



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, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 state accounting principles generally accepted in the Philippines, 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 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 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

Cancelled disbursement vouchers involving the total amount of P1.02 billion, due to erroneous charging of accounts or incorrect amounts encoded in the computerized accounting system created doubt on the reliability of reported financial information.

The unbilled value of physical accomplishment for Locally-funded Projects (LFP) was recognized as Construction in Progress (CIP) and Accounts Payable in the total amount of P1.15 billion as at year-end, inconsistent with AFMS Manual and the Conceptual Framework for Financial Reporting. Furthermore, the reported year-end balance of the CIP account of P2.72 billion was doubtful due to numerous cancellation of accounting entries and different/conflicting data on the reported costs of on-going projects. Moreover, the correctness of the amount of Investment in Fixed Assets under CIP for the year amounting to P2.75 billion claimed as special deduction from income tax payable to the BIR pursuant to Section 25 of PD 857 cannot be ascertained. The Schedule of Property and Equipment disclosed in the Notes to FS the amount of P2.62 billion as Additions/Investment in Fixed Assets, resulting in a difference of P129.85 million. Also, the accounting of CIP exclusive of the VAT considered in the computation of the ABC and the contracted project cost is not in accordance with PAS 16 and the accounting treatment by other GOCCs.

Of the year-end consolidated balance of Property, Plant and Equipment (PPE) account totalling P103.24 billion, unreconciled variance of P27.25 million was found between the recorded balance of PPE per books compared to the balance per physical inventory reports of the Head Office and some PMOs; balances of PPE in PMOs Ozamis and Lanao totalling P1.30 billion were without complete supporting documents to establish validity; and demolished property of P74.96 million and unserviceable assets of P18.20 million were included in the account. Further, costs of major repairs and maintenance of five PMOs with a total amount of P229.66 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 expenses by the same amount.

Existing controls on Cash in Bank were inadequate as either no bank reconciliation statements were accomplished or the submission for audit was delayed; dormant depository account existed; and, there was delay in crediting bank deposits. These resulted in unreconciled balances per books and per bank statement of the different PMOs, hence, the correctness of the consolidated year-end balance of P9.72 billion could not be ascertained.

Qualified Opinion

In our opinion, except for the 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, 2015, and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

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 Recommendatory (MP-SER) Administration; as well, as the disputed deficiency tax assessment for FY 2007 of P4.9 billion 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

June 1, 2016




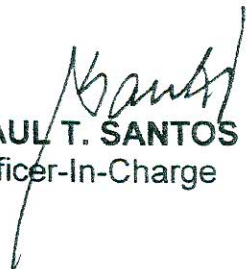
Bonifacio Drive, South Harbor, Port Area, Manila 1018, Philippines, P.O. Box 436, Manila, Philippines
Tel. No. (0632) 527-8356, Fax. No. (0632) 527-4855, <http://www.ppa.com.ph>

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, 2015. 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.


ARMANDO L. GUZMAN
Assistant General Manager
Finance and Administration


RAUL T. SANTOS
Officer-In-Charge

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, 2015
(With Comparative Figures as of December 31, 2014)
(In Philippine Peso)

			<i>As Restated</i>
	Notes	2015	2014
ASSETS			
Current Assets			
Cash on hand and in banks	5	9,788,659,896	8,351,341,818
Receivables - net	6	1,686,045,655	1,987,612,607
Prepayments	7	2,125,357,083	852,185,423
Inventories	8	62,137,820	68,633,861
Other current assets	9	207,814,015	147,499,545
Total Current Assets		13,870,014,469	11,407,273,254
Non-Current Assets			
Property and equipment - net	10	103,237,061,959	102,001,295,100
Investments in securities	11	301,130,362	301,787,534
Other non-current assets	12	747,977,659	822,122,407
Total Non-Current Assets		104,286,169,980	103,125,205,041
		118,156,184,449	114,532,478,295
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	13	2,780,731,880	1,815,823,417
Payables to other government agencies	14, 42	1,148,727,724	1,019,782,648
Current portion of foreign loans payable	15	386,178,016	365,095,849
Other current liabilities	16	618,174,883	813,319,829
Total Current Liabilities		4,933,812,503	4,014,021,743
Non-Current Liabilities			
Loans payable - foreign	17	3,916,279,136	4,067,578,114
Retirement payable	18	275,346,798	243,177,745
Deferred credits	19	591,609,431	668,383,501
Total Non-Current Liabilities		4,783,235,365	4,979,139,360
Total Liabilities		9,717,047,868	8,993,161,103
Equity		108,439,136,581	105,539,317,192
		118,156,184,449	114,532,478,295

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2015
(With Comparative Figures for the Year Ended December 31, 2014)
(In Philippine Peso)

			<i>As Restated</i>
	Notes	2015	2014
REVENUES			
Wharfage dues	24	2,781,079,118	2,442,259,442
Share in arrastre/stevedoring Income	25	5,752,115,156	5,484,865,230
Storage charges	26	1,527,490,720	1,712,825,970
Dockage fees	27	1,191,040,478	1,071,743,258
Port dues	28	606,244,324	549,589,053
Port usage fees	29	364,677,752	336,375,956
Terminal fees	30	190,263,795	174,685,206
Pilotage	31	52,165,251	47,071,896
Vessel traffic management service fees	32	17,904,286	15,692,875
Lay-up fees	33	2,169,936	12,460,249
Other income	34	681,378,499	595,457,889
		13,166,529,315	12,443,027,024
OPERATING EXPENSES			
Personal services	35	1,225,214,985	1,348,517,117
Maintenance and other operating expenses	36	5,995,174,863	5,490,659,394
		7,220,389,848	6,839,176,511
PROFIT FROM OPERATIONS		5,946,139,467	5,603,850,513
OTHER INCOME(EXPENSES)			
Fund management income	37	88,973,550	97,629,678
Other general income	38	31,262,470	26,802,155
Foreign exchange gain(loss) on revaluation	39	(233,729,314)	638,009,154
Financial expenses	40	(126,925,914)	(277,168,174)
Gain(loss) on sale of disposed assets	41	(490,875)	1,099,709
		(240,910,083)	486,372,522
NET INCOME BEFORE INCOME TAX		5,705,229,384	6,090,223,035
INCOME TAX EXPENSE	42	1,648,456,773	1,842,661,559
NET PROFIT		4,056,772,611	4,247,561,476

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(With Comparative Figures for the Year Ended December 31, 2014)
(In Philippine Peso)

	Notes	2015	As Restated 2014
CAPITAL CONTRIBUTION			
	20		
Balance at beginning of year		4,312,337,376	4,312,337,376
Cost of projects transferred to DPWH		(116,359,871)	0
Balance at end of year		4,195,977,505	4,312,337,376
DONATED SURPLUS			
	21		
Balance at beginning of year		2,100,499,872	1,220,596,414
Donations from DOLE		65,635,000	0
Donations from PACINTER and Pilipinas Shell		16,420,576	0
Donations to PMO Northern Luzon		455,400	0
Donations from ICTSI		0	799,918,677
Donations from PILMICO Foods Corporation		0	79,635,005
Donations from DOST		0	349,776
Balance at end of year		2,183,010,848	2,100,499,872
APPRAISAL SURPLUS			
	22		
Balance at beginning of year		72,548,666,028	65,354,911,161
Adjustments in assets appraised values		(987,411)	7,193,754,867
Balance at end of year		72,547,678,617	72,548,666,028
RETAINED EARNINGS			
	23		
Balance at beginning of year		26,577,813,916	23,317,954,601
Prior year's adjustment		677,399,200	488,231,034
Net profit during the year		4,056,772,611	4,247,561,476
Dividends paid during the year		(1,799,516,116)	(1,475,933,195)
Balance at end of year		29,512,469,611	26,577,813,916
TOTAL EQUITY		108,439,136,581	105,539,317,192

See accompanying Notes to Financial Statements.

PHILIPPINE PORTS AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(With Comparative Figures for the Year Ended December 31, 2014)
(In Philippine Peso)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of port revenues	12,661,760,356	11,443,543,011
Receipt of other income	712,640,970	622,260,044
Fund management income	88,973,550	97,629,678
Receipt (refund) of depository liabilities	55,824,123	25,796,060
Receipt (refund) of guaranty deposits, net	(1,302,237)	(567,159)
Receipt of trust liabilities	174,103,044	239,035,620
Receipt (payment) of miscellaneous liabilities	(76,774,069)	95,856,481
Payment of operating expenses	(6,803,349,480)	(5,440,228,376)
Payment of accrued interest	(119,900,018)	(283,278,369)
Net Cash from Operating Activities	6,691,976,239	6,800,046,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Net inflows (outflows) from investments	0	1,745,468,452
Payments for construction in progress	(3,067,762,107)	(1,788,216,653)
Acquisition of property and equipment	(83,114,698)	(92,887,592)
Net Cash Used in Investing Activities	(3,150,876,805)	(135,635,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(365,095,849)	(3,042,635,397)
Dividend payments	(1,799,516,116)	(1,475,933,195)
Collection of repayments on calamity loans	61,980,333	14,424,029
Net Cash Used in Financing Activities	(2,102,631,632)	(4,504,144,563)
EFFECT OF EXCHANGE RATE CHANGES IN CASH ON HAND AND IN BANKS		
	(1,149,724)	(119,981)
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		
	1,437,318,078	2,160,146,653
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR		
	8,351,341,818	6,191,195,165
CASH ON HAND AND IN BANKS AT END OF YEAR		
	9,788,659,896	8,351,341,818

See accompanying Notes to Financial Statements.