



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

PITC Pharma, Inc.
NDC Building
Tordesillas Street, 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 of December 31, 2012, 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 Philippine Financial Reporting Standards, 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 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

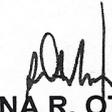
In our opinion, the financial statements present fairly, in all material respects, the financial position of PITC Pharma, Inc. as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with State Accounting Principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 18 to Financial Statements which stated that PITC Pharma Inc. has capital deficiency of P312,107,399 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 start of operation in 2006 to the current period cast doubt on the viability of the Corporation to continue operations and carry out its mandated functions. It is imperative that PPI improve its financial performance and strengthen its organizational capacity in order to achieve its mission and sustain its operations. The achievement of these goals, however, depends on the effective performance and success of the new leadership in the Corporation.

COMMISSION ON AUDIT

BY:


HENEDINA R. OTADOY
Supervising Auditor

Audit Group F – Trading and Promotions
Cluster 6, Corporate Government Sector

May 23, 2013