

**COMPILATION OF MATERIAL FINDINGS ON 2015 and 2016 AFS
REVIEWED BY THE COMMISSION**

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS
Auditor's Report <i>(PSAs 570 and 700, as revised)</i>	<ol style="list-style-type: none"> 1. The financial reporting framework cited in the Management's Responsibility paragraph is inconsistent with that in the Opinion paragraph of the Auditor's Report / The financial reporting framework cited in the Management's Responsibility and Opinion paragraphs of the Auditor's Report is incorrect. As a holder of secondary license of the Commission, the company should have adopted Full PFRS. 2. There is no legal matter paragraph in the auditor's report to cover the information required by Revenue Regulation 15-2010. 3. There is no emphasis of a matter paragraph discussing going concern issue due to the capital deficiency of the company / There is no emphasis of a matter paragraph in the Auditor's Report that discusses specific management plans to address the company's capital deficiency or a reference to the Notes to FS discussing the same and that the auditor conducted sufficient audit procedures to verify the validity of the aforementioned plan.
Auditor's Report <i>(SRC Rule 68, as amended and SEC Financial Reporting Bulletin No. 1)</i>	<ol style="list-style-type: none"> 1. The Auditor's Report failed to indicate the expiration dates of licenses and accreditations of the auditing firm and signing partner (SRC Rule 68, as amended). 2. The Auditor's Report failed to cover the supplemental documents required under SRC Rule 68, as amended.
Supplemental documents required by SRC Rule 68, as amended	<ol style="list-style-type: none"> 1. The following documents are not attached to the AFS: <ol style="list-style-type: none"> a. Audited Schedule of all effective standards and interpretations under PFRS as of year-end b. Audited Reconciliation Schedule of Retained Earnings Available for Dividend Declaration c. Schedule of financial soundness indicators in two (2) comparative periods d. Schedule showing the following information for two comparative periods: (i) ratio or percentage of total real estate investments to total assets; (ii) total receivables to total assets (iii) total DOSRI receivables to net worth (iv) amount of receivables from a single corporation to total receivables.
Statement of Financial Position / Statement of Comprehensive Income / Statement of Changes in Equity / Statement of Cash Flow <i>(PAS 1 and 7 / Sections 3, 7 and 8)</i>	<ol style="list-style-type: none"> 1. Material items are not cross-referenced to related Notes to FS. 2. There is no indication of the presentation currency. 3. Incorrect classification of cash flows according to its activities – operating, investing or financing. 4. Major classes of gross cash receipts and payments are incorrectly presented on a net basis.

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NOTES TO FINANCIAL STATEMENTS	FINDINGS
Basis of Preparation <i>(SRC Rule 68, as amended)</i>	1. The company failed to adopt the correct financial reporting framework.
Accounting Policies, Changes in Accounting Estimates and Errors <i>(PAS 8 / Section 10)</i>	1. There is no discussion on the impact of new accounting standards.
Significant Estimates and Judgments <i>(PAS 1 / Section 8)</i>	1. Incomplete disclosures on the significant judgments and estimates made by the Company (i.e. assessment of impairment of financial assets, inventories and non-financial assets, estimating useful lives of property equipment and investment property and assessment of lease arrangements whether financing or operating leases) are usually missed out.
Comprehensive Income <i>(PAS 1 / Sections 5 and 29)</i>	1. There is no disclosure of the amount of tax relating to each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements.
Financial Assets <i>(PAS 39 and PFRS 7 / Section 11)</i>	1. There are no accounting policies on subsequent measurement, derecognition and impairment of financial assets. 2. Incomplete disclosures on Loans and Receivables, i.e., interest rate, maturity. 3. The accounting policies on initial recognition and subsequent measurement on financial assets as cited in the Notes to FS are not in accordance with PAS 39/Sec. 11 of PFRS for SME.
Inventories <i>(PAS 2 / Section 13)</i>	1. The accounting policy on measurement of Inventories as cited in the Notes to FS is not in accordance with PAS 2/Sec. 13 of PFRS for SMEs.
Other Current/Non-Current Assets <i>(PAS 1 / Section 8)</i>	1. There is no explanatory note/disclosure on said account despite materiality of amount.
Property Plant and Equipment <i>(PAS 16 / Section 17)</i>	1. There are no accounting policies on initial recognition subsequent measurement, and derecognition on PPE. 2. Incomplete disclosures on PPE, i.e., roll forward analysis of carrying amount of PPE, carrying amount of assets used as collateral for liabilities, estimated useful lives of each PPE, depreciation methods used. 3. Based on the Notes to FS, the company measured its PPE using the cost model. This is inconsistent with the Statement of Financial Position/Statement of Changes in Equity which shows a "Revaluation Surplus" account thus support the use of the revaluation model.
Investment Property <i>(PAS 40 / Section 16)</i>	1. There are no accounting policies on initial recognition and subsequent measurement of Investment Property. 2. The company incorrectly used the property's zonal value as its basis of fair value. This is not in accordance with PFRS 13/Secs. 11.27-11.32 of PFRS for SMEs. 3. Considering that the company measured its Investment Property at cost, the same should be

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	<p>reclassified under PPE in compliance with Secs. 16.7 and 17.1 of PFRS for SME.</p> <p>4. There is no disclosure on rental income from investment property and direct operating expenses arising from investment property that generated rental income during the period.</p> <p>5. There is no disclosure of the amount of fair value of investment properties which were subsequent measured at cost model.</p>
Investment in Subsidiary (PFRS 10 / Section 9)	<p>1. Despite the company's control over its subsidiary, the company failed to prepare consolidated financial statements. There is likewise no disclosure of its justification/basis for said non-consolidation.</p>
Financial Liabilities (PAS 39 and PFRS 7 / Section 11)	<p>1. There is no accounting policy on financial liabilities.</p> <p>2. The accounting policies on initial recognition and subsequent measurement of financial liabilities are not in accordance with PAS 39/Sec. 11 of PFRS for SMEs.</p> <p>3. Incomplete disclosures, i.e., interest rate, maturity analysis, assets used as collateral, terms of payment, details of defaults and breaches, covenants and warranties.</p>
Other Current/Non-Current Liabilities (PAS 1 / Section 8)	<p>1. There are no disclosures of the nature and amount of each items comprising "accrued expenses" despite materiality of amount.</p>
Equity (SEC Financial Reporting Bulletin Nos. 6 and 15)	<p>1. Incomplete disclosure on "Appropriated Retained Earnings", i.e., specific details of appropriation and timeline of implementation/usage, and date of approval by the BOD.</p> <p>2. The company's retained earnings exceeds its paid-in capital by 100%. There is however no disclosure of any appropriation to comply with Section 43 of the Corporation Code.</p> <p>3. Incomplete disclosures on "Deposit for Future Stock Subscription", i.e., date of approval by BOD and stockholders on increase in capitalization, date of filing of application and status thereof</p>
Revenues (PAS 18 / Section 23)	<p>1. There is no specific revenue recognition policy for each revenue sources (including Miscellaneous Income and Interest Income).</p> <p>2. There is no explanatory note on "Other Income" despite materiality of amount.</p> <p>3. There is no disclosure of the nature and amount of each items deducted from "Gross Sales" to arrive at "Sales-net".</p>
Cost and Expenses (PAS 1 / Section 8)	<p>1. There is no disclosure of the nature and amount of each items deducted from "Gross Purchases" to arrive at "Net Purchases".</p>
Employee Benefits (PAS 19 / Section 28)	<p>1. There are no accounting policies and disclosures on Employee Benefits / Retirement Benefits.</p>

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<p>Leases <i>(PAS 17 / Section 20)</i></p>	<ol style="list-style-type: none"> 1. There are no disclosures details of lease arrangements such as basis of contingent rent, existence and terms of renewal or purchase options and restrictions imposed by lease arrangements. 2. Incomplete disclosures on Leases, i.e., general description of the lessee's significant leasing arrangement. The total future minimum lease payments under non-cancellable operating leases for each of the following periods: (a) not later than one year; (b) later than one year and not later than five years; (c) later than five years.
<p>Related Party Transactions <i>(PAS 24 / Section 33)</i></p>	<ol style="list-style-type: none"> 1. Incomplete disclosures on related party transactions, i.e., specific nature of relationship with affiliates, whether or not the outstanding balances are secured, details of guarantees given or received, provision for doubtful accounts, interest rate applied, terms of payment, maturity, breakdown of key management personnel compensation (including post-employment benefit), details and volume of transactions.
<p>Financial Risk Management <i>(PFRS 7)</i></p>	<ol style="list-style-type: none"> 1. There are no discussions on financial risk management. 2. There are no quantitative analyses of each financial risk. <ol style="list-style-type: none"> a. There is no disclosure on the credit quality of financial assets that are neither past due nor impaired. b. There is no disclosure on the analysis of age of financial assets that are past due at reporting date but not impaired. c. There is no disclosure on sensitivity analysis for each type of market risk. 3. Considering that the company adopted PFRS for SME, the discussion on financial risk management is not necessary.
<p>Fair Value Measurement <i>(PFRS 13)</i></p>	<ol style="list-style-type: none"> 1. There is failure to distinguish the difference between the different hierarchy, especially Level 2 from Level 3. 2. There is failure to disclose the valuation process used for financial instruments classified under Level 3.
<p>Income Taxes <i>(PAS 12 / Section 29)</i></p>	<ol style="list-style-type: none"> 1. Despite incurring losses for consecutive years, there is failure to disclose the nature of the evidence supporting the recognition of deferred tax assets.
<p>Capital Management <i>(PAS 1)</i></p>	<ol style="list-style-type: none"> 1. There is no discussion on capital management. 2. Incomplete discussion on capital management, i.e., externally-imposed capital requirement, policies and processes for managing capital, summary of quantitative data about what the company manages as capital.
<p>Prior Period Errors <i>(PAS 8 / Section 10)</i></p>	<ol style="list-style-type: none"> 1. The amended AFS failed to fully comply with the requirements of PAS 8/Section 10 of PFRS for SMEs by restating the comparative amounts for the prior period presented in which the error occurred.