MELICOR BRIONES VILLAREAL & Co.
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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 Partnership, Inc. (SEDPI)**, which comprise the statements of financial position as at December 31, 2012 and 2011, 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 Partnership, Inc.** as of December 31, 2012 and 2011, 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 Supplementary Information Required Under Revenue Regulations 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 on taxes, duties, and license fees in Note 9 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not required part of the basic financial statements. Such information is the responsibility of management. 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.

MELICOR BRIONES VILLAREAL & CO.

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PTR No. 7702808, Jan. 16, 2013
Quezon City, Philippines
BOA Accreditation No. 0540
BIR AN# 07-000572-1-2013

April 11, 2013

Social Enterprise Development Partnership, Inc.

STATEMENTS OF COMPREHENSIVE INCOME

(in Philippine Peso)

	Years ended December 31	
	2012	2011
REVENUE		
Management Services	**3,961,957**	6,725,220
Training Fee	**896,306**	1,919,479
	4,858,263	8,644,699
COST OF SERVICES, *Note 5*	**1,097,078**	4,448,292
GROSS PROFIT	**3,761,185**	4,196,406
OPERATING EXPENSES, *Note 6*	**3,485,987**	4,370,086
INCOME FROM OPERATIONS	**275,198**	(173,679)
OTHER INCOME / (EXPENSES)		
Interest and other income	**299,579**	378,320
Penalties and Charges	**(34,200)**	-
Interest Expense		(26,849)
INCOME BEFORE TAX	**540,577**	177,791
PROVISION FOR INCOME TAX, *Note 7*	**172,433**	90,958
NET INCOME	**368,144**	86,834

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, 2010	**20,000**	**800,104**	**820,104**
Net Income for the year	-	86,834	86,834
Prior Period Adjustment	-		-
Balances at December 31, 2011	**20,000**	**886,938**	**906,938**
Net Income for the year		**368,144**	**368,144**
Prior Period Adjustment		**(167,659)**	**(167,659)**
Additional Capital	**355,222**		**355,222**
Balances at December 31, 2012	**375,222**	**1,087,423**	**1,462,645**

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF CASH FLOWS

(in Philippine Peso)

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Tax	**540,577**	177,791
Adjustments for:		
Depreciation	**325,558**	262,498
Penalties & charges		
Income Taxes Paid	**(27,568)**	(99,135)
Prior Period Adjustment	**(167,659)**	(718,141)
(Increase)/Decrease in		
Advances and receivables	**(2,696,954)**	(933,362)
Other current assets	**(172,756)**	98,793
Accounts payable	**4,164,502**	5,318,103
Net cash used in operating activities	**1,965,701**	4,106,547
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to furniture, fixtures and equipment	**(55,929)**	(1,833,931)
(Increase)/Decrease in Other Assets	**(500,000)**	(191,016)
Net cash used in investing activities	**(555,929)**	(2,024,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Stockholders' Equity	**355,222**	
Increase (Decrease) in Loans Payable	**(1,264,066)**	(2,126,091)
Net cash used in financing activities	**(908,844)**	(2,126,091)
INCREASE (DECREASE) IN CASH	**500,928**	(44,491)
CASH AT BEGINNING OF THE YEAR	**577,332**	621,824
CASH AT END OF THE YEAR	**1,078,261**	577,332

See accompanying notes to financial statements

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 financial statements were approved and authorized for issuance on September 9, 2011.

2. Significant Accounting Policies.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The accompanying financial statements have been prepared based on historical costs, and presented in Philippine peso, which is the Organization's functional currency. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

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).

The significant sections and practices of the Organization are set forth to facilitate the understanding the financial statements.

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.

Receivables

Receivables are stated at face value less allowance for doubtful accounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

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.

Revenue and Expense 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.

Project and administrative expenses 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 organization 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 Organization to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, and other non-monetary benefits.

Provisions

Provisions are recognized when the Organization 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 Organization 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 Organization'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.

3. Management's Significant Accounting Judgments and Estimates.

3.1 Judgments

The preparation of the Company's financial statements in conformity with PFRS for SMEs requires Management to make estimates and assumptions that affect the amounts reported in the Company's 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.

3.2 Estimates

In the application of the Company's accounting policies, Management is required to make judgements, 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.

- **Estimated Useful Lives of Property and Equipment**

  The Company estimates the useful lives of Property and Equipment based on the period over which they are expected to be available for use. The estimated useful lives of the Property and Equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Property and Equipment. In addition, the estimation of the useful lives is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

  A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life in Years
Office equipment	1-5
Furniture and fixtures	3-10
Vehicle	15

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the PPE.

- **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 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.