



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Ports Authority
Bonifacio Drive
Port Area, Manila

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine Ports Authority (PPA), which comprise the statement of financial position as at December 31, 2016 and 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Philippine Public Sector 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 financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

The accumulated cost of Construction in Progress (CIP) amounting to P3.616 billion and P2.722 billion as of December 31, 2016 and December 31, 2015, respectively was understated with the recognition of Input Value Added Tax (VAT) as separate expense item instead of capitalized part of the carrying cost of CIP which was not in conformity with the matching of cost and revenue principle and not in uniformity with the accounting treatment by other GOCCs. Also, we were not able to confirm the correctness of the amount of P240.539 million recognized as Input VAT segregated from the cost of CIP in 2016 because the contractors' Official Receipts did not indicate the tax as separate item of cost incurred by the PPA.

The accuracy of the reported consolidated balance of Property, Plant and Equipment (PPE) account totaling P105.066 billion and P103.237 billion as of December 31, 2016 and December 31, 2015, respectively was uncertain due to the unreconciled net variance of P376.639 million between the balance of PPE per books compared to the balance per physical inventory reports of PMOs Mindoro and NCR South; completed projects at PMOs Negros Oriental/Siquijor and Misamis Occidental/Ozamiz costing P61.885 million were still carried under Construction in Progress instead of reclassified to appropriate PPE thus, depreciation expense on the assets was not computed thereby overstating net income during the year; property already sold and salvage materials for disposal amounting to P11.605 million were not derecognized in the books of PMO NCR South; security equipment valued at P12.193 million at the Head Office were unaccounted and demolished property of P1.961 million were still carried in the books of PMO NCR North. Further, major repairs and maintenance costs incurred by PMOs Mindoro and Ozamis totaling P206.50 million were not capitalized, contrary to PAS 16 resulting in understatement of appropriate PPE accounts, its Accumulated Depreciation and Retained Earnings and overstatement of repairs and maintenance expense by the same amount.

The reported balance of Cash in Bank disclosed in Note 5 amounting to P10.873 billion and P9.723 billion as of December 31, 2016 and December 31, 2015, respectively, cannot be relied upon due to the unreconciled difference of P29.873 million between the balance of the account per books of PMO Mindoro amounting to P186.167 million and the balance per bank of P216.040 million. The bank reconciliation statements submitted for verification by the PMO Management were up to March 2015 only.

Various assets and liabilities totaling P17.085 million and P12.817 million, respectively, which had been dormant or inactive in the books of the different PMOs of PPA affected the fair presentation of accounts in the financial statements.

Qualified Opinion

In our opinion, except for the effects and possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Philippine Ports Authority as at December 31, 2016 and 2015, and of its financial performance and its cash flows for

the years then ended in accordance with the Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 45 and 46 of the Notes to Financial Statements, which describes the uncertainty related to the outcome of the pending lawsuits and the Draft Substitute Bill (House Bill No. 4312) entitled "An Act Creating the Manila Ports and Special Economic Recommendationary (MP-SER) Administration; as well, as the disputed deficiency tax assessment for FY 2007 of P4.9 billion and preliminary assessment of P125.0 million for internal revenue liabilities for taxable year 2012 which may affect the future financial condition of the PPA. Our opinion is not qualified in respect of this matter.

Report on the Supplementary Information Required Under BIR Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees paid or accrued during the taxable year described in Note 44 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

By:



MAYOLA PAREDES-SALITA
Supervising Auditor

May 19, 2017




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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine Ports Authority is responsible for the information and representations contained in its Financial Statements for the year ended December 31, 2016. The Financial Statements have been prepared in conformity with applicable laws and regulations and generally accepted accounting principles applied on a consistent basis and reflect amounts that are based on the best estimates and informed judgment of Management with appropriate consideration for materiality.

The Authority maintains a system of accounting and reporting which provides for the necessary internal control to ensure that transactions are authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are properly recognized.


ELMER NONNATUS A. CADANO
Assistant General Manager
Finance and Administration


JAY DANIEL R. SANTIAGO
General Manager

VISION

By 2030, PPA shall have provided globally competitive port service in the Philippines characterized by increased productivity, efficiency, connectivity, comfort, safety, security and environmental sustainability.

MISSION

- 1. Provide reliable and responsive services in ports, sustain development of community and the environment, and be a model corporate agency of the government.*
- 2. Establish mutually beneficial, equitable and fair relationship with partners and service providers.*
- 3. Provide meaningful and gainful employment while creating a nurturing environment that promotes continuous learning and improvement.*
- 4. Establish a world class port operation that is globally competitive adding values to the country's image and reputation.*

PHILIPPINE PORTS AUTHORITY
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Comparative Figures as of December 31, 2015)
(In Philippine Peso)

			<i>As Restated</i>
	Notes	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents and international reserves	5	10,933,630,139	9,788,659,896
Investments	6	300,513,190	301,130,362
Receivables - net	7	1,947,426,103	1,686,045,655
Inventories	8	75,577,134	62,137,820
Prepayments	9	2,406,760,204	2,125,357,083
Other current assets	10	309,803,381	207,814,015
Total Current Assets		15,973,710,151	14,171,144,831
Non-Current Assets			
Property, plant and equipment - net	11	105,066,158,554	103,237,061,959
Other non-current assets	12	705,699,103	747,977,659
Total Non-Current Assets		105,771,857,657	103,985,039,618
TOTAL ASSETS		121,745,567,808	118,156,184,449
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	13	2,837,062,568	2,780,731,880
Inter-agency payables	14	1,007,524,604	1,148,727,724
Current portion of foreign loans payable	15	418,786,415	386,178,016
Trust liabilities	16	860,963,574	618,174,883
Total Current Liabilities		5,124,337,161	4,933,812,503
Non-Current Liabilities			
Loans payable - foreign	17	3,828,178,536	3,916,279,136
Retirement gratuity payable	18	250,825,207	275,346,798
Total Non-Current Liabilities		4,079,003,743	4,191,625,934
Deferred credits	19	675,087,066	591,609,431
Total Liabilities		9,878,427,970	9,717,047,868
Equity			
Government equity	20 - 21	6,378,988,353	6,378,988,353
Revaluation surplus	22	72,547,651,741	72,547,678,617
Retained earnings/(deficit)	23	32,940,499,744	29,512,469,611
Total Equity		111,867,139,838	108,439,136,581
TOTAL LIABILITIES AND EQUITY		121,745,567,808	118,156,184,449

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2016
(With Comparative Figures for the Year Ended December 31, 2015)
(In Philippine Peso)

			<i>As Restated</i>
	Notes	2016	2015
REVENUES			
Share in arrastre/stevedoring income	24	6,571,007,709	5,752,115,156
Wharfage dues	25	3,037,823,485	2,781,079,118
Dockage fees	26	1,353,675,773	1,191,040,478
Storage charges	27	1,009,846,593	1,527,490,720
Port dues	28	741,144,552	606,244,324
Port usage fees	29	410,910,290	364,677,752
Terminal fees	30	276,605,723	190,263,795
Pilotage	31	63,387,995	52,165,251
Vessel traffic management service fees	32	18,821,964	17,904,286
Lay-up fees	33	6,598,197	2,169,936
Other income	34	714,339,265	681,378,499
		14,204,161,546	13,166,529,315
OPERATING EXPENSES			
Personal Services	35	1,093,707,278	1,225,214,985
Maintenance and Other Operating Expenses	36	6,344,866,098	5,995,174,863
		7,438,573,376	7,220,389,848
PROFIT FROM OPERATIONS		6,765,588,170	5,946,139,467
OTHER INCOME(EXPENSES)			
Fund management income	37	91,886,137	88,973,550
Other general income	38	24,131,529	31,262,470
Foreign exchange gain(loss) on revaluation	39	(329,406,385)	(233,729,314)
Financial expenses	40	(192,612,632)	(126,925,914)
Gain/(loss) on sale of disposed assets	41	(17,285,391)	(490,876)
		(423,286,742)	(240,910,083)
NET INCOME BEFORE INCOME TAX		6,342,301,428	5,705,229,383
INCOME TAX EXPENSE	42	1,643,604,501	1,648,456,773
NET PROFIT		4,698,696,927	4,056,772,611

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2016
(With Comparative Figures for the Year Ended December 31, 2015)
(In Philippine Peso)

	Notes	2016	As Restated 2015
GOVERNMENT EQUITY			
	20		
National government contribution			
Balance at beginning of year		4,195,977,505	4,312,337,376
Cost of transferred projects to DPWH thru PMO Batangas		0	(116,359,871)
Balance at End of Year		4,195,977,505	4,195,977,505
DONATED SURPLUS			
	21		
Balance at beginning of year		2,183,010,848	2,100,499,872
Donations received by PMO Socsargen from Dole		0	65,635,000
Donations received by PMO Davao from PACINTER and Pilipinas Shell		0	16,420,576
Donations received by PMO Northern Luzon		0	455,400
Balance at end of year		2,183,010,848	2,183,010,848
REVALUATION SURPLUS			
	22		
Balance at beginning of year		72,547,678,617	72,548,666,028
Adjustments in assets appraised values		(26,876)	(987,411)
Balance at end of year		72,547,651,741	72,547,678,617
RETAINED EARNINGS			
	23		
Balance at beginning of year		29,512,469,611	26,577,813,916
Prior years' adjustment		887,795,833	677,399,200
Net profit during the year		4,698,696,927	4,056,772,611
Dividends paid during the year		(2,158,462,627)	(1,799,516,116)
Balance at End of Year		32,940,499,744	29,512,469,611
TOTAL EQUITY		111,867,139,838	108,439,136,581

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(With Comparative Figures for the Year Ended December 31, 2015)
(In Philippine Peso)

	2016	As Restated 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of port revenues	13,031,950,993	12,660,610,632
Receipt of other income	738,470,794	712,640,970
Fund management income	91,886,137	88,973,550
Cash paid for operating expenses	(5,196,731,900)	(6,804,499,204)
Net cash received (paid) on trust liabilities	(43,244,384)	174,103,044
Payment of accrued interest	(142,512,593)	(119,900,018)
Net cash received (paid) on depository liabilities	9,489,893	55,824,123
Net cash received (paid) on guaranty deposits	238,225	(1,302,237)
Net cash received (paid) on miscellaneous liabilities	83,477,635	(76,774,069)
Net Cash Inflows from Operating Activities	8,573,024,800	6,689,676,790
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for construction in progress	(4,738,857,328)	(3,067,762,107)
Fixed assets acquisition	(138,706,103)	(83,114,698)
Net Cash Used in Investing Activities	(4,877,563,431)	(3,150,876,805)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(386,178,016)	(365,095,849)
Dividend payments	(2,158,462,627)	(1,799,516,116)
Calamity loans collected (granted)	(7,129,913)	61,980,333
Net Cash Used in Financing Activities	(2,551,770,556)	(2,102,631,632)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		
	1,279,430	1,149,724
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	1,144,970,243	1,437,318,078
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
	9,788,659,896	8,351,341,818
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
	10,933,630,139	9,788,659,896

See accompanying Notes to Financial Statements.