NATIONAL ADMINISTRATIVE REGISTER · MARCH 16, 1998

DISCLOSURE OF EFFECTS OF PESO DEPRECIATION AND OTHER CURRENT ECONOMIC EVENTS

SEC MEMORANDUM CIRCULAR NO. 04,s. 1998, March 16, 1998

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A. Requirement for Management Discussion and Analysis

Under the Commission's full disclosure rules, public companies are expected to disclose fully information on all aspects of their operations so that knowledgeable investment decisions can be made by their stockholders and potential investors. For example, the Commission's RSA Rule 3-3, Part IV (a) (2)(A), Management's Discussion and Analysis of Financial Condition and Results of Operations, requires that "the discussion should address the past and future financial condition and results of operation of the registrant, with particular emphasis on the prospects of the future. The discussion should also address those key variable and other qualitative and quantitative factors which are necessary to an understanding and evaluation of the registrant."

One of the factors that need to be discussed by registrants is the effect of the volatile business and economic environment which occurred starting in the second half of 1997 as a result of the regional currency crisis. There is a need to inform stockholders and potential investors as to how these events affected the operations and financial condition of the registrant. The following factors set forth in RSA Rule 3-3, Part IV (a)(2)(A), are to be considered in the discussion:

(i) Any known trends, events or uncertainties that have or are reasonably likely to have a material impact on the registrant's short-term or long-term liquidity;

(ii) Internal and external sources of liquidity;

(iii) Any material commitments for capital expenditures and expected sources of funds for such expenditures;

(iv) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations (for example, industry related trends);

(v) Any significant elements of income or loss that did not arise from the registrant's continuing operations (for example, restructurings)

(vi) The causes for any material changes from period to period in one or more line items of the registrant's financial statements (for example, significant increase in foreign currency exposures, significant decline in value of investment portfolios).

In line with the Commission's full disclosure policy, the above factors, to the extent applicable to a registrant, should be discussed completely and informatively in the Management Discussion and Analysis of Financial Condition and Results of Operations section of periodic reports required to be filed under Section 11 of the Revised Securities Act and RSA Rule 11(a)-1.

B. Requirement for Financial Statements

The current economic events (the significant depreciation of the peso, increase in interest rates and decline in

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stock market prices) could significantly affect the amounts reported in the financial statements of registrant. The Commission, therefore, hereby requires the disclosure of their effects, where applicable, in the annual financial statements of registrants to be filed with the Commission.

C. Effectivity

This Circular shall take effect for financial statements and SEC Form 11-A for the year ended December 31, 1997 to be filed with the Commission after the date of this Circular.

Adopted: 16 March 1998

(SGD.) PERFECTO R. YASAY, JR.
Chairman

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