

RULE 68.1, AS AMENDED¹

SPECIAL RULE ON FINANCIAL STATEMENTS OF REPORTING COMPANIES UNDER SECTION 17.2 OF THE SECURITIES REGULATION CODE

1. APPLICATION

In addition to those set forth under Rule 68, this Rule (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 Securities Regulation Code (the "Code") or which meet the following criteria with respect to the requirements to file reports:

- a. issuer which has sold a class of their securities pursuant to a registration under Section 12 of the Code;
- b. issuer with a class of securities listed for trading on an Exchange; and
- c. issuer with assets of at least P50,000,000.00 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 day of the issuer's fiscal year.

2. AUDITOR'S OPINION ON FINANCIAL STATEMENTS

Audited financial statements of companies covered by this Rule with an auditor's opinion that is other than unqualified because of departure(s) from the generally accepted accounting principles in the Philippines shall be deemed not filed and shall give rise to the imposition of appropriate sanctions on the company.

The Commission reserves the right to obtain clarification or to question other modifications in the report issued by the external auditor which it deems unreasonable.

3. RESPONSIBILITY FOR FINANCIAL STATEMENTS

- a. The financial statements filed with the Commission by companies covered by this Rule shall be accompanied by a statement of management's responsibility as follows:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of (name of reporting company) is responsible for all information and representations contained in the financial statements for the year (s) ended (date). The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

¹ Approved by the Commission in its meeting of October 25, 2005.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

(name of auditing firm), the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

Chairman of the Board

Chief Executive Officer

Chief Financial Officer

- b. **The Chairman of the Board shall sign the Statement even if he/she is not one of the company's executive officers. He/she shall sign on the basis of the representation stated in the 3rd paragraph of the Statement.**

4. 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 Sheets

- A. If the registrant has been in existence for less than one fiscal year, there shall be filed an audited balance sheet as of a date within 135 days of the date of filing the registration statement.
- B. If a filing on SEC Form 12 -1 is made within one hundred five (105) days after the end of the most recently ended fiscal year, the filing shall include audited consolidated balance sheets as of the end of each of the two (2) years prior to the most recently ended fiscal year and a separate interim balance sheet as of

the end of the most recently ended fiscal year.

- C. If a filing on SEC Form 12 -1 is made more than one hundred five (105) days but not more than one hundred thirty five (135) days after the end of the most recently ended fiscal year, the filing shall include audited consolidated balance sheets as of the end of each of the two most recently ended fiscal years.
- D. If a filing on SEC Form 12 -1 is made more than one hundred thirty five (135) days but not more than two hundred twenty five (225) days after the end of the most recently ended fiscal year, the filing shall include audited consolidated balance sheets as of the end of each of the two most recently ended fiscal years and a separate interim balance sheet as of the end of the first fiscal quarter subsequent to the most recent fiscal year end.
- E. If a filing on SEC Form 12 -1 is made more than two hundred twenty five (225) days but not more than three hundred fifteen (315) days after the end of the most recently ended fiscal year, the filing shall include audited consolidated balance sheets as of the end of each of the two most recently ended fiscal years and a separate interim balance sheet as of the end of the second fiscal quarter subsequent to the most recent fiscal year end.
- F. If a filing on Form 12 -1 is made more than three hundred fifteen (315) days after the end of the most recently ended fiscal year, the filing shall include audited consolidated balance sheets as of the end of each of the two most recently ended fiscal years and a separate interim balance sheet as of the end of the third fiscal quarter subsequent to the most recent fiscal year end.

ii. Consolidated Income Statement

- A. There shall be filed for the registrant and its subsidiaries consolidated and its predecessors, audited income statement in a comparative format for each of the three most recent completed fiscal years or such shorter period as the registrant (including predecessors) has been in existence.
- B. In addition, income statement 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.

iii. Consolidated Statement of Changes in Equity

- A. There shall be filed for the registrant and its subsidiaries consolidated and its predecessors, audited statements of changes in equity in comparative format for each of the three 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 and the date of the most recent interim balance sheet being filed, and for the corresponding period of the preceding year.

iv. Consolidated Cash Flow Statement

- A. There shall be filed for the registrant and its subsidiaries consolidated and its predecessors, audited statements of cash flows in comparative format for each of the three most recent completed fiscal years or such shorter period as the registrant (including predecessors) has been in existence.
- B. In addition, 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.

v. **The interim financial statements mentioned in the preceding subparagraphs need not be audited. However, in case of an initial public offering (IPO) of securities by a company, such interim financial statements shall be audited by an accredited external auditor (Group A category) of the Commission. The audited interim financial statements shall be complete in details as in a full fiscal year financial report.**

vi. Age of Financial Statements

At the time a registration statement on SEC Form 12-1 is to become effective, the financial information therein must be as of a date within 135 days **from effective date. 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 should comply with the required form and contents under paragraph (8) of this Rule.**

b. **Annual Reports (SEC Form 17-A)**

- i. There shall be filed consolidated audited balance sheets (except if not applicable), in comparative format, as of the end of each of the two most recent completed fiscal years.
- ii. The Income Statement, Cash Flow Statement and Statement of Changes in Equity shall be in comparative format for the three most recent completed fiscal years or such shorter period as the company (including predecessors) has been in existence.
- iii. **For fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.**

c. **Information Statements (SEC Form 20-IS)**

- i. There shall be filed consolidated audited balance sheets (except if not applicable), in comparative format, as of the end of each of the two 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 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 Income Statement, Cash Flow Statement and Statement of Changes in Equity shall be in comparative format for the three 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.

5. FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED OR TO BE ACQUIRED

a. Financial statements required

- i. Financial statements prepared and audited in accordance with this Rule should be furnished for the periods specified in paragraph (b) below if any of the following conditions exist:
 - A. Consummation of a business combination accounted for as a purchase has occurred or is probable (for purposes of this rule, the term "purchase" encompasses the purchase of an interest in a business accounted for by the equity method); or
 - B. Consummation of a business combination to be accounted for as a pooling of interests is probable.
- ii. For purposes of determining whether the provisions of this rule apply, the determination of whether a "business" has been acquired should be made in accordance with the guidance set forth in paragraph (6) of this Rule.
- iii. If consummation of more than one transaction has occurred or is probable, the required financial statements may be presented on a combined basis, if appropriate.
- iv. This subparagraph shall not apply to a business which is totally owned by the registrant prior to consummation of the transaction.

b. Periods to be presented

- i. If securities are being registered to be sold for cash, the audited financial statements shall be furnished for the business to be acquired [See also Pro-Forma Financial Information requirements in paragraph (6)]. In all other cases, the financial statements shall be furnished on an audited basis to the extent practicable for the business to be acquired. The periods for which such financial statements are to be filed shall be determined using the conditions specified in the definition of "significant subsidiary" in paragraph 1(b)(x) of Rule 68.

- A. If none of the conditions exceeds ten percent (10%), financial statements are not required. However, if the aggregate impact of the individually insignificant businesses acquired since the date of the most recent audited balance sheet filed for the registrant exceeds twenty percent (20%), financial statements covering at least the substantial majority of the businesses acquired, combined if appropriate, shall be furnished. Such financial statements shall be for at least the most recent fiscal year and any interim periods.
 - B. If any of the conditions exceeds ten percent (10%), but none exceed twenty percent (20%), financial statements shall be furnished for at least the most recent fiscal year and any interim periods.
 - C. If any of the conditions exceeds twenty percent (20%) but none exceed forty percent (40%), financial statements shall be furnished for at least the two most recent fiscal years and interim periods.
 - D. If any of the conditions exceeds forty percent (40%), the full financial information specified in Paragraph (5) of this Rule shall be furnished.
 - E. The determinations under subparagraphs (A), (B), (C), and (D) shall be made by comparing the most recent annual financial statements of each such business to the registrant's most recent annual consolidated financial statements filed at or prior to the date of acquisition. However, if the registrant made a significant acquisition subsequent to the latest fiscal year-end and filed a report on Form 17-C which included audited financial statements of such acquired business for the periods required by this subparagraph and the pro forma financial information required by Paragraph (10), such determination may be made by using the pro forma amounts for the latest fiscal year in the report on Form 17-C rather than by using the historical amounts for the latest fiscal year of the registrant. The tests may not be made by "annualizing" data.
 - F. Notwithstanding the requirements in subparagraph (b)(i)(A) above, separate financial statements of the acquired business need not be presented once the operating results of the acquired business have been reflected in the audited consolidated financial statements of the registrant for a complete fiscal year unless such financial statements have not been previously filed or unless the acquired business is of such significance to the registrant that omission of such financial statements would materially impair an investor's ability to understand the historical financial results of the registrant. For example, if, at the date of acquisition, the acquired business met at least one of the conditions in the definition of "significant subsidiary" in Paragraph 1(b)(x) of Rule 68 at the 60 percent (60%) level the income statements of the acquired business should normally continue to be furnished for such periods prior to the purchase as may be necessary when added to the time for which audited income statements after the purchase are filed to cover the equivalent of the period specified in Paragraph 5 of this Rule.
- VII. A separate audited balance sheet of the acquired business is not required when the registrant's most recent audited balance sheet required by

Paragraph 5 of this Rule is for a date after the date the acquisition was consummated.

c. Separate financial statements of subsidiaries not consolidated and fifty percent (50%) or less owned persons

- i. If any of the conditions set forth in the definition of “significant subsidiary” in Paragraph 1(b)(x) of Rule 68, substituting twenty percent (20%) for ten percent (10%) in the tests used therein to determine a significant subsidiary are met for a majority-owned subsidiary not consolidated by the registrant or by a subsidiary of the registrant, separate financial statements of such subsidiary shall be filed. Similarly, if any of the conditions set forth therein, substituting twenty percent (20%) for ten percent (10%), are met by a fifty percent (50%) or less owned person accounted for by the equity method either by the registrant or a subsidiary of the registrant, separate financial statements of such fifty percent (50%) or less owned person shall be filed.
- ii. Insofar as practicable, the separate financial statements required by this Part shall be as of the same dates and for the same periods as the audited consolidated financial statements required by Paragraph 5. However, these separate financial statements are required to be audited only for those fiscal years in which any of the conditions described in the definition of “significant subsidiary” in Paragraph 1(b)(x), substituting 20 percent (20%) for 10 percent (10%), are met.
- iii. Notwithstanding the requirements for separate financial statements under this paragraph, where financial statements of two or more majority-owned subsidiaries not consolidated are required, combined or consolidated statements of such subsidiaries may be filed subject to principles of inclusion and exclusion which clearly exhibit the financial position, cash flows and results of operations of the combined or consolidated group. Similarly, where financial statements of two or more 50 percent or less owned persons are required, combined or consolidated statements of such persons may be filed subject to the same principles of inclusion or exclusion referred to above.

6. APPLICABILITY WITH OTHER REPORTS

The schedules required by Paragraph 8(d) and set forth in “Annex 68.1-M” of Rule 68.1 are not required in management reports to be distributed to shareholders **as part of the information statement.**

7. ADDITIONAL DISCLOSURE REQUIREMENTS

a. Balance Sheet

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 68.1-K” if applicable, should appear on the face of the balance sheets or related notes filed by the persons to whom this Rule pertains.

b. Income Statement

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 68.1-L” if applicable, should appear on the face of the income statements or related notes filed by the persons to whom this Rule pertains.

c. Cash Flow Statement

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 68.1-M” if applicable, should appear on the face of the cash flow statements or related notes filed by the persons to whom this Rule pertains.

d. 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 68.1-J” if applicable, should appear on the face of the financial statements or related notes filed by the persons to whom this Rule pertains.

e. Schedules

Please see “Annex 68.1-N” for disclosure requirements..

8. INTERIM FINANCIAL STATEMENTS

The following additional instructions shall be applicable for purposes of preparing interim financial statements:

- a. Summarized income statement information (See definition of "Summarized Financial Information, Paragraph 1(b)(xii) under Rule 68) shall be given separately as to each subsidiary not consolidated or 50 percent owned person or as to each group of such subsidiaries or 50 percent or less owned persons for which separate individual or group statements would otherwise be required for annual periods.
- b. If appropriate, the income statement 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 (NAVPS) and the basis for its computation shall likewise be disclosed in the balance sheet or the notes to financial statements.**
- c. 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. Supplemental disclosure of the separate results of the combined entities for the periods prior to the

combination shall be given, with appropriate explanations.

- i. 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 should as a minimum show revenues, income before extraordinary items and the cumulative effect of accounting changes, including such income on a per share basis, and net income per share.
 - ii. Where the registrant has disposed of any significant segment of its business, revenues and net income--total and per share--for all periods shall be disclosed.
 - iii. 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. In addition, for filings on Form 17-Q, a letter from the independent accountant shall be filed as an exhibit in the first Form 17-Q filed subsequent to the date of an accounting change indicating whether or not the change is to an alternative principle which in his judgment is preferable under the circumstances; except that no letter from the accountant need be filed when the change is made in response to a standard adopted by the Philippine ASC which requires such change.
 - iv. Any material retroactive prior period adjustment made during any period covered by the interim financial statements shall be disclosed, together with the effect thereof upon net income--total and per share--of any prior period included and upon the balance of retained earnings. If results of operations for any period presented have been adjusted retroactively by such an item subsequent to the initial reporting of such period, similar disclosure of the effect of the change shall be made.
 - v. Any unaudited interim financial statements furnished shall reflect all adjustments which are, in the opinion of management, necessary to 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 to be covered - The periods for which interim financial statements are to be provided in registration forms are stated in Paragraph 4 of this Rule. For filings on Form 17-Q, financial statements shall be provided as set forth below:
- i. An interim balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year. The balance sheet as of the end of the preceding fiscal year may be condensed to the same degree as the interim balance sheet provided. An interim balance sheet as of the end of the corresponding fiscal quarter of the preceding fiscal year need not be provided unless necessary for an understanding of the impact of seasonal fluctuations on the registrant's financial condition.

- ii. Interim statements of income shall be provided for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year -to-date) of the immediately preceding financial year.
 - iii. Statement showing changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and
 - iv. Interim statements of cash flows shall be provided for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.
 - v. For registrants whose business is highly seasonal, financial information for the twelve months ending on the interim reporting date and comparative information for the prior twelve-month period may be useful. They may provide interim statements of income and of cash flows for the twelve month period ended during the most recent quarterly period and for the corresponding preceding period in lieu of the year-to-date statements specified in (ii) and (iii) above.
- e. Filing of other interim financial information in certain cases - The Commission may, upon the informal 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 informal 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

a. Presentation requirements

- i. Pro forma financial information shall be furnished when any of the following conditions exist:
 - A. During the most recent fiscal year or subsequent interim period for which a balance sheet is required by Paragraph 4 of this Rule, 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. After the date of the most recent balance sheet filed pursuant to Paragraph 4, consummation of a significant business combination to be accounted for by either the purchase method or pooling-of-interests method of accounting 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. During the most recent fiscal year or subsequent interim period for which a balance sheet is required by Paragraph 4, the registrant has acquired one or more real estate operations or properties which in the aggregate are significant, or since the date of the most recent balance sheet filed pursuant to that Part the registrant has acquired or proposes to acquire one or more operations or properties which in the aggregate are 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.
- ii. 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)(x) of Rule 68.
 - B. The business to be disposed of meets the definition of a significant subsidiary in Paragraph 1(b)(x) of Rule 68.
- iii. When consummation of more than one transaction has occurred or is probable during a fiscal year, the tests of significance in (ii) 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.
- iv. For purposes of this Rule, the term business should 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. Among the facts and

circumstances which should be considered in evaluating whether an acquisition of a lesser component of an entity constitutes a business are the following:

- A. Whether the nature of the revenue-producing activity of the component will remain generally the same as before the transaction; or
- B. Whether any of the following attributes remain with the component after the transaction:
 - I. Physical facilities.
 - II. Employee base.
 - III. Market distribution system.
 - IV. Sales force.
 - V. Customer base.
 - VI. Operating rights.
 - VII. Production techniques, or
 - VIII. Trade names.
- v. This Rule does not apply to transactions between a parent company and its wholly -owned subsidiary.

b. Preparation requirements

- i. Objective - Pro forma financial information should 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 should 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, and accompanying explanatory notes. In certain circumstance (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 Regulation. Where any major balance sheet caption is less than 10 percent of total assets, the caption may be

combined with others. When any major income statement caption is less than 15 percent of average net income of the registrant for the most recent three fiscal years, the caption may be combined with others. In calculating average net income, a loss year should be excluded unless losses were incurred in each of the most recent three 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 income statement 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 12 months succeeding the transaction shall be disclosed separately. It should be clearly indicated that such charges or credits were not considered in the pro forma condensed income statement. If the transaction for which pro forma financial information is presented relates to the disposition of a business, the pro forma results should give effect to the disposition and be presented under an appropriate caption.
- F. Pro forma adjustments related to the pro forma condensed income statement 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 4 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 should 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, extraordinary items, 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 income statement 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 should 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 should 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 which give effect to the 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, extraordinary items, or the cumulative effects of accounting changes. If the historical statement of income includes such items, only the portion of the income statement through "income from continuing operations" (or the appropriate modification thereof) should be used in preparing pro forma results.
2. For a purchase transaction, pro forma adjustments for the income statement shall include amortization of goodwill, 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 reported results of operations for each of the next five years should 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 should 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 income statement 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 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 should 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 must be clearly set forth.
7. Tax effect, if any, of pro forma adjustments normally should be calculated at the statutory rate in effect during the periods for which pro forma condensed income statements are presented and should 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 income may be filed for the corresponding interim period of the preceding fiscal year. A pro forma condensed statement of income shall not be filed when the historical income statement reflects the transaction for the entire period.
- C. For a business combination accounted for as a pooling of interests, the pro forma income statements (which are in effect a restatement of the

historical income statements as if the combination had been consummated) shall be filed for all periods for which historical income statements of the registrant are 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 93 days, the other entity's income statement shall be brought up to within 93 days of the registrant's most recent fiscal year end, if practicable. This updating could 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 which were excluded from or included more than once in the condensed pro forma income statements (e.g., and interim period that is included both as a part of the fiscal year and the subsequent interim period.)
- 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 should be disclosed and consideration should be given to presenting a pro forma condensed income statement for the most recent twelve-month period in addition to those required in paragraph (iii)(B) above if the most recent twelve-month period is more representative of normal operations.

10. CONSOLIDATED FINANCIAL STATEMENTS

In addition to those required under the applicable PRFSs, the following requirements shall be complied with by the reporting company:

a. **Disclosure about Subsidiaries Not Consolidated and 50 Percent or Less Owned Persons**

- i. Summarized financial information (see definitions in paragraph 1(b)(xii) of Rule 68) shall be furnished in the notes to the financial statements for each significant subsidiary not consolidated and for each 50 percent or less owned person. Notwithstanding the requirement for separate summarized financial information for each significant subsidiary, where summarized financial information of two or more majority-owned subsidiaries not consolidated are required, combined or consolidated summarized financial information of such subsidiaries may be filed subject to principles of inclusion and exclusion which clearly exhibit the financial position, cash flows and results of operations of the combined or consolidated group.

Similarly, where summarized financial information of two or more 50 percent or less owned persons are required, combined or consolidated summarized financial information of such persons may be filed subject to the same principles of inclusion or exclusion referred to above.

- ii. Summarized financial information shall be furnished in the aggregate for (A) subsidiaries not consolidated and (B) 50 percent or less owned persons, not reported upon pursuant to (A) hereof. If in the aggregate, either subsidiaries not consolidated or 50 percent or less owned persons would not constitute a significant subsidiary, it may be stated that such groupings would not constitute a significant subsidiary and summarized financial information is not required.

b. Foreign Subsidiaries

A company covered by this Rule which has a significant foreign subsidiary or subsidiaries shall submit to the Commission copies of the financial statements of said subsidiaries.

**“Annex 68.1-J”
General Notes to Financial Statements**

The company shall additionally disclose in its notes to financial statements the **list of PFRSs which are not yet effective, but which the company has decided to adopt earlier. It shall include a brief description of such PFRS/s and a presentation of the reconciliation between the existing effective standard, if any, and the PFRS adopted in advance.**

**“Annex 68.1-K”
Balance Sheet**

In addition to the requirements under the applicable PFRSs, corporations covered by Rule 68.1 shall comply with the disclosure requirements of this Annex.

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.

(1) Trade and Other Receivables

- (A) State separately receivable from:
 - (i) customers (trade);
 - (ii) related parties (see definition under paragraph (1)(b)(viii) of Rule 68);
 - (iii) other than trade debtors such as loans or advances to officers and employees;

If significant in amount, other receivables should be segregated by type, otherwise, they may be grouped in one figure captioned as Accounts Receivables-Others, or other equivalent title.

(B) Disclose the following amounts recognized during the period:

- (i) allowance for doubtful accounts;
- (ii) reversal of allowances for doubtful accounts;

The company shall likewise disclose the portion of the allowance or reversal thereof pertaining to related parties.

(2) Inventories

The following disclosures shall be provided:

- (A) Declines subsequent to balance sheet date in market prices of inventory not protected by firm sales contracts.
- (B) Changes in pricing methods and the effects thereof;
- (C) 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 should, if material, be recognized in the accounts and separately disclosed in the income statement);
- (D) The amount of any substantial and unusual write downs.

(3) 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.

(4) Other Long-Term Investments (Investments in bonds and other debt securities, long-term funds and other investments)

State separately by class of investments any items in excess of five per cent (5%) of total assets.

(5) Indebtedness of or Advances to Unconsolidated Subsidiaries and Related parties - Show separately under this caption non-current advances to unconsolidated subsidiaries and related parties.

(6) Intangible Assets

State separately, if material in amount, each major class of intangible assets, such as goodwill, franchises, patents, copyrights, licenses, secret processes, subscription lists, non-competition agreements, and trademarks. They may be shown under a separate caption following property plant and equipment in the non-current section of the balance sheet or under Other Assets. Disclose also the basis of determining their respective amounts.

(7) Other Assets

State separately any item which is in excess of 5% of total assets.

(8) Trade and Other Payables

(A) The following payables shall be stated separately in the notes to financial statements:

- (i) Trade Payables;
- (ii) Payables to subsidiaries;
- (iii) Payables to related parties;
- (iii) 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).
- (iv) Accruals (Show separately significant accruals for payrolls, taxes other than income taxes, interest, and any other material items.).

(B) The following information shall also be disclosed:

- (i) Any current liability guaranteed by others;
- (ii) Assets pledged against secured liabilities.

(9) Other Current Liabilities - If material, state separately in amount the following in the notes to financial statements:

- (A) Dividends declared and not paid at balance sheet date.
- (B) Acceptances payable
- (C) Liabilities under trust receipts
- (D) Portion of long-term debt due within one year
- (E) Deferred Income
- (F) Any other current liability in excess of 5% of total current liabilities

(10) 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 liabilities.

(11) 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.**

“Annex 68.1-L” Income Statement

In addition to the requirements under the applicable **PFRS**, corporation covered by Rule 68.1 shall comply with the disclosure requirements of this Annex.

(1) Revenues

State separately on the face of the income statement revenues from each of the following:

- A. Primary business of the company;
- B. Equity in earnings of associates;
- C. Lease income (if any);
- D. Gain from sale of property;
- E. Others.

(2) 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:

- A. Short-term promissory notes;**
- B. Long-term promissory notes;**
- C. Bonds, mortgages and other similar long-term debt;
- D. Amortization of debt discount, expense or premium;
- E. Other interest.

(3) Other Income

A. Dividends - State separately, if practicable, the amount of dividends from:

- 1. Securities of related parties and unconsolidated subsidiaries;
- 2. Marketable securities; and
- 3. Other securities.

B. Interest Income on Securities - State separately, if practicable, the amount of interest from:

- 1. Securities of related parties and unconsolidated subsidiaries;

2. Marketable securities; and
 3. Other securities.
- C. Gain (loss) on Securities - If gain or loss on disposal of securities are shown separately, state gains, net of losses or vice versa and disclose the method followed in determining the cost of securities sold, e.g., "Average Cost", "First-In" First-Out" or "Specific Identification Method."
- D. Miscellaneous - State separately any material amounts of miscellaneous other income indicating clearly the nature of the transactions out of which the items arose. Miscellaneous other income may be stated net of miscellaneous income deductions or vice versa, provided that any material amounts are set forth separately.

(4) Other Expenses

State separately expenditures with material amount or that which constitutes 10% or more of the revenue of the registrant.

(5) Specific disclosures on the face of the statement or in the notes

- A. Research and development expenditure recognized as an expense during the period;
- B. The amount of foreign exchange differences included in the net profit or loss for the period;
- C. Net Asset Value Per Share (NAVPS), in case of mutual funds/investment companies.

**“Annex 68.1-M”
SCHEDULES**

This Annex prescribes the disclosure requirements including the form and content of the schedules required by paragraph 7(e) of Rule 68.1.

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. Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments) This schedule shall be filed:

1. In support of the caption Current Marketable Equity Securities in the balance sheet, if the greater of the aggregate cost or the aggregate market value of current marketable equity securities as of the balance sheet date constitute 10 per cent or more of total assets.
2. In support of the caption Other Short Term Cash Investments, if the amount at which other short-term cash investments shown in the balance sheet constitutes 10 per cent or more of total assets, and
3. In support of the caption Current Marketable Equity Securities and Other Short Term Cash Investments in the balance sheet, if the greater of the aggregate cost or the aggregate market value of current marketable equity securities plus the amount at which other short term cash investments is shown in the balance sheet as of the balance sheet date.

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 P100,000 or one per cent 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. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments - This schedule shall be filed in support of the respective captions on long-term investments in the balance sheet. This schedule may be omitted if:

1. The sum of the captions Non-Current Marketable Equity Securities, Other Long-Term Investments, and Other Investments in the related balance sheet does not exceed five per cent of total assets as shown in the related balance sheet at either the beginning or end of the period or
2. There have been no material changes in the information required to be filed from that last previously reported.

Schedule D. Indebtedness of Unconsolidated Subsidiaries and Related parties - The Schedule shall be filed in support of the caption Indebtedness of Unconsolidated Subsidiaries and Related parties in the balance sheet. This schedule may be omitted if:

1. The amount of all indebtedness of Related parties to the registrant in such balance sheet does not exceed five per cent of total assets as shown in the related balance sheet at either the beginning or end of the period or
2. There have been no material changes in the information required to be filed from that last previously reported.

Schedule E. Intangible Assets - Other Assets – This schedule shall be filed in support of the caption Intangible Assets in the balance sheet

Schedule F. Long-Term Debt - This schedule shall be filed in support of the caption Long-Term Debt in the balance sheet.

Schedule G. Indebtedness to Related Parties - This schedule shall be filed to list the total of all non current Indebtedness to Related Parties included in the balance sheet. This schedule may be omitted if:

1. The total Indebtedness to Related Parties included in such balance sheet does not exceed five per cent of total assets as shown in the related balance sheet at either the beginning or end of the period; or
2. There have been no changes in the information required to be filed from that last previously reported.

Schedule H. 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 I. Capital Stock - This schedule shall be filed in support of caption Capital Stock in the balance sheet.

5. **FORM AND CONTENT**

Schedule A. Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)

Name of Issuing entity and association of each issue (1)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (2)	Valued based on market quotation at balance sheet date (3)	Income received and accrued
--	---	---------------------------------------	--	-----------------------------

- 1) 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.
- (2) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.
- (3) 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).

Deductions

Name and Designation of debtor (1)	Balance at beginning of period	Additions	Amounts collected (2)	Amounts written off (3)	Current	Not Current	Balance at end of period
------------------------------------	--------------------------------	-----------	-----------------------	-------------------------	---------	-------------	--------------------------

- 1) 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.
- 2) If collection was other than in cash, explain.
- 3) Give reasons for write off.

Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

Name of Issuing entity and description of Investment (1)	Number of shares or principal amount of bonds and notes (2)	Amount in Pesos	Equity in earnings (losses) of investees for the period (3)	Other (4)	Distribution of earnings by investees (5)	Other (6)	Number of shares or principal amounts of bonds and notes (2)	Amount in Pesos (7)	Dividends received from investments not accounted for by the equity method
--	---	-----------------	---	-----------	---	-----------	--	---------------------	--

- 1) Group separately securities of (a) unconsolidated subsidiaries and (b) other related parties and (c) other companies, the investment in which is accounted for by the equity method. State separately investments in individual related parties which, when considered with related advances, exceed two per cent of total assets.
- 2) Disclose the percentage of ownership interest represented by the shares if material.
- 3) The total of this column shall correspond to the amount of the related income statement caption.
- 4) Briefly describe each item. Explain if the cost represents other than a cash expenditure.
- 5) As to any dividends other than in cash, state the basis on which they have been taken up in the accounts, and the justification for such treatment. If any such dividends received from related parties have been credited in an amount different from that charged to retained earnings by the disbursing company, state the amount of differences and explain.
- 6) Briefly describe each item and state:
 - a) Cost of securities sold and how determined;
 - b) Amount received (if other than cash explain); and
 - c) Disposition of resulting profit or loss.

- 7) The totals in this column shall correspond to the related balance sheet captions.

Schedule D. Indebtedness of Unconsolidated Subsidiaries and Related parties

Name of Related parties (1)	Balance at beginning of period	Balance at end of period (2)
-----------------------------	--------------------------------	------------------------------

- 1) The related parties named shall be grouped as in Schedule C. The information called for shall be shown separately for each affiliate whose investment was shown separately in such related schedule.
- 2) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase.

Schedule E. Intangible Assets - Other Assets

Description (1)	Beginning balance	Additions at cost (2)	Deduction (3)			Ending balance
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	

- 1) The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications as indicated in Parts IV-(b)(16).
- 2) For each change representing anything other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.
- 3) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

Schedule F. Long Term Debt

Title of Issue and type of obligation (1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (2)	Amount shown under caption "Long-Term Debt" in related balance sheet (3)
---	--------------------------------	---	--

- 1) Include in this column each type of obligation authorized.

- 2) This column is to be totaled to correspond to the related balance sheet caption.
- 3) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.

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

Name of related party (1)	Balance at beginning of period	Balance at end of period (2)
---------------------------	--------------------------------	------------------------------

- 1) 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.
- 2) 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 H. Guarantees of Securities of Other Issuers(1)

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 (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)
--	---	---	---	-------------------------

- 1) Indicate in a note any significant changes since the date of the last balance sheet 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.
- 2) There need be made only 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 I. Capital Stock (1)

Title of Issue (2)	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 (3)	Directors, officers and employees	Others
--------------------	-----------------------------	--	--	--	-----------------------------------	--------

- 1) Indicate in a note any significant changes since the date of the last balance sheet filed.
- 2) Include in this column each type of issue authorized.
- 3) 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.