



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 statement of financial position as at December 31, 2017 and 2016, and the statement of comprehensive income, statement of changes in equity and statement 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 Basis 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

1. The correctness, existence and completeness of the Property, Plant and Equipment (PPE) accounts with aggregate amount of P112.989 billion cannot be ascertained due to the incomplete physical inventory taking; treatment of major repairs as expenses in the amount of P931 million; and the cost of completed projects amounting to P79.60 million that were not yet reclassified to specific asset account among others.
2. The reported cash in bank was understated by P 137.934 million due to non-reversal of various checks intended in payment of various payees. These checks remained unreleased as of December 31, 2017 and were included as part of the outstanding checks.
3. Dormant accounts for more than two years lodged under Other Miscellaneous Liabilities account in the amount of P58.59 million and have not been reversed as required under Section 98 of PD 1445 and DBM and COA Joint Circular 99-6, overstating the liabilities account at year-end.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 manner 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

May 28, 2018



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The Management of the Philippine Ports Authority is responsible for the preparation of the financial statements as at 31 December 2017, 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

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PHILIPPINE PORTS AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	<u>Notes</u>	<u>2017</u>	<i>As Restated</i> <u>2016</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	6,290,800,510	5,519,815,820
Financial Assets	7	1,103,986,886	300,363,190
Other Investments	8	6,008,815,738	5,413,964,319
Receivables	9	2,270,459,714	1,946,909,948
Inventories	10	65,751,705	75,577,134
Other Current Assets	11	<u>1,904,730,001</u>	<u>2,717,079,740</u>
Total Current Assets		<u>17,644,544,554</u>	<u>15,973,710,151</u>
Non-Current Assets			
Property, Plant and Equipment	12	112,988,999,876	105,066,158,554
Intangible Assets	13	141,126,352	282,252,704
Other Non-Current Assets	14	<u>820,654,295</u>	<u>423,446,399</u>
Total Non-Current Assets		<u>113,950,780,523</u>	<u>105,771,857,657</u>
Total Assets		<u>131,595,325,077</u>	<u>121,745,567,808</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	15	3,652,634,976	3,259,949,825
Inter-Agency Payables	16	895,500,112	1,007,414,625
Trust Liabilities	17	1,050,453,735	682,914,334
Deferred Credits/Unearned Income	18	857,490,206	663,712,384
Provisions	19	132,047,489	109,813,676
Other Payables	20	<u>81,401,022</u>	<u>64,244,700</u>
Total Current Liabilities		<u>6,669,527,540</u>	<u>5,788,049,544</u>
Non-Current Liabilities			
Financial Liabilities	15	3,549,825,936	3,828,178,536
Deferred Credits/Unearned Income	18	10,054,258	7,370,594
Provisions	19	270,220,935	250,825,207
Deferred Tax Liabilities	21	<u>6,916,206</u>	<u>4,004,088</u>
Total Non-Current Liabilities		<u>3,837,017,335</u>	<u>4,090,378,425</u>
Total Liabilities		<u>10,506,544,875</u>	<u>9,878,427,969</u>
EQUITY			
Government Equity	22	6,446,573,670	6,378,988,354
Revaluation Surplus	23	78,786,879,445	72,547,651,741
Retained Earnings/(Deficit)	24	<u>35,855,327,087</u>	<u>32,940,499,744</u>
Total Equity		<u>121,088,780,202</u>	<u>111,867,139,839</u>
Total Liabilities and Equity		<u>131,595,325,077</u>	<u>121,745,567,808</u>

The notes on pages 9 to 58 form part of these statements

**PHILIPPINE PORTS AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Notes</u>	<u>2017</u>	<i>As Restated</i> <u>2016</u>
INCOME			
Service and Business Income	25	15,328,450,201	14,300,416,238
Gains	26	189,176	1,342,301
Other Non-Operating Income	27	<u>27,537,017</u>	<u>19,706,251</u>
Total Income		<u>15,356,176,394</u>	<u>14,321,464,790</u>
EXPENSES			
Personnel Services	28	(1,333,978,622)	(1,093,707,278)
Maintenance and Other Operating Expenses	29	(3,558,123,771)	(3,789,183,115)
Financial Expenses	30	(131,769,683)	(142,512,593)
Non-Cash Expenses	31	<u>(3,686,945,584)</u>	<u>(2,953,760,376)</u>
Total Expenses		<u>(8,710,817,660)</u>	<u>(7,979,163,362)</u>
PROFIT BEFORE TAX		6,645,358,734	6,342,301,428
INCOME TAX EXPENSES	32	<u>(2,171,895,688)</u>	<u>(1,643,604,501)</u>
PROFIT AFTER TAX		<u>4,473,463,046</u>	<u>4,698,696,927</u>
NET INCOME		<u>4,473,463,046</u>	<u>4,698,696,927</u>
COMPREHENSIVE INCOME		<u>4,473,463,046</u>	<u>4,698,696,927</u>

The notes on pages 9 to 58 form part of these statements.

**PHILIPPINE PORTS AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Revaluation Surplus	Retained Earnings/ (Deficit)	Government Equity	Total
BALANCE AT JANUARY 1, 2016	72,547,678,617	29,512,469,612	6,378,988,354	108,439,136,583
CHANGES IN EQUITY FOR 2016				
Add/(Deduct):				
Comprehensive Income for the year	0	4,698,696,927	0	4,698,696,927
Dividends	0	(2,158,462,627)	0	(2,158,462,627)
Other Adjustments	(26,876)	887,795,833	0	887,768,957
BALANCE AT DECEMBER 31, 2016	72,547,651,741	32,940,499,745	6,378,988,354	111,867,139,840
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	397,793,103	67,585,316	6,704,606,123
BALANCE AT DECEMBER 31, 2017	78,786,879,445	35,855,327,087	6,446,573,670	121,088,780,202

The notes on pages 9 to 58 form part of these statements.

**PHILIPPINE PORTS AUTHORITY
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	15,182,310,357	13,870,451,130
Collection of Receivables	39,820,440	0
Trust Receipts	3,365,247,547	4,659,998,312
Other Receipts	4,945,828,392	2,312,482,706
Total Cash Inflows	23,533,206,736	20,842,932,148
Cash Outflows		
Payment of Expenses	(8,551,448,949)	(6,566,566,932)
Purchase of Inventories	0	(13,439,314)
Grant of Cash Advances	(2,680,944)	(64,191,493)
Prepayments	(3,795,988,290)	(2,290,380,304)
Refund of Deposits	(954,460)	(640,353)
Remittance of Personnel Benefit Contributions and Mandatory Deductions	(424,846,248)	(376,830,092)
Grant of Financial Assistance/Subsidy/Contribution	0	(7,129,913)
Release of Inter-Agency Fund Transfers	(338,914)	(960,372)
Release of Intra-Agency Fund Transfers	(477,177,216)	(540,531,386)
Other Disbursements	(1,295,467,072)	(2,416,367,102)
Total Cash Outflows	(14,548,902,093)	(12,277,037,261)
Net Cash Provided by/(Used in) Operating Activities	8,984,304,643	8,565,894,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	(4,239,324,093)	(4,877,563,431)
Purchase of Investments	(1,598,804,647)	0
Total Cash Outflows	(5,838,128,740)	(4,877,563,431)
Net Cash Provided By/(Used In) Investing Activities	(5,838,128,740)	(4,877,563,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	(418,786,415)	(386,178,016)
Payment of Cash Dividends	(1,956,428,807)	(2,158,462,627)
Total Cash Outflows	(2,375,215,222)	(2,544,640,643)
Net Cash Provided By/(Used In) Financing Activities	(2,375,215,222)	(2,544,640,643)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	770,960,681	1,143,690,813
Effects of Exchange Rate Changes on Cash and Cash Equivalents	24,009	1,279,430
CASH AND CASH EQUIVALENTS, JANUARY 1	5,519,815,820	4,374,845,577
CASH AND CASH EQUIVALENTS, DECEMBER 31	6,290,800,510	5,519,815,820