Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

SEC MEMORANDUM CIRCULAR NO. 14
Series of 2004

Re : **AMENDMENTS TO ANNEX "C" OF RULE 12**

To enhance the quality of disclosures in the periodic reports of listed companies and other issuers of registered securities to the public, the Commission En Banc at its meeting held on October 14, 2004, approved the amendments to Annex "C" of Rule 12. The provisions of the said Annex as hereinafter cited shall now read as follows:

PART III – Financial Information

(A) Management Discussion and Analysis (MD&A)

x x x x x x x x x

(B) **Information on Independent Accountant and other Related Matters**

(1) External Audit Fees and Services

The following information shall be provided:

(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor for:

1. the audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years;

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements. The registrant shall describe the nature of the services comprising the fees disclosed under this category;

(b) Under the caption "Tax Fees", the aggregate fees billed in each of the last two fiscal years for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. Registrants shall describe the nature of the services comprising the fees disclosed under this category;

(c) Under the caption "All Other Fees", the aggregate fees billed in each of the last two fiscal years for products and services provided by the external auditor, other than the services reported under items (a) & (b)

above. Registrants shall describe the nature of the services comprising the fees disclosed under this category;

(d) The audit committee's approval policies and procedures for the above services.

(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

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PART IV, Paragraph (D)
Certain Relationships and Related Transactions

(1) In addition to the disclosures in the financial statements which are required under SFAS/IAS No. 24 on Related Party Disclosures, registrants shall describe under this item the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effects on the financial statements, and the special risks or contingencies arising from these transactions. The Commission considers the discussion of the following to be necessary:

(a) the business purpose of the arrangement;
(b) identification of the related parties transacting business with the registrant and nature of the relationship;
(c) how transaction prices were determined by the parties;
(d) if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made; and
(e) any ongoing contractual or other commitments as a result of the arrangement.

(2) The disclosure shall also include information about parties that fall outside the definition of "related parties" under SFAS/IAS No. 24, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis. For example, an entity may be established and operated by individuals that were former senior management of, or have some other current or former relationship with, a registrant. The purpose of the entity may be to own assets used by the registrant or provide financing or services to the registrant. Although former management or persons with other relationships may not meet the definition of a related party pursuant to SFAS/IAS 24, the former management positions may result in negotiation of terms that are more or less favorable than those available on an arm's-length basis from clearly independent third parties that are material to the registrant's financial position or financial performance. In some cases, investors may be unable to understand the registrant's reported results of operations without a clear explanation of these arrangements and relationships.

Items of similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements.

(3) Transactions with Promoters. Issuers organized within the past five (5) years shall:

(a) State the names of the promoters, the nature and amount of anything of value (including money, property, contracts, options or rights of any kind) received or to be received by each promoter, directly or indirectly, from the issuer and the nature and amount of any assets, services or other consideration received or to be received by the registrant; and

(b) As to any assets acquired or to be acquired from a promoter, state the amount at which the assets were acquired or are to be acquired and the principle followed or to be followed in determining such amount and identify the persons making the determination and their relationship, if any, with the registrant or any promoter. If the assets were acquired by the promoter within two years prior to their transfer to the issuer, also state the cost thereof to the promoter.

The old provisions of Part IV (D) of Annex "C" are hereby deleted.

The foregoing amended portions of Annex "C" of Rule 12 shall take effect fifteen (15) days after their publication in a newspaper of general circulation in the Philippines.

October 29, 2004. Mandaluyong City, Philippines.

E B. BARIN
Chairperson