

COMPILATION OF MATERIAL FINDINGS ON 2010 AFS OF BROKER-DEALER COMPANIES
TOTAL NUMBER OF COMPANIES COVERED: 25

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Auditor's Report	The "Report on Financial Statement" and "Management Responsibility for the financial statements" paragraphs of the Auditor's Report are not in accordance with the prescribed wordings per PSA 700, as amended	1	4%
Statement of Management's Responsibility	The Statement of Management Responsibility was not signed by the required signatories (SRC Rule 68.1, as amended).	7	28%
Risk Based Capital Adequacy Report	The required RBCA schedules were not submitted with the AFS (SRC Rule 52.1 and SEC Memorandum Circular No. 16, Series of 2004).	1	4%
Reconciliation Schedule for Retained Earnings Available for Dividend Declaration	There is no Reconciliation Schedule for Retained Earnings Available for Dividend Declaration attached to the company's AFS in compliance with SEC Memorandum Circular No. 11, Series of 2008.	1	4%

Notes to Financial Statements	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Cash and Cash Equivalents	There is no discussion of the company's compliance with the requirements of Rule 49.1b as to the set-up and maintenance of a "Special Reserve Bank Account" for the exclusive benefit of <i>its customers</i> .	1	4%
Receivables	There is no subsequent measurement policy on "Loans and Receivables" (PAS 39)	1	4%
Financial Assets/Investments	There are no accounting policies on derecognition and impairment of financial assets (PFRS 7)	1	4%
Liabilities	There is no explanatory note on "Miscellaneous Payable" despite materiality of amount (PAS 1).	1	4%

Notes to Financial Statements	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Equity	The unappropriated retained earnings is in excess of the company's paid-in capital. There is no disclosure on the appropriation except for "Reserve Fund" in Note 5 to comply with Section 43 of the Corporation Code.	1	4%
	Based on the Notes to AFS, the company provided its stockholders a stock grant of 30,000 PSE shares valued at P3.75 Million on 14 August 2008 "to compensate for the amount he infused as increase in paid up capital". This appears to be inappropriate given that it is tantamount to a return of capital. Moreover, the "Statement of Changes in Equity" in the company's 2009 AFS (with comparative 2008 and 2007 figures) shows that the paid up capital for the year 2008 did not increase to reflect the said capital infusion (PAS 1).	1	4%
	The company's "Appropriation of reserve fund" is deficient per computation based on the schedule under Rule 49.1 (B) and SEC Memorandum Circular No. 16, Series of 2004).	3	12%
Costs and Expenses	There are no disclosures on "General and Administrative Expenses - Others" despite materiality of amount (PAS 1).	1	4%
Leases	Incomplete disclosures on Leases, i.e., general leasing agreements (PAS 17).	1	4%
Related Party Transactions	Incomplete disclosures on related party transactions, i.e., details and volume of transactions, terms and conditions (PAS 24).	1	4%

Notes to Financial Statements	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Capital Management	There is no discussion in the Notes to FS of the requirements of the Risk Based Capital Adequacy (RBCA) and whether or not the company has been compliant of said requirements (PAS 1 and SEC Memorandum 16, Series of 2004).	5	20%
	There is no discussion on the deferral of the implementation of the Exchange's Rules Governing Trading Rights and Trading Participants which was approved by the Commission on May 28, 2009, particularly on the maintenance of an unimpaired paid-up capital for the year ended December 31, 2010 of P30 Million and other relevant information.	4	16%