



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 Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Philippine Ports Authority (PPA), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects the financial position of the PPA as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

The correctness, existence and completeness of the Property, Plant and Equipment (PPE) accounts booked in the amount of P116.006 billion cannot be ascertained due to the incomplete physical inventory resulting in the non-submission of the Annual Inventory Report as required; absence of certificate of titles to support ownership of land in the amount of P57.845 billion; and net understatement in the PPE account in the amount of P699.85 million due to various observation noted in the recording of transactions affecting the PPE account.

Other Receivables accounts dormant for more than five years in the amount of P281.863 million were uncertain due to absence of source documents to substantiate them.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of PPA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the PPA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PPA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PPA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 PPA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast material significant doubt on the PPA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the PPA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 34 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:


EMILIA D. MALONZO
State Auditor IV
OIC-Supervising Auditor

June 4, 2019



PHILIPPINE
PORTS
AUTHORITY



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

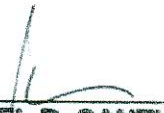
The management of **Philippine Ports Authority** is responsible for the preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 financial statements before such statements are issued to the regulators, creditors and other users.


Secretary **ARTHUR P. TUGADE**
Department of Transportation
Chairman, PPA Board of Directors




Date Signed


JAY DANIEL R. SANTIAGO
PPA General Manager/
OIC – Office of the AGM for
Finance and Administration

Date Signed

PHILIPPINE PORTS AUTHORITY
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND 2017

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	6,862,603,650	6,290,800,510
Financial Assets	7	1,370,978,828	1,103,986,886
Other Investments	8	3,943,887,175	6,008,815,738
Receivables	9	2,589,555,421	2,270,459,714
Inventories	10	75,443,941	65,751,705
Other Current Assets	11	2,060,337,703	1,904,730,001
Total Current Assets		<u>16,902,806,718</u>	<u>17,644,544,554</u>
Non-Current Assets			
Property, Plant and Equipment	12	116,005,815,822	112,988,999,876
Intangible Assets	13	1,309,018	141,126,352
Other Non-Current Assets	14	452,047,141	820,654,295
Total Non-Current Assets		<u>116,459,171,981</u>	<u>113,950,780,523</u>
Total Assets		<u>133,361,978,699</u>	<u>131,595,325,077</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	15	4,122,573,377	3,652,634,976
Inter-Agency Payables	16	634,287,557	895,500,112
Trust Liabilities	17	1,318,378,426	1,050,453,735
Deferred Credits/Unearned Income	18	797,866,129	857,490,206
Provisions	19	226,979,566	132,047,489
Other Payables	20	57,363,456	81,401,022
Total Current Liabilities		<u>7,157,448,511</u>	<u>6,669,527,540</u>
Non-Current Liabilities			
Financial Liabilities	15	3,350,370,518	3,549,825,936
Deferred Credits/Unearned Income	18	7,129,455	10,054,258
Provisions	19	169,949,281	270,220,935
Deferred Tax Liabilities	21	6,650,302	6,916,206
Total Non-Current Liabilities		<u>3,534,099,556</u>	<u>3,837,017,335</u>
Total Liabilities		<u>10,691,548,067</u>	<u>10,506,544,875</u>
EQUITY			
Government Equity	22	6,461,024,285	6,446,573,670
Revaluation Surplus	23	78,776,529,529	78,786,879,445
Retained Earnings/(Deficit)	24	37,432,876,818	35,855,327,087
Total Equity		<u>122,670,430,632</u>	<u>121,088,780,202</u>
Total Liabilities and Equity		<u>133,361,978,699</u>	<u>131,595,325,077</u>

The notes on pages 9 to 67 form part of these statements

PHILIPPINE PORTS AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>NOTE</u>	<u>2018</u>	<u>As Restated</u> <u>2017</u>
Income			
Service and Business Income	25	17,463,041,194	15,328,450,201
Gains	26	6,860,058	189,176
Other Non-Operating Income	27	<u>26,083,450</u>	<u>27,537,017</u>
Total Income		<u>17,495,984,702</u>	<u>15,356,176,394</u>
Expenses			
Personnel Services	28	(1,512,572,338)	(1,333,978,622)
Maintenance and Other Operating Expenses	29	(4,560,077,731)	(3,557,496,889)
Financial Expenses	30	(176,138,688)	(160,240,866)
Non-Cash Expenses	31	<u>(3,227,467,059)</u>	<u>(3,659,101,283)</u>
Total Expenses		<u>(9,476,255,816)</u>	<u>(8,710,817,660)</u>
Profit Before Tax		8,019,728,886	6,645,358,734
Income Tax Expenses	32	<u>(2,465,897,729)</u>	<u>(2,171,895,688)</u>
Profit After Tax		<u>5,553,831,157</u>	<u>4,473,463,046</u>
Net Income		<u>5,553,831,157</u>	<u>4,473,463,046</u>
Comprehensive Income		<u>5,553,831,157</u>	<u>4,473,463,046</u>

The notes on pages 9 to 67 form part of these statements.

**PHILIPPINE PORTS AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Revaluation Surplus	Retained Earnings/ (Deficit)	Government Equity	TOTAL
BALANCE AT JANUARY 1, 2017	72,647,651,741	32,348,499,744	6,378,988,354	111,867,139,839
CHANGES IN EQUITY FOR 2017				
Add/(Deduct):				
Comprehensive Income for the year	0	4,473,463,046	0	4,473,463,046
Dividends	0	(1,956,428,807)	0	(1,956,428,807)
Other Adjustments	6,239,227,704	397,793,104	67,585,316	6,704,606,124
BALANCE AT DECEMBER 31, 2017	78,786,879,445	35,856,327,087	6,446,573,670	121,088,780,202
CHANGES IN EQUITY FOR 2018				
Add/(Deduct):				
Comprehensive Income for the year	0	5,553,831,157	0	5,553,831,157
Dividends	0	(3,103,323,128)	0	(3,103,323,128)
Other Adjustments	(10,349,916)	(872,958,298)	14,450,615	(868,857,599)
BALANCE AT DECEMBER 31, 2018	78,776,529,529	37,432,876,818	6,461,024,285	122,670,430,632

PHILIPPINE PORTS AUTHORITY
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	16,893,483,609	15,182,310,357
Trust Receipts	3,401,677,922	3,365,247,547
Collection of Receivables	60,445,463	39,820,440
Other Receipts	2,832,829,272	4,945,828,392
Total Cash Inflows	<u>23,188,436,266</u>	<u>23,533,206,736</u>
Cash Outflows		
Payment of Expenses	(8,305,836,767)	(8,551,448,949)
Prepayments	(2,897,851,570)	(3,795,988,290)
Release of Intra-Agency Fund Transfers	(611,447,996)	(477,177,216)
Mandatory Deductions	(405,892,052)	(424,846,248)
Refund of Deposits	(4,399,304)	(954,461)
Release of Inter-Agency Fund Transfers	(1,513,893)	(338,914)
Grant of Cash Advances	(413,391)	(2,680,944)
Other Disbursements	(1,652,940,421)	(1,295,467,072)
Total Cash Outflows	<u>(13,880,295,394)</u>	<u>(14,548,902,094)</u>
Net Cash Provided by/(Used in) Operating Activities	<u>9,308,140,872</u>	<u>8,984,304,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Matured Investments/Redemption of Long-Term Investments/Return on Investments	3,712,067,907	0
Total Cash Inflows	<u>3,712,067,907</u>	<u>0</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	(6,056,839,285)	(4,239,324,093)
Purchase of Investments	(2,855,488,776)	(1,598,804,647)
Total Cash Outflows	<u>(8,912,328,061)</u>	<u>(5,838,128,740)</u>
Net Cash Provided/(Used in) Investing Activities	<u>(5,200,260,154)</u>	<u>(5,838,128,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	(3,103,323,128)	(1,956,428,807)
Payment of Long-Term Liabilities	(433,244,792)	(418,786,414)
Total Cash Outflows	<u>(3,536,567,920)</u>	<u>(2,375,215,221)</u>
Net Cash Provided/(Used in) Financing Activities	<u>(3,536,567,920)</u>	<u>(2,375,215,221)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	571,312,798	770,960,681
Effects of Exchange Rate Changes on Cash and Cash Equivalents	490,342	24,009
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>6,290,800,510</u>	<u>5,519,815,820</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>6,862,603,650</u>	<u>6,290,800,510</u>