

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

	NOTES	THIS MONTH	LAST MONTH
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	1	2,099,051,992	2,050,410,672
Trade and Other Receivables	2	42,615,072	42,307,829
Inventories, net	4	436,939	436,939
Due from Subsidiaries/Affiliates	3	-	-
Other Current Assets	5	2,390,279	2,390,279
Total Current Assets		2,144,494,281	2,095,545,719
<i>Non-Current Assets</i>			
Trade and Other Receivable	2.4	1,847,333	1,847,333
Property and Equipment, net	6	1,725,599	1,708,267
Investment Property	7	62,858,695	62,858,695
Investment in PITC Pharma, Inc.	8	-	-
Deferred Tax Assets		40,202,498	40,202,498
Other Assets	9	40,745,921	40,745,921
Total Non-Current Assets		147,380,046	147,362,714
TOTAL ASSETS		2,291,874,327	2,242,908,433
LIABILITIES AND EQUITY			
<i>Current Liabilities</i>			
Trade Payables	10	5,545,036	5,545,036
Customers Deposits Payable	11	1,973,903,484	1,932,984,699
Inter-Agency Payable	12	26,973,672	23,839,494
Other Current Liabilities	13	76,423,611	71,065,649
Total Current Liabilities		2,082,845,803	2,033,434,878
<i>Estimated Liability for Employees Benefits</i>	14	10,833,273	10,794,767
TOTAL LIABILITIES		2,093,679,076	2,044,229,645
<i>Equity</i>			
Share Capital	15	300,000,000	300,000,000
Benefit from Deferred Income Tax		-	-
Retained Earnings		(101,804,750)	(101,321,212)
Total Equity		198,195,250	198,678,788
TOTAL LIABILITIES AND EQUITY		2,291,874,327	2,242,908,433

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

	THIS MONTH ACTUAL	YEAR TO DATE ACTUAL
OPERATING INCOME		
Sales	611,708	5,430,516
Cost of Sales	563,816	5,052,175
Gross Margin	47,891	378,341
Commission Income	45,155	106,259
Trading Income	93,046	484,600
Service Income	3,667,035	24,057,671
Other Income	2,622,559	20,627,071
	6,382,640	45,169,343
OPERATING EXPENSES		
Personnel	4,544,980	24,169,271
PPDM	622,851	5,398,677
Occupancy	1,324,097	7,860,730
Others	377,909	3,566,234
	6,869,837	40,994,912
NET INCOME (LOSS) FROM OPERATIONS	(487,197)	4,174,431
FINANCE COST	3,659	(6,934)
NET INCOME (LOSS) BEFORE TAX	(483,538)	4,167,497
INCOME TAX EXPENSE	-	(574,191)
NET INCOME (LOSS) AFTER TAX	(483,538)	3,593,305

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

	ACTUAL
PERSONNEL EXPENSES	
Salaries and Wages	16,326,673
Personnel Economic Relief Allowance	856,683
Allowance (AO 53)	-
RATA	1,766,313
Uniform Allowance	365,000
Rice Allowance	218,345
Directors' Allowance	60,000
Honoraria	-
Year End Bonus	-
Life/Retirement Insurance Contributions	1,714,343
Pag-ibig Fund Contribution	212,747
Philhealth Contributions	140,563
Employees' Compensation Contribution	42,900
Retirement Benefits	-
Vacation & Sick Leave Benefits	1,702,897
Other Personnel Benefits	762,808
Total Personnel Expenses	24,169,271

MAINTENANCE AND OTHER OPERATING EXPENSES

PRODUCT/PROJECT DEV'T & MARKETING EXPENSES

Travel Expenses	367,849
Training & Scholarship Expenses	256,414
Communication Services	889,710
Membership Dues & Contribution	167,984
Advertising Expense	298,402
Printing Expense	31,071
Representation Expenses	1,107,699
Consultancy Expense	776,437
Legal Services	214,410
Brokers Fee	-
Other Professional Services	430,718
Insurance Expense	857,983
	<u>5,398,677</u>

OCCUPANCY EXPENSES

Supplies and Materials	903,347
Fuel, Oil and Lubricants	259,288

Water Expense	114,532
Electricity Expense	1,166,932
Rent	2,995,903
General/Janitorial Services	1,054,417
Security Services	895,583
Repairs and Maintenance	365,052
Repairs and Maintenance - Land Transportation	105,677
	<u>7,860,730</u>

OTHER EXPENSES

Auditing Services	2,441,654
Donations	-
Extraordinary Expense	1,500
Taxes, Duties and Licenses	889,114
Loss on Forex	527,619
Loss on Sale of Assets	-
Loss of Assets	-
Impairment Loss	-
Other Maintenance & Operating Expense	(10)
Doubtful Accounts Expense	(485,409)
Depreciation - Building & Other Structures	-
Depreciation - Property and Equipment	191,766
	<u>3,566,234</u>

Total Maintenance & Other Operating Expenses	16,825,641
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FINANCIAL EXPENSES

Bank Charges	6,504
Documentary Stamp Tax Expense	430
Interest Expense	-

Total Financial Expenses	6,934
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TOTAL OPERATING EXPENSES	41,001,846
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PHILIPPINE INTERNATIONAL TRADING CORPORATION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Cash on Hand	P	315,831
Cash In Banks		73,922,189
Cash In Banks - Other Agencies		357,948,882
Time Deposits		1,666,865,090
	P	2,099,051,992

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. on

Short-term placements are made for varying periods between 30 to 91 days. Time Deposits are short term highly liquid dollar and peso investments with Philippine National Bank and Landbank of the Philippines with original maturities of three (3) months or less.

The Cash in Bank – Other Agencies pertains to the funds transferred by the Advance Science & Technology Institute (ASTI), Armed Forces of the Phils. (AFP), Board of Investment (BOI), Public Private Partnership Cntr of the Phils. (PPP), Bureau of Correction (Bucor), Bureau of Jail Management and Penology (BJMP), Dept. of Health (DOH), Dept. of National Defense (DND), Dept. of Social Welfare & Devt (DSWD), Dept. of Trade & Industry (DTI), Environment Mgmt Bureau-DENR (EMB-DENR), FSU-Marine Barracks, Information & Communication Technology Office (ICTO), Manila Bay Coordinating Office (MBCO), Natl Computer Center (NCC), National Economic Development Authority (NEDA), Phil. Air Force (PAF), Philippine Army (PA), Phil. Center for Economic Devt (PCED), Phil Marine Corps (PMC), Phil. Navy (PN) and Phil. Drug Enforcement Agency (PDEA), Philippine Trade & Training Center (PTTC), Product Devt & Design Center of the Phils. (PDDCP) and others for the procurement of various items.

The Cash and Cash Equivalent include funds in trust as shown hereunder:

Comprising this account is as follows:

Advance Science & Technology Institute (ASTI)	P	152,569,136
Armed Forces of the Philippines (AFP-GHQ)		43,658,204
Board of Investment (BOI)		12,696,499
Bureau of Corrections (BUCOR)		37,119,824
Bureau of Jail Management & Penology (BJMP)		54,172,016
Dep of Environment & Natural Resources (DENR)		58,330,018
Department of Health (DOH)		818,131
Department of National Defense (DND)		10,318,635
Dept. of Social Welfare & Devt (DSWD)		13,109,829
Department of Trade & Industry		6,038,250
Environmental Mgmt.Bureau – DENR (EMB-DENR)		55,223,676
FSU – Marine Barracks		1,748,444
Information & Communication Tech Office (ICTO)		27,813,697
Manila Bay Coordinating Office (MBCO)		812,790
National Computer Center (NCC)		130,962,959
National Economic Development Authority (NEDA)		27,339,972
Philippine Air Force (PAF)		192,026,742
Philippine Army (PA)		1,037,089,523
Phil. Center for Economic Devt (PCED)		10,211,947
Philippine Drug Enforcement Agency (PDEA)		36,292,452
Philippine Marine Corps. (PMC)		623,760
Philippine Navy (PN)		55,763,875
Philippine Trade & Training Center (PTTC)		2,348,486
Product Devt & Design Center of the Phils.(PDDCP)		2,000,000
Public Private Partnership Cntr of the Phils./BOTC		91,204
Rental Deposits on Condominiums		1,081,387
Other Customers Deposits		3,642,028
	P	1,973,903,484

2. TRADE AND OTHER RECEIVABLES

This account consists of the following:

Trade	P	3,297,077
Trade Related		10,049,607
Accounts Receivable – Others		29,268,388
	P	42,615,072

2.1. ACCOUNTS RECEIVABLE – TRADE

This account consists of receivable from:

Domestic Sales	P	66,003,724
Service Fees and Other Charges		13,357,937
Export Sale and Import Commissions		4,139,998
Freight and Other Charges		1,702,435
		85,204,094
Allowance for Doubtful Accounts		(81,907,017)
	P	3,297,077

The details of Domestic Sales consist of the following:

Pharmaceutical Business Unit	P	21,578,587
Cement		9,221,202
Government Procurement Unit		21,252
Rattan		1,094,238
Others		34,088,445
	P	66,003,724

On current business transactions, net receivables per business units are shown hereunder:

Government Procurement Unit	P	0.021
Countertrade		2.173
Imports		1.044
Exports		0.059
	P	3.297

2.2. ACCOUNTS RECEIVABLE – TRADE RELATED

This account is composed of the following:

Miscellaneous	P	10,061,663
Condominium clients		(12,056)
	P	10,049,607

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.

2.3. ACCOUNTS RECEIVABLE – OTHERS

This account covers the following:

Receivable from BIR	P	24,174,912
Due from Officers and Employees		4,135,072
Accrued Interest on Short-term Placements		958,404
	P	29,268,388

Receivable from BIR included the following:

• Accumulated Input Tax	-	P	8,282,051
• Accumulated expanded/ Creditable withholding taxes	-		15,892,861

Accumulated input tax is creditable against output tax which the company paid in the course of business relative to the importation of goods or local purchase of goods and services from a VAT-registered person in accordance with the tax laws.

The accumulated expanded or creditable withholding taxes were deducted by various customers and clients from the sale of goods and rental of real properties. Section 76 of the National Internal Revenue Code allows cash refund of the amount withheld or the use of the covering tax credit certificates against future tax liabilities.

2.4. Non-current Trade and Other Receivables

This account pertains to Deposits with Third Parties representing deposits for leased properties, public utilities and others with balances amounting to P1.847M.

3. DUE FROM SUBSIDIARIES/AFFILIATES

This account represents PITC's sales of pharmaceutical products to PITC Pharma Inc. relative to the transfer of the pharmaceutical operation to the later, service fees for the use of the credit line facilities for the importation of PPI and reimbursement of direct expenses incurred in 2007, the details are shown hereunder:

Pharmaceutical Inventories	P	18,009,048
Reimbursement of direct expenses		2,516,389
Use of credit line facilities		2,760,214
Transfer of outstanding receivable from BnB client		602,057
PITC collections in behalf of PPI		(7,528,249)
	P	16,359,459
Less: Allowance for Doubtful Account		16,359,459
NET AMOUNT		0

Full allowance for doubtful account was provided for the total receivable due to increasing negative financial position of PPI and the consistent loss since its first year of operation in 2006.

4. INVENTORIES

This account consists of the following merchandise for sale:

Footwear & Fashion Accessories	P	14,993
Gifts and Housewares		163,557
Garments		168,903
Others		89,486
		<u>436,939</u>
Allowance for Obsolescence		0
	P	<u>436,939</u>

5. OTHER CURRENT ASSETS

This account consists of:

Other Prepayments and Deposits	P	0
Prepaid Income Tax		2,390,279
	P	<u>2,390,279</u>

Pursuant to BIR Revenue Regulation No. 9–98, the company is subject to a Minimum Corporate Income Tax (MCIT) of two percent (2%) of the Gross Income less Cost of Services or the normal income tax rate, whichever is higher.

This account also consists of the unexpired portion of MCIT with balances amounting to P0.893M, P0.786M, and P0.711M for 2012, 2011, and 2010 respectively.

6. PROPERTY PLANT AND EQUIPMENT (NET)

This account consists of:

Furniture and Equipment	P	14,019,962
Transportation Equipment		4,881,490
Leasehold Improvement		1,272,161
		<u>20,173,613</u>
Accumulated Depreciation		(18,448,014)
	P	<u>1,725,599</u>

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 prevailing market conditions at the balance sheet date except for the Lucena property. The investment includes the following:

- a) The nine (9) residential units in the Manila Luxury Condominium located at Pasig City, which were acquired through swap deal arrangement entered in 1991 by PITC and Titan Construction Corporation in exchange for cement. The property is classified as Investment Property in accordance with PAS 40 par. 8 since the property was held to earn rentals and capital appreciation. The property was appraised in Y2009 by an independent appraisers as shown below:

Condominium Units	2009
Unit 203 – 181 sq.m. @ Ph30,000/sq.m.	P 5,430,000
Unit 204 – 176.2 sq.m.	5,290,000
Unit 402 – 176.2 sq.m.	5,290,000
Unit 603 – 181 sq.m.	5,430,000
Unit 1004 – 176.2 sq.m.	5,290,000
Unit 1203 – 181 sq.m.	5,430,000
Unit 1402 – 176.2 sq.m.	5,290,000
Unit P-4 – 354.68 sq.m.	10,640,000
Parking slots – 9 slots @ P350,000/slot	3,150,000
TOTAL	P 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 for Y2008 rental arrears.

- b) The land with total cost of P7.217M located in the province of Pangasinan with an aggregate lot area of 5,339 sq.m. acquired from spouses Anselmo and Carmelita Tapangco under foreclosure sale in settlement of long outstanding account covered by Sheriff's Final Sale dated September 4, 1997 in Foreclosure Case No. 11-720 of RTC Urdaneta, Pangasinan. In 1998, the property was offered for sale twice through public bidding but was declared failed biddings due to absence of interested buyer. Currently, PITC is renewing efforts to sell this property. The property was appraised in Y2009 by an independent appraisers as shown below:

	2009	2008
Lot A – 2,339 sq.m.	P 5,848,595	P 7,017,000
Lot C – 750 sq.m.	1,875,351	2,250,000
Lot D – 1,500 sq.m.	3,750,703	3,750,000
	P 11,474,649	P 15,267,000

- c) Another parcel of land with an area of 1,040 sq. meters, and costing P0.144 M was acquired from a debtor in settlement of its account (Dacion en Pago). The land is situated in Lucena City.

8. INVESTMENTS 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 Company (NDC) have agreed to collaborate in the setting up of 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 distribution of 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 Company Registration No. 99913. Its primary purpose, among others is to engage in the sourcing, sale and/or distribution of pharmaceutical products and other related commercial ventures thereof.

As evidenced by the Shareholders Agreement, NDC and PITC agreed that at the time of incorporation the Shareholders shall subscribe to and fully pay the total subscriptions in capital stock of the corporation broken down as follows:

	No. of Shares		Amount	Percent
Philippine International Trading Corp	225,000	P	22,500,000	60.0
National Development Company	150,000		15,000,000	40.0
	375,000	P	37,500,000	100.0

The company received the Certificate of Stocks in the name of PITC for said shares to fully document PITC's ownership over the fully paid shares on July 20, 2007.

Allowance for Decline in Value of Investment for the full amount was provided in Y2011 due to increasing capital deficiency of PPI and there is no indication that the investment can be recovered.

9. OTHER ASSETS

This account consists of the following:

Receivables from GLPI	P	32,815,775
COA Disallowances		7,220,404
Investment in Stocks		689,300
Books		20,442
	P	40,745,921

Receivables from Gold Loop Properties, Inc (GLPI) arose from the sale of cement in 1991. The account for P25.724M is under a swap deal for 1,333.925 MT of cement sold by PITC to GLPI vis a vis condominiums owned by GLPI.

PITC has physical possession of the nine (9) condominium units but without the title to the properties. PITC has obtained favorable decision from the Housing and Land Use Regulatory Board (HLURB) for transfer of titles of the properties, which was upheld by the Office of the President, Malacanang on January 7, 2000. Both the Court of Appeals and the Supreme Court have denied the appeals filed by Gold Loop and last August 2, 2002, the favorable decision by the Supreme Court became final, PITC is now awaiting the remand of the records to the HLURB.

Collection of proceeds on another account of GLPI for P7.092M, was resolved with finality by the Supreme Court with the issuance of an entry of judgment.

However, since these properties are co-owned only by GLPI with Ms. Zapanta, in case PITC consolidates ownership, it will merely co-own these properties with Ms. Zapanta. PITC may wish to consider any offer with GLPI to re-purchase properties from PITC. PITC is again pursuing legal claims on these properties.

Various COA disallowances covers the following:

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

Investment in stocks covers the following:

CITEM	P	625,000
PLDT		64,300
	P	689,300

10. TRADE PAYABLE

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

Pharmaceuticals	P	5,024,239
Government Procurement		263,664
Exports		67,151
OTOP		189,982
	P	5,545,036

11. CUSTOMERS' DEPOSITS PAYABLE

Comprising this account is as follows:

Advance Science & Technology Institute (ASTI)	P	152,569,136
Armed Forces of the Philippines (AFP-GHQ)		43,658,204
Board of Investment (BOI)		12,696,499
Bureau of Corrections (BUCOR)		37,119,824
Bureau of Jail Management & Penology (BJMP)		54,172,016
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Department of Trade & Industry		6,038,250
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Philippine Air Force (PAF)		192,026,742
Philippine Army (PA)		1,037,089,523
Phil. Center for Economic Devt (PCED)		10,211,947
Philippine Drug Enforcement Agency (PDEA)		36,292,452
Philippine Marine Corps. (PMC)		623,760
Philippine Navy (PN)		55,763,875
Philippine Trade & Training Center (PTTC)		2,348,486
Product Devt & Design Center of the Phils.(PDDCP)		2,000,000
Public Private Partnership Cntr of the Phils./BOTC		91,204
Rental Deposits on Condominiums		1,081,387
Other Customers Deposits		3,642,028
	P	1,973,903,484

Fund transfers from the ASTI, AFP-GHQ, BOI, BUCOR, BJMP, DENR, DOH, DND, DSWD, DTI, EMB-DENR, ICTO, MBCO, NCC, NEDA, Phil Airforce, Phil Army, Phil Marine, Phil Navy, PCED, PDEA, PTTC, PPP/BOTC and others were provided for the procurement of various items.

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

12. INTER-AGENCY PAYABLE

This account consists of liabilities to the following:

Bureau of Internal Revenue	P	11,354,338
Dept. of Trade & Industry/RODG		14,454,954
GSIS, HDMF, NHMFC and PHIC		1,164,380
	P	26,973,672

13. OTHER CURRENT LIABILITIES

This account is composed of the following:

Accrued Expenses	P	16,409,865
Payable-Others		46,703,152
Payable Officers & Employees		56,176
Contractors' Security Deposits		13,254,418
	P	76,423,611

Payable – Others pertain mostly to the 10% retention withheld from payment to contractors/suppliers for refund upon receipt of the proceeds from various buyers or upon finished/lapsed of the warranty period.

14. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

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

15. SHARE CAPITAL

The authorized capital of PITC is 3,000,000 shares at par value of P 100 per share. The account consists of the fully paid shares of the following:

	No. of Shares		Amount	Percent
National Development Company	2,985,000	P	298,500,000	99.5
Development Bank of the Phils.	15,000		1,500,000	0.5
	3,000,000	P	300,000,000	100.0
