SEDPI

Social Enterprise Development Partnerships, Inc.

Audited Financial Statement
December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Social Enterprise Development Partnerships Inc. (SEDPI)
450 J Marzan Street, Sampaloc
Manila

Report on the Financial Statements

We have audited the accompanying financial statements of **Social Enterprise Development Partnerships Inc. (SEDPI)** which comprise the statements of financial position as at December 31, 2013 and 2012 and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Social Enterprise Development Partnerships Inc. (SEDPI)** as of December 31, 2013 and 2012 and its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulations Nos. 19-2011 and 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 9-10 is not a required part of the basic financial statements. Such information is the responsibility of management of **Social Enterprise Development Partnerships Inc. (SEDPI).**The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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January 15, 2013,valid January 14, 2016
BOA/PRC Reg. No. 0540,
January 8, 2013, valid until December 31, 2015

Quezon City

April 10, 2014

Social Enterprise Development Partnership, Inc.

STATEMENTS OF FINANCIAL POSITION

(in Philippine Peso)

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash	**1,225,633**	1,078,261
Advances and Other Receivables	**5,855,457**	5,740,468
Other Current Assets	**1,076,081**	751,385
Total Current Assets	**8,157,170**	7,570,114
Non-Current Assets		
Properties and Equipment, *Note 5*	**2,078,816**	2,359,500
Other Assets	**4,674,018**	4,845,294
Total Non-Current Assets	**6,752,834**	7,204,793
TOTAL ASSETS	**14,910,004**	14,774,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accrued Expenses and Other Current Liabilities	**12,515,355**	12,240,535
Income Tax Payable, *Note 9*	**-**	(0)
Total Current Liabilities	**12,515,355**	12,240,535
Long Term Liabilities		
Loans Payable	**759,650**	1,071,728
TOTAL LIABILITIES	**13,275,005**	13,312,262
Stockholders' Equity		
Capital Stock, *Note 6*	**374,000**	374,000
Retained Earnings	**1,260,999**	1,088,645
TOTAL STOCKHOLDERS' EQUITY	**1,634,999**	1,462,645
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**14,910,004**	14,774,907

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF COMPREHENSIVE INCOME

(in Philippine Peso)

	Years ended December 31	
	2013	2012
REVENUE		
Management Services	**2,937,194**	3,961,957
Research	**702,183**	-
Training Services	**240,119**	896,306
	3,879,496	4,858,263
COST OF SERVICES, *Note 7*	**748,290**	1,097,078
GROSS PROFIT	**3,131,206**	3,761,185
OPERATING EXPENSES, *Note 8*	**3,060,704**	3,485,987
INCOME FROM OPERATIONS	**70,502**	275,198
OTHER INCOME / (EXPENSES)		
Admin- Other Income	**436,168**	299,579
Penalties and Charges	**-**	(34,200)
INCOME BEFORE TAX	**506,670**	540,577
PROVISION FOR INCOME TAX, *Note 9*	**152,001**	172,433
NET INCOME	**354,669**	368,144

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in Philippine Peso)

	Capital Stock	Retained Earnings	TOTAL EQUITY
Balances at December 31, 2011	20,000	886,938	906,938
Net Income for the year		369,366	368,144
Prior Period Adjustment		(167,659)	(167,659)
Additional Capital	354,000		355,222
Balances at December 31, 2012	374,000	1,088,645	1,462,645
Net Income for the year		**354,669**	**354,669**
Prior Period Adjustment		**(182,315)**	**(182,315)**
Additional Capital			**-**
Balances at December 31, 2013	**374,000**	**1,260,999**	**1,634,999**

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF CASH FLOWS

(in Philippine Peso)

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Tax	**506,670**	540,577
Adjustments for:		
Depreciation	**280,684**	325,558
Income Taxes Paid	**(152,001)**	(27,568)
Prior Period Adjustment	**(182,315)**	(167,659)
(Increase)/Decrease in		
Advances and receivables	**(114,988)**	(2,696,954)
Other current assets	**(324,695)**	(172,756)
Accounts payable	**274,820**	4,164,502
Net cash used in operating activities	**288,174**	1,965,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to furniture, fixtures and equipment		(55,929)
(Increase)/Decrease in Other Assets	**171,276**	(500,000)
Net cash used in investing activities	**171,276**	(555,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Stockholders' Equity	**-**	355,222
Increase (Decrease) in Loans Payable	**(312,078)**	(1,264,066)
Net cash used in financing activities	**(312,078)**	(908,844)
INCREASE (DECREASE) IN CASH	**147,372**	500,928
CASH AT BEGINNING OF THE YEAR	**1,078,261**	577,332
CASH AT END OF THE YEAR	**1,225,633**	1,078,261

See accompanying notes to financial statements

SEDPI SOCIAL ENTERPRISE VENTURES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1. The Company.

The **Social Enterprise Development Partnerships, Inc. (SEDPI)** is a domestic stock corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on July 30, 2004 under SEC Registration No. CS200411733, and its principal office address is at 450 J. Marzan Street, Sampaloc, Manila.

Its primary purpose is to provide consulting services to cooperative and non-government organizations.

The increase of authorized capital stock of Social Enterprise Development Partnerships, Inc. (SEDPI) from P20,000 divided into 100 shares of the par value of P200 each to P5,684,000 divided into 28,420 shares of the par value P200 each was approved by SEC on November 8, 2011 in accordance with the provision of Section 38 of the Corporation Code of the Philippines(Batas Pambansa Blg. 68).

The financial statements were approved and authorized for issuance on April 10, 2014.

2. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts are rounded to the nearest Philippine Peso, except when otherwise indicated. They have been prepared under the historical cost basis.

2.2 Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium sized Entities (SMEs).

2.3 Accounting Policies

The specific accounting policies followed by the Company are disclosed in the following section.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisitions and that are subject to an insignificant risk of change in value.

Trade Receivables

Trade receivables represent accounts receivables and are measured at invoice price and subsequently measured at face value as reduced by any appropriate allowances for doubtful accounts. The allowance for doubtful accounts are the estimated amount of probable losses arising from non-collection of receivables based on past collection experience and Management's review of the current status of the long-outstanding receivables.

Other Receivables

Other receivables are stated at their face values. These are receivables other than those which arise from the ordinary course of business of the Company. Other receivables consist of advances to employees and advances to suppliers.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period the costs are incurred. In situations, where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When property and equipment are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income and expenses.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The useful lives of the properties are as follows:

	Estimated Useful Life in Years
Building	20
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

Asset Impairment

At each reporting date, property and equipment are reviewed to determine whether there is any indication that assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable is lower, the

carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized in profit or loss.
If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Value-added Tax (VAT)
VAT is equal to 12% of the purchase or selling price of the vatable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales/services is called output VAT. Input VAT and output VAT are presented at net in the statement of financial position. Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Input VAT is generally recoverable through application to output VAT.

Trade and Other Payables
Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are non-interest bearing and are stated at their nominal values.

Accruals, if any, are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions

Trade accounts payable and accrued expenses are recognized in the period which the related money, goods or services are received or when a legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized. Trade and other payables are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Other Current Liabilities

Other current liabilities represent obligations arising from mandatory requirements of government and other agencies and not just from a mere contractual agreement between related parties.

Loans Payable
Loans payable are long term borrowings availed from bank measured at their fair values and subsequently recognized at amortized costs less settlement payments, if any.

Total Equity
Total equity comprises of contributed capital and cumulative fund.

Share Capital
Share capital is determined using the nominal value of shares that have been issued and fully paid. The costs of acquiring Company's own shares, if any, are shown as a deduction from equity attributable to the company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the company's equity holders.

Share Premium
Share premium, if any includes any premiums received on the initial issuing of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

The Company has no share premium as of December 31, 2013.

Cumulative Earnings
Cumulative earnings include all current and prior period's results of operation as disclosed in the statement of income.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably.

Interest Income
Interest income is recognized as the interest accrues.

Cost and Expense Recognition

Cost of sales
Cost of sales/service is recognized when goods are delivered to and accepted by the customers.

General and administrative expenses
General and administrative expenses comprise costs of administering the business and are recognized in the statement of income upon utilization of the service or in the dates they are incurred. .

Employee Benefits

Short-term Benefits
The company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, and other non-monetary benefits.

Long-term Benefits

The Company provides retirement benefits to entitled employees as mandated by law.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred income tax assets to be recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in the tax rates are charged or credited to the income for the period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. When the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Reporting Period
Post-year-end events up to the date of the auditor's report that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Related Parties
Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees are also considered to be related parties.

Future Changes in Accounting Policies

The following are the new and revised standards and interpretations that will become effective subsequent to December 31, 2013. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have any significant impact on its financial statements.

Effective in 2014

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

- PFRS 10, PFRS 12 and PAS 27, *Investment Entities (Amendments)*, provides an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*, removes the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*, provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment: Definition of Vesting Condition (Amendment)*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Company expects that this amendment will not have any impact on its financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination (Amendment)*, clarifies that contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

  The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company expects that this amendment will not have any impact on its financial position or performance.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets (Amendments)*, require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. The Company expects that this amendment will not have any impact on its financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables (Amendment)*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation (Amendment)*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel (Amendments)*, clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization (Amendments)*, clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The Company expects that this amendment will not have any impact on its financial position or performance.

3. Management's Significant Accounting Judgments and Estimates

3.1 Judgments

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The Company qualifies as Small and Medium-sized Entity. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon Management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of the Company's functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso.

3.2 Estimates

Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation of useful lives of property and equipment

Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates. Any reduction in the estimated useful lives of property and equipment would increase the Company's recorded operating expenses and decrease non current assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties which are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

The useful lives of the properties are as follows:

Estimated Useful

	Life in Years
Building	20
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

There is no change in the estimated useful lives of property and equipment and for the years ended December 31, 2013 and 2012.

Impairment of Non-financial Assets

The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company 's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Allowance for Doubtful Accounts

The company assesses whether objective evidence of impairment exists for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Revenue Recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

4. Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risks. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework

The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit Risk

The Company's credit risk is primarily attributable to its trade and other receivables. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk. Receivable balances are being monitored on a periodic basis to ensure timely execution of necessary intervention efforts.

As of balance sheet date, there were no significant concentrations of credit risk.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of generated funds. Liquidity risk is the risk when the Company will be unable to meet its payment obligations when they fall due. The Company manages this risk through periodic monitoring of cash flows in consideration of future payment due

dates and daily collection amounts. The Company also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime.