

**COMPILATION OF MATERIAL FINDINGS ON 2010 AFS OF ORDINARY COMPANIES**  
**TOTAL NUMBER OF COMPANIES COVERED: 100**

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
<b>Statement of Management's Responsibility over the Financial Statements</b>	The basis of preparation of financial statements as stated in the Statement of Management's Responsibility is not consistent with that indicated in Note 2 of financial statements (SRC Rule 68).	2	2%
	The Statement of Management's Responsibility was not signed by the required signatories (SRC Rule 68).	5	5%
	The Statement of Management's Responsibility states that financial statements (FS) are in conformity with Generally Accepted Accounting Principles (GAAP). This is inconsistent with the Auditor's Report and note 2 which indicate that the FS were prepared in accordance with PFRS (SRC Rule 68).	4	4%
<b>Auditor's Report</b>	The basis of opinion on financial statements, i.e., PFRS for SMEs, is incorrect. Considering the asset and liability amount of the company, it should have adopted the full PFRS (SRC Rule 68 & PSA	10	10%
	The basis of opinion in the auditor's report is not consistent with the basis of preparation of financial statements as indicated in Note 2 thereof (SRC RULE 68, PSA 700).	6	6%
	There is no emphasis paragraph discussing the reason for the revision of the previously-issued financial statements (SRC RULE 68 & PSA 700);	1	1%
	There is failure to discuss the quantitative impact of the cited deviation as basis of the qualified opinion (SRC Rule 68 & PSA 700).	1	1%
	There is no emphasis paragraph discussing the going concern issue of the company due to its capital deficiency (SRC Rule 68 & PSA 700).	1	1%
	The opinion and management responsibility paragraphs in the Auditor's Report are not in accordance with the prescribed wordings under PSA 700 as redrafted.	15	15%
	There is no Auditor's Report (SRC Rule 68 & PSA 700).	1	1%
	The report failed to state the complete components of the financial statements (PSA 700).	1	1%

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	There is no separate section for "Report on Other Legal and Regulatory Requirements" in the Auditor's Report to cover the required information under Revenue Regulation 15-2010 (PSA 700, AASC Alert).	16	16%
	The Audit report failed to indicate that the 2009 financial statements (FS) were audited by another auditor, and the opinion issued by said predecessor auditor (PSA 710).	3	3%
	The BOA accreditation number of the auditor is not indicated (SRC Rule 68).	1	1%
	The SEC accreditation number indicated in the report has already expired as of date of signing (PSA 700).	1	1%
	The Tax Identification No. of the external auditor is not indicated in the report (PSA 700).	1	1%
	The auditor failed to indicate his SEC accreditation number in the audit report (SRC Rule 68).	1	1%
	The audit report failed to include the complete business addresses of the external auditor and the company (SRC Rule 68).	3	3%
	The report is incorrectly dated and signed prior to the approval of issuance of the financial statements by the Board of Directors (PSA 700, redrafted).	1	1%
<b>Statement of Comprehensive Income/ Collections and Disbursements</b>	There is no section on other comprehensive income showing the changes in revaluation surplus (PAS 1).	1	1%
<b>Cash Flow Statement</b>	The presentation of Statements of Cash Flows is not in accordance with PAS 7.	1	1%
	The payment of loans and increase in trust funds are incorrectly presented under Cash Flows from Investing Activities instead to Cash Flows from Financing Activities (PAS 7);	1	1%
	There is failure to present a two-year comparative period in the Cash Flow Statement (PAS 7).	1	1%
<b>Supplemental Written Statement of External Auditor</b>	There is failure to indicate the number of shareholders owning one hundred (100) or more shares (SRC RULE 68).	1	1%

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	There is no Supplemental Written Statement of External Auditor (SRC Rule 68).	3	3%
	The BOA accreditation number of the auditor is not indicated (SRC Rule 68).	1	1%
	The SEC accreditation number indicated in the report is already expired as of date of signing.	1	1%
Statement of Changes in Equity/Contributions	There is no Statement of Changes in Equity/Contributions (SRC Rule 68).	2	2%
	There is no presentation of the following:  (a) Analysis of other comprehensive income by item; (b) A reconciliation between the carrying amount at the beginning and the end of the period for each component of equity: (i) each item of other comprehensive income; and (ii) transactions with owners in their capacity as owners (PAS 1).	2	2%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Corporate Information	There is no discussion on the company's subsidiaries in Note 1 of the AFS (PAS 1).	2	2%
Basis of Preparation	The financial reporting framework adopted by the company, i.e., PFRS for SMEs, is incorrect. Considering the asset and liability amounts of the company, it should have adopted the full PFRS (SRC RULE 68);	6	6%
Cash and Cash Equivalents	There is no accounting policy on cash and cash equivalents (PAS 1, PAS 39).	3	3%
	There is no disclosure of the breakdown of Cash and Cash equivalents and the interest rates applied thereof (PAS 1).	1	1%
Account Receivable	Incomplete disclosures on receivables, i.e., breakdown of amounts and nature of each items comprising accounts receivables, nature of receivable, roll-forward analysis of allowance for doubtful accounts, carrying amount of loans and receivables it has pledged as collateral for liabilities (PAS 39).	17	17%
	There is no accounting policy on the initial recognition of receivables (PAS 39).	6	6%
	There is no accounting policy on subsequent measurement of receivables (PAS 39).	3	3%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	The accounting policies on receivables are not in accordance with PAS 39.	18	18%
	The Miscellaneous deposits and investment and Tax credits are incorrectly classified as receivables in Note 4 instead of Deposits and Other Current Assets, respectively. Moreover, there are no explanatory notes on these accounts (PAS 1, 39 and PFRS 7).	1	1%
Inventories	There is no accounting policy on inventories (PAS 2).	5	5%
	There are no disclosures on inventories (PAS 2).	3	3%
	The accounting policy on "Inventories" is not in accordance with PAS 2.	3	3%
	Incomplete disclosures on inventories, i.e., cost formula used, the carrying amount of inventories carried at fair value less costs to sell, amount recognized as an expense during the period, the carrying amount of inventories pledged as security for liabilities, and carrying amounts of inventories in classifications appropriate to the company (PAS 2).	39	39%
Financial Assets/Investments	There are no accounting policies on the initial recognition and subsequent measurement of the "Investments" (PAS 39).	7	7%
	The accounting policy on "Investments" is not in accordance with PAS 39.	1	1%
	The investment is not classified according to the categories as prescribed under PAS 39.	1	1%
	Incomplete disclosures on "Investments in shares of stocks", i.e., the nature and percentage of ownership in the investee companies, basis of fair value of investment in listed company (PAS 39).	7	7%
	Incomplete disclosures on "Investment in unconsolidated affiliates", i.e., description of the method used to account for the investments (PAS 27).	1	1%
	Incomplete disclosures on "Derivative Financial Instruments", i.e., the contracted forward price, and the prevailing market forward price as of the balance sheet date (PAS 39 & PFRS 7).	1	1%
	There are no reconciliation of balances and disclosure on the basis for determining the fair value of the available-for-sale equity instruments (PAS 39, PFRS 7).	1	1%

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Investments in Subsidiaries	There is failure to provide the required disclosures as prescribed under paragraph 42 of PAS 27;	1	1%
	There is no schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to owners of the parent (PAS 27).	1	1%
Investment in Associates	Incomplete disclosures on "Investments", i.e., the fair value of investment in associates for which there are published price quotations, summarized financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss, investor's share of the profit or loss of the associates (PAS 28).	2	2%
	An evaluation of the arrangement and stock ownership of the companies showed that it is a joint venture and not an "Investment in Associates" (PAS 28, 31).	1	1%
	The investment of the company in another entity with equity ownership of 27.36% was incorrectly classified as Investment in Subsidiary instead of Investment in Associate under PAS 28.	1	1%
Interests in Joint Ventures	Incomplete disclosure, i.e., (i) venturer's interests using a line-by-line reporting format for the equity method, discloses the aggregate amounts of each of the following: (a) current assets; (b) non-current assets; (c) current liabilities; (d) non-current liabilities; (e) income; and (f) expenses; (ii) any contingent liabilities; and (iii) any capital commitments (PAS 31).	2	2%
Property and Equipment	There is no accounting policy on the initial recognition of property and equipment (PAS 16).	21	21%
	There are no accounting policies on the initial recognition and subsequent measurement of property and equipment (PAS 16).	1	1%
	The accounting policy indicated in Notes (i.e., cost method) is not consistent with what the company actually applied due to the recognition of "Revaluation Reserve" per Statement of Financial Position (PAS 16).	4	4%
	Incomplete disclosures, i.e., estimated useful life, reconciliation analysis of the carrying amount of property and equipment at the	40	40%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	beginning and end of the period, existence of restrictions on title and carrying amounts of property and equipment used as collateral for liabilities, effective date of revaluation, whether an independent valuer was involved, date on revaluation, methods used in valuation, PPE stated at revalued amounts: (i) the methods and significant assumptions applied in estimating the items' fair values; (ii) the extent to which the items' fair values were determined directly by reference to active market; and (iii) for each revalued class of PPE, the carrying amount that would have been recognized had the assets been carried under the cost model and restrictions, if any (PAS 16).		
	There is failure to transfer the realized portion of the appraisal surplus to the retained earnings (PAS 16).	1	1%
	The adopted accounting policy on subsequent measurement, i.e., revaluation method, is not in accordance with Section 17.	1	1%
Investment Property	There is no accounting policy on the initial recognition of investment property (PAS 40).	2	2%
Investment Property	There is no accounting policy on the subsequent measurement of investment property (PAS 40).	2	2%
Investment Property	Incomplete disclosures, i.e., reconciliation analysis of the carrying amount of investment property at the beginning and end of the period, depreciation method used, rental income and direct operating expenses related to investment property, existence and amounts of restrictions on the realizability of investment property or the remittance of income and proceeds of disposal, etc. (PAS 40).	4	4%
Intangible Assets	Incomplete accounting policy and disclosures, i.e., existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities (PAS 38).	1	1%
Intangible Assets	There is no accounting policy on the initial recognition of intangible (PAS 38).	1	1%
Other Asset	There is no discussion on the basis of capitalizing dry docking expenses, description of "Dry docking expenses", amortization for the period, and "Unamortized dry docking cost-current (PAS 1, PAS 38).	1	1%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Liabilities	There is no accounting policy on initial recognition of liabilities (PAS 39, PFRS 7).	5	5%
	There is no accounting policy on subsequent measurement of liabilities (PAS 39, PFRS 7).	5	5%
	There are no accounting policies on initial recognition and subsequent measurement of liabilities (PAS 39, PFRS 7).	8	8%
	The basis of initial measurement of liabilities, i.e., nominal value, is not in accordance with PAS 39.	4	4%
	Incomplete disclosures on liabilities, i.e., nature, terms and conditions such as maturity, repayment schedule and restriction that the debt instrument imposes on the entity, collateral, covenants, derecognition, and warranties and whether or not the same were complied with as of yearend (PAS 39, PFRS 7).	62	62%
	There is no discussion on the nature and amount of each item under "Payables" (PAS 39, PFRS 7).	7	7%
	There is no explanatory note on market support fund amounting to P9.69 Million (PAS 1, PAS 39, PFRS 7).	2	2%
The accounting policy on "Trade Payables" of Liabilities is not in accordance with PAS 39.	4	4%	
Borrowing Costs	There is no accounting policy on borrowing costs (PAS 23).	3	3%
Equity	There is no accounting policy on equity (PAS 1).	2	2%
	Incomplete disclosures on capital stock, i.e., description of the shares, number of shares authorized for each class of share capital, number of shares issued and fully paid, and issued but not fully paid, par value per share, a reconciliation of the number of shares outstanding at the beginning and at the end of the period (par. 79 of PAS 1).	9	9%
	There is no disclosure of any appropriation of Retained Earnings to comply with Section 43 of Corporation Code.	12	12%
	There is no "Reconciliation of Retained Earnings Available for Dividend Declaration" (SEC Memorandum Circular No. 11, Series of 2008).	6	6%
	Incomplete disclosures on appropriated retained earnings, i.e., timeline of usage/implementation (PAS 1, Section 43 of the	13	13%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	Corporation Code).		
	Incomplete disclosures on deposits for subscription, i.e., date of approval of Board of Directors and stockholders on proposed increase in capitalization to cover the conversion of advances, and status of SEC application on proposed increase or intent to file (SRC rule 68 & PAS 1).	8	8%
	The recognition of the "Deposit for future subscription" is not supported by a disclosure of the following: <ul style="list-style-type: none"> <li>• Date of approval of Board of Directors on proposed increase in capitalization;</li> <li>• Date of approval of stockholders on proposed increase in capitalization;</li> <li>• Status of SEC application on proposed increase in capital stock.</li> </ul> This constitute of an overstatement of Equity and understatement of Liabilities.	5	5%
	The recognition of deposit for future subscription was incorrect considering that the company has sufficient unissued authorized shares that could have been issued (SRC rule 68, PAS 1).	1	1%
	Dividends were declared in excess of unappropriated retained earnings for the comparative years 2009 and 2010, which resulted to negative "Cumulative earnings" (PAS 1).	1	1%
Revenue	There is no specific recognition policy on each of the revenue item (PAS 18).	9	9%
	There are no disclosures on Revenue (PAS 18).	7	7%
	There are no disclosures of the nature and amount of items deducted from gross sales to arrive at "Net Sales" (PAS 18).	3	3%
Costs and Expenses	There is no accounting policy on costs and expenses (PAS 18).	14	14%
	There are no disclosures on costs and expenses (PAS 18).	4	4%
Leases	There is no accounting policy on leases (PAS 17).	3	3%
	There are no disclosures on leases (PAS 17).	4	4%
	Incomplete disclosures on finance lease, i.e., (a) net carrying amount for each class of	2	2%



NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	assets; (b) a reconciliation between the total minimum lease payments at the balance sheet date, and their present value; (c) the total of minimum lease payments at the balance sheet date, and their present value, for each of the following periods: (i) no later than one year; (ii) later than one year but no later than five years; and (iii) later than five years; (d) contingent rents; (e) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and (f) a general description of the lessee's significant leasing arrangements: (i) the basis on which contingent rent payments are determined; (ii) restrictions imposed by lease arrangements, if any (PAS 17).		
	Incomplete disclosures on operating lease, i.e., (a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) no later than one year; (ii) later than one year and no later than five years; and (iii) later than five years; (b) the total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date; (c) lease and sublease payments recognized in the income statement for the period; and (d) a general description of the lessee's significant leasing arrangements: (i) the basis on which contingent rent payments are determined; (ii) restrictions imposed by lease arrangements, if any (PAS 1).	<b>3</b>	<b>3%</b>
<b>Related Party Transactions</b>	There is no accounting policy on related party transactions (PAS 24).	<b>8</b>	<b>8%</b>
	There are no disclosures on related party transactions (PAS 24).	<b>5</b>	<b>5%</b>
	Incomplete disclosures on "Advances to/from related parties, i.e., nature of the related party relationship; nature and amounts of transactions; terms and conditions, including whether the outstanding balances secured, nature of the consideration to be received/provided in settlement; details of any guarantees received/given; and provisions for doubtful debts related to the amount of outstanding balances (PAS 24).	<b>38</b>	<b>38%</b>
	There is no disclosure of the compensation benefits of key management personnel (PAS 24).	<b>26</b>	<b>26%</b>

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	The company's general policy stating that "transactions between related parties are made on terms similar to those offered to non-related parties" is not consistent with the information indicated in Note 5 which states that "The parent company obtains/grants unsecured interest and non-interest bearing advances from/to related parties for investment and working capital requirements".	4	4%
Income Taxes	There is no accounting policy on income taxes (PAS 12).	1	1%
	Incomplete disclosures on income taxes, i.e., numerical reconciliation of beginning and ending balances of income tax payable (PAS 12).	4	4%
Employee Benefits	There is no accounting policy on employee benefits (PAS 19).	11	11%
	There are no disclosures on employee benefits (PAS 19).	13	13%
	Incomplete disclosures, i.e., nature of the retirement benefit plan, a reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of the plan assets showing separately the effects during the period, the line items that consist the total expense recognized and the principal actuarial assumptions used (PAS 19).	2	2%
	The separate presentation of retirement fund and accrued benefit cost in the statement of financial position is not in accordance with PAS 19.	1	1%
	The accounting policy on employee benefits is not in accordance with PAS 19.	1	1%
Foreign Currency Transactions	There is no accounting policy on foreign currency transactions and on the use of a functional currency other than the Philippine peso (PAS 21).	1	1%
	There are no disclosures on foreign currency transactions (PAS 21).	1	1%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	There are no disclosures on the effects of Changes in Foreign Exchange Rates, i.e., the amount of exchange differences recognized in profit/loss, net exchange differences recognized in other comprehensive income and accumulated in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period (PAS 21).	1	1%
	The company failed to submit a notification to the SEC on the filing of functional currency financial statements (SEC Memorandum Circular No. 1, Series of 2006).	1	1%
Prior Period Adjustments	There is no accounting policy on prior period adjustments (PAS 8).	2	2%
Critical Accounting Estimates Used	There is no discussion on critical accounting estimates, judgments and assumptions used by the company (PAS 1).	6	6%
Financial Risk Management	There is no discussion on financial risk management (PFRS 7).	4	4%
	Incomplete discussion on "Financial Risk Management", i.e., quantitative and qualitative analysis on each risk, company's objectives, policies and processes for managing the financial risks and the methods used to measure the risks, summary of quantitative data about its exposure to each financial risk at the end of the reporting period, aging, maturity and sensitivity analysis on credit, liquidity and interest rate risks, respectively (PFRS 7).	44	44%
Capital Management	There is no discussion on capital management (PAS 1).	12	12%
	Incomplete discussion on "Capital Management", i.e., qualitative information about its policies and processes for managing	22	22%