



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT
ON THE

**Metropolitan Waterworks and
Sewerage System**

MWSS REGULATORY OFFICE
Office of the Chief Regulator

DEC 23 2011

For the Year Ended December 31, 2011

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF FINANCIAL POSITION

December 31, 2011

(With Comparative Figures as of December 31, 2010)

(In Thousand Pesos)

| | Notes | 2011 | 2010 |
|---|--------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 & 5 | 1,412,907 | 4,384,776 |
| Accounts receivables, net | 4 & 6 | 1,829,682 | 1,515,619 |
| Other receivables | 7 | 5,675,361 | 5,407,697 |
| Inventories | 8 | 737 | 61,263 |
| Prepayments | 9 | 601,347 | 927,361 |
| | | 9,520,034 | 12,296,716 |
| Non-Current Assets | | | |
| Property, plant and equipment, net | 4 & 10 | 38,633,109 | 40,136,817 |
| Construction in progress | 4 & 11 | 3,590,917 | 1,010,505 |
| Investments | 12 | 475,920 | 808,266 |
| Other assets, net | 13 | 877,447 | 885,620 |
| | | 43,577,393 | 42,841,208 |
| TOTAL ASSETS | | 53,097,427 | 55,137,924 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Payable accounts | 14 | 926,872 | 1,087,309 |
| Inter-agency payables | 15 | 260,289 | 239,127 |
| Intra-agency payable | 16 | 637,983 | 535,860 |
| Current portion of long-term liabilities | 18 | 1,226,734 | 1,066,650 |
| Other liability accounts | 17 | 795,534 | 971,140 |
| | | 3,847,412 | 3,900,086 |
| Non-Current Liabilities | | | |
| Long-term liabilities, net of current portion | 4 & 18 | 11,974,276 | 15,452,504 |
| Deferred credits | 19 | 2,626,387 | 2,352,573 |
| | | 14,600,663 | 17,805,077 |
| Total Liabilities | | 18,448,075 | 21,705,163 |
| Equity | | 34,649,352 | 33,432,761 |
| TOTAL LIABILITIES AND EQUITY | | 53,097,427 | 55,137,924 |

See accompanying Notes to Financial Statements.

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2011
(With Comparative Figures for the Year Ended December 31, 2010)
(In Thousand Pesos)

| | Notes | 2011 | 2010 |
|--|--------|------------------|------------------|
| REVENUES | | | |
| Concession fees | 4 | | |
| Debt service | | 1,596,572 | 1,467,540 |
| Current operating budget | | 840,033 | 612,567 |
| Progress billing | | 2,669 | 16,754 |
| Business income | | | |
| Interest on investments and deposits | | 66,838 | 75,520 |
| Rental of leased properties | 4 | 84,656 | 75,249 |
| Raw water | | 52,721 | 50,442 |
| Gain on disposed assets | | 7 | 133 |
| Miscellaneous income | | 203 | 120 |
| | | 2,643,699 | 2,298,325 |
| EXPENSES | | | |
| Personal services | 22 | 208,281 | 248,465 |
| Maintenance and other operating expenses | 23 | 105,685 | 228,262 |
| Non-cash expenses | | | |
| Depreciation | 4 & 10 | 1,559,977 | 1,597,067 |
| Amortization | | 8,122 | 21,618 |
| Financial expenses | 24 | 281,494 | 322,576 |
| Gain (loss) on foreign exchange, net | 4 | 147,044 | (85,796) |
| | | 2,310,603 | 2,332,192 |
| NET PROFIT (LOSS) | | 333,096 | (33,867) |

See accompanying Notes to Financial Statements.

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2011
(With Comparative Figures for the Year Ended December 31, 2010)
(In Thousand Pesos)

| | Notes | 2011 | 2010 |
|---|-------|-------------------|-------------------|
| 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 | | (2,365,776) | (1,563,295) |
| Prior-period adjustments | 21 | 883,495 | (768,614) |
| Net profit (loss) | | 333,096 | (33,867) |
| Balance, end | | (1,149,185) | (2,365,776) |
| TOTAL EQUITY | | 34,649,352 | 33,432,761 |

See accompanying Notes to Financial Statements.

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(With Comparative Figures for the Year Ended December 31, 2010)
(in Thousand Pesos)

| | 2011 | 2010 |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Collection of concession fees | 3,540,325 | 3,050,115 |
| Collection of rentals on leased properties | 79,347 | 80,161 |
| Collection of water accounts | 44,188 | 70,000 |
| Other collections | 113,884 | 153,778 |
| Payment of borrowing costs | (30,291) | (688,217) |
| Payment of operating expenses | (297,852) | (487,113) |
| Other expenditures | (317,751) | (261,573) |
| Net cash generated from operating activities | 3,131,850 | 1,917,151 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Matured investments | 319,402 | - |
| Investments in special reserve fund | (13,367) | (14,396) |
| Capital expenditures | (2,280,487) | (854,152) |
| Net cash provided by (used in) investing activities | (1,974,452) | (868,548) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loan proceeds | 4,479,443 | 529,899 |
| Debt servicing | (8,582,142) | (1,544,606) |
| Payment of prior year's dividends to National Government | - | (368,139) |
| Net cash used in financing activities | (4,102,699) | (1,382,846) |
| Effects of exchange rate changes on cash and cash equivalents | (26,568) | (229,591) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,971,869) | (563,834) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,384,776 | 4,948,610 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 1,412,907 | 4,384,776 |

See accompanying Notes to Financial Statements.