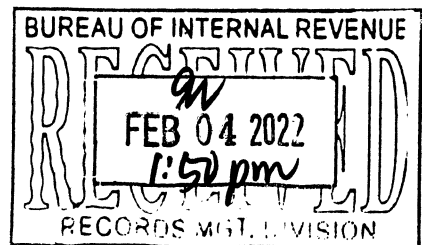


Annex "A"

MANDATORY ACCOUNTING ENTRIES IN THE BOOKS OF THE TRANSFEROR/S AND TRANSFEREE IN TRANSFERS OF SHARES IN EXCHANGE FOR SHARES

Particulars	Transferor's Book (The entry/ies shall be per individual transferor, as may be applicable)	Transferee's Book																								
<p>Journal Entry to Record the Tax Free Exchange</p>	<p>Investment in (transferee's name) xxx.xx</p> <p>Investment in (name of issuing corp.) xxx.xx</p> <p>Gain on Share for Share Swap xxx.xx</p> <p>To record the tax-free exchange of investment in (share type) shares of (name of issuing corporation/s) with aggregate fair market value of P_____ in exchange for (type and no. of share) of (name of transferee) with par value of P_____ per share.</p>	<p>Investment in (name of issuing corp.) xxx.xx</p> <p>Capital Stock xxx.xx</p> <p>Additional Paid-In Capital xxx.xx</p> <p>To record the tax-free exchange of investment in (share type) shares of (name of issuing corporation/s) with aggregate fair market value of P_____ in exchange for (type and no. of share) of (name of transferee) with par value of P_____ per share.</p>																								
<p>Balance Sheet Notes Entry</p>	<p>Investment includes (no. and type of share/s) with par value of P_____ in (name of transferee) resulting from the tax-free exchange of investment in (no. and type of share/s) of (issuing corporation/s) covered by Stock Certificate No/s. _____ which were acquired for the total cost of (substituted basis) and which have fair market value as of the date of exchange amounting to P_____.</p>	<p>Investment in (no. and type of share/s) of (issuing corporation/s) was/were acquired through Deed of Exchange dated _____ [and the approval by the Securities and Exchange Commission on (date) of the increase of the Authorized Capital Stock of (name of transferee)]. The total acquisition cost/substituted cost to (name of transferee) of the investment/s amounts to (FMV at the time of the exchange). The investment/s was/were previously covered by Stock Certificate No/s. _____ issued by (issuing corporation/s) and is/are now presently covered by Stock Certificate No/s. _____ constituting (no. and type of share/s) [total] shares in the name of (name of transferee).</p>																								
<p>Proforma Entries to Record Subsequent Sale/Transfer</p>	<p>Cash or Accounts Receivables xxx.xx</p> <p>Investment in (name of transferee) xxx.xx</p> <p>Gain on Sale of Investment xxx.xx</p> <p>To record subsequent sale / transfer of investment acquired thru tax-free exchange</p> <p>Current xxx.xx</p> <p>Tax Payable xxx.xx</p> <p>Provision for Tax as follows:</p> <table border="1" data-bbox="371 1653 860 1874"> <thead> <tr> <th>Tax Type</th> <th>Tax Rate*</th> <th>Multiply by</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1) Net Capital Gains Tax</td> <td>5% on P100,000 and 10% on excess</td> <td>Gains realized on tax-free exchange</td> <td>xxx.xx</td> </tr> <tr> <td>OR Stock Transaction Tax</td> <td>1/2 of 1%</td> <td>FMV of investment/s at the time of the tax-free exchange</td> <td>xxx.xx</td> </tr> </tbody> </table>	Tax Type	Tax Rate*	Multiply by	Amount	1) Net Capital Gains Tax	5% on P100,000 and 10% on excess	Gains realized on tax-free exchange	xxx.xx	OR Stock Transaction Tax	1/2 of 1%	FMV of investment/s at the time of the tax-free exchange	xxx.xx	<p>Cash or Accounts Receivables xxx.xx</p> <p>Investment in (name of issuing corp.) xxx.xx</p> <p>Gain on Sale of Property/ies* xxx.xx</p> <p>To record subsequent sale/transfer of investment/s acquired thru tax-free exchange</p> <p>Current xxx.xx</p> <p>Tax Payable xxx.xx</p> <p>Provision for Tax as follows:</p> <table border="1" data-bbox="927 1653 1402 1874"> <thead> <tr> <th>Tax Type</th> <th>Tax Rate*</th> <th>Multiply by</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1) Net Capital Gains Tax</td> <td>15%</td> <td>Gains realized on subsequent sale of investment/s</td> <td>xxx.xx</td> </tr> <tr> <td>OR Stock Transaction Tax</td> <td>6/10 of 1%</td> <td>Selling price of investment at the time of subsequent sale</td> <td>xxx.xx</td> </tr> </tbody> </table>	Tax Type	Tax Rate*	Multiply by	Amount	1) Net Capital Gains Tax	15%	Gains realized on subsequent sale of investment/s	xxx.xx	OR Stock Transaction Tax	6/10 of 1%	Selling price of investment at the time of subsequent sale	xxx.xx
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2)	Net Capital Gains Tax	15%	Gains realized on subsequent sale of investment/s	xxx.xx
OR	Stock Transaction Tax	6/10 of 1%	Selling price of investment at the time of subsequent sale	xxx.xx
Total Tax Payable				xxx.xx

Total Tax Payable	xxx.xx
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* If subsequent sale/s on investment/s was/were made before January 1, 2018, the tax rates used in the computation of Net Capital Gains Tax and Stock Transaction Tax at the time of the tax-free exchange shall apply.

* If subsequent sale/s on investment/s was/were made before January 1, 2018, the tax rates used in the computation of Net Capital Gains Tax and Stock Transaction Tax at the time of the tax-free exchange shall apply.

* Computation of Gain Realized on Subsequent Sale of Investment (unlisted shares):

Selling Price	xxx.xx
Less: Cost (Substituted Basis)	xxx.xx
Net Capital Gain on sale	<u>xxx.xx</u>

* Per RMO No. 17-2016, the substituted basis of the stock or securities received by the transferor on a tax-free exchange shall be as follows: (1) The original basis of the property, stock or securities to be transferred; (2) Less: (a) money received, if any, and (b) the fair market value of the other property received, if any; (3) Plus: (a) the amount treated as dividend of the shareholder, if any, and (b) the amount of any gain that was recognized on the exchange, if any.

