“Annex J”
SRC Rule 68

General Notes to Financial Statements

In addition to the information required pursuant to generally accepted accounting principles, the following information shall be set forth on the face of the appropriate statement or in a note appropriately captioned and referred to in such statements.

I. Summary of Accounting Policies - Significant accounting policies followed by the reporting entity should be disclosed. Such disclosure should identify and describe the accounting principles that materially affect the determination of financial position, results of operations, or changes in cash flows.

II. Principles of Consolidation - With regard to consolidated financial statements, refer to Part 5 (Consolidated Financial Statements) of SRC Rule 68 for requirements for supplementary information in notes to the consolidated financial statements.

III. Foreign Currency Transactions and Translation - When items in foreign currencies are included in the financial statements being presented, disclosure should be made of the accounting policies followed in translating financial statements and/or individual accounts denominated in foreign currency and in reporting transaction gains and losses.

IV. Assets Subject to Lien and Restrictions on Sales of Assets - Assets mortgaged, pledged or otherwise subject to lien, and the approximate amounts thereof, shall be stated, and the obligations collateralized briefly identified. Details of any liens or pledges as collateral and any restrictions on sales of investments should be disclosed either in the body of the financial statements or in the accompanying notes.

V. Changes in Accounting Principles and Practices - Any change in accounting principle or practice, or in the method of applying any accounting principle or practice which affects comparability of the financial statements with those of prior periods shall be disclosed in a note to the financial statements. The note should indicate the nature of and justification for the change and its effects on income of the period in which the change is made. The justification for the change should explain clearly why the newly adopted accounting principle is preferable.

VI. Defaults - The facts and amounts concerning any default in principal, interest, sinking fund or redemption provisions with respect to any issuer of securities or credit agreements or any breach of contract of a related indenture or agreement, which default or breach existed at the date of the most recent balance sheet being filed and which has not been subsequently cured, shall be stated in the notes to financial statements. If a default or breach exists but acceleration of the obligation has been waived for a stated period of time beyond the date of the most recent balance sheet being filed, the amount of the obligation and the period of waiver shall be stated.

VII. Preferred Shares

A. For convertible/redeemable shares, the terms of conversion/redemption shall be stated briefly.
B. Cumulative dividends (in arrears) and the date since when the unpaid dividends have accumulated should be disclosed.
C. Aggregate preferences on involuntary liquidation, if other than par or stated value, shall be disclosed. Preferred stocks with mandatory redemption features should be separately presented and redemption terms stated.

VIII. Pension and Retirement Plans - In addition to the accounting policy disclosures concerning the essential provisions of the employee pension retirement plan (including identification or description of the employee groups covered), if any, and the accounting and funding policies related thereto, and any other disclosures as required by generally accepted accounting principles should be made in a separate note to the financial statements.

IX. Restrictions which limit the Availability of Retained Earnings for Dividend Purposes - The most significant restrictions on the payment of dividends by the issuer shall be described, indicating briefly their source, their pertinent provisions and any violations thereunder, and, where appropriate and determinable, the amount of retained earnings so restricted, or the amount of retained earnings free of such restrictions.

In the case of a stock corporation whose retained earnings exceed 100% of the paid-in capital, it should include in the notes an explanation as to why dividends have not been declared. Justifications for non-distribution include: (A) the corporation has definite expansion projects or programs approved by the board of directors; (B) it is prohibited under any loan agreement from declaring dividends without the consent of the creditor, and such consent has not yet been secured; or (C) it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for a special reserve for probable contingencies.

Disclose the amount of undistributed earnings of investees accounted for by the equity method included in the retained earnings of the investor. This is to properly explain the increases in the balance of the retained earnings of the investor (which may be looked upon as an undue accumulation of profits by government authorities.)

X. Commitments and Contingent Liabilities -

A. Pertinent facts relative to firm commitments for the following, if material in amount, shall be disclosed; the purchase of merchandise and services, the acquisition of permanent or long-term investments and property, plant and equipment and the purchase, repurchase, construction or rental of assets under material leases, or agreements in connection with borrowings to maintain working capital, restrict dividends or reduce debts.

B. If the annual rentals or obligations under non-cancelable leases which have not been recorded as assets and liabilities are in excess of one percent of total sales and revenues of the most recent fiscal year the following information shall be shown:

1. minimum annual rentals for the current year and each of the five succeeding years;

2. nature and effect of any provision that would cause the annual rentals to vary from the minimum rentals;

3. description of the types of property leased, important obligations assumed or guarantees made, and any other significant provisions of such leases.

A. Material unused letters of credit on which drafts may be drawn should be disclosed.

D. Regarding loss contingencies:

1. There should be disclosure as to the nature of a loss contingency which is accrued and, in some circumstances, the amount accrued if necessary for the financial statements not to be misleading.

2. If not accrued, disclose a loss contingency, the likelihood of which is at least reasonably possible. Indicate in the disclosure the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made.

3. Certain loss contingencies such as a) guarantees of the indebtedness of others, b) obligations of commercial banks under standby letter of credit, and c) guarantees to repurchase receivables, (or in some cases to repurchase the related property) that have been sold or otherwise assigned, shall be disclosed in the notes to financial statements even though the possibility of loss may be remote. The disclosure should include the nature and the amount of the guarantee.

XI. Bonuses, Profit Sharing and Other Similar Plans -

The essential provisions of any such plans in which only directors, officers or key employees may participate shall be described, and for each of the fiscal periods for which income statements are presented, the aggregate amount provided for all plans by charges to expense shall be stated.

A. Capital Stock Optioned, Sold or Offered for Sale to Directors, Officers and Key Employees

A. Briefly describe the terms of each option agreement, including:

1. the title and the amount of securities subject to option,

2. the year(s) during which the options were granted, and

3. the year(s) during which the optionees became or will become entitled to exercise the options.

B. Indicate the following:

1. The number of shares under option at the balance sheet date.

2. The number of shares with respect to which options were exercisable during each period presented.

3. The number of shares with respect to which options were exercised during the period.

4. The option price and fair value of the shares, per share and in total, at the respective dates the options were:

a. granted,
b. became exercisable, and
c. were exercised during the period

5. The number of optioned shares available at the beginning and at the close of the latest period for which financial statements are presented.

C. Describe briefly the terms of each other arrangement covering shares sold or offered for sale to directors, officers and key employees, including the number of shares, and the offered price and the fair value thereof per share and in total, at the dates of sale or offer to sell, as appropriate.

D. Summarize and tabulate, as appropriate, the required information with respect to all option plans as a group and other plans for shares sold or offered for sale as a group.

XIII. Warrants or Rights Outstanding - The following information with respect to warrants or rights outstanding at the date of the related balance sheet shall be set forth.

A. Title of issue of securities called for by warrants or rights.

A. Aggregate amount of securities called for by warrants or rights outstanding.

B. Date from which warrants or rights are exercisable and expiration date.

D. Price at which warrants or rights are exercisable.

XIV. Subsequent Events - Certain subsequent events which do not require adjustment of the financial statements may be of such a nature that disclosure of them is required to keep the financial statements from being misleading. Hence, such events should be disclosed if their non-disclosure would affect the ability of the users of the financial statements to make proper evaluation and decisions. Examples of such events are:

A. sale of a bond or capital issue;
B. purchase of a business;

C. settlement of litigation when the event giving rise to the claims took place subsequent to the balance sheet date;

D. loss of plant or inventories as a result of fire or flood or other cause over which the registrant reasonably had no control;

E. losses on receivables resulting from conditions (such as a customer's major casualty) arising subsequent to the balance sheet date.

When the effects of subsequent events are disclosed in the notes to financial statements, the disclosure should include a description of the events and an estimate, if possible, of their financial effects.

I. Earnings per Share - Present earnings per share data in the financial statements of issuers of securities in accordance with the following rules:

A. Basic earnings per share should be calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

B. For the purpose of calculating basic earnings per share, the net income or loss for the period attributable to common shareholders should be the net income or loss for the period after deducting preferred dividends.

C. For the purpose of calculating basic earnings per share, the number of common shares should be the weighted average number of common shares outstanding during the period.

D. The weighted average number of common shares outstanding during the period and for all periods presented should be adjusted for events, other than the conversion of potential common shares, that have changed the number of common shares outstanding, without a corresponding change in resources.

E. For the purpose of calculating diluted earnings per share, the net income attributable to common shareholders and the weighted average number of shares outstanding should be adjusted for the effects of all dilutive potential common shares.

F. For the purpose of calculating diluted earnings per share, the amount of net income or loss for the period attributable to common shareholders, as calculated in accordance with paragraph (B), should be adjusted by the after-tax effect:

1. Any dividends on dilutive potential common shares which have been deducted in arriving at the net income attributable to common shareholders as calculated in accordance with paragraph (B);

2. Interest recognized in the period for the dilutive potential common shares; and

3. Any other changes in income or expense that would result from the conversion of the dilutive potential common shares.

G. For the purpose of calculating diluted earnings per share, the number of common shares should be the weighted average number of common shares calculated in accordance with paragraphs (C) and (D), plus the weighted average number of common shares which would be issued on the conversion of all the dilutive potential common shares into common shares. Dilutive potential common shares should be deemed to have been converted into common shares at the beginning of the period or, if later, the date of the issue of the potential common shares.

H. For the purpose of calculating diluted earnings per share, a corporation should assume the exercise of dilutive options and other dilutive potential common shares of the corporation. The assumed proceeds from these issues should be considered to have been received from the issue of the shares that would have been issued at fair value. The difference between the number of shares issued and the number of shares that would have been issued at fair value should be treated as an issue of common shares for no consideration.

I. Potential common shares should be treated as dilutive when, and only when, their conversion to common shares would decrease net income per share from continuing common operations.

J. If the number of common or potential common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the calculation of basic and diluted earnings per share for all periods presented should be adjusted retroactively. If these changes occur after the balance sheet date but before the issuance of the financial statements, the per share calculations for those and any prior period financial statements presented should be based on the new number of shares. When per share calculations reflect such changes in the number of shares, that fact should be disclosed. In addition, basic and diluted earnings per share of all periods presented should be adjusted for:

1. The effects of correction of errors, and adjustments resulting from changes in accounting principles, that are accounted for retroactively; and

2. The effects of a business combination which is accounted for as a pooling of interests.

K. A corporation should present basic and diluted earnings per share on the face of the income statement. A corporation should present basic and diluted earnings per share with equal prominence for all periods presented.

L. A corporation should present basic and diluted earnings per share, even if the amounts disclosed are negative (a loss per share).

M. A corporation should disclose the following:

1. The amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net income or loss for the period; and

2. The weighted average number of common shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.

N. If an enterprise discloses, in addition to basic and diluted earnings per share, per share amounts using a reported component of net income other than net income or loss for the period attributable to common shareholders, such amounts should be calculated using the weighted average number of common shares determined in accordance with this Rule. If a component of net income is used which is not reported as a line item in the income statement, a reconciliation should be provided between the component used and a line item which is reported in the income statement. Basic and diluted per share amounts should be disclosed with equal prominence.

O. The provisions of Statement of Financial Accounting Standards No. 29 shall supplement SRC Rule 68 for clarification.

XVI. Significant Changes in Bonds, Mortgages, and Similar Debt - Any significant changes in the authorized or issued amounts of bonds, mortgages and similar debt since the date of the latest balance sheet being filed shall be stated.

XVII. Provision for Income Tax - All disclosures should be made in accordance with generally accepted accounting principles.

XVIII. Interest cost - Disclosure shall be provided for each period for which an income statement is presented of the amount of interest cost incurred and the respective amounts expensed or capitalized.

XIX. Material Related Party Transactions which Affect the Financial Statements –

A. The financial statements filed shall disclose transactions with, investments in, and balances due to or from related parties that are material, individually or in the aggregate, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. Disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. This disclosure should include the following:

1. The nature of the relationship(s).

2. A description of the transactions (summarized when appropriate) for the periods for which an income statement is presented, including amounts, if any, and such other information as is deemed necessary to an understanding of the effects on the financial statements.

3. The pesos volume of transactions for each of the periods for which income statements are presented, and the effects of any change in

the method of establishing the terms from that used in the preceding period.

4. Amounts due to or from related parties as of the date of each balance sheet presented, and if not otherwise apparent, the terms and manner of settlement.

B. In some cases, aggregation of similar transactions by type or related party may be appropriate. Sometimes, the effect of the relationship between or among the related parties may be so pervasive that disclosure of such relationship alone is sufficient. For instance, substantially all the sales transactions may be with the controlling entity. Or, if the users of the financial statements are already familiar with the nature and extent of related party transactions (as would normally be the case with respect to wholly owned subsidiaries of joint ventures), the disclosure may be limited to the description of the related party relationship and a general indication of the nature and magnitude of such transactions. If necessary to the understanding of the relationship, the name of the related party should be disclosed.

C. Transactions involving related parties cannot be presumed to be carried out on an arm's length basis, as the requisite conditions of competitive free-market dealings may not exist. Representations about transactions with the related parties, if made shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's length transactions unless such representations can be substantiated.

D. If the reporting enterprise and one or more other enterprises are under common ownership or management control and the existence of that control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprise were autonomous, the nature of the control relationship shall be disclosed even though there are no transactions between the enterprises.

XX. Registration with the Board of Investments (BOI)

The following information should be included in the note to the financial statements of companies registered with the BOI:

A. A statement that the company is registered with the BOI, indicating the particular activity or activities covered by the BOI registration.

B. Important terms and conditions of the registration.

C. Statement that the company is entitled to tax and non-tax incentives and benefits under applicable laws.

D. The amount of tax benefits availed of during the year.