



OFFICE OF THE GENERAL ACCOUNTANT

NOTICE

TO : ALL INTERESTED PARTIES

FOR : REQUEST FOR COMMENTS ON THE PROPOSED AMENDMENTS TO SECURITIES REGULATION CODE (SRC) RULE 68, AS AMENDED

The Securities and Exchange Commission is inviting all interested parties to submit their comments and inputs to the proposed amendments to SRC Rule 68 which shall then be called "Revised SRC Rule 68".

The draft of the Revised SRC Rule 68 is hereto attached for your reference. Proposed amendments are underlined in the attached draft of the Revised SRC Rule 68.

Comments and inputs may be submitted not later than 06 July 2018 at the Office of the General Accountant at Secretariat Building, PICC Complex, Pasay City or through email at secoga@sec.gov.ph.

Issued on 07 June 2018.

REVISED SECURITIES REGULATION CODE (SRC) RULE 68

Table of Contents

GENERAL FINANCIAL REPORTING REQUIREMENTS

APPLICATION AND DEFINITION OF TERMS

Application of this Rule1
Definition of Terms Used in this Rule2

GENERAL GUIDES TO FINANCIAL STATEMENTS PREPARATION

Financial Reporting Framework5
 Large and/or Public Interest Entities5
 Medium-Sized Entities6
 Small Entities8
 Micro Entities9
Responsibility for Financial Statements10
Form, Order and Terminology13
Presentation for Receipt of the Audited Financial Statements14

QUALIFICATIONS AND REPORTS OF INDEPENDENT AUDITORS

Audit of Financial Statements by Independent Auditors14
Additional Requirements for Independent Auditors of SEC-Regulated Entities15
 Auditors15
 Scope and Limitation of Accreditation17
 Accreditation Requirements for Individual Independent Auditors18
 Accreditation Requirement for Auditing Firms20
 Mutual Recognition Policy.....21
 Operational Requirements22
 Reportorial Requirements24
 Rotation of External Auditors25
Independence of Auditors26
Engagement of Independent Auditor26
Audit Reports of Independent Auditors27
Supplemental Written Statement of Auditor28

COMPARATIVE FINANCIAL STATEMENTS	28
OTHER DOCUMENTS TO BE FILED WITH THE FINANCIAL STATEMENTS	29
ADDITIONAL REQUIREMENTS FOR ISSUERS OF SECURITIES TO THE PUBLIC	
APPLICATION	32
REGISTRATION OF SECURITIES PURSUANT TO THE ASEAN CAPITAL MARKET INTEGRATION	32
AUDITOR'S OPINION ON FINANCIAL STATEMENTS	33
RESPONSIBILITY FOR FINANCIAL STATEMENTS	33
PERIODIC PRESENTATION	33
Registration Statements	33
Annual Reports	36
Information Statements	36
APPLICABILITY WITH OTHER REPORTS	36
ADDITIONAL DISCLOSURE REQUIREMENTS	36
INTERIM FINANCIAL STATEMENTS	37
PRO FORMA FINANCIAL INFORMATION & FINANCIAL STATEMENTS OF BUSINESS ACQUIRED OR TO BE ACQUIRED	
Applicability	38
Pro Forma Financial Information	40
CONSOLIDATED FINANCIAL STATEMENTS	45
PENALTIES AND OTHER GENERAL IMPLEMENTING PROVISIONS	
PENALTIES	47
TEST OF MATERIALITY	48
RE-ISSUANCE OF FINANCIAL STATEMENTS	51
REPEALING CLAUSE	51
EFFECTIVITY AND TRANSITION	51

ANNEXES

ANNEX 68-A – Quality of Audit Work of Applicants for Accreditation and Accredited Independent Auditors54

ANNEX 68-B – Supplemental Written Statement of Auditor58

ANNEX 68-C – Reconciliation of Retained Earnings Available for Dividend Declaration59

ANNEX 68-D – Additional Disclosures in the Notes to Financial Statements.....60

ANNEX 68-E – Schedules64

ANNEX 68-F – Schedules for Non-Stock, Non-Profit Organizations68

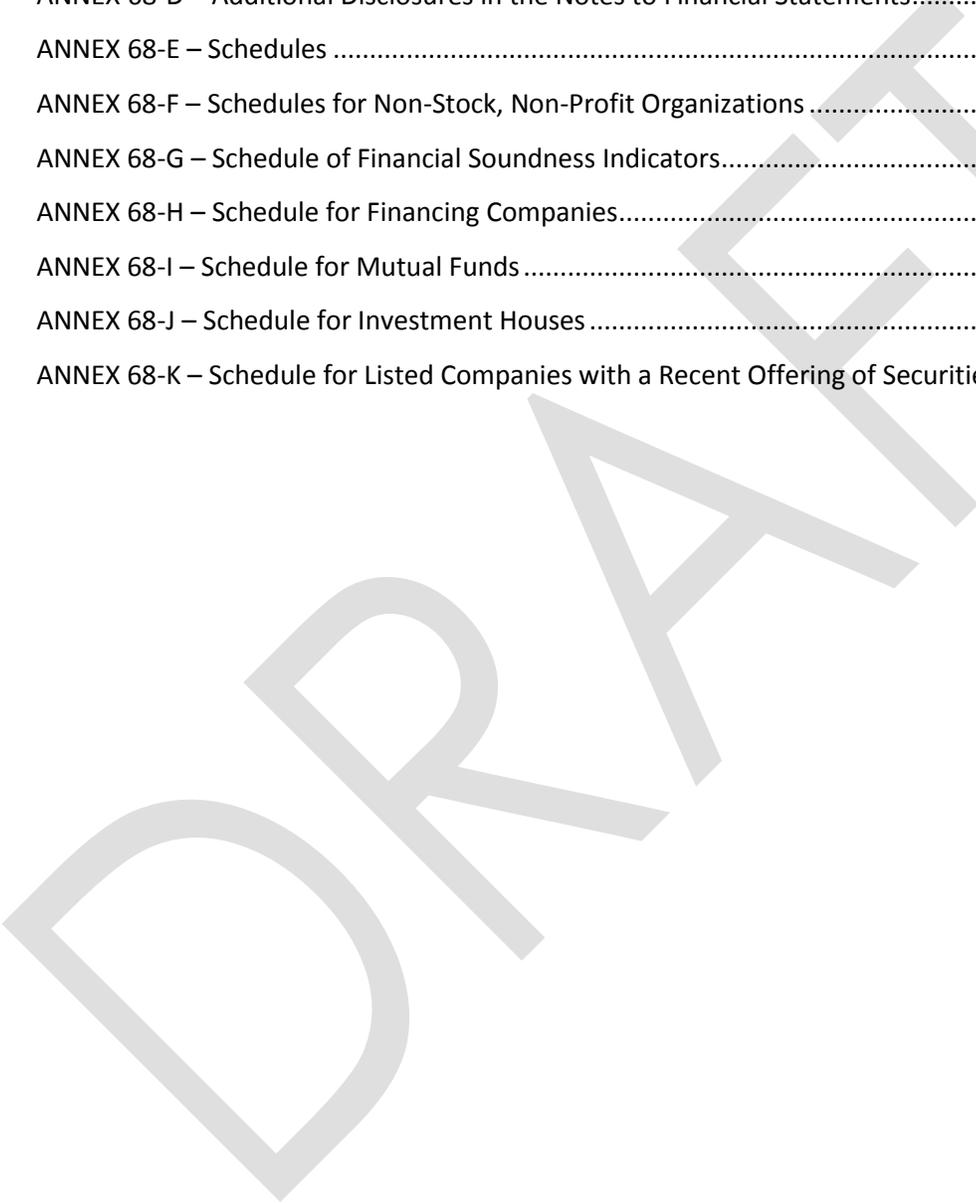
ANNEX 68-G – Schedule of Financial Soundness Indicators.....74

ANNEX 68-H – Schedule for Financing Companies.....75

ANNEX 68-I – Schedule for Mutual Funds76

ANNEX 68-J – Schedule for Investment Houses77

ANNEX 68-K – Schedule for Listed Companies with a Recent Offering of Securities to the Public78



REVISED SECURITIES REGULATION CODE (SRC) RULE 68

This Rule is part of the Implementing Rules and Regulations (IRR) of the Securities Regulation Code (SRC Rules) whose revision was approved by the Commission *en banc* on 21 April 2016.

PART I

GENERAL FINANCIAL REPORTING REQUIREMENTS

1. APPLICATION AND DEFINITION OF TERMS

A. Application of this Rule

- (i) This Rule (together with subsequent official pronouncements, interpretations and rulings on accounting and reporting matters, which may be issued by the Securities and Exchange Commission, (herein referred to as the Commission, from time to time) states the requirements applicable to the form and content of financial statements required to be filed with the Commission by corporations which meet the threshold, as follows:
 - a) Stock corporations with paid-up capital stock of Fifty Thousand Pesos (P50,000) or more or such amount as may be prescribed under the Corporation Code of the Philippines (Corporation Code);
 - b) Non-stock corporations with total assets of Five Hundred Thousand Pesos (P500,000) or more, or with gross annual receipts of One Million Pesos (P1 Million) or more;
 - c) Branch offices/ representative offices of stock foreign corporations with assigned capital in the equivalent amount of One Million Pesos (P1 Million) or more;
 - d) Branch offices/ representative offices of non-stock foreign corporations with total assets in the equivalent amount of One Million Pesos (P1 Million) or more; and
 - e) Regional operating headquarters of foreign corporations with total revenues in the equivalent amount of One Million Pesos (P1 Million) or more.
- (ii) Financial statements of branch offices of foreign corporations licensed to do business in the Philippines by the Commission shall comply with the requirements of this Rule unless otherwise determined by the Commission as not applicable.
- (iii) The submission of financial statements shall be required for all corporations and organizations registered with the Commission as of the fiscal year end including those newly incorporated during the said year. Corporations and organizations with a fiscal year end of 31 December must submit their annual financial statements

in accordance with the annual schedule of filing of financial statements. For those with a fiscal year end other than 31 December, their annual financial statements shall be due within one hundred twenty (120) days after the end of their fiscal year.

- (iv) Additional requirements for financial statements of corporations covered under Section 17.2 of the Securities Regulation Code (SRC) are set forth under Part II of this Rule.

B. Definition of Terms Used in This Rule

- i. Unless otherwise used in a different context, the terms used in this Rule shall have the same meanings as defined in the accounting and auditing standards adopted by the Commission as part of this Rule.
- ii. **Financial reporting framework** means a set of accounting principles, standards, interpretations and pronouncements that must be adopted in the preparation and submission of the annual financial statements of a particular class of entities, as defined in this Rule by the Commission. This includes, but is not limited to, the Philippine Financial Reporting Standards (PFRS), the Philippine Financial Reporting Standards for Small and Medium-Sized Entities (PFRS for SMEs) and Philippine Financial Reporting Standards for Small Entities (PFRS for SEs).

The Commission shall have the authority subject only to prior consultation with concerned parties, to prescribe the most appropriate requirement that shall form part of the applicable financial reporting framework of corporations covered by this Rule. In prescribing the applicable financial reporting framework for a particular class or sub-class of entities covered by this Rule, the Commission shall consider the pronouncements and interpretation of the Philippine Financial Reporting Standards Council (FRSC). However, a financial reporting framework other than the PFRS that complies with the regulatory reportorial requirements of the concerned regulatory agency such as the Bangko Sentral ng Pilipinas (BSP) or the Insurance Commission (IC) may be allowed by the Commission.

- (iii) **Entity**, when used in this Rule, refers to a juridical person or a corporation registered under the Corporation Code.

- (iv) **Error** means an unintentional mistake in the financial statements which reduces or increases the consolidated total assets, total liabilities, total equity, gross revenue, total expenses, net income (loss) or total comprehensive income of the company by five per cent (5%) or more. It may involve:
- (a) Mathematical or clerical mistakes in the underlying records and accounting data;
 - (b) Oversight or misinterpretation of facts;
 - (c) Unintentional misapplication of accounting principles and accounting policies; or
 - (d) Inconsistency of accounting policies with the applicable financial reporting framework
- (v) **Fraud** means an intentional act by one or more individuals among management, employees, those charged with governance, or third parties involving the use of deception to obtain an unjust or illegal advantage that results in a misrepresentation of financial statements, which reduces or increases the consolidated total assets, total liabilities, gross revenue, total expenses, net income (loss) or total comprehensive income of the company by five per cent (5%) or more. It may involve:
- (a) Manipulation, falsification or alteration of accounting records or supporting documentation from which the financial statements are prepared;
 - (b) Misappropriation of assets;
 - (c) Suppression or omission of the effects of transactions from records or documents;
 - (d) Recording of transactions without substance;
 - (e) Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation or disclosure;
 - (f) Misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information;
 - (g) Collusion;
 - (h) Forgery; or
 - (i) Override of internal controls.
- (vi) **Gross Negligence** means wanton or reckless disregard of the duty of due care in complying with Philippine Standards on Auditing (PSA).
- (vii) **Issuer** is any entity authorized by the Commission to offer to sell, sell or promote the sale to the public of its equity, bonds, instruments of indebtedness and other forms of securities.
- (viii) **Material Information**, for purposes of this Rule, means information whose omission or misstatement could influence the economic decisions of its users.

(ix) **Significant Subsidiary** means a subsidiary, including its subsidiaries, which meets any of the following conditions:

(a) The parent company's investments in and advances to its subsidiaries exceed ten per cent (10%) of the consolidated assets as of the end of the most recently completed fiscal year.

The parent company and its subsidiaries' investments in and advances to the other subsidiaries exceed ten per cent (10%) of the consolidated assets as of the end of the most recently completed fiscal year; or

(b) The subsidiary's total assets, total liabilities, gross revenue, total expenses, net income (loss) or total comprehensive income (after intragroup eliminations) exceed ten per cent (10%) of the total consolidated assets, liabilities, revenue, net income (loss) or comprehensive income as of the most recently completed fiscal year.

Computational note: For purposes of making the prescribed income test, the following guidance shall be applied:

[1] When a loss has been incurred either at the consolidated level or at the stand-alone financial statements of the tested subsidiary, but not both, the income or loss of the tested subsidiary shall be excluded from the consolidated income for purposes of the computation.

[2] Where the test involves combined entities, as in the case of determining whether summarized financial data shall be presented, entities reporting losses shall not be aggregated with entities reporting income.

(x) **SEC Oversight Assurance Review (SOAR) Program** refers to an on-site review of the quality control policies and procedures of the accredited auditing firms auditing companies with equity or debt securities listed in an Exchange and review of portions of the audit work of selected audit engagements from time to time. The Commission, however, is not precluded from subjecting the Independent Auditors of other companies for inspection as the circumstances would warrant.

2. GENERAL GUIDES TO FINANCIAL STATEMENTS PREPARATION

A. Financial Reporting Framework

The financial statements that shall be prepared and filed by entities covered by this Rule shall be in accordance with the financial reporting framework as prescribed under this Section.

(i) **Large and/or Public Interest Entities**

(a) For purposes of this Rule, large and/or public interest entities are those that meet any of the following criteria:

(1) Total assets of more than Three Hundred Fifty Million Pesos (P350 Million) or total liabilities of more than Two Hundred Fifty Million Pesos (P250 Million); or

(2) Are required to file financial statements under Part II of SRC Rule 68; or

(3) Are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or

(4) Are holders of secondary licenses issued by regulatory agencies; or

(5) Such other corporations that the Commission may consider in the future as imbued with public interest regardless of the lack of a requirement to obtain a secondary license from the Commission and may fall under the following criteria:

(i) Those grantees of legislative franchises;

(ii) Those engaged in nationalized or partly nationalized activities;

(iii) Those grantees or recipients of public funds;
and

(iv) Those regulated by other government agencies other than the BSP or IC.

Subsequent issuances shall be made by the Commission to specifically identify corporations which it may consider as imbued with public interest.

Large and/or public interest entities shall use as their financial reporting framework the PFRS, as adopted by the Commission. However, a set of financial reporting

framework other than the full PFRS may be allowed by the Commission for certain sub-class (e.g., banks, insurance companies) of these entities upon consideration of the pronouncements or interpretations of any of the bodies listed in paragraph 1 (B) (ii) above.

- (b) In the presentation of their PFRS financial statements, all banks licensed by the BSP shall use as reference the account names/titles in the uniform chart of accounts per BSP's financial reporting package. A reconciliation schedule shall be attached to the said financial statements showing the difference between the presentation, recognition and measurement differences between the PFRS and the BSP's financial reporting framework. This schedule need not be covered by an Auditor's Report.

(ii) Medium-Sized Entities

- (a) Medium-sized entities are those that meet all of the following criteria:

- (1) Total assets of more than One Hundred Million Pesos (P100 Million) to Three Hundred Fifty Million Pesos (P350 Million) or total liabilities of more than One Hundred Million Pesos (P100 Million) to Two Hundred Fifty Million Pesos (P250 Million). If the entity is a parent company, the said amounts shall be based on the consolidated figures;
- (2) Are not required to file financial statements under Part II of SRC Rule 68;
- (3) Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
- (4) Are not holders of secondary licenses issued by regulatory agencies.

- (b) Medium-sized entities shall use as their financial reporting framework the PFRS for SMEs as adopted by the Commission. However, the following medium-sized entities shall be exempt from the mandatory adoption of the PFRS for SMEs and may instead apply, at their option, the full PFRS:

- (1) An SME which is a subsidiary of a parent company reporting under the full PFRS;
- (2) An SME which is a subsidiary of a foreign parent company which will be moving towards International Financial Reporting Standards (IFRS)

pursuant to the foreign country's published convergence plan;

- (3) An SME, either as a significant joint venture or associate, which is part of a group that is reporting under the full PFRS;
 - (4) An SME which is a branch office or regional operating headquarter of a foreign company reporting under the full IFRS;
 - (5) An SME which has a subsidiary that is mandated to report under the full PFRS;
 - (6) An SME which has a short-term projection that shows that it will breach the quantitative thresholds set in the criteria for an SME. The breach is expected to be significant and continuing due to its long-term effect on the company's asset or liability size;
 - (7) An SME which has a concrete plan to conduct an initial public offering within the next two (2) years;
 - (8) An SME which has been preparing financial statements using full PFRS and has decided to liquidate;
 - (9) Such other cases that the Commission may consider as valid exceptions from the mandatory adoption of PFRS for SMEs.
- (c) An SME availing itself of any of the above-mentioned grounds for exemption shall provide a discussion in its Notes to Financial Statements of the facts supporting its adoption of the full PFRS instead of the PFRS for SMEs.
- (d) If an SME that uses the PFRS for SMEs in a current year breaches the floor or ceiling of the size criteria at the end of that current year, and the event that caused the change is considered "significant and continuing", the entity shall transition to the applicable financial reporting framework in the next accounting period. If the event is not considered "significant and continuing", the entity can continue to use the same financial reporting framework it currently uses.
- (e) The determination of what is "significant and continuing" shall be based on management's judgment taking into consideration relevant qualitative and quantitative factors. As a general rule, twenty per cent (20%) or more of the consolidated total assets or total liabilities would be considered significant.

(iii) Small Entities

(a) Small entities are those that meet all of the following criteria:

- (1) Total assets of between Three Million Pesos (P3 Million) to One Hundred Million Pesos (P100 Million) or total liabilities between Three Million Pesos (P3 Million) to One Hundred Million Pesos (P100 Million). If the entity is a parent company, the said amounts shall be based on the consolidated figures;
- (2) Are not required to file financial statements under Part II of SRC Rule 68;
- (3) Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
- (4) Are not holders of secondary licenses issued by regulatory agencies.

(b) Small entities shall use as their financial reporting framework the PFRS for SEs as adopted by the Commission. However, entities who have operations or investments that are based or conducted in a different country with different functional currency shall not apply this Framework and should instead apply the full PFRS or PFRS for SMEs. The following small entities shall also be exempt from the mandatory adoption of the PFRS for SEs and may instead apply, as appropriate, the full PFRS or PFRS for SMEs:

- (1) A small entity which is a subsidiary of a parent company reporting under the full PFRS or PFRS for SMEs;
- (2) A small entity which is a subsidiary of a foreign parent company which will be moving towards IFRS or IFRS for Small and Medium-sized Entities (IFRS for SMEs) pursuant to the foreign country's published convergence plan;
- (3) A small entity, either as a significant joint venture or associate, is part of a group that is reporting under the full PFRS or PFRS for SMEs;
- (4) A small entity which is a branch office or regional operating headquarter of a foreign company reporting under the full IFRS or IFRS for SMEs;
- (5) A small entity which has a short-term projection that show that it will breach the quantitative thresholds

set in the criteria for a small entity. The breach is expected to be significant and continuing due to its long-term effect on the Company's asset size;

- (6) A small entity which has been preparing financial statements using full PFRS or PFRS for SMEs and has decided to liquidate;
- (7) Such other cases that the Commission may consider as valid exceptions from the mandatory adoption of PFRS for SEs.
- (c) A small entity availing of any of the above-mentioned grounds for exemption shall provide a discussion in its Notes to Financial Statements of the facts supporting its adoption of the full PFRS or PFRS for SMEs instead of the PFRS for SEs.
- (d) If a small entity that uses the PFRS for SEs in a current year breaches the floor or ceiling of the size criteria at the end of that current year, and the event that caused the change is considered "significant and continuing", the entity shall transition to the applicable financial reporting framework in the next accounting period. If the event is not considered "significant and continuing", the entity can continue to use the same financial reporting framework it currently uses.
- (e) The determination of what is "significant and continuing" shall be based on management's judgement taking into consideration relevant qualitative and quantitative factors. As a general rule, 20% or more of the consolidated total assets would be considered significant.

(iv) Micro Entities

- (a) Micro entities are those that meet all of the following criteria:
 - (1) Total assets and liabilities are below Three Million Pesos (P3 Million);
 - (2) Are not required to file financial statements under Part II of SRC Rule 68;
 - (3) Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
 - (4) Are not holders of secondary licenses issued by regulatory agencies.

- (b) Micro entities have the option to use as their financial reporting framework either the income tax basis or **PFRS for SEs**, provided however, that the financial statements shall at least consist of the Statement of Management's Responsibility (SMR), Auditor's Report, Statement of Financial Position, Statement of Income and Notes to Financial Statements, all of which cover the two (2)-year comparative periods, if applicable.
- (c) If an entity uses a basis of accounting other than the PFRS for SEs in the preparation of its financial statements, its management shall assess the acceptability of such basis of accounting in the light of the nature of the entity and the objective of the financial statements, or the requirements of the law or regulators.

In the event where an entity breaches the prescribed threshold in terms of total assets or total liabilities and thus it falls within a different classification, the Audited Financial Statements (AFS) of said entity shall be prepared in accordance with the higher framework.

The Commission may from time to time prescribe other criteria for each of the above-stated financial reporting framework.

B. Responsibility for Financial Statements

- (i) The financial statements filed with the Commission are primarily the responsibility of the management of the reporting company, and accordingly, the fairness of the representations made therein is an implicit and integral part of the management's responsibility. The Board of Directors, in discharging its responsibilities, reviews and approves the financial statements before these are submitted to the stockholders.
- (ii) The SMR for Financial Statements that shall be attached to the financial statements shall read as follows:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended (date), in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (Trustees) is responsible for overseeing the Company's financial reporting process.

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders or members.

(Name of auditing firm), the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature _____
Printed Name of the Chairman of the Board

Signature _____
Printed Name of Chief Executive Officer _____

Signature _____
Printed Name of Chief Financial Officer _____

Signed this ____ day of _____

- (iii) The SMR shall cover the comparative financial statements and shall indicate therein such periods.
- (iv) The SMR shall be attached to the consolidated financial statements, if applicable, and to the stand-alone financial statements of the company.
- (v) The Chairman of the Board, Chief Executive Officer and Chief Finance Officer shall all sign the SMR as prescribed by this Rule. If provided in the company's by-laws, persons holding equivalent positions as that of the aforementioned signatories shall sign the statement. The failure of any of the prescribed signatories to sign the SMR constitutes a material deficiency in the financial statements.
- (vi) In case of branch offices or regional operating headquarters of foreign corporations, the SMR shall be signed by its local manager who is in charge of its operations within the Philippines. The second paragraph of the SMR may be deleted since the Philippine branch does not have any local Board of Directors or stockholders.

- (vii) The independent auditor's responsibility for the financial statements required to be filed with the Commission is confined to the expression of his opinion on such statements which he has audited.
- (viii) In the audit of the company's financial statements, the management shall provide the external auditor with the following documents:
 - (a) Complete set of financial statements as prescribed under the applicable financial reporting framework of the entity, and if applicable, schedules and reconciliation forming part of the financial statements required under the existing rules of the Commission;
 - (b) All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements. These include schedules, computations, projections, reconciliations, reports, analyses and other financial information;
 - (c) Any additional information that the auditor may request from management and when appropriate, from those tasked to perform governance.
- (ix) The management shall provide unrestricted access to records and personnel of the entity from whom the auditor deems it necessary to obtain audit evidence.
- (x) All publicly-listed companies, as required under the SEC Code of Corporate Governance, shall establish a system that captures relevant information on related party transactions. The financial statements shall contain all information on such transactions as required under the financial reporting framework and under such guidelines as may be issued by the Commission. It shall include a disclosure on whether or not the corporation has an approval requirement and limits on the amount and extent of related party transactions.
- (xi) The Board of Directors or its Audit Committee, if applicable, shall determine and ensure itself of the independence and competence of the company's external auditor. For entities which are covered under the SEC Code of Corporate Governance, the scope, expenses of the audit, audit fees and non-audit services of the external auditor shall be approved by the Board of Directors or its Audit Committee, if applicable.
- (xii) The company shall neither allow nor require its independent auditor to prepare its financial statements and/or any of its supporting documents. The independent auditor's duty is to conduct an independent audit of the company's financial statements and supporting documents pursuant to the prescribed auditing standards.

- (xiii) To determine compliance by the company's management with its representations in the SMR, this Section and other relevant provisions of this Rule, the Commission may examine the company's books, records, systems and controls pursuant to the guidelines set by the Commission. For this purpose, the following requirements shall be observed:
- (a) All corporations covered by this Rule shall retain copies of all the records and documents supporting the preparation of their financial statements, regardless of the form in which they are stored, within a period of ten (10) years reckoned from the day following the deadline in filing the financial statements, or such longer time until the final closure or judgment of a pending investigation or case against the corporation, if any.
 - (b) The corporation shall inform its external auditor in writing about an investigation or a case involving its financial records and documents, within ten (10) working days from the date of the notice to the corporation.
 - (c) If the records of the corporation are in electronic form, the same shall be acceptable provided that there is compliance with the requirements of the Electronic Commerce Act of 2000 [Republic Act (RA) No. 8792] and its IRR.

C. Form, Order and Terminology

- (i) This Section shall be applicable to financial statements filed with the Commission for all corporations covered by this Rule.
- (ii) Financial statements shall be filed in such form and order and shall use such generally accepted terminology as will best indicate their significance and character in the light of the provisions applicable thereto. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further material information as is necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.
- (iii) All money amounts required to be shown in financial statements may be expressed in whole currency units (e.g. Philippine Pesos) or multiples thereof, as appropriate: provided, that when stated in other than whole currency units, an indication to that effect is inserted immediately beneath the caption of the statement or schedule, at the top of the money columns, or at an appropriate point in narrative material.
- (iv) Negative amounts shall be shown in a manner which clearly distinguishes the negative attribute. When determining methods of display, consideration shall be given to the limitations of reproduction and scanning or microfilming processes.

- (v) The chronological arrangement of data may be with the most recent date to the right or to the left. However, the ordering used shall be consistent in all financial statements, tabular data and footnote data in the document.
- (vi) The financial statements, other than the consolidated financial statements, shall be duly received by the Bureau of Internal Revenue (BIR) or its authorized banks, unless the BIR allows an alternative proof of submission for its authorized banks (e.g. bank slips) or prohibits acceptance of the financial statements in certain cases (e.g., on-going examination).

D. Presentation for Receipt of the AFS

- (i) Financial statements required to be submitted by corporations shall be accompanied by an Auditor's Report issued by an independent auditor and presented in accordance with the requirements of this Rule. Failure to comply with any of the formal requirements under this Rule including the prescribed qualifications for independent auditors shall be considered a sufficient ground for the denial of the receipt of the financial statements or the imposition of applicable penalties under the Scale of Fines or pertinent Memorandum Circulars (MCs) issued by the Commission.
- (ii) The acceptance and receipt by the Commission of the financial statements shall be without prejudice to the fines that may be imposed for any material deficiency or misstatement that may be found upon evaluation of the specific contents thereof.

3. QUALIFICATIONS AND REPORTS OF INDEPENDENT AUDITORS

A. Audit of Financial Statements by Independent Auditors

All registered corporations covered by this Rule shall have independent auditors who are duly registered and licensed with the Board of Accountancy (BOA) of the Professional Regulation Commission (PRC) in accordance with the rules and regulations of said professional regulatory bodies. A corporation with financial statements audited by an independent auditor who is not registered and licensed with the BOA shall be subject to appropriate fines and shall be immediately referred to the PRC/BOA for the appropriate penalties.

B. Additional Requirements for Independent Auditors of SEC-Regulated Entities and Other Entities

(i) The following entities shall have independent auditors accredited by the Commission under the appropriate category:

(a) **Group A**

- (1) Issuers of registered securities which have sold a class of securities pursuant to a registration under Section 12 of the SRC except those issuers of registered timeshares, proprietary and non-proprietary membership certificates which are covered in Group B. This category shall also cover corporations applying for the registration of their securities;
- (2) Issuers with a class of securities listed for trading in an Exchange;
- (3) Public companies or those which have total assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe, and having two hundred (200) or more holders each holding at least one hundred (100) shares of a class of its equity securities;
- (4) Clearing agency and clearing agency as depository; and
- (5) Stock and securities exchange/s and other Self-Regulatory Organizations.

(b) **Group B**

- (1) Issuers of registered timeshares, proprietary and non-proprietary membership certificates, and corporations applying for the registration of such securities;
- (2) Investment houses;
- (3) Brokers and dealers of securities;
- (4) Government securities eligible dealers;
- (5) Universal banks registered as underwriters of securities;
- (6) Investment company advisers;

- (7) Special purpose corporations registered under the Securitization Act of 2004 and its implementing rules; and
- (8) Such other corporations which may be required by law to be supervised by the Commission.

(c) **Group C**

- (1) Financing companies whose assets in the preceding year are above Ten Million Pesos (P10 Million);
- (2) Lending companies whose assets in the preceding year are above Five Million Pesos (P5 Million);
- (3) Transfer agents;
- (4) Non-stock, non-profit corporations including foundations which solicit or receive annual donations or contributions and/or with fund balance amounting to more than Twenty-Five Million Pesos (P25 Million) and One Hundred Million Pesos (P100 Million), respectively, over the preceding three (3) years, or such higher amount that the Commission may set through order or guidelines.

A non-stock, non-profit corporation that is already scoped in by the above requirement can only be excluded if its annual donations or contributions and/or fund balance fall below Twenty-Five Million Pesos (P25 Million) and One Hundred Million Pesos (P100 Million), respectively, over the preceding three (3) years;

- (5) Corporations with bank borrowings aggregating to more than Two Hundred Fifty Million Pesos (P250 Million) with remaining tenor of more than twelve (12) months as of end of the reporting period;
- (6) Such other corporations that the Commission may consider as imbued with public interest regardless of the lack of a requirement to obtain a secondary license from the Commission.

(ii) Scope and Limitation of Accreditation

(a) The auditing firms including their respective signing partners who shall be engaged by companies under Groups A, B and C must be accredited by the Commission in accordance with this Rule.

(b) Sole practitioners may be accredited by the Commission and may be engaged by Group C companies provided that such auditors have proven their capacity and resources for establishing and implementing adequate audit quality controls in accordance with applicable standards and such other rules and regulations as the Commission may prescribe.

Sole practitioners, however, are expected to convert from a Sole Proprietorship to a Partnership structure until 31 December 2019 in order to continue being accredited by the Commission.

(c) The Commission shall not be liable for any liability or loss that may arise from the selection and engagement of the said accredited independent auditor and/or auditing firm engaged by a corporation for audit.

(d) The accreditation of an independent auditor and/or auditing firm shall expire or be automatically delisted after three (3) years (or such number of years as may later be determined by the Commission) from the date of approval of the accreditation, unless an application for its renewal is filed not later than thirty (30) business days before its expiration.

(e) The evaluation done on the financial statements of the applicant's corporate clients during the processing of his application covers only the companies' compliance with the applicable financial reporting framework and such was made only on the face of the financial statements and attached schedules and not its supporting documents.

(f) The Commission shall subject to SOAR Inspection program the accredited auditing firms engaged by companies with equity or debt securities listed in an Exchange and review portions of these firms' audit work for the listed companies.

(g) The accreditation of an auditing firm, partner or sole practitioner shall be effective unless any of the following occurs:

(1) the auditing firm or auditor's request for withdrawal of accreditation is approved by the Commission;

- (2) the accreditation is suspended or revoked by the Commission, after due notice and hearing, for failure to comply with the SOAR requirements or for such other grounds as provided in this Rule; or
 - (3) the BOA registration and license have expired and no application for renewal has been filed with the BOA.
- (h) Accreditation under Group A shall be considered a general accreditation which shall allow the independent auditor to also audit companies under Groups B and C. Independent auditors with Group B accreditation can likewise audit companies under Group C. Only accredited partners, with accreditation under the appropriate group category, are allowed to certify financial statements of the firm's clients with secondary license.

(iii) Accreditation Requirements for Individual Independent Auditors or Signing Partners

(a) General Requirements

- (1) The applicant shall be registered and licensed with the BOA;
- (2) At the time of application, the applicant shall have at least five (5) years of experience in external audit. The audit experience shall have been acquired as a manager or partner or its equivalent;
- (3) The applicant shall have adequate policies and procedures related to the elements of a system of quality control provided for under PSA No. 220 (Quality Control for an Audit of Financial Statements), Philippine Standard on Quality Control (PSQC) No. 1 (Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, Other Assurance and Related Services Engagements), and their amendments. These shall be reflected in his Quality Assurance Manual (QAM). The QAM submitted is subject to the evaluation by the Commission.
- (4) An application for accreditation of an external auditor shall not be recommended for approval, if after due notice and hearing, it could be established that:
 - (i) The auditor allowed the perpetuation of such violation by issuing a report with unqualified opinion on the relevant financial statements despite discovery of the violation

during the audit, or if not discovered the same should have been identified if appropriate audit procedures were made; and

- (ii) The violation subject of this paragraph shall pertain to a decision or judgment that has attained finality.

(b) Specific Requirements

- (1) The applicant shall have sufficient knowledge on the regulatory requirements, operations and functions of companies under Group A, B or C for which he is applying for accreditation;
- (2) The applicant shall have a total of thirty (30) units of training and seminars (or such number of units as may later be determined by the Commission) on the following topics within the last three (3) years: ten (10) units on PFRS, ten (10) units on PSA, and ten (10) units on laws and regulations being implemented by the Commission. The said training should have been approved by the PRC Continuing Professional Development Council (CPDC), or organized or approved by the Commission;
- (3) The quality of audit work based on the evaluation of the financial statements of clients shall meet the prescribed level under Annex "68-A" of this Rule;
- (4) At the time of application, the applicant shall have the following track record:
 - (i) For Group A applicant, he shall have had a minimum of five (5) corporate clients with total assets of at least Fifty Million Pesos (P50 Million) each, or such amount as may be prescribed by the Commission;
 - (ii) For Group B, he shall have had a minimum of three (3) corporate clients with total assets of at least Twenty Million Pesos (P20 Million) each, or such amount as may be prescribed by the Commission;
 - (iii) For Group C, he shall have had a minimum of three (3) corporate clients with total assets of at least Five Million Pesos (P5 Million) each, or such amount as may be prescribed by the Commission.

(c) Application Documents –

1. For the initial accreditation, a notarized application form (SEC Form ExA-001) shall be submitted by the applicant to the Commission, together with the prescribed supporting documents.
2. The accreditation may be renewed by filing a notarized renewal application form (SEC Form ExA-001-R) together with the prescribed supporting documents. In addition to the said documents, the applicant must show proof that he is engaged or had been engaged for the audit of a company under the category that he was previously accredited for and under which he is applying for renewal.

In case the applicant renewing his accreditation was not engaged in the audit of a company under the category that he was previously accredited, the applicant should show proof of continuing compliance with all the requirements enumerated in Section 3(B)(iii)(a) and (b) of this Rule.

3. Applications for initial or renewal of external auditors or partners of auditing firms shall be assessed with the appropriate filing fee as indicated in SEC MC No. 13, Series of 2009 or subsequent circulars issued by the Commission.

(iv) Accreditation Requirements for Auditing Firms

- (a) The auditing firm shall be accredited with the BOA;
- (b) At the time of application and during the effectivity of its accreditation, it shall have at least two (2) signing independent auditors who are accredited under the same category as the auditing firm is applying for;
- (c) It shall have adequate policies and procedures related to the elements of a system of quality control provided for under PSA No. 220 (Quality Control for an Audit of Financial Statements), PSQC No. 1 (Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, Other Assurance and Related Services Engagements), and their amendments. These shall be reflected in the QAM of the auditing firm. The QAM submitted is subject to the evaluation by the Commission.

For Groups A or B, the highest level of quality assurance procedures within the auditing firm are required in order that matters like proper consultation policies, concurring reviews and independence monitoring are in place.

The auditing firm shall submit a certification on the number of its personnel or staff

(d) The auditing Firm shall submit a disclosure under oath attesting to its independence.

(e) Application documents

1. For initial accreditation, a notarized application form (SEC Form AuF-002) shall be signed by the managing partner of the auditing firm and shall be submitted to the Commission together with the prescribed supporting documents.

2. The accreditation may be renewed by filing a notarized renewal application form (SEC Form AuF-002-R) together with the prescribed supporting documents. In addition to the said documents, the firm must show proof that it is engaged or had been engaged for the audit of a company under the category that it was previously accredited for and under which it is applying for renewal.

In case the firm renewing its accreditation was not engaged in the audit of a company under the category that the firm was previously accredited, the firm should show proof of continuing compliance with all the requirements enumerated in Section 3(B)(iv)(a) to (d) and of this Rule.

3. Applications for initial or renewal accreditation of auditing firms shall be assessed with the appropriate filing fee as indicated in SEC MC No, 13, Series of 2009 or subsequent circulars issued by the Commission.

(v) In addition to the above-stated accreditation requirements, the Commission may prescribe through subsequent issuances, other qualification requirements and supporting documents as it may consider necessary to provide higher assurance on the competence and independence of auditors accredited by the Commission.

(vi) Mutual Recognition Policy

(a) The mutual recognition policy covering auditors of Group C companies is subject to the BSP restriction that for banks and their subsidiary and affiliate banks; quasi-banks; trust entities; non-stock savings and loan associations and their subsidiaries and affiliates engaged in allied activities; and other financial institutions which, under special laws, are subject to the BSP's consolidated supervision, only one (1)

independent auditor or auditing firm shall audit their individual and consolidated financial statements.

- (b) The existing mutual recognition policy between and among financial regulators is limited to compliance by applicants with the basic qualification and documentary requirements. Special requirements of each agency must still be observed by applicant-external auditors. This is without prejudice, however, to any subsequent agreement between and among the Commission and other financial regulators to centralize into one unit all of their accreditation processes and requirements.

(vii) **Operational Requirements**

All auditing firms and sole practitioners holding a certificate of accreditation from the Commission shall comply with the following requirements:

- (a) They shall strictly observe the Code of Ethics for Professional Accountants as adopted by the BOA and PRC and such other standards as may be issued by the Commission.
- (b) They shall comply with the following:
 - (a) Terms of the engagement letter and its undertakings;
 - (b) The PSA and other issuances of the Auditing and Assurance Standards Council (AASC) and the Commission;
 - (c) Applicable provisions of this Rule and other relevant regulations and circulars of the Commission; and
 - (d) Other pertinent laws, rules and regulations.
- (c) In case of auditing firms, they shall maintain the number of partners necessary to comply with the rotation policy of this Rule.
- (d) They shall comply with the reportorial requirements as set forth under this Rule.
- (e) They shall maintain the prescribed quality of audit work under Annex "68-A" of this Rule.

- (f) They shall implement their respective QAM that is in accordance with the requirements of existing auditing standards.
- (g) They shall retain copies of their working papers, audit evidences and other audit related records for a period of ten (10) years reckoned from the day following the completion of the audit, or such longer time until the final closure or judgment of a pending investigation or case against the client, if any.

The client corporation shall inform its external auditor in writing about an investigation or a case against the company within ten (10) working days from the date of notice to the corporation.

If the records of the auditing firm are in electronic form, the same shall be acceptable provided that there is compliance with the requirements of the Electronic Commerce Act of 2000 (R.A. No. 8792) and its IRR.

- (h) In relation to an on-going investigation of a regulated entity, accredited independent auditors and auditing firms shall, upon order of the Commission, present their working papers, audit evidence and other audit related records.

- (i) All Independent Auditors accredited with the Commission shall each obtain a total of thirty (30) units of training and seminars or such number of units as may later be determined by the Commission) on the following topics every three (3) years: ten (10) units on PFRS, ten (10) units on PSA, and ten (10) units on laws and regulations being implemented by the Commission. The said training shall have been approved by the PRC-CPDC or organized or approved by the Commission.

- (j) Auditing firms with listed clients shall allow the Commission through its reviewers who hold a written authority, to conduct an on-site examination in accordance with the SOAR Program.

- (k) They shall comply with such orders and guidelines as may be issued by the Commission pursuant to its powers and authority under existing laws.

Failure to comply with any of the foregoing requirements shall be a sufficient ground for the imposition of fines, as indicated in SEC MC No.13 series of 2009 or subsequent circulars issued by the Commission and/or suspension or revocation of the accreditation of the auditing firm or auditor and/or non-renewal thereof.

(viii) Reportorial Requirements

- (a) The Audit Committee of entities classified under Groups A, B and C shall report to the Commission its action on a report of its independent auditor pertaining to any item enumerated under item (c) below within five (5) business days from the date the report is submitted by the independent auditor. For companies under Group A, the report shall be in a SEC Form 17-C that shall be signed by the Chairman of the Audit Committee. For companies under Groups B and C, the report shall be in the form of a letter signed by the Chairman of the Audit Committee or if there is no such committee, by the company's Chairman of the Board.
- (b) In case the Audit Committee fails to submit the report required above, the independent auditor shall, within thirty (30) business days from the submission of his findings to the entity, file a report (SEC Form Au-Rep) to the Commission.
- (c) The following findings shall be disclosed to the Commission:
- (1) Any finding of: (i) violation of SRC Rule 68; (ii) offering of securities without prior registration with the Commission under the SRC; or (iii) engaging in the business of financing or lending without a secondary license;
 - (2) Any material finding involving fraud or error;
 - (3) Losses or potential losses the aggregate of which amounts to at least ten per cent (10%) of the consolidated total assets of the company;
 - (4) Any finding to the effect that the consolidated assets of the company, on a going concern basis, are no longer adequate to cover the total claims of creditors; and
 - (5) Material internal control weaknesses which may lead to financial reporting problems.
- (d) The independent auditor shall submit his findings to the client-company's Audit Committee or Board of Directors, as applicable. The adverse findings shall be discussed by the independent auditor with the said body in order to preserve the concerns of the supervisory authority and independent auditors regarding the confidentiality of the information.
- (e) The independent auditor shall document management's explanation and/or corrective action taken regarding his

adverse findings. The same shall be included in the report mentioned under item (b) above.

- (f) The engagement contract between the company and the independent auditor shall contain a provision that the disclosure of information by the independent auditor to the Commission shall not constitute a breach of confidentiality nor shall it be ground for civil, criminal or disciplinary proceedings against the independent auditor.

(ix) **Rotation of External Auditors**

- (a) The independent auditors or in the case of an auditing firm, the signing partner, of the aforementioned SEC regulated entities under Groups A to C shall be rotated every after five (5) years of engagement. A two (2)-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor. The aforementioned policy should also apply to the Engagement Quality Control Reviewers of audits for listed clients. Non-stock, non-profit corporations, including foundations, and companies with Two Hundred Fifty Million Pesos (P250 Million) or above bank borrowings under Group C shall be exempt from this auditor rotation policy.

- (b) To provide a transition for a company-client becoming an issuer or qualifying as a public company, the following shall be observed:

- (1) If the signing partner or individual auditor has two (2) or more years remaining on the maximum service period when the client becomes an issuer or qualifies as a public company, the number of years the same partner may continue to serve the client in that capacity before rotating off the engagement is the maximum service period allowed less the number of years already served (i.e., if maximum is five (5) years, then five (5) years less than the number of years already served).

- (2) If the signing partner or individual auditor has less than two (2) years remaining or has exceeded the maximum service period allowed when the client becomes an issuer or qualifies as a public company, the same may continue to serve in that capacity for a maximum of two (2) additional years before rotating off the engagement.

- (x) **In addition to the requirements in the preceding provisions, the Commission, through subsequent issuances, may prescribe other obligations of accredited external auditors as it may consider necessary to improve transparency, audit quality and independence of external auditors.**

C. Independence of Auditors

The term independent auditor or external auditor refers to an auditor who fully meets the requirements of independence as provided for in the Code of Ethics for Professional Accountants in the Philippines and in this Rule.

D. Engagement of Independent Auditors

- (i) The company through its Board of Directors or Audit Committee, if applicable, shall conduct due diligence in confirming the personal identification and professional qualifications of the independent auditor whose services it will engage.
- (ii) Prior to engagement, the company shall require the independent auditor to present a copy of his/her professional license from the PRC and the Certificate of Accreditation issued to him/her by the BOA as sole independent auditor and to the auditing firm if he is a partner thereof.
- (iii) The company shall confirm the authenticity of the BOA Certificate of Accreditation by checking the latest list of accredited practitioners issued by the BOA.
- (iv) In addition to the above, regulated entities shall observe the following procedures prior to the engagement of an independent auditor:
 - (a) The company shall require the presentation of the Commission's Certificate of Accreditation issued to the independent auditor and its auditing firm, if applicable. The level of accreditation (Groups A to C) indicated in the said certificate shall be at least equivalent to the company's classification under this Rule;
 - (b) The authenticity of the said certificate shall be verified against the official list of accredited auditors and auditing firms.
- (v) Preliminary meetings with the management and the exit conference shall be attended to personally by the independent auditor or by the handling partner or engagement manager, in case of an auditing firm.
- (vi) A complete documentation of the foregoing requirements shall be retained by the company. The independent auditor's file with the company shall include a copy of his/her PRC license, BOA Accreditation Certificate, Commission's Certificate of Accreditation (if applicable), engagement contract and minutes of conference with the auditors, among others.

E. Audit Reports of Independent Auditors

- (i) The Auditor's Report shall: (a) be dated; (b) be signed by the certifying independent auditor; (c) identify the financial statements covered by the report; (d) state the signing accountant's License, Tax Identification and Privilege Tax Receipt numbers, and registration number with the BOA including its expiration date; (e) state the complete mailing address of the client and the auditor; (f) in the case of an auditing firm, the certifying partner shall sign his own signature and shall indicate that he is signing for the auditing firm, the name of which is printed in the report.
- (ii) The Auditor's Report of a company mentioned under paragraph (B)(i) of this Section shall likewise indicate the signing auditor/partner's accreditation number, category and expiration of accreditation. In case of an auditing firm, the same information with respect to the accreditation of the auditing firm shall be indicated.
- (iii) The Auditor's Report shall state whether the audit was made in accordance with the PSA.
- (iv) The Auditor's Report shall state clearly the opinion of the independent auditor on the fairness of presentation in conformity with the prescribed financial reporting framework for the company. It shall discuss the basis of the opinion and shall contain all information as required under the PSA.
- (v) Unless exempted under sub-paragraph (vi) below, the external auditor of a company which has incurred a capital deficiency, shall provide in the Audit Report a Material Uncertainty Related to Going Concern section pursuant to the auditing standards which includes a reference to the Note to Financial Statements. Such note shall discuss the concrete plan of the company to address the capital deficiency;
- (vi) The requirement under sub-paragraph (v) above shall not apply to a company that incurred a capital deficiency due to any of the following reasons:
 - (1) The company is at pre-operating stage and has incurred capital deficiency due to higher pre-operating expenses than its initial capitalization. Projected financial statements indicate that it will generate net income once it starts commercial operations;
 - (2) Significant losses were incurred in prior years but the company has generated positive results (net income) from operations over the current period due to developments in the business or regularization of its operation;

- (3) The company has incurred capital deficiency during the current period only due to a significant adjustment arising from the adoption of a new financial reporting framework or occurrence of a non-recurring transaction for the period;
 - (4) Such other cases which the Commission may consider as valid ground for considering the company as a going concern.
- (vii) Any company covered by any of above exemptions shall provide in Note 1 of its AFS a discussion on the reason for its capital deficiency and a concrete plan to address the same.

F. Supplemental Written Statement of Auditor

- (i) For stock corporations filing under Part I of this Rule (and therefore not covered by Part II), their independent auditors shall issue a supplemental written statement as prescribed under Annex 68-B of this Rule.
- (ii) To support the above statement, the auditor may undertake the audit procedures he deems necessary, such as the following:
 - (a) Obtain a certification from the issuer's Corporate Secretary on the number of stockholders and their corresponding shareholdings;
 - (b) Inspect the Stock and Transfer Book and conduct the tests needed to validate their entries and balances.

4. COMPARATIVE FINANCIAL STATEMENTS

- A. The financial statements to be filed with the Commission shall be presented in comparative form. The figures for the most recently ended fiscal year may be presented at the right portion immediately after the accounts name, followed by the figures for the last preceding year.
- B. Balance Sheet or Statement of Financial Position

The audited Balance Sheets or Statements of Financial Position shall be as of the end of each of the two (2) most recently completed fiscal years.
- C. Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity

If practicable, these statements shall be for each of the two (2) most recent completed fiscal years or such shorter period as the company (including predecessors) has been in existence.
- D. An explanation through a note or otherwise shall be made explaining the reasons for filing a single-period statement, e.g. it is the first (1st) period of a new company.

- E. When financial statements are presented on a comparative basis for more than the periods required, the Auditor's Report need not extend to prior periods for which the financial statements are not required to be audited.
- (i) If the financial statements of the prior year were not audited, such statements shall be marked prominently as "UNAUDITED." In addition, the auditor shall disclose this in an "other matter" paragraph in the Auditor's Report.
 - (ii) If the financial statements of a prior-period have been audited by another independent certified public accountant whose report is not presented, the statements shall be marked to disclose prominently that they are not being reported upon by the current auditor. If the auditor of the financial statements for such periods did not give an unqualified opinion on such statements, the auditor for the current year shall indicate in an "other matter" paragraph of his report (i) that the financial statements of the prior-period were audited by other auditors, (ii) the date of their report, (iii) the type of opinion expressed by the predecessor auditor, and (iv) the substantive reasons it was qualified.

5. OTHER DOCUMENTS TO BE FILED WITH THE FINANCIAL STATEMENTS

The following documents shall be filed with the annual AFS and in the interim financial statements, if required herein:

A. **Non-Stock and Non-Profit Organizations (NSPO) Including Foundations**

The forms as provided in Annex 68-F of this Rule must be accomplished and submitted with the AFS by non-stock and non-profit organizations including foundations.

NSPO Form-1, NSPO Form-2 and NSPO Form-3 must be submitted by all registered non-stock and non-profit organizations. For those with annual contributions or donations of Five Hundred Thousand (P500,000) or more, NSPO Form-4 and NSPO Form-5 must also be submitted with the AFS.

These schedules need not be covered by an Auditor's Report.

B. **Issuers of Securities to the Public, and Stock Corporations with Unrestricted Retained Earnings in Excess of 100% of Paid-In Capital Stock**

A Reconciliation of Retained Earnings Available for Dividend Declaration, which shall present the prescribed adjustments in the prescribed Form per Annex 68-C of this Rule. This reconciliation must be covered by an Auditor's Report.

C. **Regulated Entities Enumerated in Par. 2 of Part I of This Rule Except Foundations and Corporations with Bank Borrowings of More Than Two Hundred Fifty Million Pesos (P250 Million) Under Group C**

A schedule showing financial soundness indicators in two (2) comparative periods, as follows: (i) current/liquidity ratios; (ii) solvency ratios, debt-to-

equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; and (vi) other relevant ratios as the Commission may consider necessary.

This schedule, in the prescribed Form per Annex 68-G of this Rule, shall be submitted with the AFS and if applicable, with the company's interim financial statements. This schedule need not be covered by an Auditor's Report.

D. Financing Companies

A schedule showing the following information for two (2) comparative periods: (i) ratio or percentage of total real estate investments to total assets; (ii) total receivables to total assets; (iii) total Directors, Officers, Stockholders and Related Interests (DOSRI)'s receivables to net worth; and (iv) amount of receivables from a single corporation to total receivables.

This schedule, in the prescribed Form per Annex 68-H of this Rule, shall be submitted with the annual AFS and if applicable, with the company's interim financial statements. This schedule need not be covered by an Auditor's Report.

E. Mutual Funds

A schedule showing the following information for two (2) comparative periods: (i) percentage of investment in a single enterprise to net asset value; (ii) total investment of the fund to the outstanding securities of an investee company; (iii) total investments in liquid or semi-liquid assets to total assets; (iv) total operating expenses to total net worth; and (v) total assets to total borrowings.

This schedule, in the prescribed Form per Annex 68-I of this Rule, shall be submitted with the annual AFS and if applicable, with the company's interim financial statements. This schedule need not be covered by an Auditor's Report.

F. Investment Houses

A schedule, in the prescribed Form per Annex 68-J of this Rule showing the following information:

Details (per issue) of underwriting activities for the year:

- (i) Name of the issuer-client;
- (ii) Nature of commitment;
- (iii) Amount of issue;
- (iv) Underwriting and other fees generated; and
- (v) Basis of computation for each.

Transactions with DOSRI:

- (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, and mode of payment; and
- (v) If secured, carrying amount of asset used as collateral.

This schedule need not be covered by an Auditor's Report.

G. Listed Companies and Investment Houses that are Part of a Conglomerate or Group of Companies

A map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, wherever located or registered. The map must be covered by an Auditor's Report.

H. Listed Companies that Recently Offered Securities to the Public (Either as Initial or Additional Offering)

A schedule, in the prescribed Form per Annex K of this Rule, showing the following amounts:

- 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 end of reporting period.

This schedule shall be submitted with the annual AFS and if applicable, with the company's interim financial statements up to such period when all the proceeds from the offering have been utilized. This schedule need not be covered by an Auditor's Report.

I. Such other schedules or components that the Commission may require through subsequent pronouncements.

PART II

ADDITIONAL REQUIREMENTS FOR ISSUERS OF SECURITIES TO THE PUBLIC

1. APPLICATION

In addition to the requirements set forth under Part I of this Rule, this Part II (together with subsequent official pronouncements, interpretations and rulings on accounting and reporting matters, which may be issued by the Commission from time to time) provides for the special requirements on the financial statements required to be filed with the Commission by corporations which filed registration statements under Section 12 of the SRC or which meet the following criteria with respect to the requirements to file reports:

- A. Issuer which has sold a class of its securities pursuant to a registration under Section 12 of the SRC;
- B. Issuer with a class of securities listed for trading on an Exchange; and
- C. Issuer with assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe and has Two Hundred (200) or more holders each holding at least one hundred (100) shares of a class of its equity securities as of the first (1st) day of the issuer's fiscal year.

2. REGISTRATION OF SECURITIES PURSUANT TO THE ASEAN CAPITAL MARKET INTEGRATION

The registration of securities pursuant to the ASEAN Capital Market Integration Framework shall be in accordance with this Rule, subject to the following specific requirements and such other issuances as the Commission may hereinafter release:

- A. Adoption of the IFRS as the basis of financial statements of foreign companies that will undergo cross border offerings or listings in the Philippines.
- B. Submission by the foreign issuer's financial statements that are audited by a foreign audit firm are subject to the following requirements:
 - (i) The foreign audit firm should be accredited or licensed and/or recognized in its home jurisdiction as qualified to audit issuers of securities to the public;
 - (ii) The foreign audit firm should be affiliated with a local firm that is accredited by the Commission under Group A category; and
 - (iii) The SMR, schedules and other attachments required under SRC Rule 68 should be submitted with the financial statements.
- C. Modification of financial statement requirements in cases where the subject of a registration statement is asset-backed securities in order to align with those in other ASEAN countries.

3. AUDITOR'S OPINION ON FINANCIAL STATEMENTS

- A. The AFS of companies covered by Part II of this Rule with an auditor's opinion other than unqualified because of deviation(s) from the required financial reporting framework or due to a scope limitation imposed by the company, shall be considered a violation of this Rule.
- B. For listed banks, a qualified opinion from their independent auditors shall not be considered a non-compliance with this Rule if the qualification pertains to a deviation from PFRS, when such deviation has been approved by the BSP as part of its prudential reporting requirements.
- C. The company shall, if warranted, after due notice and hearing, be subject to the applicable penalties and shall be required to submit its amended financial statements to address the modification or limitation.

4. RESPONSIBILITY FOR FINANCIAL STATEMENTS

The SMR of companies covered under Part II of this Rule shall, in addition to the requirements under paragraph (2)(B) of Part I, be signed under oath.

For registrants of securities, the SMR shall be attached to both annual and interim financial statements.

5. PERIODIC PRESENTATION

The periodic presentation and coverage of financial statements accompanying the registration statements (SEC Form 12-1), annual reports (SEC Form 17-A) and management reports attached to the information statements (SEC Form 20-IS) shall be made in accordance with the requirements of this Section.

A. Registration Statements

(i) Consolidated Balance Sheet or Statement of Financial Position

- (a) If the registrant has been in existence for less than one (1) fiscal year, there shall be filed an audited Balance Sheet or Statement of Financial Position as of a date within one hundred eighty (180) days of the date of filing the registration statement.
- (b) If a filing on SEC Form 12-1 is made within one hundred eighty (180) days after the end of the most recently ended fiscal year, the filing shall include Audited Consolidated Balance Sheets or Statements of Financial Position as of the end of each of the two (2) most recently ended fiscal years.
- (c) If a filing on SEC Form 12-1 is made more than one hundred eighty (180) days but not more than two hundred seventy four (274) days after the end of the most recently ended fiscal year, the filing shall include Audited Consolidated

Balance Sheets or Statements of Financial Position as of the end of each of the two (2) most recently ended fiscal years and a separate Interim Balance Sheet or Statement of Financial Position as of the end of the first (1st) fiscal quarter subsequent to the most recent fiscal year end.

- (d) If a filing on Form 12-1 is made more than two hundred seventy-four (274) days after the end of the most recently ended fiscal year, the filing shall include Audited Consolidated Balance Sheets or Statements of Financial Position as of the end of each of the two (2) most recently ended fiscal years and a separate Interim Balance Sheet as of the end of the second (2nd) fiscal quarter subsequent to the most recent fiscal year end.

(ii) Consolidated Statement of Comprehensive Income

- (a) There shall be filed for the registrant and its consolidated subsidiaries and its predecessors, Audited Statements of Comprehensive Income in a comparative format for each of the three (3) most recent completed fiscal years or such shorter period as the registrant (including predecessors) has been in existence.
- (b) In addition, a Statement of Comprehensive Income shall be provided for any interim period between the latest Audited Balance Sheet or Statement of Financial Position and the date of the most recent Interim Balance Sheet being filed, and for the corresponding period of the preceding year.

(iii) Consolidated Statement of Changes in Equity

- (a) There shall be filed for the registrant and its consolidated subsidiaries and its predecessors, audited Statements of Changes in Equity in comparative format for each of the three (3) most recent completed fiscal years or such shorter period as the registrant (including predecessors) has been in existence.
- (b) In addition, Statements of Changes in Equity shall be provided for any interim period between the latest Audited Balance Sheet or Statement of Financial Position and the date of the most recent Interim Balance Sheet being filed, and for the corresponding period of the preceding year.

(iv) Consolidated Statement of Cash Flows

- (a) There shall be filed for the registrant and its consolidated subsidiaries and its predecessors, audited Statements of Cash Flows in comparative format for each of the three (3) most recent completed fiscal years or such shorter period as the registrant (including predecessors) has been in existence.
- (a) In addition, a consolidated Statement of Cash Flows shall be provided for any interim period between the latest Audited Balance Sheet and the date of the most recent Interim Balance Sheet being filed, and for the corresponding period of the preceding year.

The above financial statements shall be audited by an independent auditor accredited with the Commission under the category prescribed per Part I Paragraph 3(B) of this Rule.

(v) Interim Financial Statements

The interim financial statements mentioned in the preceding subparagraphs need not be audited. However, in case of an initial public offering of securities by a company, such interim financial statements shall be audited by an independent auditor accredited by the Commission with the prescribed category and shall be complete in details as in a full fiscal year financial report. Reviewed Interim Financial Statements may be accepted by the Commission provided that the registrant submits a written justification citing its constraints for having the interim financial statements audited and a certification that there has been no material event or transactions during the interim period that would necessitate the conduct of audit procedures.

The review by an independent auditor of the financial statements shall be in accordance with the applicable standards.

(vi) Age Requirement for Financial Statements

- (a) At the time a registration statement on SEC Form 12-1 is to become effective, the financial information therein shall be as of a date within one hundred eighty (180) days from effective date.
- (b) Except as required under sub-paragraph (v) above, the interim financial statements which are necessary to keep the registration statement current, need not be audited but shall comply with the required form and contents under Philippine Accounting Standards 34 (Interim Financial Reporting or any of its amendments).

B. Annual Reports (SEC Form 17-A)

- (i) There shall be filed consolidated Audited Balance Sheets or Statements of Financial Position (except if not applicable), in comparative format, as of the end of each of the two (2) most recent completed fiscal years.
- (ii) The Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity shall be in comparative format for the three (3) most recent completed fiscal years or such shorter period as the company (including predecessors) has been in existence.

C. Information Statements (SEC Form 20-IS)

- (i) There shall be filed consolidated Audited Balance Sheets or Statements of Financial Position (except if not applicable), in comparative format, as of the end of each of the two (2) most recent completed fiscal years. If the meeting date is beyond one hundred thirty-five (135) days from the company's fiscal year end, a separate Interim Unaudited Balance Sheet or Statement of Financial Position as of the end of the most recent quarter with comparative figures as of the end of the preceding fiscal year shall likewise be filed.
- (ii) The Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity shall be in comparative format for the three (3) most recent completed fiscal years or such shorter period as the company (including predecessors) has been in existence. If the meeting date is beyond one hundred thirty-five (135) days from the company's fiscal year end, separate interim unaudited statements for the most recent quarter with comparative figures for period ending of the same quarter of the preceding year shall likewise be filed.

6. APPLICABILITY WITH OTHER REPORTS

The schedules provided under Annex 68-E (Schedules) are not required in management reports to be distributed to shareholders as part of the information statement.

7. ADDITIONAL DISCLOSURE REQUIREMENTS

A. Statement of Financial Position

In addition to the disclosures required under the PFRS and except as otherwise permitted by the Commission, the various line items and certain additional disclosures set forth in Annex 68-D if applicable, shall appear on the face of the Balance Sheets or related Notes to the Financial Statements filed by the persons to whom this Rule pertains.

B. Statement of Comprehensive Income

In addition to the disclosures required under the PFRS and except as otherwise permitted by the Commission, the various line items and certain additional disclosures set forth in Annex 68-D, if applicable, shall appear on the face of the Statement of Comprehensive Income in the financial statements or related notes filed by the persons to whom this Rule pertains.

C. General Notes to Financial Statements

In addition to the disclosures required under the PFRS and except as otherwise permitted by the Commission, the various line items and certain additional disclosures set forth in Annex 68-D, if applicable, shall appear on the face of the financial statements or related notes to the financial statements filed by the persons to whom this Rule pertains.

D. Schedules

Please see Annex 68-E for the required form and content.

8. INTERIM FINANCIAL STATEMENTS

The following additional instructions shall be applicable for purposes of preparing Interim Financial Statements:

- A. If appropriate, the Statement of Comprehensive Income shall show earnings per share and dividends declared per share applicable to common stock. The basis of the earnings per share computation shall be stated together with the number of shares used in the computation. For mutual funds or investment companies, the amount of Net Asset Value per Share and the basis for its computation shall likewise be disclosed in the Balance Sheet or the Notes to Financial Statements.
- B. If, during the most recent interim period presented, the registrant or any of its consolidated subsidiaries entered into a business combination treated for accounting purposes as a pooling of interests, the Interim Financial Statements for both the current year and the preceding year shall reflect the combined results of the pooled businesses, as appropriate. Supplemental disclosure of the separate results of the combined entities for the periods prior to the combination shall be given, with appropriate explanations.
- C. Where a material business combination accounted for as a purchase has occurred during the current fiscal year, pro forma disclosure shall be made of the results of operations for the current year up to the date of the most recent Interim Balance Sheet provided (and for the corresponding period in the preceding year) as though the companies had combined at the beginning of the period being reported on. This pro forma information shall, as minimum, show revenues, and the cumulative effect of accounting changes, including such income on a per share basis, and net income per share.

- (i) In addition to meeting the reporting requirements specified by existing standards for accounting changes, the registrant shall state the date of any material accounting change and the reasons for making it.
 - (ii) Any unaudited interim financial statements furnished shall reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. A statement to that effect shall be included. Such adjustments shall include, for example, appropriate estimated provisions for bonus and profit sharing arrangements normally determined or settled at year end. If all such adjustments are of a normal recurring nature, a statement to that effect shall be made; otherwise, there shall be furnished information describing in appropriate detail the nature and amount of any adjustments other than normal recurring adjustments entering into the determination of the results shown.
- D. Periods for which interim financial statements are to be provided in registration forms are stated in Paragraph 5 of Part II of this Rule. For filings on Form 17-Q, financial statements shall be provided in accordance with the financial reporting framework.
- E. Filing of other interim financial information in certain cases – The Commission may, upon written request of the registrant, and where consistent with the protection of investors, permit the omission of any of the interim financial information herein required or the filing in substitution therefor of appropriate information of comparable character. The Commission may also by written notice require the filing of other information in addition to, or in substitution for, the interim information herein required in any case where such information is necessary or appropriate for an adequate presentation of the financial condition of any person for which interim financial information is required, or whose financial information is otherwise necessary for the protection of investors.

9. PRO FORMA FINANCIAL INFORMATION AND FINANCIAL STATEMENTS OF BUSINESS ACQUIRED OR TO BE ACQUIRED

A. Applicability

- (i) This Section prescribes the requirements in a report of an issuer or in a registration statement for the registration of debt and equity securities.
- (ii) In addition to the AFS of business acquired, the pro forma financial information shall be submitted with the report or with the registration statement if any of the following transactions occurs after the date of the most recent Balance Sheet or during the interim period:
 - (a) Significant business combination accounted for as a purchase has occurred (for purposes of this Rule, the term "purchase" encompasses the purchase of an interest in a business accounted for by the equity method);

- (b) Consummation of a significant business combination that has occurred or is probable;
 - (c) Securities being registered by the registrant are to be offered to the security holders of a significant business to be acquired or the proceeds from the offered securities will be applied directly or indirectly to the purchase of a specific significant business;
 - (d) The disposition of a significant portion of a business either by sale, abandonment or distribution to shareholders by means of a spin-off, split-up or split-off has occurred or is probable and such disposition is not fully reflected in the financial statements of the registrant included in the filing;
 - (e) Acquisition of one or more real estate operations or properties which in the aggregate is significant, or when there is an acquisition or proposal to acquire one (1) or more operation or properties which in the aggregate is significant;
 - (f) The registrant previously was a part of another entity and such presentation is necessary to reflect operations and financial position of the registrant as an autonomous entity; or
 - (g) Consummation of other events or transactions has occurred or is probable for which disclosure of pro forma financial information would be material to investors.
- (iii) A business combination or disposition of a business shall be considered significant if:
- (a) A comparison of the most recent annual financial statements of the business acquired or to be acquired and the registrant's most recent annual consolidated financial statements filed at or prior to the date of acquisition indicates that the business would be a significant subsidiary pursuant to the definition specified in Paragraph 1(B)(ix) of Part I of this Rule.
 - (b) The business to be disposed of meets the definition of a significant subsidiary in Paragraph 1(b)(ix) of Part I of this Rule.
- (iv) The requirement under Paragraph (A)(ii) above shall not apply in those circumstances when, for purposes of a more meaningful presentation, a transaction consummated after the balance-sheet date is reflected in the historical financial statements.
- (v) When consummation of more than one (1) transaction has occurred or is probable during a fiscal year, the tests of significance in (iii) above shall be applied to the cumulative effect of those

transactions. If the cumulative effect of the transactions is significant, pro forma financial information shall be presented.

- (vi) For purposes of this Rule, the term business shall be evaluated in light of the facts and circumstances involved and whether there is sufficient continuity of the acquired entity's operations prior to and after the transactions so that disclosure of prior financial information is material to an understanding of future operations. A presumption exists that a separate entity, a subsidiary, or a division is a business. However, a lesser component of an entity may also constitute a business.
- (vii) This Rule does not apply to transactions between a parent company and its wholly-owned subsidiary.

B. Pro Forma Financial Information

(i) Objective

Pro forma financial information shall provide investors with information about the continuing impact of a particular transaction by showing how it might have affected historical financial statements if the transaction had been consummated at an earlier time. Such statements shall assist investors in analyzing the future prospects of the registrant because they illustrate the possible scope of the change in the registrant's historical financial position and results of operations caused by the transaction.

(ii) Form and Content

- (a) Pro forma financial information shall consist of a pro forma Condensed Balance Sheet, pro forma Condensed Statements of Income, Statements of Cash Flows, Statement of Changes in Equity and accompanying explanatory notes. In certain circumstances (i.e., where a limited number of pro forma adjustments are required and those adjustments are easily understood), a narrative description of the pro forma effects of the transactions may be furnished in lieu of the statements described herein.
- (b) The pro forma financial information shall be accompanied by an introductory paragraph which briefly sets forth a description of (i) the transaction, (ii) the entities involved, and (iii) the periods for which the pro forma information is presented. In addition, an explanation of what the pro forma presentation shows shall be set forth.
- (c) The pro forma condensed financial information need only include major captions (i.e., the numbered captions) prescribed by the applicable paragraphs of this Rule. Where any major Balance Sheet caption is less than ten per cent (10%) of total assets, the caption may be combined with others. When any major Income Statement caption is less

than fifteen per cent (15%) of average net income of the registrant for the most recent three (3) fiscal years, the caption may be combined with others. In calculating average net income, a loss year shall be excluded unless losses were incurred in each of the most recent three (3) years, in which case the average loss shall be used for purposes of this test. Notwithstanding these tests, "minimal" amounts need not be shown separately.

- (d) Pro forma statements shall ordinarily be in columnar form showing condensed historical statements, pro forma adjustments, and the pro forma results.
- (e) The pro forma condensed Statement of Comprehensive Income shall disclose income (loss) from continuing operations before nonrecurring charges or credits directly attributable to the transaction. Material nonrecurring charges or credits and related tax effects which result directly from the transaction and which will be included in the income of the registrant within the twelve (12) months succeeding the transaction shall be disclosed separately. It shall be clearly indicated that such charges or credits were not considered in the pro forma condensed Statement of Comprehensive Income. If the transaction for which pro forma financial information is presented relates to the disposition of a business, the pro forma results shall give effect to the disposition and be presented under an appropriate caption.
- (f) Pro forma adjustments related to the pro forma condensed Statement of Comprehensive Income shall be computed assuming the transaction was consummated at the beginning of the fiscal year presented and shall include adjustments which give effect to events that are (i) directly attributable to the transaction, (ii) expected to have a continuing impact on the registrant, and (iii) factually supportable. Pro forma adjustments to the pro forma Condensed Balance Sheet shall be computed assuming the transaction was consummated at the end of the most recent period for which a Balance Sheet is required by Paragraph 5 of this Rule and shall include adjustments which give effect to events that are directly attributable to the transaction and factually supportable regardless of whether they have a continuing impact or are nonrecurring. All adjustments shall be referenced to notes which clearly explain the assumptions involved.
- (g) Historical primary and fully diluted per share data based on continuing operations (or net income if the registrant does not report either discontinued operations, or the cumulative effect of accounting changes) for the registrant, and primary and fully diluted pro forma per share data based on continuing operations before nonrecurring charges or

credits directly attributable to the transaction shall be presented on the face of the pro forma condensed Statement of Comprehensive Income together with the number of shares used to compute the per share data. For transactions involving the issuance of securities, the number of shares used in the calculation of the pro forma per share data shall be based on the weighted average number of shares outstanding during the period adjusted to give effect to shares subsequently issued or assumed to be issued had the particular transaction or event taken place at the beginning of the period presented. If a convertible security is being issued in the transaction, consideration shall be given to the possible dilution of the pro forma per share data.

- (h) If the transaction is structured in such a manner that significantly different results may occur, additional pro forma presentations shall be made that show range of possible results.

** Instructions**

- (1) *The historical Statements of Income used in the pro forma financial information shall not report operations of a segment that has been discontinued, or the cumulative effects of accounting changes. If the historical statement of income includes such items, only the portion of the Statement of Comprehensive Income through "income from continuing operations" (or the appropriate modification thereof) shall be used in preparing pro forma results.*
- (2) *For a purchase transaction, pro forma adjustments for the Statement of Comprehensive Income shall include depreciation and other adjustments based on the allocated purchase price of net assets acquired. In some transactions, such as in financial institution acquisitions, the purchase adjustments may include significant discounts of the historical cost of the acquired assets to their fair value at the acquisition date. When such adjustments will result in a significant effect on earnings (losses) in periods immediately subsequent to the acquisition which will be progressively eliminated over a relatively short period, the effect of the purchase adjustments on the reported results of operations for each of the next five (5) years shall be disclosed in a note.*

- (3) For a disposition transaction, the pro forma financial information shall begin with the historical financial statements of the existing entity and show the deletion of the business to be divested along with the pro forma adjustments necessary to arrive at the remainder of the existing entity. For example, pro forma adjustments would include adjustments of interest expense arising from revised debt structures and expenses which will be or have been incurred on behalf of the business to be divested such as advertising costs, executive salaries and other costs.
- (4) For entities which were previously a component of another entity, pro forma adjustments shall include adjustments similar in nature to those referred to in Instruction 3 above. Adjustments may also be necessary when charges for corporate overhead, interest, or income taxes have been allocated to the entity on a basis other than one deemed reasonable by management.
- (5) Adjustments to reflect the acquisition of real estate operations or properties for the pro forma Statement of Comprehensive Income shall include a depreciation charge based on the new accounting basis for the assets, interest financing on any additional or refinanced debt, and other appropriate adjustments that can be factually supported. See also Instruction 4 above.
- (6) When consummation of more than one (1) transaction has occurred or is probable during a fiscal year, the pro forma financial information may be presented on a combined basis; however, in some circumstances (e.g. depending upon the combination of probable and consummated transactions, and the nature of the filing) it may be more useful to present the pro forma financial information on a disaggregated basis even though some or all of the transactions would not meet the tests of significance individually. For combination presentations, a note shall explain the various transactions and disclose the maximum variances in the pro forma financial information which would occur for any of the possible combinations. If the pro forma financial information is presented in a proxy or information statement for purposes of obtaining shareholder approval of one of the transactions, the effects of that transaction shall be clearly set forth.

- (7) *The tax effect, if any, of pro forma adjustments normally shall be calculated at the statutory rate in effect during the periods for which pro forma condensed Statement of Comprehensive Income is presented and shall be reflected as a separate pro forma adjustment.*

(iii) Periods to be Presented

- (a) A pro forma Condensed Balance Sheet as of the end of the most recent period for which a Consolidated Balance Sheet of the registrant is required shall be filed unless the transaction is already reflected in such balance sheet.
- (b) Pro forma Condensed Statements of Income shall be filed for only the most recent fiscal year and for the period from the most recent fiscal year end to the most recent interim date for which a Balance Sheet is required. A pro forma condensed Statement of Comprehensive Income may be filed for the corresponding interim period of the preceding fiscal year. A pro forma condensed Statement of Comprehensive Income shall not be filed when the historical Statement of Comprehensive Income reflects the transaction for the entire period.
- (c) For a business combination accounted for as a pooling of interests, the pro forma Statement of Comprehensive Income (which is in effect a restatement of the historical Statement of Comprehensive Income as if the combination had been consummated) shall be filed for all periods for which a historical Statement of Comprehensive Income of the registrant is required.
- (d) Pro forma Condensed Statements of Income shall be presented using the registrant's fiscal year end. If the most recent fiscal year end of any other entity involved in the transaction differs from the registrant's most recent fiscal year end by more than ninety-three (93) days, the other entity's Statement of Comprehensive Income shall be brought up to within ninety-three (93) days of the registrant's most recent fiscal year end, if practicable. This updating shall be accomplished by adding subsequent interim period results to the most recent fiscal year-end information and deducting the comparable preceding year interim period results. Disclosure shall be made of the periods combined and of the sales and revenues and income for any periods that were excluded from or included more than once in the condensed pro forma Statement of Comprehensive Income.

- (e) Whenever unusual events enter into the determination of the results shown for the most recently completed fiscal year, the effect of such unusual events shall be disclosed and consideration shall be given to presenting a pro forma condensed Statement of Comprehensive Income for the most recent twelve (12) -month period in addition to those required in sub-paragraph (d) above if the most recent twelve (12) -month period is more representative of normal operations.
- (f) Pro forma information shall be prepared primarily by applying pro forma adjustments to historical financial information. Pro forma adjustments shall be based on management's assumptions and shall recognize all significant effects directly attributable to the transaction (or event).
- (g) Pro forma financial information shall be labeled as such to distinguish it from historical financial information. This presentation shall describe the transaction (or event) that is reflected in the pro forma financial information, the source of the historical financial information on which it is based, the significant assumptions used in developing the pro forma adjustments, and any significant uncertainties about those assumptions. The presentation also shall indicate that the pro forma financial information shall be read in conjunction with related historical financial information and that the pro forma financial information is not necessarily indicative of the results (such as financial position and results of operations, as applicable) that would have been attained had the transaction (or event) actually taken place earlier.

(iv) Report of Independent Auditor

The pro forma financial information that shall be submitted with the registration statement shall be accompanied by a report of an independent auditor accredited by the Commission under Group A category. The said auditor shall comply with the requirements under Philippine Standard on Assurance Engagements (PSAE) No. 3420 (Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in the Prospectus).

10. CONSOLIDATED FINANCIAL STATEMENTS

In addition to those required under the applicable financial reporting framework, the following requirements shall be complied with by companies covered by Part II of this Rule:

- A. A company covered by Part II of this Rule that has a significant foreign subsidiary or subsidiaries shall submit to the Commission copies of the financial statements of said subsidiaries.
- B. A parent company covered by Part II of this Rule shall submit consolidated AFS accompanied by its separate Audited Financial Statements shall be duly received by the BIR or its authorized banks, unless the BIR allows an alternative proof of submission for its authorized banks (e.g., bank slips) or prohibits acceptance of the financial statements in certain cases (e.g., on-going examination).

PART III. PENALTIES AND OTHER GENERAL IMPLEMENTING PROVISIONS

1. PENALTIES

- A. All financial statements submitted to the Commission by entities covered by this Rule shall adhere strictly to the provisions hereof.
- B. Penalties, as may be prescribed by the Commission, shall be imposed on the erring company due to any of the following violations:
- (i) Material misrepresentation in the financial statements;
 - (ii) Any material misstatement in the financial statements for failure to comply with the applicable financial reporting framework, such as:
 - (a) Failure to adopt the prescribed financial reporting framework or any accounting standard resulting in a material misstatement;
 - (b) Failure to disclose required information and other relevant or material information; and
 - (c) Failure to submit any basic component of the financial statements.
 - (iii) Failure to submit financial statements audited by a qualified independent certified public accountant;
 - (iv) Failure to submit a complete SMR; and
 - (v) Failure to comply with any other requirements under Part I or II of this Rule.
- B. The penalties imposable on an erring company for the violation of this Rule shall be in addition to the fine imposable due to late or incomplete filing of other parts of any report to which the financial statements are required to be attached.
- D. In addition to those provided in Part I and Annex 68-A of this Rule, penalties, as may be prescribed by the Commission, shall be imposed on the independent auditor or auditing firm, as the case may be, due to any of the following violations:
- (i) Failure to submit any of the reports required under this Rule;

- (ii) Any material misrepresentation in the following information or documents:
 - (a) Application for accreditation;
 - (b) Certifications submitted with the application; or
 - (c) Any of the reports required under Part I of this Rule;
- (iii) Refusal for no valid reason, upon lawful order of the Commission, to submit requested documents in connection with an ongoing investigation. The independent auditor shall, however, be made aware of such investigation.
- (iv) Gross negligence in the conduct of the audit or failure to comply with any of the PSA and such other issuances of the AASC and/or the Commission;
- (v) Issuance of an unqualified opinion which is not supported by full compliance by the auditee with the applicable financial reporting framework due to a material deficiency or misstatement in the financial statements;
- (vi) Conduct of an audit despite the lack or eventual loss of independence as provided for under the Code of Ethics for Professional Accountant in the Philippines;
- (vii) Conduct of any non-audit services for his statutory audit clients, if he has not undertaken the safeguards to reduce the threat to his independence;
- (viii) Failure to comply with any of the operational requirements for accredited auditing firms or sole practitioners under Part I of this Rule;
- (ix) Failure to obtain from the Commission an accreditation appropriate to the company-client's category under this Rule prior to engagement or during the period of audit and signing of the Auditor's Report.

2. TEST OF MATERIALITY

A. General Guidelines

Omissions or misstatements of items shall be material if they could individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Materiality is determined for the financial statements as a whole. Therefore, where there is an identified misstatement or error, the determination as to whether the financial statements are materially misstated is based on an evaluation of such findings taking the financial

statements as a whole. Such evaluation shall not be driven by the number or by the size of misstatements or errors alone, but by the overall impact on the financial statements, taking into account both the quantitative and qualitative factors.

B. For this purpose, the following quantitative test shall be applied by the Commission:

1) Deficiency or Inconsistency

- (i) Failure to submit any component of the financial statements prescribed under this Rule shall be considered a material deficiency.
- (ii) A disclosure deficiency or inconsistency in the disclosures within the financial statements shall be material if the information involves a transaction, amount or account that represents ten per cent (10%) or more of the total of related accounts or transactions. For issuers of securities to the public, the test to be used shall be five per cent (5%). In resolving the issue of violation, due regard shall be given to the written explanation of the external auditor as to his basis in determining materiality and the exercise of professional judgment in issuing his audit opinion on the questioned financial statements.

(2) Misstatement

- (i) A misstatement of the financial statements may result from a deviation from prescribed policy, misrepresentation, fraud or error.
- (ii) A misstatement shall be material if it represents ten percent (10%) or more of the total of related accounts or transactions.

For issuers of securities to the public, a misstatement shall be material if it represents five per cent (5%) or more of the total of the related accounts or transactions. A misstatement in the Statement of Comprehensive Income shall be considered material if it represents three per cent (3%) or more of the total revenue or expenses.

Related accounts shall be based on the classification and aggregation on the face of the Financial Statements such as current assets, non-current assets, current liabilities, non-current liabilities, equity items, revenues, cost of sales, cost of service, administrative expenses or operating expenses, as the case may be.

- (iii) In resolving the issue of violation, due regard shall be given to the written explanation of the external auditor as to his basis in determining materiality and the exercise of

professional judgment in issuing his audit opinion on the questioned financial statements.

C. Qualitative Considerations

In addition to the quantitative considerations, qualitative factors shall be considered, including whether the misstatement or error:

- (i) Affects compliance with debt covenants or other contractual requirements;
- (ii) Relates to the incorrect selection or application of an accounting policy that has an immaterial effect on the current period's financial statements but is likely to have a material effect on future periods' financial statements;
- (iii) Masks a change in earnings or other trends, especially in the context of general economic and industry conditions;
- (iv) Affects ratios used to evaluate the entity's financial position, results of operations or cash flows;
- (v) Affects segment information presented in the financial statements (for example, the significance of the matter to a segment or other portion of the entity's business that has been identified as playing a significant role in the entity's operations or profitability);
- (vi) Has the effect of increasing management compensation, for example, by ensuring that the requirements for the award of bonuses or other incentives are satisfied;
- (vii) Is significant having regard to the auditor's understanding of known previous communications to users, for example, in relation to forecast earnings;
- (viii) Affects compliance with regulatory requirements;
- (ix) Relates to items involving particular parties (for example, whether external parties to the transaction are related to members of the entity's management);
- (x) Is an omission of information not specifically required by the applicable financial reporting framework but which, in the judgment of the auditor, is important to the users' understanding of the financial position, financial performance or cash flows of the entity; or
- (xi) Affects other information that will be communicated in documents containing the AFS (for example, information to be included in a "Management Discussion and Analysis" or an "Operating and Financial Review") that may reasonably be expected to influence the economic

decisions of the users of the financial statements.

3. RE-ISSUANCE OF FINANCIAL STATEMENTS

- A. Corporations whose financial statements will be found by the Commission to be materially deficient, erroneous and/or misstated shall be imposed appropriate penalties. Except for banks, the Commission shall make a determination whether such misstatement or incompleteness is significantly material that it would necessitate the re-issuance of such financial statements. Any re-issuance shall be required within forty-five (45) calendar days from receipt of the order of the Commission. Such amendment shall comply with the re-issuance requirements under applicable auditing standards. The issue on whether or not the financial statements of a bank should be re-issued shall be endorsed by the Commission to the BSP for appropriate action.
- B. For corporations not covered by the above provisions, they may re-issue their financial statements subject to compliance with the requirements under existing standards. However, issuers of securities to the public shall not re-issue their AFS without prior request from and approval by the Commission, BSP and IC, as applicable.
- C. A corporation covered by SRC Rule 68 Part II and re-issuing its audited financial statements shall notify all concerned parties such as its stockholders, creditors and investors of such amendment through publication of a notice in a newspaper of general circulation indicating the reason for the amendment and the fact that the financial statements have been submitted to the Commission.
- D. An amendment or re-issuance of the financial statements shall not exonerate the company and the auditors from the penalty that may be assessed by the Commission against a corporation due to the material deficiency or misstatement of the original financial statements.

4. REPEALING CLAUSE

All other rules and regulations, circulars, or memoranda or any part thereof, in conflict with or contrary to this Rule or any portion hereof, are hereby repealed or modified accordingly.

5. EFFECTIVITY AND TRANSITION

- A. Unless otherwise specified, the Revised SRC Rule 68, shall become effective for AFS covering periods ended 31 December 2018 and onwards, and for interim financial statements starting the first quarter of 2019, and thereafter.
- B. The financial statement requirements for registration of securities under Part II of this Rule shall be effective starting 1 January 2019 unless an earlier application for pending registration statements is requested and approved by the Commission.

C. Compliance with the Two (2) Partners' Requirement

Auditing firms which have less than two (2) partners as of the date of the effectivity of this Rule shall be given until 31 December 2019 within which to comply with the new two (2) partner requirement.

D. Compliance with the Transition from Sole Proprietorship to Partnership

Sole practitioners as of the date of the effectivity of this Rule shall be given until 31 December 2019 within which to comply with the requirements to convert to a Partnership structure from Sole Proprietorship in order to continue being accredited by the Commission.

E. All other requirements shall be effective for all applicable reports or activities after fifteen (15) days from the date of publication of this Rule.

F. Subsequent Amendments

1. Any proposed amendment of any part of this Rule shall be exposed for comments for a period of sixty (60) days reckoned from the date of notice of the Commission, unless the immediate issuance of the guidelines or circular amending a portion of the Rule is necessary in order to prevent a material misrepresentation, disclosure deficiency or misstatement in the financial reports of corporations.

2. Within thirty (30) days from the last day of submission of comments, a public consultation shall be conducted. The revised draft guideline or Rule shall be posted in the SEC website after thirty (30) days from the date of public consultation.

3. After thirty (30) days from posting of the revised draft, the matter shall be submitted for decision of the Commission *en banc*.

4. A transition clause that shall allow sufficient period of intervals for applicability to financial reports of the new requirements shall be provided in the revised guidelines or Rule.

TERESITA J. HERBOSA
Chairperson

ANTONIETA F. IBE
Commissioner

EPHYRO LUIS B. AMATONG
Commissioner

EMILIO B. AQUINO
Commissioner

JAVEY PAUL FRANCISCO
Commissioner

DRAFT

Annex 68-A

QUALITY OF AUDIT WORK OF APPLICANTS FOR ACCREDITATION AND ACCREDITED INDEPENDENT AUDITORS

1. The latest Audited Financial Statements (AFS) of at least two (2) clients of the applicant including that of his/her regulated entities to be selected randomly by the Commission from the certified list of clients provided by the applicant, shall be submitted for review.

In case the applicant is an Engagement Quality Control Reviewer (ECQR)¹, the Commission shall review the latest AFS of at least two (2) clients, where he is the ECQR to be selected randomly from the certified list of clients submitted by the applicant.

The Commission shall likewise consider in the evaluation the findings on the financial statements of the applicant's clients or the accredited auditors' clients that were reviewed in relation to regulatory monitoring or processing of an application of the company-client. Results of the engagement level review under the SOAR Inspection Program shall be considered.

2. The following instances are considerations for denial of the application for accreditation:
 - (i) Gross negligence in the conduct of the audit or failure to comply with any of the PSA and such other issuances of the AASC and/or the Commission;
 - (ii) Issuance of an unqualified opinion which is not supported by full compliance by the auditee with the applicable financial reporting framework due to a material deficiency or misstatement in the financial statements;
 - (iii) Auditor's report substantially not in accordance with the prescribed wordings under the Philippine Standards on Auditing (PSA) and any related subsequent issuances;
 - (iv) Conduct of an audit despite the lack or eventual loss of independence as provided for under the Code of Ethics for Professional Accountants in the Philippines;
 - (v) Conduct of any non-audit services for his statutory audit clients, if he has not undertaken the safeguards to reduce the threat to his independence.

¹ Engagement Quality Control Reviewer is a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report.

3. Groups A and B Applications

- A. For Group A or B applications, the audit work of an applicant shall be acceptable only if there is no material disclosure deficiency or material misstatement in the AFS of each of the applicant's clients.
- B. In case there is a material deficiency or misstatement in the financial statements of the company-clients or regulated entities, the applicant shall be recommended only for conditional Group A or B or C accreditation, depending on the level of deficiency or misstatement. The probationary accreditation shall be subject to the following conditions:
- (i) In case of renewal applications and the findings on the clients' AFS include material deficiency or misstatement, the applicant-independent auditor shall be assessed a penalty;
 - (ii) The probationary accreditation shall be effective for a period of four (4) months only from the date of grant;
 - (iii) A copy of the top two (2) clients' AFS signed by the independent auditor during the said period shall be submitted to the Commission at least 15 business days before the lapse of the four (4)-month period. The Commission will still review the AFS as of the next reporting period of the same client that was originally inspected. This is to check whether the findings that were originally noted have been addressed or remediated accordingly;
 - (iv) The final approval of the accreditation, which shall be effective for three (3) years, shall not be granted unless the said AFS and such other clients' latest financial statements as the Commission may review, fully comply with the effective accounting standards and SRC Rule 68.
- Provided, however, that an applicant can avail or be granted probationary accreditation only once. Compliance with Condition (iii) shall be strictly followed.
- C. The list of findings on the clients' AFS resulting from the foregoing procedures shall be referred to the operating department of the Commission which monitors the compliance by the said company-clients for imposition of appropriate penalties under existing rules.
- D. In case of repeated material findings despite previous grant of conditional accreditation, it shall be a sufficient ground for the denial of the application and disqualification from future accreditation.

4. Group C Applications

A. An application for accreditation under Group C shall be denied if upon evaluation, the AFS of company-clients show that there are material deficiencies or misstatements therein as follows:

- (i) Any of the basic components of the financial statements as prescribed by the applicable financial reporting framework, or any of the following required documents is not presented:
 - (a) Supplemental Written Statement of Auditor (for stock corporations not covered by Part II of this Rule);
 - (b) Any of SEC supplementary schedules covered by the Auditor's Report.
- (ii) The Auditor's Report does not substantially comply with the PSA, SRC Rule 68 and other relevant regulations;
- (iii) The Notes to Financial Statements are substantially incomplete due to the absence of more than five (5) disclosure items on significant accounts;
- (iv) More than three (3) accounting policies on significant accounts, as defined under paragraph III of SEC MC No. 8, Series of 2009, or any of its amendments, are not in accordance with the applicable financial reporting framework, or there are material misstatements involving the said accounts.

A combination of more than one (1) material finding under items (iii) and (iv) even if below the limit per each category, would constitute a ground for denial of the application.

5. The foregoing requirements for the level of quality of audit work may be changed by the Commission as circumstances may warrant through appropriate issuances.

A. The materiality of a deficiency, misrepresentation or misstatement shall be determined based on the tests set by the Commission in Part III of this Rule or any amendments thereto.

B. As a remedy on the denial of application due to any of the foregoing deficiencies, the applicant may be granted, upon request, a conditional accreditation subject to the following conditions:

- (i) In case of renewal application for Group C category and the findings on the clients' AFS include material deficiency or misstatement, the applicant-independent auditor shall be assessed a penalty based on Section 12 of MC No. 13, series of 2009;
- (ii) The conditional accreditation shall be effective for a period of four (4) months only from the date of grant;

- (iii) A copy of the largest clients' AFS signed during the said period shall be submitted to the Commission at least 15 business days before the lapse of the four (4)-month period;
- (iv) The final approval of the accreditation, which shall be effective for three (3) years, shall not be granted unless the said AFS are compliant with the effective accounting standards and SRC Rule 68.

Provided, however, that applicant can only avail or be granted probationary accreditation once. Compliance with Condition (iii) shall be strictly followed.

- C. The list of findings on the clients' AFS resulting from the foregoing procedures shall be referred to the operating department of the Commission which monitors the compliance by the said company-clients for imposition of appropriate penalties under existing rules.
6. In the event that the application for accreditation is denied due to applicant's failure to meet the required audit quality, such applicant can only reapply for accreditation after one (1) year from said denial for the same category.
 7. Existing accredited external auditors under Group B or C can only apply for upgrading of accreditation after one (1) year from the grant of their accreditation.

Annex 68-B

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

To the Stockholders and the Board of Directors
Name of Company
Address

I/We have audited the financial statements of (name of company) for the year ended _____, on which I/we have rendered the attached report dated _____.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), I/we are stating that the said company has a total number of _____ stockholders owning one hundred (100) or more shares each.

For the Firm: (if signing for the Firm)

Signature of the Independent Auditor
BOA Accreditation No.
PRC License No.
SEC Accreditation (if any)
PTR No., issue date and place
Date

ANNEX 68-C

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of _____

Name of Company

Address

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	xxx	
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	<u>xxx</u>	
Less: Non-actual/unrealized income net of tax	xxx	
Equity in net income of associate/joint venture	xxx	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	xxx	
Fair value adjustment (M2M gains)	xxx	
Fair value adjustment of Investment Property resulting to gain	xxx	
Adjustment due to deviation from PFRS/GAAP-gain	xxx	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	<u>xxx</u>	
Sub-total	<u>xxx</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	xxx	
Adjustment due to deviation from PFRS/GAAP – loss	xxx	
Loss on fair value adjustment of investment property (after tax)	<u>xxx</u>	
	<u>xxx</u>	
Net income actually earned during the period		xxx
Add(Less):		
Dividend declarations during the period	(xxx)	
Appropriations of Retained Earnings during the period	(xxx)	
Reversals of appropriations	xxx	
Effects of prior period adjustments	xxx	
Treasury shares	<u>(xxx)</u>	
		<u>xxx</u>
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		<u>xxx</u>

Notes:

(1) Figures shall be based on functional currency financial statements of the parent company;

(2) If there are material adjustments in prior years to retained earnings, the said adjustments should be reflected in this sheet

ADDITIONAL DISCLOSURES IN THE NOTES TO FINANCIAL STATEMENTS

In addition to the requirements under the applicable PFRS, corporations covered by Part II of this Rule shall comply with the disclosure requirements of this Annex.

1. BALANCE SHEET OR STATEMENTS OF FINANCIAL POSITION

A registrant shall disclose, either on the face of the Balance Sheet or in the Notes to the Financial Statements, further sub-classifications of the line items presented in accordance with this Annex and in a manner appropriate to the registrant's operations and the nature and function of amount involved.

A. Trade and Other Receivables

- (i) State separately receivable from:
 - (a) customers (trade);
 - (b) related parties;
 - (c) other than trade debtors such as loans or advances to officers and employees;
- (ii) Disclose the amount of balances, volume during the period and specific terms of the receivables from each related party which are eliminated during consolidation.
- (ii) If significant in amount, other receivables shall be segregated by type, otherwise, they may be grouped in one figure captioned as Accounts Receivables-Others, or other equivalent title.

B. Inventories. Disclose any unusual purchase commitments and accrued net losses, if any, on such commitments. Losses which are expected to arise from firm and uncancellable commitments for the future purchase of inventory items shall, if material, be recognized in the accounts and separately disclosed in the Statement of Comprehensive Income.

C. Other Current Assets. State separately any amounts in excess of five per cent (5%) of total current assets. The remaining items may be shown in one amount.

D. Indebtedness of or Advances to Related parties. Show separately under this caption non-current advances to related parties. Include also the disclosure on whether or not the corporation has an approval requirement and limits on the amount and extent of related party transactions.

E. Other Assets. State separately any item which is in excess of 5% of total non-current assets.

F. Trade and Other Payables

- (i) The following payables shall be stated separately in the Notes to Financial Statements:
 - (a) Trade Payables;
 - (b) Payables to related parties;
 - (c) Advances from Directors, officers, employees and principal stockholders and related parties of the company or its related parties (exclude from this item amounts for purchases subject to usual trade terms, for ordinary travel expenses, and for other items arising in the ordinary course of business).
- (ii) Disclose the amount of balances, volume during the period and specific terms of the payables to each related party which are eliminated during consolidation.
- (iii) Accruals (Show separately significant accruals for payrolls, taxes other than income taxes, interest, and any other material items);
- (iii) The following information shall also be disclosed:
 - (a) Any current liability guaranteed by others;
 - (b) Assets pledged against secured liabilities.

G. Other Current Liabilities. If material, state separately in amount the following in the Notes to Financial Statements:

- (i) Dividends declared and not paid at end of the reporting period
- Acceptances payable
- (ii) Liabilities under trust receipts
- (iii) Portion of long-term debt due within one year
- (iv) Deferred Income
- (v) Any other current liability in excess of 5% of total current liabilities

H. Other Long-Term Liabilities. State separately, in the Balance Sheet or in a note thereto, any item not properly classified in one of the preceding liability captions (Such as deferred income taxes and other long-term deferred credits) which is in excess of 5 percent of total long-term liabilities.

I. Capital Stock. Provide a summarize discussion of the company's track record of registration of securities under the Securities Regulation Code (formerly Revises Securities Act) by indicating the number of shares registered, issue/offer price, date of approval or date when the registration statement covering such securities was rendered effective by the Commission, and the number of holders of such securities as of year-end.

2. STATEMENT OF COMPREHENSIVE INCOME

A. Revenues

State separately on the face of the Statement of Comprehensive Income revenues from each of the following:

- (i) Revenue from sale of goods;
- (ii) Revenue from rendering of services;
- (iii) Share of the profit or loss of associates and joint ventures accounted for using the equity method;
- (iv) Other Income.

B. Costs

State separately on the face of the Statement of Comprehensive Income costs as follows:

- (i) Cost of Sales;
- (ii) Cost of rendering services;
- (iii) Operating Expenses;
- (iv) Other expenses.

C. Finance Costs

State separately in the Notes to Financial Statements the amount of interest expense and amortization of debt discount and expenses for each of the following:

- (i) Short-term promissory notes;
- (ii) Long-term promissory notes;
- (iii) Bonds, mortgages and other similar long-term debt;
- (iv) Amortization of debt discount, expense or premium;
- (v) Other interest.

D. Other Income

- (i) State separately in a note to financial statements, the items and nature of each material other income including a disclosure on whether or not it is a result of a related party transaction;
- (ii) Gain (loss) on Sale of Asset – State separately gain or loss from sale of each class of asset;
- (iii) Miscellaneous Income - State separately any material amounts of miscellaneous income indicating clearly the nature of the transactions out of which the items arose.

E. Other Expenses. State separately expenditures with material amount or that which constitutes 5% or more of the total revenue of the registrant.

F. Specific disclosures on the face of the statement or in the notes

- (i) Net Asset Value Per Share (NAVPS), in case of mutual funds or investment companies.

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Annex 68-E SCHEDULES

This Annex prescribes the disclosure requirements including the form and content of the schedules required by paragraph 6, Part II of SRC Rule 68.

1. Except as expressly provided otherwise, the schedules specified below shall be filed as of the latest Balance Sheet date.
2. The independent auditor's report shall cover the schedules accompanying the financial statements filed.
3. In a registration statement filed on SEC Form 12-1, the Schedules need not be included in Part I - Information Required in Prospectus but may be included in Part II - Information Not Required in Prospectus.

4. INSTRUCTIONS

Schedule A. Financial Assets (e.g., Loans and Receivables, Fair Value Through Profit or Loss, Held to Maturity Investments, Available for Sale Securities). This schedule shall be filed in support of the caption of each class of "Financial Assets" if the greater of the aggregate cost or the aggregate market value of FVPL as of the end of reporting period constitute 5% per cent or more of total current assets.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties).

This schedule shall be filed with respect to each person among the directors, officers, employees, and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than One Million Pesos (P1 Million) or one per cent (1%) of total assets, whichever is less, is owed. For the purposes of this schedule, exclude in the determination of the amount of indebtedness all amounts receivable from such persons for purchases subject to usual terms, for ordinary travel and expense advances and for other such items arising in the ordinary course of business.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

This schedule shall be filed with respect to each related party (e.g., subsidiary) the balances of receivable from which are eliminated during the consolidation of the financial statements.

Schedule D. Long-Term Debt - This schedule shall be filed in support of the caption Long-Term Debt in the Balance Sheet or Statements of Financial Position.

Schedule E. Indebtedness to Related Parties - This schedule shall be filed to list the total of all noncurrent Indebtedness to Related Parties included in the Balance Sheet or Statements of Financial Position. This schedule may be omitted if:

- (i) The total Indebtedness to Related Parties included in such Balance Sheet or Statements of Financial Position does not exceed five per cent of total assets as shown in the related Balance Sheet or Statements of Financial Position at either the beginning or end of the period; or
- (ii) There have been no changes in the information required to be filed from that last previously reported.

Schedule F. Guarantees of Securities of Other Issuers. - This schedule shall be filed with respect to any guarantees of securities of other issuing entities by the issuer for which the statement is filed.

Schedule G. Capital Stock - This schedule shall be filed in support of caption Capital Stock in the Balance Sheet or Statements of Financial Position.

5. FORM AND CONTENTS

Schedule A. Financial Assets

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
---	---	---	--	-----------------------------

- (i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
- (ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective Balance Sheet or Statements of Financial Position caption or captions.
- (iii) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at end of period
			Amounts collected (ii)	Amounts written off (iii)			

- (i) Show separately accounts receivables and notes receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.
- (ii) If collection was other than in cash, explain.
- (iii) Give reasons for write off.

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Deductions

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
--------------------------------	--------------------------------	-----------	-----------------------	--------------------------	---------	-------------	--------------------------

- (i) If collection was other than in cash, explain.
- (ii) Give reasons for write off.

Schedule D. Long Term Debt

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
---	--------------------------------	--	--

- (i) Include in this column each type of obligation authorized.
- (ii) This column is to be totaled to correspond to the related Balance Sheet or Statements of Financial Position caption.
- (iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
---------------------------	--------------------------------	-------------------------------

- (i) The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.
- (ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
--	---	---	---	--------------------------

- (i) Indicate in a note any significant changes since the date of the last Balance Sheet or Statements of Financial Position filed. If this schedule is filed in support of Consolidated Financial Statements, there shall be set forth guarantees by any person included in the consolidation except

such guarantees of securities which are included in the Consolidated Balance Sheet or Consolidated Statements of Financial Position.

- (ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

Schedule G. Capital Stock

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
-----------------------	-----------------------------	--	--	---	-----------------------------------	--------------

- (i) Include in this column each type of issue authorized.
- (ii) Related parties referred to include persons for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.
- (iii) Indicate in a note any significant changes since the date of the last Balance Sheet or Statements of Financial Position filed.

Annex 68-F

SCHEDULES FOR NON-STOCK, NON-PROFIT ORGANIZATIONS

NSPO Form-1

SWORN STATEMENT

We _____ and _____, President and Treasurer, respectively of _____, with address at _____ hereby depose and state that:

In compliance with SRC Rule 68, as amended, we are stating the following information that related to the preceding fiscal year _____, to wit:

Documents/ Schedules to the Audited Financial Statements as of _____	NSPO Forms	Check if applicable
1. Affidavit of Willingness to be Audited by the Commission	NSPO Form-2	
2. Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations	NSPO Form-3	
3. Schedule of Contributions and Donations	NSPO Form-4	
4. Schedule of Application of Funds	NSPO Form-5	
5. Certificate of Existence of Program/Activity (COEP)		
6. COEP issued by Heads/Officers of private institution or actual beneficiaries/recipients of the program/activity shall be allowed in lieu of COEP issued by the government offices/entities		

We hereby certify that this Sworn Statement with duly attached documents/schedules is executed to attest to the truth of the foregoing and for whatever legal purpose it may serve.

In witness thereof, we have hereunto affixed our signature this _____ day of _____ 2013, at _____, Philippines.

President

Treasurer

Subscribed and sworn to before me, a Notary Public for and in _____ City, on _____affiants personally, exhibiting their respective competent evidence of Identification Card _____ issued at _____ issued on _____.

NOTARY PUBLIC

Doc. No.

Page No.

Book No.

Series of

REPUBLIC OF THE PHILIPPINES)

) S.S.

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, _____, of legal age, Filipino and resident of _____, after having been sworn to in accordance with law hereby depose and state:

I am the Chief Finance Officer of _____, a non-stock non-profit organization registered with the Securities and Exchange Commission.

That I, as authorized by the Board of Directors of the corporation, hereby manifest its willingness to be audited by the Commission upon its Order and Authority for the purpose of determining compliance of the corporation with existing laws and regulations.

That this affidavit is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

In witness whereof, I hereby sign this affidavit this ____ day of _____ 20__ at _____.

Affiant
(Signature over printed name)

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me his _____ issued on _____ at _____ as competent evidence of identity.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 20__.

**SCHEDULE OF RECEIPTS OR INCOME OR SOURCES OF FUNDS
OTHER THAN CONTRIBUTIONS AND DONATIONS**

Name of Foundation/Organization	SEC Registration No.
For the year ended	

Receipts or Income or Sources of Funds

(a) No.	(b) Description of Income	(c) Source	(d) Amount (indicate by footnote if other than Philippine currency, then translate in this column)	(e) Date Received/ Period Covered
1			P	
2			P	
3			P	
4			P	
5			P	
6			P	
7			P	
8			P	
9			P	
10	Others (aggregate of all sources of income which are individually below P100,000.00)		P	

(Use separate sheet if necessary)

SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART I)

Name of Foundation/Organization	SEC Registration No.
For the year ended	

Part I Contributors/Donors²

(a) No.	(b) Name and address	(c) Nationality³	(d) Total Contributions	(e) Type of Contribution⁴
1			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
2			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
3			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
4			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
5			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
6			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
7			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
8			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
9			P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)
10	Others (aggregate of all contributions which are individually below P100,000.00) – by nationality		P	___Cash ___Noncash (Complete Part II if there is a noncash contribution)

(Use separate sheet if necessary)

² A **contributor or donor** includes individuals, partnerships, corporations, associations, trusts and organizations.

³If **supranational organization**, indicate place of principal office or domicile.

⁴**Contributions or donations** reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART II)

Name of Foundation/Organization	SEC Registration No.
For the year ended	

Part II	Noncash Property
----------------	-------------------------

(a) No. from Part I	(b) Description of noncash property given	(c) Fair Market Value (or estimate)	(d) Date received
1		P	
2		P	
3		P	
4		P	
5		P	
6		P	
7		P	
8		P	
9		P	
10		P	

(Use separate sheet if necessary)

SCHEDULE OF APPLICATION OF FUNDS

Name of Foundation/Organization	SEC Registration No.
For the year ended	

(a) Item Number	(b) Description of Programs/Projects/Activities	(c) Status	(d) Project Officer-In-Charge
1	Name of Program/ Project/Activity: _____ Complete Office Address: _____ _____ Contact Number of Project Office: _____	___Accomplished ___On-going ___Planned	Name: _____ Complete Address: _____ _____ Contact Number: _____
2	Name of Program/ Project/Activity: _____ Complete Office Address: _____ _____ Contact Number of Project Office: _____	___Accomplished ___On-going ___Planned	Name: _____ Complete Address: _____ _____ Contact Number: _____
3	Name of Program/ Project/Activity: _____ Complete Office Address: _____ _____ Contact Number of Project Office: _____	___Accomplished ___On-going ___Planned	Name: _____ Complete Address: _____ _____ Contact Number: _____
4	Name of Program/ Project/Activity: _____ Complete Office Address: _____ _____ Contact Number of Project Office: _____	___Accomplished ___On-going ___Planned	Name: _____ Complete Address: _____ _____ Contact Number: _____
5	Name of Program/ Project/Activity: _____ Complete Office Address: _____ _____ Contact Number of Project Office: _____	___Accomplished ___On-going ___Planned	Name: _____ Complete Address: _____ _____ Contact Number: _____

(Use separate sheet if necessary)

Annex 68-G

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
As of December 31, 20xx**

Ratio	Formula	December 31, 20xA	December 31, 20xB
Current ratio			
Acid test ratio			
Solvency ratios			
Debt-to-equity ratio			
Asset-to-equity ratio			
Interest rate coverage ratio			
Return on equity			
Return on assets			
Net profit margin			
Other ratios			

Annex 68-H

SCHEDULE FOR FINANCING COMPANIES

Name of Company _____
For the Period Ended _____

	Ratios/Percentages	Current Year	Prior Year
1	Total Real Estate Investments to Total Assets		
2	Total Receivables to Total Assets		
3	Total DOSRI Receivables to Net Worth		
4	Amount of Receivables from a Single Corporation to Total Receivables		

** This schedule shall be submitted with the annual audited financial statements and if applicable, with the company's interim financial statements.*

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Annex 68-I

SCHEDULE FOR MUTUAL FUNDS

Name of Company
For the Period Ended _____

	Ratios/Percentages	Current Year	Prior Year
1	Percentage of investment in a single enterprise to Total Net Asset Value		
2	Total investment of the fund to the outstanding securities of an Investee Company		
3	Total investments in liquid or semi-liquid assets to total assets		
4	Total operating expenses to net worth		
5	Total assets to total borrowings		

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Annex 68-J

SCHEDULE FOR INVESTMENT HOUSES

Name of Company

**Schedule of Details (Per Issue) of Underwriting Activities for the Year
For the Period Ended _____**

	Name of Issuer-Client	Nature of Commitment	Amount of Issue	Underwriting and Other Fees	Basis of Computation
1					
2					
3					
4					
5					

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Annex 68-K

SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

- 1 Gross and net proceeds as disclosed in the final prospectus
- 2 Actual gross and net proceeds
- 3 Each expenditure item where the proceeds were used
- 4 Balance of the proceeds as of end of reporting period

DRAFT