City, att'nt exhibiting to me his Passport No. XX2933903 issued at Manila, Philippines valid until February 8, 2014.

[Signature]
JOVENLIO P. FULGUERAS
ML. COMMISSION EXPIRES DEC. 31, 2015
BPE No. 05-11-2011 - PASIG CITY
ROLL NO. 21906
BTP No. 5423833 B-7-8-H R.C.

[Signature]
COMMISSIONER
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder: Julius N. Salustiano
Receiving Branch: SEC Head Office
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Received From: Head Office

Company Representative

Doc Source

Company Information

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

Document Information

Document ID: 101092013001171
Document Type: 17-C (FORM 11-C:CURRENT DISC/RPT)
Document Code: 17-C
Period Covered: January 08, 2013
No. of Days Late: 0
Department: CFD
Remarks: 
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

1231
Month Day
Fiscal Year

SEC Form 17-C
STOCK FORM TYPE

04 Any
Month Day
Annual Meeting

Secondary License Type, If Applicable

A1996-11593
Amended Articles Number/Section

Department Requiring this Doc.

Total No. of Stockholders

Total Amount of Borrowings
Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS
Yes [X]  No [ ]

12. Indicate the item numbers reported herein:

Please see attached letter to the Philippine Stock Exchange and Securities and Exchange Commission dated January 7, 2013 on the entry of MetroPac Water in the Manila Water Consortium for the supply of bulk water to the Province of Cebu.

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  
Chief Legal Counsel / Assistant Corporate Secretary  

January 8, 2013  
Date
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 8, 2013
   Date of Report (Date of earliest event reported)

2. SEC Identification Number A 1996-11593

3. BIR Tax Identification No. 005-038-428

4. MANILA WATER COMPANY, INC.
   Exact name of issuer as specified in its charter

5. Province, country or other jurisdiction of incorporation or organization Quezon City,
   Phils.

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

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

8. Issuer's telephone number, including area code
   (02)926-7999 Local 8130 / or (02)981-8133

9. Former name or former address, if changed since last report Not Applicable

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

   a. Shares of Stock

      Common Shares, par value P1.00 each = 2,041,701,890

   b. Debt Securities

      None

      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?

1 2,012,632,375 Outstanding Common Shares
    22,069,318 Shares Under the Stock Ownership Plans
    2,041,701,890
07 January 2013

PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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

Re: Entry of MetroPac Water in the Manila Water Consortium for the Supply of Bulk Water to the Province of Cebu

Gentlemen:

Further to our letter-clarification dated 19 November 2012, please be informed that MetroPac Water Investments Corporation ("MWIC") has entered into a Subscription Agreement ("Agreement") with the Manila Water Consortium, Inc. (the "Consortium") for 39% equity ownership of the proposed increased capital stock of Php750 million common shares with a par value of P1.00 per share. The Agreement will be consummated once the Securities and Exchange Commission approves the increase in authorized capital.

The entry of MWIC into the Consortium will result in Manila Water Company, Inc. owning 51% while Vicsal Development Corporation will own 10% of the proposed increased authorized capital stock.

The entry of MWIC will enhance the financial and technical capability of the Consortium to undertake bulk water supply project. As previously disclosed, the cost of the project is not more than ten percent (10%) of the total assets of Manila Water.

Very truly yours,

[Signature]
Lizette Zamora-Dimaculah
Senior Legal Counsel
Legal and Corporate Governance Department
## 2013 CLEARED INFORMAL SETTLERS

<table>
<thead>
<tr>
<th>Actual # IS Cleared</th>
<th>RR13 Budget per ISF</th>
<th>Total Esti Budget based on RR13</th>
<th>Ave. Expense per ISF</th>
<th>Esti Actual Expense</th>
<th>Savings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>404.00</td>
<td>0.100</td>
<td>40.400</td>
<td>0.050</td>
<td>5.200</td>
<td>35.20</td>
<td>87%</td>
</tr>
</tbody>
</table>

### AREA | DETAILS | Total ISF | Total Cleared | Remaining ISF | Clearing Operation |
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Luzon Ave, Bgy Culiat, QC</td>
<td>22 ISF filed case against DPWH in 2010. QC Government a convinced the families to vacate the area Feb 2013.</td>
<td>22</td>
<td>22</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>DPWH CS Project T. Sora from Capital Drive to Commonwealth Ave.</td>
<td>Approach of Flyover and U-turn Slot for DPWH CS Project</td>
<td>300</td>
<td>300</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>Remaining 30 meters of MWSS ROW from Capital Drive To</td>
<td></td>
<td>726</td>
<td>644</td>
<td></td>
<td>11%</td>
</tr>
<tr>
<td>Mayor Baulista requested additional 2nd lane Service Road as such March 2013 22 ISF has been cleared</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>41 ISF availed Financial Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>41</td>
</tr>
<tr>
<td>19 ISF Relocated at Balagtas, Bulacan Dec 11, 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19</td>
</tr>
<tr>
<td><strong>OVER ALL TOTAL</strong></td>
<td></td>
<td><strong>1048</strong></td>
<td><strong>404</strong></td>
<td><strong>644</strong></td>
<td></td>
</tr>
</tbody>
</table>