

PHILIPPINE INTERNATIONAL TRADING CORPORATION
BALANCE SHEET
As of September 30, 2013

	NOTES	THIS MONTH	LAST MONTH
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	1	2,094,395,720	2,051,804,731
Trade and Other Receivables	2	27,719,467	26,675,241
Inventories, net	3	436,939	436,939
Other Current Assets	4	4,692,201	4,692,201
Total Current Assets		2,127,244,326	2,083,609,112
<i>Non-Current Assets</i>			
Trade and Other Receivable	5	1,847,333	1,847,333
Property and Equipment, net	6	1,708,376	1,661,141
Investment Property	7	62,858,695	62,858,695
Deferred Tax Assets		40,277,498	40,277,498
Other Assets	8	40,745,921	40,745,921
Total Non-Current Assets		147,437,823	147,390,588
TOTAL ASSETS		2,274,682,150	2,230,999,700
LIABILITIES AND EQUITY			
<i>Current Liabilities</i>			
Trade Payables	9	5,542,156	5,542,156
Customers Deposits Payable	10	1,971,476,779	1,919,839,459
Inter-Agency Payable	11	19,672,239	23,090,813
Due to Subsidiaries	13		
Other Current Liabilities	12	86,977,862	88,384,080
Total Current Liabilities		2,083,669,036	2,036,856,509
<i>Estimated Liability for Employees Benefits</i>	13	11,515,577	11,242,303
TOTAL LIABILITIES		2,095,184,613	2,048,098,812
<i>Equity</i>			
Share Capital	14	300,000,000	300,000,000
Benefit from Deferred Income Tax		-	-
Retained Earnings		(120,502,464)	(117,099,112)
Total Equity		179,497,536	182,900,888
TOTAL LIABILITIES AND EQUITY		2,274,682,150	2,230,999,700

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PHILIPPINE INTERNATIONAL TRADING CORPORATION
STATEMENT OF INCOME AND EXPENSES
For the Month and Nine Months Ended September 30, 2013

	THIS MONTH ACTUAL	YEAR TO DATE ACTUAL
OPERATING INCOME		
Sales	-	5,736,370
Cost of Sales	-	5,334,083
Gross Margin	-	402,287
Commission Income	41,207	288,818
Trading Income	41,207	691,105
Service Income	3,307,009	35,308,894
Other Income	1,778,891	28,423,331
	5,127,106	64,423,330
OPERATING EXPENSES		
Personnel	4,375,573	37,919,971
PPDM	718,328	8,831,850
Occupancy	1,261,711	11,963,882
Others	1,758,863	6,179,424
	8,114,475	64,895,127
NET INCOME (LOSS)		
FROM OPERATIONS	(2,987,368)	(471,797)
FINANCE COST	(834)	(7,324)
NET INCOME (LOSS) BEFORE TAX	(2,988,202)	(479,121)
INCOME TAX EXPENSE	-	(574,191)
NET INCOME (LOSS) AFTER TAX	(2,988,202)	(1,053,313)

PHILIPPINE INTERNATIONAL TRADING CORPORATION
OPERATING EXPENSES
For the Period Ended September 30, 2013

ACTUAL

PERSONNEL EXPENSES

Salaries and Wages	25,794,714
Personnel Economic Relief Allowance	1,287,080
Allowance (AO 53)	-
RATA	2,881,254
Uniform Allowance	365,000
Rice Allowance	327,848
Directors' Allowance	90,000
Honoraria	-
Year End Bonus	7,027
Life/Retirement Insurance Contributions	2,584,423
Pag-ibig Fund Contribution	320,690
Philhealth Contributions	211,488
Employees' Compensation Contribution	64,400
Retirement Benefits	-
Vacation & Sick Leave Benefits	2,558,677
Other Personnel Benefits	1,427,370
Total Personnel Expenses	37,919,971

MAINTENANCE AND OTHER OPERATING EXPENSES

PRODUCT/PROJECT DEV'T & MARKETING EXPENSES

Travel Expenses	544,169
Training & Scholarship Expenses	286,877
Communication Services	1,379,415
Membership Dues & Contribution	206,108
Advertising Expense	1,563,087
Printing Expense	31,071
Representation Expenses	1,633,910
Consultancy Expense	1,046,552
Legal Services	319,410
Brokers Fee	23,000
Other Professional Services	805,718
Insurance Expense	992,533
	<u>8,831,850</u>

PHILIPPINE INTERNATIONAL TRADING CORPORATION
OPERATING EXPENSES
For the Period Ended September 30, 2013

ACTUAL

OCCUPANCY EXPENSES

Supplies and Materials	1,528,621
Fuel, Oil and Lubricants	416,811
Water Expense	174,383
Electricity Expense	1,768,830
Rent	4,493,104
General/Janitorial Services	1,524,212
Security Services	1,334,747
Repairs and Maintenance	534,739
Repairs and Maintenance - Land Transportation	188,435
	11,963,882

OTHER EXPENSES

Auditing Services	3,679,503
Donations	-
Extraordinary Expense	1,500
Taxes, Duties and Licenses	1,085,257
Loss on Forex	1,811,131
Loss on Sale of Assets	-
Loss of Assets	-
Impairment Loss	-
Other Maintenance & Operating Expense	(10)
Doubtful Accounts Expense	(686,409)
Depreciation - Building & Other Structures	-
Depreciation - Property and Equipment	288,453
	6,179,424

Total Maintenance & Other Operating Expenses	26,975,156
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FINANCIAL EXPENSES

Bank Charges	6,864
Documentary Stamp Tax Expense	460
Interest Expense	-

Total Financial Expenses	7,324
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TOTAL OPERATING EXPENSES	64,902,452
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PHILIPPINE INTERNATIONAL TRADING CORPORATION NOTES TO FINANCIAL STATEMENT SEPTEMBER 30, 2013

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

Cash on hand	1,242,355
Cash in banks	38,864,624
Cash in banks - other agencies	477,285,541
Time deposits	1,577,003,200
Total Cash and cash equivalents	2,094,395,720

The Cash on hand consists primarily of undeposited collections and cash held by the Disbursing Officers. Cash in banks generally earn interest at rates based on daily bank deposit rates.

The Cash and cash equivalents include funds in trust by different government agencies for the procurement of various items as shown hereunder:

Advance Science & Technology Institute (ASTI)	P	132,185,438
Armed Forces of the Philippines (AFP-GHQ)		43,658,204
Board of Investment (BOI)		2,461,379
Bureau of Corrections (BUCOR)		36,425,263
Bureau of Jail Management & Penology (BJMP)		45,849,564
Dep of Environment & Natural Resources (DENR)		58,366,143
Department of Health (DOH)		818,131
Department of National Defense (DND)		10,318,315
Dept. of Social Welfare & Devt (DSWD)		7,860,803
Department of Trade & Industry		7,999,193
Environmental Mgmt. Bureau – DENR (EMB-DENR)		45,228,623
FSU – Marine Barracks		448,444
Information & Communication Tech Office (ICTO)		27,527,692
Manila Bay Coordinating Office (MBCO)		77,212,790
National Computer Center (NCC)		118,623,087
National Economic Development Authority (NEDA)		26,840,040
Office for Transportation Security (OTS)		2,228,480
Philippine Air Force (PAF)		108,639,967
Philippine Army (PA)		1,116,127,315
Phil. Center for Economic Devt (PCED)		13,466,855
Philippine Drug Enforcement Agency (PDEA)		36,103,014
Philippine Marine Corps. (PMC)		623,760
Philippine Navy (PN)		44,109,197
Philippine Trade & Training Center (PTTC)		3,349,962
Public Private Partnership Cntr of the Phils./BOTC		91,205
Rental Deposits on Condominiums		1,046,256
Other Customers Deposits		3,867,659
	P	1,971,476,779

2. TRADE AND OTHER RECEIVABLES - NET

This account consists of the following:

Accounts receivable - trade – net	3,812,366
Accounts receivable - trade related-net	14,488,579
Accounts receivable - others	9,418,522
Trade and other receivables – net	27,719,467

2.1 ACCOUNTS RECEIVABLE - TRADE - NET

This account consists of receivable from:

Domestic sales	65,990,401
Service fees and other charges	13,855,216
Export sale and import commissions	4,158,008
Freight and other charges	1,702,435
	85,706,060
Allowance for doubtful accounts	(81,893,694)
Accounts receivable - trade – net	3,812,366

The composition of Accounts receivable – trade, net of Allowance for doubtful accounts of business units are shown below:

Countertrade	2.703
Logistics	1.012
Government procurement	0.021
Exports	0.076
	3.812

The details of Domestic sales are as follows:

Government procurement	21,252
Pharmaceutical business	21,565,264
Cement sales	9,221,202
Rattan furniture exports	1,094,238
Others	34,088,445
Total Domestic sales	65,990,401

Accounts receivable from pharmaceutical business consist mainly of accounts of various Local Government Units (LGUs) which PITC finds difficult to collect despite several collection letters sent in previous years due to: a) lack of documents not turned over to PITC by the former distribution provider, and b) non-recognition of the receivables by the concerned LGUs because of changes in leadership and for the same reason of lack of documents.

2.2 ACCOUNTS RECEIVABLE – TRADE RELATED

This account is composed of the following:

Financial assistance granted to suppliers	2,668,000
Rental of Condominium units	58,944
Miscellaneous	14,739,242
	<u>17,466,186</u>
Allowance for doubtful accounts	(2,977,607)
Accounts receivable - trade related – net	<u>14,488,579</u>

The financial assistance granted to suppliers of P2,668,000 pertains to the balance of loan granted in 2008 and 2009 to contractor, Strong Union Multi-Purpose Cooperative (SUMCO) to fund its contract with the Department of Education for the manufacture and supply of school furniture. SUMCO's obligation with DepEd were not completed and supplier failed to pay its loan with PITC. Civil case against supplier was filed on September 19, 2011 with Makati City RTC Branch 147. The entire amount was provided with allowance for doubtful account.

Miscellaneous receivable includes advances/mobilization fee granted to contractors and deposit to Department of Budget and Management (DBM) for purchase of office supplies. It also includes receivable from resigned employees who were not yet cleared with the corporation and from others like the janitors and security personnel. Details are as follows:

2.3. ACCOUNTS RECEIVABLE – OTHERS

This account covers the following:

Receivable from BIR	4,568,113
Accrued Interest on short-term placements	1,050,482
Due from officers and employees	3,799,927
	<u>9,418,522</u>
Total Accounts receivable – others	<u>9,418,522</u>

The receivable from BIR pertains to the accumulated input tax and accumulated expanded/creditable withholding taxes.

3. INVENTORIES - NET

This account consists of the following merchandise for sale:

Garments	168,903
Gifts and Housewares	163,557
Footwear and Fashion Accessories	14,993
Others	89,486
	<u>436,939</u>
Total	<u>436,939</u>

4. OTHER CURRENT ASSETS

This account pertains mainly to the Prepaid income tax consisting of the unexpired portion of Minimum Corporate Income Tax for years 2010-2012.

5. NON-CURRENT TRADE AND OTHER RECEIVABLES

This account pertains to deposits with third Parties representing deposits for leased property, public utilities and others.

6. PROPERTY AND EQUIPMENT - NET

This account consists of:

Furniture and Equipment	P	14,099,426
Transportation Equipment		4,881,490
Leasehold Improvement		1,272,161
Total		20,253,077
Accumulated Depreciation		(18,544,701)
Net Amount	P	1,708,376

Purchases of various equipments as well as the disposals of unserviceable assets were done during the year.

In compliance with COA Circular No. 2004-05, the useful life of property, plant and equipment was revised taking into account the manner of computation as stated under COA Circular Letter No. 2004-03 dated October 4, 2004.

Depreciation is computed using the straight-line method over the estimated life of the asset.

7. INVESTMENT PROPERTY

The Investment property includes land and condominium units which are held for capital appreciation. The carrying amounts recognized in the balance sheet reflect the fair values based on appraisal conducted in 2009 except for the property in Lucena City which is stated at cost. The investment includes the following:

Manila Luxury Condominium units	51,240,000
Lot in Urdaneta Pangasinan	11,474,648
Lot in Lucena City	144,047
Total Investment property	62,858,695

- a) The nine residential units in the Manila Luxury Condominium located at Pasig City were acquired through swap deal arrangement entered in 1991 as payment for sale of cement. The details of the property are:

Unit No.	Area (sq.m)		Appraised value
1. 203	181.00	@ Ph30,000 / sq.m.	5,430,000
2. 204	176.20		5,290,000
3. 402	176.20		5,290,000
4. 603	181.00		5,430,000
5. 1004	176.20		5,290,000
6. 1203	181.00		5,430,000
7. 1402	176.20		5,290,000
8. P-4	354.68		10,640,000
9. Parking (9 slots)	12.50/slot	@ P350,000 / slot	3,150,000
Total Appraised value – Manila Luxury condominium			51,240,000

In August 2012, Unit 1003 and the corresponding parking slot amounting to P5,780,000 was transferred to National Development Company as payment of 2008 rental arrears.

- b) The land located in the province of Pangasinan with total cost of P7.217 million and an aggregate lot area of 5,339 square meters (4 contiguous lots) was acquired in 1997 through foreclosure sale in settlement of long outstanding account. In 2011, one (1) lot with an area of 750 sq. meters was disposed through sale. The appraised value of the property per latest appraisal review report of the Commission on Audit (COA) dated March 07, 2011 and CAL-FIL Appraisal and Management Inc. dated January 15, 2010 are as follows:

Lot No. / Area	2011 (COA)	2010 (CAL-FIL)
Lot A – 2,339 sq.m.	6,081,400	5,848,595
Lot C – 750 sq.m.	1,950,000	1,875,350
Lot D – 1,500 sq.m.	3,900,000	3,750,703
Total Appraised value – Urdaneta lot	11,931,400	11,474,648

- c) The parcel of land located in Lucena City with an area of 1,040 square meters and costing P144,047 was acquired from a debtor through Dacion en Pago in settlement of his account.

8. OTHER ASSETS

This account consists of the following:

Receivables from Gold Loop Properties Inc. (GLPI)	32,815,775
Commission on Audit (COA) disallowances	7,220,405
Investment in stocks	689,300
Books	20,441
Total	40,745,921

Receivables from GLPI arose from the sale of cement in 1991. The account for P25.724 million is under a swap deal for 1,333.925 metric tons of cement sold by PITC to GLPI vis a vis condominium units owned by GLPI.

PITC has physical possession of the nine condominium units but without the title to the property. PITC has obtained favorable decision from the Housing and Land Use Regulatory Board (HLURB) for transfer of titles of the property, which was upheld by the Office of the President, Malacañang on January 7, 2000. Both the Court of Appeals and the Supreme Court have denied the appeals filed by GLPI and last August 2, 2002, the favorable decision by the Supreme Court became final, and PITC is now awaiting the remand of the records to the HLURB.

Collection of proceeds on another account of GLPI for P7.092 million was resolved with finality by the Supreme Court with the issuance of an entry of judgment. However, since the property is co-owned only by GLPI with Ms. Zapanta, in case PITC consolidates ownership, it will merely co-own the property with Ms. Zapanta. PITC may wish to consider any offer from GLPI to re-purchase the assets from PITC.

The COA disallowances are as follows:

Foreign Travel Rates	863,198
Penalties on Late Deliveries	742,350
Honoraria and Others	586,441
Discretionary Expense	132,085
Telephone/Cellfone Charges	3,600
Disallowances of 1982 and 1983	4,892,730
Total COA disallowances	7,220,404

Considering that most of the accounts due were incurred/disallowed as far back as 1982 to 1983, Management needs the documents to support these disallowances before collections from the concerned persons/employees can be pursued. All original and supporting documents were forwarded to COA in those years.

Investment in stocks consists of the following:

Center for International Trade Expositions and Missions (CITEM)	625,000
Philippine Long Distance Telephone (PLDT)	64,300
Export and Industry Bank	250,000
Total Investment in stocks	939,300
Allowance for Decline in Value of Invstment w/ EIB	(250,000)
Total Investment in stocks	689,300

Impairment loss was provided on the entire value of investment with Export and Industry Bank (EIB) in view of the closure order by Bangko Sentral ng Pilipinas of EIB in April 2012 because of problems on liquidity.

9. TRADE PAYABLES

This account consists of unpaid charges and purchases from suppliers of items for sale of the following PITC business units:

Pharmaceuticals	5,024,239
Government Procurement	263,664
OTOP/Tindahanng Pinoy	187,102
Exports	67,151
Total Trade payables	5,542,156

10. CUSTOMERS DEPOSITS PAYABLE

Comprising this account are the following:

Advance Science & Technology Institute (ASTI)	P	132,185,438
Armed Forces of the Philippines (AFP-GHQ)		43,658,204
Board of Investment (BOI)		2,461,379
Bureau of Corrections (BUCOR)		36,425,263
Bureau of Jail Management & Penology (BJMP)		45,849,564
Dep of Environment & Natural Resources (DENR)		58,366,143
Department of Health (DOH)		818,131
Department of National Defense (DND)		10,318,315
Dept. of Social Welfare & Devt (DSWD)		7,860,803
Department of Trade & Industry		7,999,193
Environmental Mgmt. Bureau – DENR (EMB-DENR)		45,228,623
FSU – Marine Barracks		448,444
Information & Communication Tech Office (ICTO)		27,527,692
Manila Bay Coordinating Office (MBCO)		77,212,790
National Computer Center (NCC)		118,623,087
National Economic Development Authority (NEDA)		26,840,040
Office for Transportation Security (OTS)		2,228,480
Philippine Air Force (PAF)		108,639,967
Philippine Army (PA)		1,116,127,315
Phil. Center for Economic Devt (PCED)		13,466,855
Philippine Drug Enforcement Agency (PDEA)		36,103,014
Philippine Marine Corps. (PMC)		623,760
Philippine Navy (PN)		44,109,197
Philippine Trade & Training Center (PTTC)		3,349,962
Public Private Partnership Cntr of the Phils./BOTC		91,205
Rental Deposits on Condominiums		1,046,256
Other Customers Deposits		3,867,659
	P	1,971,476,779

Fund transfers from the different government agencies were provided for the procurement of various requested items.

Rental deposits on condominium are deposits for office space rental made by tenants of the PITC units at the Manila Luxury and Gold Loop Condominiums.

Other Customers' deposits pertain mainly to the funds of the Bids and Awards Committees in the total amount of P3,306,225

11. INTER-AGENCY PAYABLE

This account consists of liabilities to the following:

Bureau of Internal Revenue	P	4,915,784
Dept. of Trade & Industry/RODG		13,543,036
GSIS, HDMF, NHMFC and PHIC		1,213,419
	P	19,672,239

12. OTHER CURRENT LIABILITIES

This account is composed of the following:

Contractors' security deposits	12,848,016
Accrued expenses	17,376,029
Payable to officers and employees	57,535
Payable-others	56,696,282
Total Other current liabilities	86,977,862

Accrued expenses pertain to the Corporation's operational expenses such as salaries and wages, utility charges and rental expenses which were incurred as of the end of the year.

Payable – others pertain mainly to the 10 percent retention withheld from payment to contractors/suppliers which are to be released upon full performance of their contracted obligations.

13. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

This account refers to the money value of accumulated vacation and sick leave credits of PITC employees.

14. SHARE CAPITAL

The authorized capital of PITC is 3,000,000 shares at par value of P100 per share. The account consists of the fully paid shares of the following:

Shareholders	No. of Shares	Amount	Percent
National Development Corporation	2,985,000	298,500,000	99.50
Development Bank of the Phils.	15,000	1,500,000	0.50
Total Share capital	3,000,000	300,000,000	100.00

15. RELATED PARTY TRANSACTIONS

The Corporation's related parties include its parent corporation, subsidiary, the Corporation's key management and others as described below.

15.1 Due from/to subsidiaries – PITC Pharma, Inc.

The Corporation provides the utilization of the credit line facilities relative to the importation of pharmaceutical inventory to its subsidiary, PITC Pharma, Inc., and direct expenses incurred in 2007. Goods are purchased on the basis of the price lists in force with non-related parties. The related outstanding payables for goods purchased in 2009 and 2008 are presented as part of Trade and Other Payables account in the Balance Sheet.

Full allowance for doubtful account was provided for the total receivable from PPI amounting to P16,159,459. The increasing negative financial position of PPI and the consistent loss since its first year of operation in 2006 indicates uncollectibility of the account.

15.2 Investment in PITC PHARMA, INC.

As a key strategy to develop its pharmaceutical program focusing on the expansion of its Botika ng Bayan accredited retail outlets as well as to strengthen institutional linkages with key government agencies and local government units, PITC and the National Development Corporation (NDC) have agreed to collaborate in the setting up of a corporate vehicle that shall exclusively pursue the government's pharmaceutical program under EO 442 and likewise carry out the business of, among others, sourcing, selling, manufacturing and distributing low cost quality medicines.

On November 9, 2005, the PITC Pharma, Inc., (formerly known as Producer's Venture Capital Corporation) was incorporated per Amended Articles of Incorporation under SEC Corporation Registration No. 99913. Its primary purpose, among others, is to engage in the sourcing, sale and/or distributing of pharmaceutical products and other related commercial ventures thereof.

As evidenced by the Shareholders Agreement, NDC and PITC agreed that the Shareholders shall subscribe to and fully pay the total subscriptions in capital stock

of the corporation. PITC investment of P22,500,000 consist of 225,000 shares with PAR value of P100.00

Since its first year of operation in 2006, PPI, however, has incurred consistent loss and has been in a negative financial position from 2006. In view of the increasing capital deficiency, there is no indication that the investment can be recovered. Thus, allowance for decline in value was provided for the total investment account.