



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

Report on the Financial Statements

We have audited the accompanying financial statements of the PITC Pharma, Inc., a subsidiary of the Philippine International Trading Corporation (PITC), which comprise the statement of financial position as of December 31, 2013, and the statement of comprehensive income, statement of changes in equity 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 generally accepted in the Philippines, 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 Philippine 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 of December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

Emphasis of matter

We draw attention to our Audit Observations and Recommendations which stated that 1) the non-maintenance of proper subsidiary records, non-approval of some recorded transactions and errors in booking up the cost of items sold resulted to the discrepancies in the balances between the general ledger, subsidiary records and inventory count of Merchandise Inventory. Thus, the validity and accuracy of the inventory balance of P28.469 million is doubtful and, 2) discrepancy in the amount of P.936 million was noted in the balance per books against the computed balance per audit of the Cost of Sales (COS) account due to same errors in recording, resulting in the understatement of the COS and overstatement of Income account. Complete subsidiary records of inventories, proper documentation of all transactions and a programmed information system are required to minimize or avoid the discrepancies. Our opinion is not modified in respect of these matters.

**Report on Supplementary Information Required Under
BIR Revenue Regulation 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 19 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


HENEDINA R. OTADOY
Supervising Auditor

May 12, 2014