



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 (PITC), which comprise the balance sheet as at December 31, 2011, and the statement of income and expenses, statement of changes in net capital deficiency 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, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the PITC Pharma, Inc as at December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with State Accounting Principles.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 19 to Financial Statements which states that PITC Pharma, Inc. has capital deficiency due to losses that have accumulated over the past years. Likewise as discussed in Part II.A – Comments and Observations, insufficient capital and continuous losses from 2006 to 2011 cast doubt on the viability of the PITC Pharma, Inc. to continue its operation and perform its mandate.

COMMISSION ON AUDIT


CORA D. MARQUEZ
OIC Supervising Auditor, Audit Group I
Cluster C, Corporate Government Sector

June 8, 2012