



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF GOVERNORS

Center for International Trade Expositions and Missions
Roxas Boulevard Cor. Sen. Gil J. Puyat Ave.
Pasay City

We have audited the accompanying financial statements of the Center for International Trade Expositions and Missions (CITEM), which comprise the balance sheet as of December 31, 2010, and the statement of revenues and expenditures, statement of changes in net worth and cash flow statement 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Comments and Observations No. 1 and disclosed under Note 17 to the Financial Statements, the accuracy of Government equity account reported at P41,221,808 as of December 31, 2010 cannot be established because a net discrepancy of P6,743,000 resulted from the confirmation of the recorded balances with the Bureau of the Treasury, Bangko Sentral ng Pilipinas and Land Bank of the Philippines. The issue on reconciliation between the Corporation's accounting records and those of the contributors, remained unresolved because of insufficient documentation. There is no other available alternative audit procedure to ascertain the correct account balance.


As presented in Comments and Observations No. 2, credits of P2,102,440 to Accounts receivable-participation fee (AR-PF) in the general ledger were not posted to the individual subsidiary ledgers resulting in unsubstantiated account balance, and accounting errors resulted in inaccurate balances of the Accounts receivable and other affected accounts. Due to the late submission and incomplete information on the schedule of account balances and to inadequate database on receivables, we were not able to conduct confirmation of the account balances. There is no other alternative procedure that will establish the accuracy of the account balances.

As stated in Comments and Observations No. 3, the Guaranty deposit account balance of P1,489,800 as of December 31, 2010 included doubtful and inaccurate accounts totaling P1,141,434, resulting in the misstatement of the account and other affected accounts.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Center for International Trade Expositions and Missions as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT


ELIZABETH C. LIBERATO
Supervising Auditor
Trading and Promotion Group
Cluster C, Corporate Government Sector

May 26, 2011

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS

BALANCE SHEET

December 31, 2010

(With corresponding figures for 2009)

(In Philippine Peso)

	Notes	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	3 and 22	80,528,068	90,317,170
Receivable accounts, net	2.2, 4 and 22	37,857,979	58,050,107
Inventories	5	427,673	511,596
Prepaid expenses	6 and 22	2,355,904	640,735
Guaranty deposits	7	1,489,800	1,368,321
Other current assets	8	2,297	797
		122,661,721	150,888,726
Non-current Assets			
Investment in stocks	9	42,000	49,000
Property and equipment, net	2.4 and 10	13,794,140	13,081,588
Restricted fund	11 and 22	372,356,335	372,356,335
Other assets	12	603,619	605,119
		386,796,094	386,092,042
TOTAL ASSETS		509,457,815	536,980,768
LIABILITIES AND NET WORTH			
Current Liabilities			
Payable accounts	13	22,200,276	16,251,483
Inter-agency payables	14	30,898,074	42,593,027
Deferred credits	15 and 22	7,058,766	4,737,845
Other current liabilities	16	11,565,147	25,127,637
TOTAL LIABILITIES		71,722,263	88,709,992
NET WORTH		437,735,552	448,270,776
TOTAL LIABILITIES AND NET WORTH		509,457,815	536,980,768

The notes on pages 7 to 14 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF REVENUES AND EXPENDITURES

For the year ended December 31, 2010

(With corresponding figures for 2009)

(In Philippine Peso)

	Notes	2010	2009
General Income	2.3 and 19		
Service income		54,119,885	52,487,208
Income from grants and donations		-	(6,000)
Interest income		10,524,618	17,409,847
Loss on foreign exchange		(2,762,303)	(1,282,770)
Other income		836,648	2,441,848
Gross income		62,718,848	71,050,133
Expenses	2.3 and 20		
Personal services		43,489,167	37,903,023
Maintenance and other operating expenses		97,349,318	96,558,883
Financial expenses		331,157	192,647
Total expenses		141,169,642	134,654,553
LOSS FROM OPERATIONS		78,450,794	63,604,420
SUBSIDY FROM NATIONAL GOVERNMENT	21	73,746,000	67,831,000
NET (LOSS) INCOME		(4,704,794)	4,226,580

The notes on pages 7 to 14 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CHANGES IN NET WORTH
For the year ended December 31, 2010
 (With corresponding figures for 2009)
 (In Philippine Peso)

	Notes	2010	2009
GOVERNMENT EQUITY	17		
Balance, beginning of year		39,767,397	38,767,397
Additional capital contribution from Land Bank of the Philippines (LBP)		-	1,000,000
Reversal on entry made re- additional capital from LBP		(1,000,000)	-
Donation from China		2,454,411	-
Balance, end of year		41,221,808	39,767,397
RESTRICTED CAPITAL	11		
Balance, beginning/end of year		372,356,335	372,356,335
APPRAISAL CAPITAL	2.4		
Balance, beginning/end of year		5,054,354	5,054,354
RETAINED EARNINGS			
Balance, beginning of year		31,092,690	33,671,533
Additional equity contribution from LBP	17	-	(1,000,000)
Reversal on entry made re- additional capital from LBP	17	1,000,000	-
Prior years adjustments	18	(8,284,841)	(5,805,423)
Net (loss) income		(4,704,794)	4,226,580
Balance, end of year		19,103,055	31,092,690
NET WORTH		437,735,552	448,270,776

The notes on pages 7 to 14 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
CASH FLOW STATEMENT
For the year ended December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009
Cash Flows from Operating Activities:			
Receipt of government subsidy	21	73,746,000	67,831,000
Cash received from exhibitors/customers		55,511,381	56,458,753
Funds received from Department of Trade and Industry and other government agencies and sponsorship from private sectors for the implementation of export promotion projects		38,184,901	49,257,073
Funds received from Philippine Exporters Confederation		100,000	10,000,000
Interest received from savings/current accounts		167,663	223,318
Cash paid to suppliers and employees		(193,360,366)	(208,162,762)
Net cash used in operating activities		(25,650,421)	(24,392,618)
Cash Flows from Investing Activities:			
Interest earned from investment in treasury bills/ time deposit		10,524,618	17,186,529
Investment in treasury bills and dollar time deposit transferred to restricted fund account	22	8,341,821	(33,300,070)
Effects of foreign exchange rate changes on cash and cash equivalents		(2,762,303)	(1,282,770)
Purchases of property, equipment and motor vehicles		(242,817)	(899,260)
Net cash provided by investing activities		15,861,319	(18,295,571)
Net decrease in cash and cash equivalents		(9,789,102)	(42,688,189)
Cash and cash equivalents, beginning of year		90,317,170	133,005,359
CASH AND CASH EQUIVALENTS, END OF YEAR	3	80,528,068	90,317,170

The notes on pages 7 to 14 form part of these financial statements.