

ANNUAL AUDIT REPORT

ON THE

MANAGEMENT SYSTEMS AND

INTERNAL CONTROLS

FOR THE FINANCIAL YEAR 2010

**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF FINANCIAL POSITION**

December 31, 2010

(With Comparative Figures as of December 31, 2009)

(In Thousand Pesos)

	Notes	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	4 & 5	4,384,776	4,948,610
Accounts receivables	4 & 6	1,515,619	1,357,765
Other receivables	7	5,407,697	4,865,884
Inventories	8	61,263	61,255
Prepayments	9	927,361	394,073
		12,296,716	11,627,587
Non-Current Assets			
Property, plant and equipment, net	4 & 10	40,136,817	41,554,176
Construction in progress	4 & 11	1,010,505	1,237,083
Investments	12	808,266	788,258
Other assets, net	13	885,620	912,868
		42,841,208	44,492,385
TOTAL ASSETS		55,137,924	56,119,972
LIABILITIES AND EQUITY			
Current Liabilities			
Payable accounts	14	1,087,309	1,045,104
Inter-agency payables	15	239,127	241,631
Intra-agency payables	16	535,860	417,382
Current portion of long term-liabilities	18	1,066,650	958,563
Other liability accounts	17	971,140	1,114,969
		3,900,086	3,777,649
Non-Current Liabilities			
Long-term liabilities, net of current portion	4 & 18	15,452,504	16,535,827
Deferred credits	19	2,352,573	1,571,254
		17,805,077	18,107,081
Total Liabilities		21,705,163	21,884,730
Equity		33,432,761	34,235,242
TOTAL LIABILITIES AND EQUITY		55,137,924	56,119,972

See accompanying Notes to Financial Statements.

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)
(In Thousand Pesos)

	Notes	2010	2009
REVENUES			
Concession fees	4		
Debt service		1,467,540	1,742,270
Current operating budget		612,567	593,753
Progress billing		16,754	
Business income			
Interest on investments and deposits		75,520	58,517
Rental of leased properties	4	75,249	75,776
Raw water		50,442	48,554
Gain on disposed assets		133	161
Miscellaneous income		120	1,637
		2,298,325	2,520,668
EXPENSES			
Personal services	22	248,465	211,533
Maintenance and other operating expenses	23	228,262	289,338
Non-cash expenses			
Depreciation	4 & 10	1,597,067	1,630,785
Amortization		21,618	
Financial expenses	24	322,576	468,885
Gain (loss) on foreign exchange, net	4	(85,796)	(479,254)
		2,332,192	2,121,287
NET PROFIT (LOSS)		(33,867)	399,381

See accompanying Notes to Financial Statements.

**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF CHANGES IN EQUITY**

For the Year Ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)
(In Thousand Pesos)

	Notes	2010	2009
CAPITAL STOCK			
Authorized - 80 million shares, P100 par			
Issued and outstanding 60,954,867.84 shares			
Balance, beginning		6,095,487	6,095,487
Additions (deductions)		-	-
Balance, end		6,095,487	6,095,487
DONATED CAPITAL			
Balance, beginning	20	1,046,971	1,046,971
Additions (deductions)		-	-
Balance, end		1,046,971	1,046,971
APPRAISAL CAPITAL			
Balance, beginning	4	28,656,079	28,656,079
Additions (deductions)		-	-
Balance, end		28,656,079	28,656,079
RETAINED EARNINGS (DEFICIT)			
Balance, beginning		(1,563,295)	(1,839,948)
Prior-period adjustments	21	(768,614)	(122,728)
Net profit (loss)		(33,867)	399,381
Balance, end		(2,365,776)	(1,563,295)
TOTAL EQUITY		33,432,761	34,235,242

See accompanying Notes to Financial Statements.

**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2010

(With Comparative Figures for the Year Ended December 31, 2009)

(In Thousand Pesos)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of concession fees	3,050,115	2,374,919
Collection of rentals on leased properties	80,161	80,197
Collection of water accounts	70,000	69,353
Other collections	153,778	126,196
Payment of borrowing costs	(688,217)	(737,865)
Payment of operating expenses	(487,113)	(539,426)
Other expenditures	(261,573)	(218,722)
Net cash generated from operating activities	1,917,151	1,154,652
CASH FLOWS FROM INVESTING ACTIVITIES		
Matured investments	-	767,313
Investments	-	(706,669)
Investments in special reserve fund	(14,396)	(14,863)
Capital expenditures	(854,152)	(2,746)
Net cash provided by (used in) investing activities	(868,548)	43,035
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	529,899	-
Debt servicing	(1,544,606)	(1,896,739)
Payment of prior year's dividends to National Government	(368,139)	-
Net cash used in financing activities	(1,382,846)	(1,896,739)
Effects of exchange rate changes on cash and cash equivalents	(229,591)	56,090
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(563,834)	(642,962)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,948,610	5,591,572
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,384,776	4,948,610

See accompanying Notes to Financial Statements.