2022 AFS REVIEW COMMON FINDINGS

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
Auditor's Report	1. The "Report on supplemental schedule" of the Auditor's Report indicate that the Company presented the tabular schedule of standards and interpretations as of reporting date in compliance with Revised SRC Rule 68. Please be informed that the list of all the effective standards and interpretations under PFRS is no longer required under the Revised SRC Rule 68. (PSA 700 and Revised SRC Rule 68). 2. Pursuant to Par. 44 of PSA 600 (Revised and Redrafted), the auditor is required to obtain sufficient appropriate audit evidence on which to base the audit opinion. The group engagement team shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed on the consolidation process and the work performed by the group engagement team and the component auditors on the financial information of the components, on which to base the group audit opinion. Hence, the following responsibility of a group auditor/ engagement team should be included in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements Section of the Auditor's Report: *"Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion."*
Statement of Management's Responsibility (SMR)	1. The Statement of Management's Responsibility for Financial Statements did not disclose the complete date when said Statement was signed (Part I.2.B.ii of Revised SRC Rule 68).
Statement of Cash Flows	1. There is no disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (Disclosure initiative (amendment to PAS 7)) 2. The Company reclassified Cash Flows statement accounts without the proper disclosures required by PAS 1.41: (a) Nature of reclassification (b) Amount of each item reclassified (c) Reason for reclassification
Consolidated Financial Statements	1. The Company did not prepare and submit a consolidated financial statement. PFRS 10 paragraph 4 requires that an entity that is a parent shall present consolidated financial statements. This requirement applies to all entities, except when it meets all the following conditions: (a) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners,

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
	including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; (b) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); (c) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and (d) its ultimate or any intermediate parent produces financial statements that are available for public use and comply with PFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this PFRS.
Supplemental Schedules required under the Revised SRC Rule 68 and Financial Reporting Bulletin	1. There is no attached schedule showing financial soundness indicators in two (2) comparative periods, as follows: (a) current/liquidity ratios; (b) solvency ratios, debt-to-equity ratios; (c) asset-to-equity ratios; (d) interest rate coverage ratios; (e) profitability ratios; and (f) other relevant ratios as the Commission may consider necessary (Revised SRC Rule 68). 2. There is no Supplemental Written Statement of Auditor attached with audited financial statements (Revised SRC Rule 68). 3. There is no Reconciliation of Retained Earnings Available for Dividend Declaration, which shall present the prescribed adjustments in the prescribed Form per Annex 68–D of this Rule. This reconciliation must be covered by an Auditor's Report (Revised SRC Rule 68). 4. The Company failed to submit the prescribed schedule under Annex 68-J which shall be filed as of the latest Statement of Financial Position date (Revised SRC Rule 68).

Notes to Financial Statements	Brief Description of Non-Compliance
Corporate Information	1. The Company has neither land or building among its PPE nor any rent expense or ROU and lease liability. This cannot support the existence of the principal place of business in Note 1 (PAS 1, PAS 16 and PFRS 16).
Basis of Preparation of FS	1. The Statement of Financial Position indicates that the Company has Investment in Subsidiaries. There is however no disclosure of the following:

<table>
<tr><th>Notes to Financial Statements</th><th>Brief Description of Non-Compliance</th></tr>
<tr><td></td><td>(a) The fact that the exemption from Consolidation has been used;
(b) Principal place of business (and country of incorporation if different) of the entity whose consolidated financial statements that comply with PFRS have been produced for public use; and
(c) Address where those consolidated financial statements are obtainable (PAS 27).</td></tr>
<tr><td>Business Combination</td><td>1. The disclosures in the notes to financial statement failed to provide information required under the said provision, as follows:

(a) The primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree;
(b) The acquisition-date fair value of the total consideration transferred and the acquisition date fair value of each major class of consideration; and
(c) The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed (PFRS 3).</td></tr>
<tr><td>Receivables</td><td>1. The terms and conditions (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity) of loans receivable are not provided in the notes to financial statements (Par. 122 of Section 6 of PFRS for SEs and PAS 1).

2. The recognition of unearned Interest under liabilities is not in accordance with PFRS 9 which measures financial assets at amortized cost.

3. There is no accounting policy on its Advances to officers and employees (PAS 1).</td></tr>
<tr><td>Investment Property</td><td>1. The notes to financial statements disclosed that investment properties are measured at cost less accumulated depreciation which was inconsistent with PAS 40 which states:

“After initial recognition, an entity that chooses the cost model shall measure investment property: (c) in accordance with the requirements in PAS 16 for the cost model in all other cases.”

PAS 16 clarified:

“After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.” (PAS 40).

2. It is noted that the investment property was subsequently measured at cost model. There is however a failure to disclose its fair value and the extent to which the fair value</td></tr>
</table>

Notes to Financial Statements	Brief Description of Non-Compliance
	of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed (PAS 40).
Property and Equipment	1. The notes to financial statements showed "land improvements" and "building improvements". However, there was no further information disclosed to clarify where these improvements relate and where such "land" and "building" were recognized on the audited financial statements (PAS 1 and PAS 16). 2. There are no disclosures on the amount of restrictions and carrying amounts of Property and Equipment pledged as security for "Loans Payable" (PAS 16). 3. There is no accounting policy on Land (PAS 16).
Investment in Subsidiaries	1. Incomplete disclosures on Investment in Subsidiaries, i.e., the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiaries (PFRS 12). 2. The Company continuously classified its investments as investment in associates despite gaining control over the investee-companies. Correspondingly, the company did not prepare a consolidated financial statements (PFRS 10).
Investment in Associates	1. Incomplete disclosures on Investment in Associates, i.e., financial information of the associates (PFRS 12).
Liabilities	1. Incomplete disclosures on Loans Payable, i.e., terms and conditions of the debt instrument (such as maturity, repayment schedule, and restrictions that the debt instrument imposes on the corporation), loan covenants, particularly, the availment/maturity date, securities or guarantees (if any), and specific ratios and the corresponding threshold that should be maintained to verify the corporation's compliance thereof (PAS 1). 2. There is no accounting policy on initial recognition of "Interest-bearing Loans and Borrowings" (PAS 1).
Equity	1. The Company's retained earnings exceed 100% of its paid-in capital. There is no disclosure of any appropriation to comply with the requirements of Sec. 42 of the Revised Corporation Code. 2. The Company has appropriated a portion of its retained earnings. However, it did not disclose the details of the appropriation (e.g., description of the project, timeline) and the date of the approval of the project by the board of directors (Financial Reporting Bulletin No. 15). 3. The amount of Retained Earnings Available for Dividend

Notes to Financial Statements	Brief Description of Non-Compliance
	Declaration (as shown in its Schedule of RE available for dividend declaration) is in excess of 100% of its paid-in capital stock. This is a violation of Sec. 42 of the Revised Corporation Code.
Revenue	1. There were no disclosures of the qualitative and quantitative information about the following (please refer to PFRS 15 par. 113-128): *Performance obligations (see par. 119)* An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following: (a) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58); (b) obligations for returns, refunds and other similar obligations; and (c) types of warranties and related obligations. 2. The Company's accounting policy on Revenue should comply with PFRS 15. Under PFRS 15, an entity must determine for each performance obligation whether control is transferred over time or at a point in time. If control is not transferred over time, the default position is that the performance obligation is satisfied at a point in time.
Leases	1. The accounting policy on leases is not in accordance with PFRS 16. 2. The Company did not recognize ROU Assets and Lease Liabilities in accordance with PFRS 16.
Related Party Transactions	1. Incomplete disclosures on related party transactions and balances including nature of consideration and compensation given to key management personnel i.e., (a) nature of the relationship with related parties; (b) nature of the consideration to be given in settlement; (c) terms and conditions, including whether the outstanding balances are secured; (d) the nature of the consideration to be provided in settlements; (e) details of guarantees (f) short term employee benefits; (g) post-employment benefits; (h) other long-term benefits; (i) termination benefits; and (j) share based payments (PAS 24)
Earnings Per Share	1. The earnings per share is not shown in the Statement of Comprehensive Income. Moreover, the basis for its

Notes to Financial Statements	Brief Description of Non-Compliance
	computation together with the number of shares used is not disclosed in the notes to financial statements (PAS 33).
Retirement/Employee Benefits	2. The Company failed to recognize retirement liability in the Statement of Financial Position and its corresponding accounting policy and disclosures (RA 7641 and PAS 19).
Financial Risk Management	1. There are no disclosures of the following information: (a) externally-imposed capital requirement; and (b) What Management consider as components of capital (PAS 1 and Financing Act of 1998).
Fair Value Measurement	1. There is no quantitative disclosure in a tabular format of the level of the fair value hierarchy within which the fair value is categorized (PFRS 13).

2021, 2020 AND 2019 AFS REVIEW COMMON FINDINGS

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
Statement of Management's Responsibility	1. Upon verification with the Company's General Information Sheet (GIS), it was noted that one of the signatories in the SMR covering the consolidated audited financial statements, is not among the Directors and Officers of the Company (Revised SRC Rule 68).
Statement of Financial Position	1. The amount of long-term loans per Consolidated Statements of Financial Position is not consistent with that indicated in the notes to financial statements (PAS 1). 2. The material deficiencies and material misstatements noted in the originally filed audited financial statements constitute more than 10% of the total current assets, total non-current assets, total liabilities, and total equity. These are considered material pursuant to SEC MC No. 8, Series of 2009, which requires the re-issuance of the Company's audited financial statements as of 31 December 2020.
Statement of Cash Flows	1. The amounts presented in the Consolidated Statement of Cash Flows are inconsistent or could not be traced nor reconciled with the information disclosed in the notes to financial statements (PAS 7). 2. As shown in the Cash Flow from Financing Activities, there have been payments to interest for the annual periods 2020 and 2019. This is not consistent with the information disclosed in the accompanying note to financial statements which indicates that interest and principal of loans which was initially availed by the Company in October 2019, are payable upon maturity. Moreover, the unpaid portion of interest pertaining to the above loan as of the annual periods December 31, 2020 and 2019 cannot be traced to the Notes to Financial Statements (PAS 7).
Statement of Changes in Equity	1. The total amount of cash dividends declared per Consolidated Statements of Changes in Equity is not consistent with the information provided in the note to financial statements (PAS 1).
Supplemental Schedules required under the Revised SRC Rule 68 and Financial Reporting Bulletin	1. There is no attached schedule showing financial soundness indicators in two (2) comparative periods, as follows: (g) current/liquidity ratios; (h) solvency ratios, debt-to-equity ratios; (i) asset-to-equity ratios; (j) interest rate coverage ratios; (k) profitability ratios; and (l) other relevant ratios as the Commission may consider necessary (Revised SRC Rule 68). 2. It appears that the figures presented in the Audited Reconciliation of Retained Earnings Available for Dividend Declaration for the current year are not updated. The

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
	balances in the said schedule are the same as that presented in the previous year's reconciliation schedule (i.e., as of 31 December 2019). 3. The note to consolidated financial statements indicates that on 10 January 2020, the Group listed in the Philippine Stock Exchange (PSE) a public offering of 20,000,000 preferred shares, with an oversubscription of 10,000,000 preferred shares, at an offer price of P100.00 per share. Under Part I, Section 5(H) of Revised SRC Rule 68, listed companies that recently offered securities to the Public (either as an initial or additional offering), a schedule, in the prescribed Form per Annex 68-I of this Rule, showing the following amounts, shall be submitted with the annual audited financial statements and if applicable, with the Company's interim financial statements up to such period when all the proceeds from the offering have been utilized: (a) Gross and net proceeds as disclosed in the final prospectus; (b) Actual gross and net proceeds; (c) Each expenditure item where the proceeds were used; and (d) Balance of the proceeds as of the end of the reporting period. The above schedule need not be covered by an Auditor's Report (PAS 1 and Revised SRC Rule 68). 4. The amounts of the following items used in the Schedule of Financial Soundness Indicators vis-a-vis the information presented in the Consolidated Interim Statements of Financial Position, and in the Consolidated Interim Statements of Comprehensive Income were found to be inconsistent: (a) Total current assets; (b) Total assets; (c) Total equity; (d) Revenue; (e) Gross profit; and (f) Net income attributable to equity holders of the Parent Company (PAS 1)

Notes to Financial Statements	Brief Description of Non-Compliance
Property and Equipment	1. As disclosed in the note to financial statements, the Company has already fully paid a parcel of land adjacent to the Company's Lot. The deed of absolute sale and transfer of title will be made upon full payment of the purchase price. Considering the control of the asset thru the execution of the deed of absolute sale is already with the Company, the purchase cost of the Land should have been recognized as part of the Property and Equipment. Thus, the

Notes to Financial Statements	Brief Description of Non-Compliance
	Company's recognition of it under the Land Deposit account is inappropriate (PAS 16).
Land Deposit	1. There is no accounting policy on Land Deposit (PAS 1).
Liabilities	1. The noncurrent portion of loans payable indicated in the note to financial statements is inconsistent with the balances presented in the Company's Statement of Financial Position (PAS 1).
Income Tax	1. There are no disclosures on impact of applying the provisions of the CREATE Act in the Company's audited interim financial statements, i.e., adjustments on tax accounts due to the CREATE Act which was signed into law on March 26, 2021 by the President. Likewise, there are no disclosures on the impact on the December 31, 2020 balances had the CREATE Act been substantially enacted as of then, that were adjusted in 2021 (PAS 12).
Related Party Transactions	1. As of December 31, 2018, and 2019, the Group's deposit for future stock subscriptions was recognized as a non-current liability in the consolidated statements of financial position, however, there is no disclosure of the Company's accounting policy (i.e., why this was recognized as a liability instead of an equity, why the liability was considered as non-current liability instead of a current liability). FRB No. 6 (as revised) requires the disclosure of the following with respect to deposit for future stock subscriptions: (a) Treatment used in the recognition of the transaction (whether as an equity or liability) and the reason for such recognition; (b) If the transaction has been recognized as an equity, the fact that the corporation has met all the conditions required for such recognition as at the end of the reporting period; With regards to item (b) above, if all of the following elements are present as of end of reporting period, an entity shall classify the deposits for future stock subscription under equity as a separate account from "Outstanding Capital Stock": (i) The unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract; (ii) There is Board of Director's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); (iii) There is stockholders' approval of said proposed increase; and (iv) The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission (PAS 1 and FRB No. 6).