2020 COMMON FINDINGS

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
Auditor's Report	1. The "Material Uncertainty Related to Going Concern" paragraph of the Auditor's report did not include a statement that the auditor's opinion is not modified in respect of the material uncertainty (PSA 570 (rev)). 2. The Auditor's Responsibilities for the Audit of the Financial Statements section of the Auditor's Report failed to include a paragraph that the auditor's responsibility includes evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (Paragraph 38.b.v of PSA 700 (rev.)). 3. The opinion paragraph states that the AFS was prepared "…in accordance with PFRS", while the responsibilities of management and those charged with governance paragraph which states that the AFS was prepared "…in accordance with PFRS for SMEs…" (Revised SRC Rule 68). 4. The Company disclosed in its notes to financial statements that the Company has discontinued releasing of loans to borrowers. However, the auditor's report did not include a statement explaining the Company's ability to continue as going concern despite the fact that the Company has discontinued its only revenue producing activity. (PSA 570) 5. The Auditor's Report failed to specify the year/s to engage in the audit of financial statement (Revised SRC Rule 68). 6. There is no legal matter paragraph in the auditor's report to cover the information required by Revenue Regulation 15-2010. (PSA 700). 7. Reconciliation of Retained Earnings Available for Dividend Declaration was not covered in the auditor's report (Revised SRC Rule 68).
Statement of Management's Responsibility	1. The Statement of Management's Responsibility failed to cover the 2019 comparative financial statement (Part I.2.B.iii of Revised SRC Rule 68).
Statement of Financial Position	1. The Company did not present its "Property and equipment at cost" and "Property and equipment at revalued amount" as a separate line item in the Statement of Financial Position in compliance with paragraph 59 of PAS 1.
Statement of Cash Flow	1. The Cash Flows from Operating Activities includes "Acquisition of Financial Assets at fair value through profit or loss" and "Proceeds from disposal of financial assets at fair value through profit or loss". There is however no disclosure in the Notes of the said activities (PAS 1 and PAS 7). 2. The Cash Flows from Investing Activities includes "Acquisitions of Investment Securities at FVOCI and

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	Investment Securities at amortized cost" and "Proceeds from maturities/sale of Investment Securities at FVOCI and Investment Securities at amortized cost". There is however no disclosure in the Notes of the said activities (PAS 1 and PAS 7). 3. The Company presented its cash flows from financing and investing activities using the indirect method of cash flows instead of direct method (PAS 7/ Section 7 of PFRS for SMEs /Section 3 of PFRS for SEs). 4. The cash flows arising from availment and payment of loans are recognized under operating activities when it should have been classified under financing activities. (PAS 7/ Section 7 of PFRS for SMEs). 5. The Statement of Cash Flows failed to separately disclose the cash flows from interest received and paid and classify them as cash flows from operating activities (Paragraphs 31 of PAS 7). 6. Non-cash transactions were reported in the Statement of Cash flows. PAS 7 states that investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from the Statement of Cash flows. 7. Changes in "Advances to and long-term loans from related party" are recognized under operating activities. PAS 7 states that operating activities are the principal revenue-producing activities of the entity. Considering the nature of activities, said changes should have been presented under investing and financing activities, respectively. 8. The movement in some of the accounts do not tie to the increase (decrease) amount in the statement of cash flows (PAS 7). 9. 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)).
Supplemental Schedules required under the Revised SRC Rule 68	1. The list of all the effective standards and interpretations under PFRS is no longer required to be attached in the AFS (Revised SRC Rule 68). 2. The Schedule for Financing Company does not include the ratio for following: a) "Amount of Receivables from a Single Corporation to Total Receivables". b) ratio or percentage of total real estate investments to total assets; c) total receivables to total assets; d) total Directors, Officers, Stockholders and Related Interests (DOSRI)'s receivables to net worth e) Details (per issue) of underwriting activities per year; and

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	f) Transaction with DOSRI (Revised SRC Rule 68). 3. The company failed to include a Reconciliation of Retained Earnings Available for Dividend Declaration which is required for stock corporations with unrestricted retained earnings in excess of 100% of paid-in capital stock (Part 1.5.B of Revised SRC Rule 68). 4. The Supplemental Statement of Independent Auditor shows that it does not include the number of stockholders owning 100 or more shares as of December 31, 2020 (Revised SRC Rule 68). 5. There is no map showing the relationships between and among the Company and its ultimate parent, middle parent, subsidiaries or co-subsidiaries and associates. This map must be covered by the Auditor's Report (Revised SRC Rule 68).
Corporate Information	1. The Company has neither PPE nor rent expense. This cannot support the business address provided on Note 1 (PAS 1). 2. The company failed to disclose the date when the AFS were approved and authorized for issuance by the BOD (PAS 1 and PSA 700).
Basis of Preparation of FS	1. The Company did not disclose that the AFS is not prepared on a going concern basis and the Company's basis used in the preparation of the financial statement (e.g., liquidation basis) (PSA 570 Revised par. A27, PAS 1.25). Based on Notes to financial statements, the AFS was prepared using the applicable PFRS and PAS without discussion of the modifications on accounting policies made to reflect the fact that the 'going concern' assumption is no longer appropriate in measuring its remaining accounts. 2. The Financial Statements were prepared under an incorrect financial accounting framework, i.e., PFRS, PFRS for SMEs, PFRS for SEs (Revised SRC Rule 68).
Receivables	1. The classification of receivables in Statement of Financial Position is inconsistent with the terms of the loans granted disclosed in the Notes to Financial Statements, i.e. It is stated in the Notes that the term of the loans granted by the Company ranges from 90 days to ten years while all receivables are classified under current assets in the Statement of Financial Position (PAS 1). 2. Incomplete disclosure on "Loans and receivables", i.e., interest rates and whether secured or unsecured (PAS 1).
Financial Instruments	1. The company continues to classify its financial instruments under the categories provided by PAS 39 which has already been superseded (PFRS 9). 2. There is no assessment made for the expected credit loss (ECL) of the Company's financial assets (PFRS 9).

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	3. There is no accounting policy on subsequent measurement for the Company's Financial Instruments (PFRS 9). 4. There is no derecognition policy on financial liabilities (PFRS 9). 5. Inconsistent disclosures relating to "Financial Liabilities", i.e., Note to "Accounting Policies Adopted" states that financial liabilities are recognized initially at its transaction price while it is disclosed in Note to "Trade and Other Payables" that financial liabilities are measured initially at their nominal values (PFRS 7/ Section 11 of PFRS for SMEs).
Financial Assets/Investments	1. The note to financial statements disclosed that "trade and other receivable" is recognized initially at the transaction price. However, based on same Note under "Financial Instruments", it states that "all financial assets are initially recognized at fair value" which is not in accordance with Section 11 of PFRS for SMEs which states "An entity shall choose to apply either: (a) the requirements of both Sections 11 and 12 in full; or (b) the recognition and measurement requirements of PAS 39 Financial Instruments: Recognition and Measurement and the disclosure requirements of Sections 11 and 12 to account for all of its financial instruments". 2. The company failed to disclose the maturity dates of "Rent receivable" and "Notes Receivable" (PFRS 7/ Sections 8 and 11 of PFRS for SMEs). 3. Based on Note 2 (Accounting Policy) the Company failed to classify its financial assets in accordance with PFRS 9. 4. Considering the nature of business of the Company and the effect of COVID-19 pandemic, it is highly unlikely that there is no ECL for 2020. Moreover, Note 3 (credit risk) showed that there are past due accounts for "loans and receivables" which are more than 30 days (PFRS 7 and 9).
Investment Property	1. Inconsistent application of accounting policy. i.e., improvements on investment property were depreciated while the investment property itself was not (PAS 40). 2. Incomplete disclosure on Investment Property, i.e., the useful lives or the depreciation rates used and the depreciation methods used (PAS 40/ Section 16 of PFRS for SMEs). 3. Incomplete disclosure on the methods and significant assumptions applied in determining the fair value of investment property, the extent to which the fair value 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 class of the investment property being valued. (Section 16 of PFRS for SMEs).

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	4. The Notes stated that investment properties, except land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. However, investment property are tangible assets which are not subject to amortization (Paragraph 30 of PAS 16). 5. The company adopted the cost model as its accounting policy for recognizing and measuring investment properties, however, it did not disclose its fair value (Paragraph 79.e of PAS 40). Furthermore, in the exceptional cases when an entity cannot measure the fair value of the investment property reliably, it should disclose a description of the investment property, an explanation of why fair value cannot be measured reliably, and, if possible, the range of estimates within which fair value is highly likely to lie (Paragraph 79.e of PAS 40).
Property and Equipment	1. Incomplete disclosures on "Property and Equipment", i.e., accounting policy used, the useful lives or the depreciation rates used, reconciliation of carrying amounts of property and equipment presented in Notes to Financial Statements has no comparative figures (PAS 16/Section 12 of PFRS for SEs/ Section 17 of PFRS for SMEs). 2. The company did not recognize any depreciation for the year on its fixed assets despite it not being fully depreciated (PAS 16). 3. Inconsistent disclosure of accounting policy relating to Property and Equipment, i.e., It is disclosed in Note to "Accounting Estimates" that property and equipment is stated at revalued amount based on the fair value of the property while it is stated in Note to "Accounting Policies" property and equipment after initial recognition are stated at cost less any accumulated depreciation and any accumulated impairment losses (PAS 1). 4. A note states that "Property, plant and equipment are stated at historical cost less accumulated depreciation and amortization. However, Property and Equipment are tangible assets which are not subject to amortization (PAS 16). 5. There are no disclosures on fully depreciated assets still in use (PAS 16).
Intangible Assets	1. Incomplete disclosure on "intangible assets", i.e., the useful lives or the amortization rates used and the amortization methods used (Section 13 of PFRS for SEs).
Liabilities	1. Incomplete disclosure on "Borrowings", i.e when an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following: a. the carrying amount of the financial assets pledged as collateral; and b. the terms and conditions relating to its pledge. (Section 11 of PFRS for SMEs)

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	2. The Notes to financial statements indicate that, there have been no instances of default and the Company is compliant with all the terms and conditions of all borrowing. There is however no disclosures of the terms and conditions of all borrowing, particularly, specific ratios and the corresponding threshold that should be maintained to verify company's compliance thereof (PAS 1 and 39). 3. A note disclosed the outstanding balances and amounts/volume of "Due to Related Parties" during 2020 and 2019. A review however, showed that the movement between 2019 to 2020 outstanding balances do not agree with its amounts/volume (PAS 24). 4. A note disclosed that the non-current portion of the outstanding balance "Due to Related Parties" are due after the reporting period. Considering the foregoing, such should be recognized among current liabilities since it can be implied that it is payable on demand (PAS 1). 5. Note pertaining to Non-current Liabilities, shows that it includes Accounts Payable-Long term. Said note states that accounts payable – long term refers to payable with no definite terms of payment. "No definite terms" is considered as "on demand" which means the accounts payable may be demanded anytime. Thus, it should have been presented under Current Liabilities (PAS 1 and PAS 24). 6. Inconsistent disclosure of information relating to "Loans payable", i.e., It is disclosed in Notes to Loans Payable and Fair Value Measurements that loans are interest bearing while it is indicated in Notes to Amount "Due to Related Parties" that loans are non-interest bearing (PAS 1). 7. The Notes to Financial Statements reported Provision for Income Tax which was computed using the income tax rate of 25%. Considering that the CREATE Act was enacted after the financial statements were authorized for issue, the taxable income should be computed using the applicable income tax rate as of 31 December 2020 which is 30% (Paragraph 404 of PFRS for SEs and PIC Q&A No. 2020-07). 8. The company did not disclose the terms and breakdown of "Payable to Government Agencies" and "Other Payable" (PAS 1 paragraph 112, PFRS 9). 9. The company did not disclose information regarding its long-term debt which would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity) (Section 11.42 of PFRS for SMEs (as amended)).
Equity	1. Incomplete disclosure on equity, i.e., externally imposed capital requirement. (PAS 1) 2. Incomplete disclosures on "Common stock", i.e., the number of shares issued and fully paid, and issued but not fully paid (PAS 1).
Revenue	1. The accounting policy on the recognition and

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	measurement of revenue is still based on PAS 18 instead of PFRS 15. 2. Incomplete disclosure on "Revenue", i.e., qualitative and quantitative information about all of the following: a) its contracts with customers (i.e., disaggregation of revenues, when the entity typically satisfies its performance obligations, the significant payment terms, the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services, obligations for returns, refunds and other similar obligations; and types of warranties and related obligations. (see par. 113-122 of PFRS 15) b) the significant judgements, and changes in the judgements, made in applying this PFRS 15 to those contracts (i.e., the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations. (see par. 124-126). c) any assets recognized from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95 (see paragraphs 127–128). (PFRS 15)
Costs and Expenses	1. There is no disclosure of the nature and breakdown of the "Miscellaneous" account presented in the general and administrative expenses (Section 8 of PFRS for SMEs).
Leases	*1.* The accounting policy on leases is still based on PAS 17 instead of PFRS 16. 2. The required disclosures under Section 20 of PFRS for SMEs for lessor were not disclosed: a. the future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years. b. total contingent rents recognized as income; c. a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements; and d. the requirements for disclosure about assets in accordance with Section 17 (Property, Plant and Equipment), Section 18 (Intangible Assets other than Goodwill), Section 27 (Impairment of Assets), and Section 34 (Specialized Activities) of PFRS for SMEs apply to lessors for assets provided under operating leases. *3.* Incomplete disclosures on leases, i.e., the nature of the lessor's leasing activities and how the lessor manages the risk associated with any rights it retains in underlying assets.

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	In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits. (PFRS 16)
Related Party Transactions	1. Incomplete disclosures on related party transactions and balances, 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 and; e. details of guarantees. (PAS 24) 2. Incomplete disclosure on Related Party Transaction, i.e., nature of the consideration to be given or received and compensation of key management personnel for each of the following categories: a. short term employee benefits b. post-employment benefits; c. other long-term benefits; d. termination benefits; and e. share based payments (PAS 24). 3. Incomplete disclosure for "advances received for future subscription", i.e., a. nature of the related party transaction; b. their terms and conditions (whether interest bearing and maturity dates), including whether they are secured, and the nature of the consideration to be provided in settlement; c. details of any guarantees given or received; d. date of BOD's approval on proposed increase in authorized capital stock; e. date of stockholders' approval on proposed increase in authorized capital stock; f. date when the application for approval of proposed increase has been presented for filing or has been filed with the Commission; g. information about the increase in the authorized capital stock. (Section 26 of PFRS for SEs and FRB 6).
Retirement/Employee Benefits	1. The Company did not recognize any retirement for its employees (RA 7641 and PAS 19). 2. There are no disclosures on the Company's short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits (PAS 19).
Financial Risk Management	1. Incomplete disclosure on "Loans and Receivables", i.e., when an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it

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	shall disclose: a) the fair value of the collateral held; b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and c) the terms and conditions associated with its use of the collateral. (PFRS 7) 2. Incomplete disclosure on "Liquidity risk", i.e., a maturity analysis for non derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities and a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (PFRS 7). 3. Incomplete disclosure on "Currency Risk", i.e., sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date; (b) the methods and assumptions used in preparing the sensitivity analysis; and (c) changes from the previous period in the methods and assumptions used, and the reasons for such changes. (PFRS 7) 4. The disclosures for "Credit Risk" are not in accordance with PFRS 7. 5. The maturity analysis of liabilities per "Liquidity Risk" is inconsistent with the maturity analysis disclosed in the notes to liabilities (PAS 1 and 24 and PFRS 7).
Events after the Reporting Period	1. The Notes to Financial Statements failed to disclose the following as regards the effects of the enactment of CREATE Law, a non-adjusting event after the reporting period, in its financial statements: a) The nature of the event; and b) An estimate of its financial effect or a statement that such an estimate cannot be made. (Section 32.10 of PFRS for SMEs (as amended))
Retained Earnings	1. Despite adjustments to the company's Retained Earnings, it still exceeds 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. It is disclosed in the notes to financial statements that as at December 31, 2020 and 2019, the Group has unpaid dividends. However, the date of the approval by the Board of Directors of the declared dividends are not disclosed (PAS 1). 3. The Reconciliation of Retained Earnings Available for Dividend Declaration showed "Retained earnings

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	appropriation for expansion". However, the Company did not provide its related disclosures (Financial Reporting Bulletin No. 15 and Revised SRC Rule 68).