



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
PITC PHARMA, INC.
Makati City

We have audited the accompanying financial statements of the PITC Pharma, Inc., a subsidiary of the Philippine International Trading Corporation, which comprise the balance sheets as at December 31, 2009 and 2008, and the statements of income and expenses, statements of changes in net capital deficiency and cash flow statements 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 State accounting principles, 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 International 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 have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in details in Comments and Observations No. 1, the accuracy of the year-end balances of the Merchandise inventory accounts for calendar years 2009 and 2008 in the amount of P63,871,905 and P101,492,325, respectively, were doubtful due to negative balances of some items in the amount of P10,271,330.

Likewise, as discussed in Comments and Observations Nos. 2 and 3, results of confirmation of Due to affiliates, Interest payable, Accounts receivable – trade - Department of Health (DOH) and Accounts receivable – non trade – PITC showed material variances, casting doubt on the accuracy of the accounts balances presented in the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of PITC Pharma, Inc. as at December 31, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

JOSE R. ROCHA, JR.
Director IV
Cluster C
Corporate Government Sector

March 28, 2011