

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SEDPI Development Finance, Inc.
Unit 303, Loyola Heights Condominium
23 Dela Rosa Street, Loyola Heights
Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of SEDPI Development Finance, Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, 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

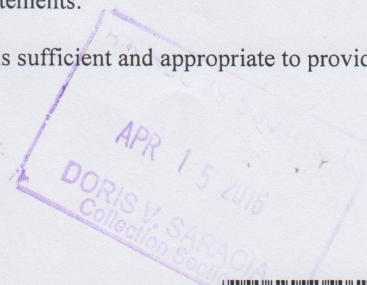
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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 the financial statements are free from material misstatement.

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 the risks of material misstatement 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 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 a basis for our audit opinion.

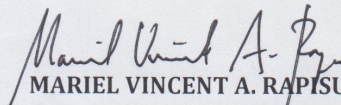


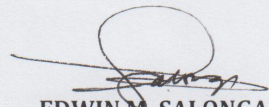
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

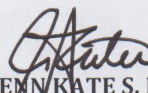
The management of **SEDPI DEVELOPMENT FINANCE, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

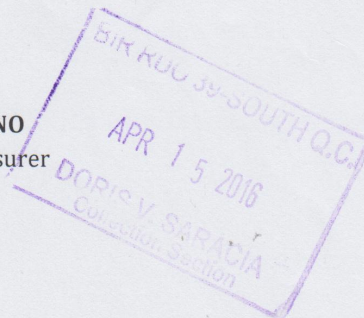
In this regard, the Management affirms that the attached audited financial statements as of and for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of **SEDPI DEVELOPMENT FINANCE, INC.**, complete and correct in all material respects. Management likewise affirms that:

- a) the Annual Income Tax Return has been prepared in accordance with the previous of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- c) **SEDPI DEVELOPMENT FINANCE, INC.** has filled all applicable tax returns, reports and statements required to be filed under Philippine Tax Laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


MARIEL VINCENT A. RAPISURA
President / Chief Executive Officer


EDWIN M. SALONGA
Chairperson


EMILENN KATE S. PATENO
Chief Finance Officer / Treasurer



**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN**

SEDPI Development Finance, Inc.
Unit 303, Loyola Heights Condominium
23 Dela Rosa Street, Loyola Heights, Quezon City

We have audited the financial statements of SEDPI Development Finance, Inc. (the Company) as at and for the year ended December 31, 2015, on which we have rendered the attached report dated April 11, 2016.

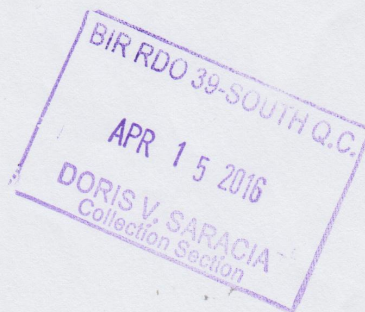
In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, director or principal stockholder of the Company.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5321607, January 4, 2016, Makati City

April 11, 2016





Building a better
working world

- 2 -

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SEDPI Development Finance, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SEDPI Development Finance, Inc. 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.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

SEC Accreditation No. 1510-A (Group A),

October 1, 2015, valid until September 30, 2018

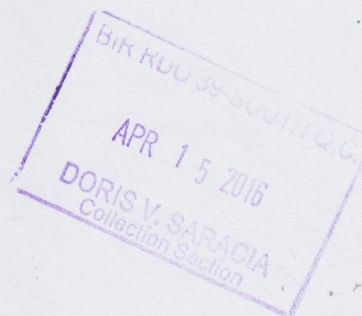
Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5321607, January 4, 2016, Makati City

April 11, 2016



SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash in banks (Note 6)	₱7,531,146	₱7,623,159
Loans and receivables - current portion (Note 7)	119,577,092	128,423,220
Financial assets at fair value through profit or loss (Note 7)	494,179	—
Prepayments (Note 8)	463,998	720,715
Other current asset	—	10,000
	128,066,415	136,777,094
Noncurrent Assets		
Loans and receivables - noncurrent portion (Note 7)	94,231,237	71,079,092
Property and equipment (Note 9)	21,107,050	17,831,897
Investment in an associate (Note 11)	13,236,318	11,376,167
Investment properties (Note 10)	6,120,510	6,120,510
Deferred tax asset - net (Note 18)	923,239	1,225,423
	135,618,354	107,633,089
	₱263,684,769	₱244,410,183
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable - current portion (Note 12)	₱142,997,580	₱139,673,434
Accrued expenses and other liabilities (Note 13)	4,702,798	6,515,297
Income tax payable	59,896	15,932
	147,760,274	146,204,663
Noncurrent Liability		
Loans payable - noncurrent portion (Note 12)	45,424,238	35,643,939
	193,184,512	181,848,602
Equity		
Common stock (Note 14)	26,255,189	22,598,875
Preferred stock (Note 14)	30,768,000	27,646,800
Additional paid-in capital	24,659	15,283
Retained earnings (Note 14)	13,502,149	12,458,374
Share in remeasurement losses on the retirement plan of an associate (Note 11)	(49,740)	(157,751)
	70,500,257	62,561,581
	₱263,684,769	₱244,410,183

See accompanying Notes to Financial Statements.

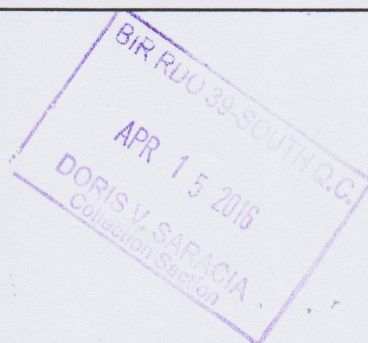


APR 15 2016
DORIS V. SARAJO
Collection Section

SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
INTEREST INCOME (Note 7)	₱18,322,734	₱19,565,776
INTEREST EXPENSE (Note 12)	9,682,757	9,451,867
NET INTEREST INCOME	8,639,977	10,113,909
OTHER INCOME	145,665	170,333
TOTAL OPERATING INCOME	8,785,642	10,284,242
EXPENSES		
Provision for credit losses (Note 7)	2,519,065	1,525,776
Taxes and licenses	1,934,214	1,445,909
Depreciation (Note 9)	745,688	531,890
Entertainment, amusement and recreation (Note 18)	730,142	230,536
Compensation and other benefits (Note 16)	640,864	484,446
Professional fees	616,921	712,690
Marketing and representation	402,402	1,081,248
Rental, light and power (Note 15)	26,000	266,982
Miscellaneous (Note 17)	229,850	1,624,042
	7,845,146	7,903,519
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE	940,496	2,380,723
SHARE IN NET INCOME OF AN ASSOCIATE (Note 11)	1,752,140	1,325,740
INCOME BEFORE INCOME TAX	2,692,636	3,706,463
PROVISION FOR INCOME TAX (Note 18)	464,239	130,576
NET INCOME	2,228,397	3,575,887
OTHER COMPREHENSIVE LOSS		
<i>Item that will not be recycled to profit or loss in subsequent periods:</i>		
Share in remeasurements of the net defined benefit liability of an associate (Note 11)	108,011	(149,106)
TOTAL COMPREHENSIVE INCOME	₱2,336,408	₱3,426,781

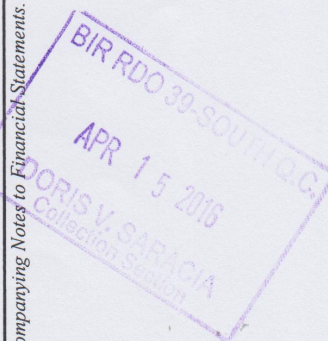
See accompanying Notes to Financial Statements.



SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 14)	Preferred Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Notes 11 and 14)	Treasury Shares (Note 14)	Other Comprehensive Loss (Note 11)	Total Equity
Balance at January 1, 2015	₱22,598,875	₱27,646,800	₱15,283	₱12,458,374	₱—	(₱157,751)	₱62,561,581
Issuance of shares	3,656,314	3,121,200	9,376	—	—	—	6,786,890
Total comprehensive income	—	—	—	2,228,397	—	108,011	2,336,408
Dividends declared (Note 14)	—	—	—	(1,184,622)	—	—	(1,184,622)
Balance at December 31, 2015	₱26,255,189	₱30,768,000	₱24,659	₱13,502,149	₱—	(₱49,740)	₱70,500,257
Balance at January 1, 2014, as restated	₱22,598,875	₱24,131,200	₱7,084	₱10,403,989	(₱63,000)	(₱8,645)	₱57,069,503
Issuance of shares	—	3,515,600	8,199	—	63,000	—	3,586,799
Total comprehensive income	—	—	—	3,575,887	—	(149,106)	3,426,781
Dividends declared (Note 14)	—	—	—	(1,521,502)	—	—	(1,521,502)
Balance at December 31, 2014	₱22,598,875	₱27,646,800	₱15,283	₱12,458,374	₱—	(₱157,751)	₱62,561,581

See accompanying Notes to Financial Statements.



SEDPI DEVELOPMENT FINANCE, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,692,636	₱3,706,463
Adjustments for:		
Interest income (Note 7)	(18,322,734)	(19,565,776)
Interest expense (Note 12)	9,682,757	9,451,867
Provision for credit losses (Note 7)	2,519,065	1,525,776
Share in net income of an associate (Note 11)	(1,752,140)	(1,325,740)
Depreciation (Note 9)	745,688	531,890
Unrealized foreign exchange gains	(69,297)	(106,637)
Changes in operating assets and liabilities		
Decrease (increase) in the amounts of:		
Loans and receivables (Notes 7, 9 and 21)	(19,859,287)	(50,093,223)
Prepayments	256,717	(398,878)
Other current assets	10,000	(10,000)
Increase (decrease) in accrued expenses and other liabilities	(916,023)	1,255,043
Net cash used in operations	(25,012,618)	(55,029,215)
Interest received	19,662,760	18,528,835
Interest paid	(10,579,233)	(8,715,632)
Income taxes paid	(118,091)	(5,128)
Net cash used in operating activities	(16,047,182)	(45,221,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Notes 7, 9 and 21)	(2,820,841)	(2,966,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans payable	234,000,000	129,333,333
Settlement of loans payable	(220,895,555)	(82,360,101)
Issuance of common stock (Note 14)	3,656,314	-
Issuance of preferred stock	3,130,576	3,586,799
Dividends declared (Note 14)	(1,184,622)	(1,521,502)
Net cash provided by financing activities	18,706,713	49,038,529
NET EFFECT OF FOREIGN EXCHANGE DIFFERENCES	69,297	106,637
NET INCREASE (DECREASE) IN CASH IN BANKS	(92,013)	958,026
CASH IN BANKS AT BEGINNING OF YEAR	7,623,159	6,665,133
CASH IN BANKS AT END OF YEAR (Note 6)	₱7,531,146	₱7,623,159

See accompanying Notes to Financial Statements.

