

**COMPILATION OF MATERIAL FINDINGS ON 2011 AFS OF ORDINARY CORPORATIONS
TOTAL NUMBER OF COMPANIES COVERED: 50**

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Statement of Management's Responsibility over the Financial Statements (SMR)	The company's SMR is not in accordance with SRC Rule 68, as amended, i.e., prescribed wordings, date when the SMR was signed, and failed to cover the comparative 2010 financial statements.	17	34%
	The signatories indicated in the 2011 and 2012 SMRs are not consistent with those stated in 2011 and 2012 General Information Sheets filed on 12 December 2011 and 02 January 2013, respectively (SRC Rule 68, as amended).	3	6%
Auditor's Report	The financial reporting framework cited in the opinion paragraph is incorrect. Considering the asset and liability size of the company, it should have adopted PFRS for SMEs (SRC Rule 68, as amended).	12	24%
	The auditor's report was inappropriately dated prior to the date when the Board of Directors approved and authorized the issuance of the financial statements (PSA 700).	9	18%
	There is no emphasis of matter paragraph for the continuous capital deficiency of the company indicating the following information: a. The fact that the company has incurred a capital deficiency that raises an issue on its going concern status; b. A brief discussion of a concrete plan of the company to address the capital deficiency and reference to the note to financial statements that provides a complete disclosure of the said plan; c. A statement that the auditor conducted sufficient audit procedures to verify the validity of the aforementioned plan (SRC Rule 68, as amended).	6	12%
	There is no legal matter paragraph to cover the supplementary information required under the Revenue Regulation 15-2010 (PSA 700, as redrafted).	4	8%
	The schedule of Reconciliation of Retained Earnings Available for Dividend Declaration was not covered by an Auditor's report.	2	4%
	The basis of opinion is not consistent with the basis of preparation and presentation on the second paragraph of the auditor's report (SRC Rule 68, as amended).	2	4%
	The Auditors' Report, Statement of Changes in Equity and Statement of Cash Flows failed to cover the 2010 comparative financial statements (PSA 700, as redrafted).	2	4%
	The Auditor's Report failed to cover the Statement of Income, Statement of Changes in Equity and Statement of Cash Flows (PSA 700, as redrafted and SRC Rule 68, as amended).	1	2%
	The expiration date of registration with BOA and the complete mailing address of the Auditor are not indicated (SRC Rule 68, as amended).	2	4%
	The category of the external auditor's SEC accreditation is not indicated (SRC Rule 68, as amended).	1	2%
Statement of Financial Position	The Statement of Financial Position failed to present the current and non-current classifications of assets and liabilities (Sec. 4 of PFRS for SMEs).	1	2%
Statement of Cash Flows	The "Depreciation Expense" amounting to P770,819 under the Operating Expense account in Note 13 is not consistent with the amount reflected on the Statement of Cash Flows and in Note 7 under the "Property and Equipment-net" account amounting to P1,133,292.	2	4%

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COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Statement of Cash Flows	Incorrect presentation of the accounts, "Decrease in Building" and "Retained Earnings", "Decrease in Loans" and "Increase in Loans Payables". Section 7.10 of PFRS for SMEs requires cash flows from investing and financing activities be reported in terms of gross receipts and gross cash payments.	3	6%
	The Statement of Cash flows is not presented in accordance with Sec. 7 of PFRS for SMEs.	1	2%
Statement of Changes in Equity	There is no Statement of Changes in Equity submitted together with the other components of financial statements (SRC Rule 68, as amended).	1	2%
Supplemental Written Statement (SWS) of External Auditor	The SWS incorrectly states that the company has 5 stockholders owning 100% or more shares. Please refer to Annex 68-B for the correct wordings (SRC Rule 68, as amended).	1	2%
	The Supplemental Written Statement of External Auditor is not signed by the Auditor (SRC Rule 68, as amended);	1	2%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Notes to FS	Incomplete notes to Financial Statements were submitted.	1	2%
Corporate Information	The company failed to provide its specific management plans to address the capital deficiency (SRC Rule 68, as amended & Sec. 8 of PFRS for SMEs).	2	4%
	There is no disclosure of the date when the Board of Directors approved and authorized the issuance of the financial statements (Secs. 8 and 32 of PFRS for SMEs).	2	4%
	Incomplete disclosure on the description of the nature of the company's operation and principal activity (Sec. 3 of PFRS for SMEs).	1	2%
	The address of the company's registered office is not indicated (Sec. 3 of PFRS for SMEs).	1	2%
Basis of Preparation	The basis of opinion, i.e. PFRS for SMEs is not consistent with the basis of preparation in Note 2 which is FULL PFRS (SRC Rule 68, as amended and PSA 700, as redrafted).	6	12%
	The company incorrectly adopted full PFRS as its basis for preparation. Considering its asset/liabilities size, it should have adopted PFRS for SMEs (SRC Rule 68, as amended).	5	10%
Estimates and judgments	There are no discussions on the judgments and estimates that the management used in applying accounting policies and that have the most significant effect in the AFS (Sec. 8 of PFRS for SMEs).	4	8%
Cash and Cash Equivalents	There is no breakdown of items comprising the "Cash and Cash Equivalents" (Sec. 7 of PFRS for SMEs).	2	4%
	There is no accounting policy on cash (Secs. 8 and 10 of PFRS for SMEs).	2	4%
	There is no disclosure of any legal restriction which may hinder its availability of "Cash in bank" (Sec. 7 of PFRS for SMEs).	1	2%
	There is no note to FS showing the components of "Cash and cash equivalents" (Sec. 4 of PFRS for SMEs).	1	2%
	The cash beginning balance is not in conformity with the cash ending balance per 2010 AFS (Sec. 7 of PFRS for SMEs).	1	2%

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NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Trade and other Receivables	There are no accounting policies on initial recognition and subsequent measurement of Accounts Receivables (Sec. 11 of PFRS for SMEs).	10	20%
	There is no disclosure on "Account Receivables-Security Bond", Accounts Receivable-others" and "Advances to projects", despite materiality of the amount (Sec. 8 of PFRS for SMEs).	3	6%
	Incomplete disclosures on "Advances from Officers", i.e., maturity dates, security or collateral, guarantees, and nature of settlement of obligation and provision for doubtful debts related to the amount of outstanding balances (Sec. 33 of PFRS for SMEs).	1	2%
	There are no disclosures on "Accounts receivable-others", "Advances to officers and employees" and "Advances to/from affiliates", i.e., nature of consideration to be provided in settlement of obligation, nature of the transaction, specific nature of relationship with "Affiliates" (Sec. 33 of PFRS for SMEs).	1	2%
	There are no disclosures of the nature, terms and conditions and related impairment loss of "Accounts Receivable-Trade" (Sec. 4 of PFRS for SMEs).	2	4%
	Incomplete disclosures on "Advances from Affiliates", i.e., nature of consideration to be provided in settlement of obligation, nature of transaction, specific nature of relationship with "Affiliates" (Sec. 33 of PFRS for SMEs).	1	2%
	There are no accounting policy on derecognition of Receivables (Sec. 11 of PFRS for SMEs).	1	2%
Inventories	There are no disclosures of the total carrying amount of inventories and classifications appropriate to the entity (Sec. 13 of PFRS for SMEs).	9	18%
	There is no disclosure and recognition of the inventories' impairment loss which is the difference between cost and net realizable value which shall be reversed in Profit or loss in accordance with Secs. 13 and 27 of PFRS for SMEs.	6	12%
	There are no accounting policy on subsequent measurement and cost formula used on merchandise inventories (Sec. 13 of PFRS for SMEs).	2	4%
	There is no accounting policy on initial recognition of inventory (Sec. 13 of PFRS for SMEs).	1	2%
	There are no accounting policies on initial recognition and subsequent measurement of Inventories (Sec. 13 of PFRS for SMEs).	1	2%
	There is no disclosure on the total carrying amount of inventories pledged as security for liabilities (Sec. 13 of PFRS for SMEs).	1	2%
	There is no disclosure of the amount of inventories recognized as expense during the period (Sec. 13 of PFRS for SMEs).	1	2%
Property and Equipment	There are no disclosures on useful lives of Property and Equipment (Sec. 17 of PFRS for SMEs).	6	12%
	There is no accounting policy on the derecognition of the "Property and Equipment" (Sec. 17 of PFRS for SMEs).	4	8%
	There are no accounting policies on initial recognition and subsequent measurement of Property and Equipment (Sec. 18 of PFRS for SMEs).	3	6%
	There is no accounting policy on initial recognition of Property and Equipment (Sec. 17 of PFRS for SMEs).	3	6%
	There is no disclosure on the movement analysis of carrying amounts of Property and Equipment in 2011 and 2010 (Sec. 17 of PFRS for SMEs).	2	4%

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NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	There are no accounting policies of initial recognition, subsequent measurement, derecognition and impairment of Property and Equipment (Sec. 17 of PFRS for SMEs).	2	4%
	There are no accounting policies on derecognition and subsequent measurement of Property and Equipment (Sec. 17 of PFRS for SMEs).	2	4%
	The company's policy on subsequent measurement of PPE at revalued amount is not consistent with Sec. 17 of PFRS for SMEs.	1	2%
Property and Equipment	There is no disclosure of the method and significant assumption applied in estimating the land value (Section 17 of PFRS for SMEs).	1	2%
	The policy on subsequent measurement of "Property and Equipment" per note 3 is at cost which is not consistent with the valuation mentioned in Note 6 (Section 17 of PFRS for SMEs).	1	2%
	The "Property, Plant and Equipment is incorrectly presented at net realizable value instead of carrying amount (Sec. 17 of PFRS for SMEs).	1	2%
	Per Note 1, the company is a real estate lessor. A rental income is likewise recognized per Note 6. However, there are no disclosures on the related real estate assets or properties and equipment subject of said business and income (Sec. 16, 17, 23 of PFRS for SMEs).	1	2%
	The reconciliation of the carrying amount at the beginning and end of the reporting period of Property and Equipment is not in accordance with Section 17 of PFRS for SMEs. Further, there has been no recognized depreciation on PE since the start of the business.	1	2%
	There are no accounting policies on initial recognition, subsequent measurement, derecognition and impairment of Property and Equipment (Sec. 17 of PFRS for SMEs).	1	2%
	There is no movement analysis of carrying amounts in 2011 and 2010 (Sec. 17 of PFRS for SMEs).	1	2%
Investment Property	Incomplete disclosures on Investment Property, i.e., methods and significant assumptions applied in determining the fair value, and reconciliation between the carrying amounts of investment at the beginning and end of the period (Sec. 16 of PFRS for SMEs).	1	2%
Deferred Charges	There are no disclosures of the accounting policy and the nature of "Deferred Charges" (Sec. 4 of PFRS for SMEs).	1	2%
Refundable Deposits	There is no disclosure on "Refundable deposits" under non-current assets (Sec. 4 of PFRS for SMEs).	1	2%
Other Non-current Assets- Investment in PAGCOR	There are no disclosures on "Other Non-current Assets- Investment in PAGCOR" despite materiality of the amount (Sec. 8 of PFRS for SMEs).	2	4%
Other Assets	There are no accounting policy and disclosures on "Other Non-Current Assets- Investments" despite materiality of the amount. The "Investment" account should be presented separately from "Other Assets" account (Sec. 11 of PFRS for SMEs).	1	2%
Financial Liabilities	There are no accounting policies on initial recognition and subsequent measurement of "Accounts Payable" (Sec. 11 of PFRS for SMEs).	10	20%
	The accounting policy on subsequent measurement of Trade and Other Payables is not in accordance with Sec. 11 of PFRS for SMEs.	5	10%
	There is no disclosure of the nature, terms and conditions of "Other payables" and "Loans Payables" (Sec. 4 of PFRS for SMEs).	2	4%

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NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Financial Liabilities	There are no accounting policies on initial recognition, subsequent measurement and derecognition of "Accounts payable" (Sec. 11 of PFRS for SMEs).	2	4%
	There is no accounting policy on subsequent measurement of "Mortgage Payables" (Sec. 11 of PFRS for SMEs).	1	2%
	Incomplete disclosures on Mortgage Payable ,i.e, terms and conditions such as interest rate, maturity, repayment schedule, and any restrictions (Sec. 11 of PFRS for SMEs).	1	2%
	The accounting policy on initial recognition of liabilities which is at nominal values is not in accordance with Sec. 11 of PFRS for SMEs.	1	2%
	There is no explanatory note on "Accounts Payable-others" (Section 8 and 11 of PFRS for SMEs).	1	2%
	There is no breakdown of the "Accounts Payable/Others" (Sec. 4 of PFRS for SMEs).	1	2%
	Incomplete disclosures of maturity date of "Bank notes payable" (Sec. 4 of PFRS for SMEs).	1	2%
	There are no specific accounting policy and disclosures on "Trade and Other Payables" (Sec. 4 of PFRS for SMEs);	1	2%
	There are no disclosures on "Accounts payable - others" (Sec. 4 of PFRS for SMEs).	1	2%
	There are no disclosures on the nature, maturity date and on any collateral for "Financing Payable" (Sec. 4 of PFRS for SMEs).	1	2%
	The accounting policy on initial recognition of financial liabilities is not in accordance with Sec. 11 of PFRS for SMEs;	1	2%
	There are no disclosures on "Advances to Officers", i.e., specific nature of transactions, volume of transactions , outstanding balances, terms and conditions, the nature of the consideration to be provided in settlement (Sec. 33 of PFRS for SMEs).	1	2%
	There are no disclosures of "Accounts Payable" and "Input VAT" despite materiality of the amounts (Sec. 4 and 29 of PFRS for SMEs).	2	4%
Prepayments and other current assets	Prepayments and Other Current Assets includes Pre-Operational costs incurred by the company before its actual operation. This is not in accordance with Sec. 18.14 of PFRS for SMEs which required that said costs be expensed as incurred.	1	2%
Leases	There is no general description of the lessor's significant leasing arrangements, including information about contingent rent, renewal or purchase options and escalation clauses, and restrictions imposed by lease arrangements (Sec. 20 of PFRS for SMEs).	2	4%
	There are no disclosures on leases, i.e., significant leasing arrangement and future minimum lease payments (Sec. 20 of PFRS for SMEs).	3	6%
	There are no specific accounting policy and disclosures on leases (Sec. 20 of PFRS for SMEs).	1	2%
Sales	There is no specific recognition policy on "Sales" (Sec. 23 of PFRS for SMEs).	3	6%
	There is no movement analysis of carrying amounts of revenue for 2011 and 2010 (Sec. 17 of PFRS for SMEs).	1	2%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Sales	Incomplete disclosures on Sales, i.e., nature and amount of each item comprising the "Sales". Based on Note 1, the company has various sources of revenue (Sec. 23 of PFRS for SMEs).	3	6%
	There is no breakdown of the "Gross Revenue" account as to its sources and amount (Sec. 23 of PFRS for SMEs).	1	2%
	There is no information indicating that the entity has no operation for 2011 as there were no recorded "sales" and "cost of sales" (Sec. 4 of PFRS for SMEs).	1	2%
Cost of Sales	The items comprising "Cost of Sales" are not presented according to inventories and other related expenses (Section 23 of PFRS for SMEs).	1	2%
	There is no specific accounting policy on costs and expense account (Sec. 23 of PFRS for SMEs).	1	2%
	There are no disclosures on "Direct Cost" despite materiality of the amount (Sec. 8 of PFRS for SMEs).	1	2%
Expenses	The recognition of pre-operating expenses is not in accordance with Sec. 4 of PFRS for SMEs.	1	2%
Related Party transactions	There are no disclosures on key management personnel compensation benefits (Sec. 33 of PFRS for SMEs).	8	16%
	Incomplete disclosures on related party transactions, i.e., volume or total amount of transactions for the year, maturity dates, security or collateral, guarantees, and nature of consideration to be provided in settlement of obligation and provision for doubtful debts related to the amount of outstanding balances (PAS 24).	2	4%
	There are no disclosures on related party transactions, i.e., volume of transactions, outstanding balances, terms and conditions, the nature of the consideration to be provided in settlement and key management personnel compensation (Sec. 33 of PFRS for SMEs).	2	4%
	Incomplete disclosures on "Due to related parties", i.e., maturity dates, security or collateral, guarantees, and nature of consideration to be provided in settlement of obligation (PAS 24).	1	2%
	Incomplete disclosures on "Advances from Affiliates", i.e., nature of consideration to be provided in settlement of obligation, nature of transaction, specific nature of relationship with "Affiliates" (Sec. 33 of PFRS for SMEs).	1	2%
	There are no disclosures on "Advances", i.e., specific nature of transactions, volume of transactions, outstanding balances, terms and conditions, the nature of the consideration to be provided in settlement (Sec. 33 of PFRS for SMEs).	1	2%
	There are no specific accounting policies and disclosures on the following: <ul style="list-style-type: none"> • Prepaid insurance • Property and Equipment • Advances from Officers • Employees Benefits • Related party transactions • Leases • Liabilities 	1	2%
	Incomplete disclosures on "Advances from Shareholders", i.e., terms and conditions and the nature of the consideration to be provided in settlement (Sec. 33 of PFRS for SMEs).	1	2%
Employees Benefits	The required disclosures on retirement benefits are not provided (PAS 28).	7	14%
	The required disclosures on employee benefits which include retirement benefits are not provided (Sec. 28 of PFRS for SMEs).	7	14%





NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	There are no accounting policy and disclosures on employee benefits (Sec. 28 of PFRS for SMEs).	5	10%
Equity	There is no Reconciliation of Retained Earnings Available for Dividend Declaration.	3	6%
	Incomplete disclosures on "Appropriated for Future Expansion" amounting to P1.9 Million, i.e., specific description and timeline of the expansion program, and equipment acquisition (Sec. 8 of PFRS for SMEs/ Sec. 43 of Corporation Code and SRC Rule 68, as amended).	2	4%
	There is no discussion on capital management (Sec. 8 of PFRS for SMEs).	1	2%
	There is no discussion on how the company addresses its accumulated deficit (Sec. 4 of PFRS for SMEs).	1	2%
	The discussion of the company's plan to address capital deficiency is incomplete and does not appear to be concrete. There should be a disclosure on the additional projects in which the management is planning to enter into and the source of funding for such projects (SRC Rule 68, as amended).	1	2%
	There is no explanatory note on "Statutory Reserve" particularly the basis its retention and the policy on its recognition (Secs. 3 and 11).	1	2%
	The recognition of "Deposit for Future stock Subscription" under Equity section is not supported by the following disclosures: <ol style="list-style-type: none"> (1) Corporate's BOD and stockholders approvals for a proposed increase in capital stock; (2) An application for the approval of the increase in capital stock has been presented for filing or filed with the Commission; and (3) There is lack or insufficiency of authorized unissued shares of stock to cover the deposit (Sec. 11 of PFRS for SMEs and SRC Rule 68, as amended). 	1	2%
	There are no disclosures on the declaration and approval by the Board of Directors on the cash dividends (Sec. 4 of PFRS for SMEs).	1	2%
	Incomplete disclosures on appropriation of excess of "Retained Earnings" in compliance with Section 43 of the Corporation Code.	1	2%
	There are no disclosures on "Unappropriated retained earnings" which is more than 100% of the entity's capital stock (Sec. 4 of PFRS for SMEs and Sec. 43 of Corporation Code of the Philippines).	1	2%
	Incomplete disclosures on Appropriated Retained Earnings, i.e., specific details on Business Expansion (Sec. 8 of PFRS for SMEs).	1	2%
	There is no discussion on capital management (Sec. 8 of PFRS for SMEs).	1	2%
	Deposit for Future Stock Subscription	The recognition of "Deposit for Future Stock Subscription" as a separate line item under Equity section is not correct considering that the company has enough unissued shares to cover the amount of deposit.	2

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