

COMPILATION OF MATERIAL FINDINGS ON 2011 AFS OF INVESTMENT HOUSES
TOTAL NUMBER OF COMPANIES COVERED: 27

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Statement of Management's Responsibility over the Financial Statements	The Statement of Management's Responsibility is not signed by the company's Chief Finance Officer/Treasurer. (SRC Rule 68, as amended).	3	11%
Supplemental documents required by SRC Rule 68, as amended	There is no audited schedule of all effective standards and interpretations as of reporting date for the large corporation of the SRC Rule 68, as amended.	4	15%
	There is no audited map of the conglomerate or group of companies within which the reporting entity belongs (SRC Rule 68, as amended).	11	41%
	There is no schedule showing details of underwriting activities i.e., (i) details (per issue) of underwriting activities for the year; (ii) name of the issuer-client; (iii) nature of commitment; (iv) Amount of issue; (v) underwriting and other fees generated; (vi) basis of computation for each (SRC Rule 68, as amended).	7	26%
	There is no schedule showing the transactions with Directors, Officers, Stockholders and Related Interest i.e., (i) name of related party; (ii) description of transaction; (iii) total volume / amount of transaction for the year; (iv) terms and conditions, such as maturity date, security, mode of payment; (v) if secured, carrying amount of asset used as collateral (SRC Rule 68, as amended).	8	30%
	There is no schedule showing financial soundness indicators in two comparative periods, i.e., (i) current/liquidity ratios; (ii) solvency ratios, debt-to-equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; (vi) other relevant ratios as the Commission may consider necessary (SRC Rule 68, as amended).	8	30%
	There is no audited Statement of Reconciliation of Retained Earnings for Dividend Declaration (SRC Rule 68, as amended).	1	4%
	The required Schedules A to H under Annex 68-E of SRC Rule 68 as amended are not attached to the AFS.	1	4%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Investments in Subsidiaries	Incomplete disclosures on Investment in Subsidiaries, i.e., date of approval of the Commission on the deposit for future stock subscription; and the basis for the allowance on impairment losses (SEC Financial Bulletin No. 6 and Section 8 of PFRS and PAS 27).	1	4%
Investment Property	The accounting policy on initial recognition of "Investment Properties" is not in accordance with PAS 40.	1	4%
	Incomplete disclosures on "Investment Properties", i.e., depreciation methods used, and useful lives or the depreciation rate used; the basis of fair value of the appraisal report; and reconciliation of carrying amounts of investment property at the beginning and end of the period (PAS 40).	2	7%
Liabilities	There are no accounting policies on initial recognition and subsequent measurement of liabilities (PAS 39).	2	7%
Equity	The unappropriated Retained Earnings exceeds 100% of the company's paid-in capital. There is no disclosure of any appropriation to comply with the requirements of Section 43 of the Corporation Code (PAS 1).	1	4%
	Incomplete disclosures on "Appropriated Retained Earnings" i.e., specific description of the contingencies, timeline of project development (Section 43 of the Corporation Code).	1	4%
Revenue	The company's underwriting income is below 25%. This is not in accordance with Section 12 of the Omnibus Rules and Regulations for Investment Houses and Universal Banks registered as Underwriters which requires that income from underwriting activities shall be at least 25% of annual gross income.	3	11%
	There is no explanatory note on "Miscellaneous income" amounting to P6.22 Million which represents 109% of the total Other Income/Expense (PAS 1, PAS 18).	1	4%
	There are no accounting policy and disclosures on "Gain on sale of available for sale financial assets" (PAS 18).	1	4%
Related Party Transactions	Incomplete disclosures on related party transactions, i.e., categories of key management personnel compensation; terms and conditions including whether they are secured; and details of any guarantee (PAS 24).	2	7%

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	Based on Note 15, the company granted advances to its parent company in 2010 and 2011 respectively. There is however, no disclosure on the assets received as collateral and the amount thereof, as required under Section 11 (E) of Omnibus Rules and Regulations for Investment Houses and Universal Bank Registered as Underwriters of Securities which states that: <i>"No advances to directors, officers and stockholders owning at least 10% of the outstanding capital of an Investment House shall be allowed, unless sufficiently collateralize, as required by BSP"</i> .	1	4%
	There is no disclosure of key management personnel compensation (PAS 24).	1	4%
Capital Management	Incomplete disclosures on capital management, i.e., externally-imposed capital requirement, what management considers as capital (PAS 1).	2	7%