INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Social Enterprise Development Partnerships Inc. (SEDPI)
Unit 303 Loyola Heights Condo 23
F. Dela Rosa St., Brgy. Loyola Heights,
Quezon City

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, 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 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, 2015 and 2014 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 No. 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 15-2010 in Note 16 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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December 1, 2015, valid until December 1, 2018
BOA/PRC Reg. No. 0540
December 1, 2015, valid until December 31, 2018

Quezon City
April 14, 2016

Social Enterprise Development Partnership, Inc.

STATEMENTS OF FINANCIAL POSITION

(in Philippine Peso)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash, *Note 5*	**724,759**	615,762
Accounts Receivable, *Note 6*	**12,365,999**	8,653,212
Other Current Assets, *Note 7*	**1,457,326**	2,063,182
Total Current Assets	**14,548,085**	11,332,157
Non-Current Assets		
Property and Equipment, *Note 8*	**5,340,313**	1,832,472
Other Assets, *Note 9*	**171,276**	4,870,294
Total Non-Current Assets	**5,511,589**	6,702,765
TOTAL ASSETS	**20,059,674**	18,034,922
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable, *Note 10*	**16,761,612**	15,717,195
TOTAL LIABILITIES	**16,761,612**	15,717,195
Stockholders' Equity		
Capital Stock, *Note 12*	**2,030,600**	374,000
Retained Earnings	**1,267,462**	1,943,726
TOTAL STOCKHOLDERS' EQUITY	**3,298,062**	2,317,726
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**20,059,674**	18,034,922

See accompanying Notes to Financial Statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF COMPREHENSIVE INCOME

(in Philippine Peso)

	Years ended December 31	
	2015	2014
REVENUE, *Note 13*	**12,313,925**	11,640,181
COST OF SERVICES, *Note 14*	**3,685,779**	4,727,008
GROSS PROFIT	**8,628,146**	6,913,172
OPERATING EXPENSES, *Note 15*	**8,155,484**	6,196,545
INCOME FROM OPERATIONS	**472,662**	716,627
OTHER INCOME / (EXPENSES)	17,368	258,697
INCOME BEFORE TAX	**490,030**	975,325
PROVISION FOR INCOME TAX, *Note 11*	**172,563**	292,597
NET INCOME	**317,468**	682,727

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, 2013	374,000	1,260,999	1,634,999
Net Income for the year	-	682,727	682,727
Balances at December 31, 2014	374,000	1,943,726	2,317,727
Net Income for the year	**-**	**(317,468)**	**(317,468)**
Stock Dividend Declaration	**999,600**	**(999,600)**	**-**
Conversion of Accounts Payable	**657,000**	**-**	**657,000**
Prior Period Adjustment	**-**	**5,868**	**5,868**
Balances at December 31, 2015	**2,030,600**	**1,267,462**	**3,298,062**

See accompanying Notes to Financial Statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF CASH FLOWS

(in Philippine Peso)

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Tax	**490,030**	975,325
Adjustments for:		
Depreciation, *Note 15*	**294,344**	248,260
Income Taxes Paid, *Note 11*	**(172,563)**	(292,597)
Prior Period Adjustment	**5,868**	-
(Increase)/Decrease in		
Accounts Receivable, *Note 6*	**(3,712,787)**	(2,797,756)
Other Current Assets, *Note 7*	**605,856**	(1,158,378)
Accounts Payable, *Note 10*	**1,044,417**	3,201,840
Net cash used in operating activities	**(1,444,835)**	176,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Property and Equipment, *Note 8*	**(3,802,185)**	(1,915)
(Increase)/Decrease in Other Assets, *Note 9*	**4,699,018**	(25,000)
Net cash used in investing activities	**896,832**	(26,915)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Capital Stock, *Note 12*	**657,000**	-
Increase (Decrease) in Loans Payable	**-**	(759,650)
Net cash used in financing activities	**657,000**	(759,650)
INCREASE (DECREASE) IN CASH	**108,997**	(609,871)
CASH AT BEGINNING OF THE YEAR	**615,762**	1,225,633
CASH AT END OF THE YEAR	**724,759**	615,762

See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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. The Company's registered office, which is also its principal place of business, was formerly located at 450 J. Marzan Street, Sampaloc, Manila. On May 27, 2014 it has moved to its new office located at Unit 303 Loyola Heights Condo 23 F. Dela Rosa St., Brgy. Loyola Heights, Quezon City.

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 ₱20,000 divided into 100 shares of the par value of ₱200 each to ₱5,684,000 divided into 28,420 shares of the par value ₱200 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).

On December 31, 2015, stock dividends amounting to ₱999,600 were declared by the Board of Directors. Furthermore, they also decided the conversion of "advances to stockholder account" to stocks with an amount of ₱657,000 thereby increasing the total paid up capital to ₱2,030,600 which is equivalent to 10,153 shares subscribed capital stock.

The financial statements were approved and authorized for issuance on April 14, 2016.

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, 2015.

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/services 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, 2015. 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 2016

- PAS 16 and PAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments),* clarify the principle in PAS 16 and PAS 28 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 27 *Separate Financial Statements-Equity Method in Separate Financial Statements (Amendments),* allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements as the Company does not have any investment in subsidiaries, joint ventures and associates.

- PFRS 10 and PAS 28, *Investment in Associates-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments),* address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Company expects that these amendments will not have any impact on its financial position or performance.

- PFRS 11, Joint Arrangements – *Accounting for Acquisitions of Interests in Joint Operations (Amendments),* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company's activities are not subject to rate-regulation, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company's financial statements, to wit:

- PFRS 5, *Changes in Methods of Disposal (Amendment)*, clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment is applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts Amendment)*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendment.

- PFRS 7, *Applicability of the Amendments to PRFRS 7 to Condensed Interim Financial Statements (Amendment)*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate (Amendment)*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

- PAS 34, *Interim Financial Reporting-disclosure of information 'elsewhere in the interim financial report' (Amendment),* clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment is applied retrospectively.

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, 2015 and 2014. The carrying amount of the Company's property and equipment amounted to ₱5,340,313 and ₱1,832,472 as of December 31, 2015 and 2014, respectively (see Note 8).

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.

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.

5. Cash

This account consists of:

	2015	2014
Cash in Bank- BDO	**647,556**	545,171
Cash in Bank- UCPB	**49,462**	49,583
Cash in Bank- BPI	**27,741**	21,008
Total	**724,759**	615,762

Cash with banks earn interest at the respective bank deposit rates.

The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

6. Accounts Receivable

This account consists of:

	2015	2014
Accounts Receivable	**8,798,548**	4,052,669
Due from Related Parties	**3,084,126**	2,485,826
Cash Advances	**342,993**	1,726,874
Other Receivable	**140,332**	387,843
Total	**12,365,999**	8,653,212

Cash advances comprise unliquidated advances for certain project activities while accounts receivable pertain to cash advanced by the employees to be paid as agreed upon.

Due from related parties composed of advances by the following:

	2015	***2014***
SEDPI Foundation, Inc.	***1,964,551***	*1,816,922*
SEDPI Social Enterprise Ventures, Inc.	***146,557***	*108,904*
SEDPI Capital Credit, Inc.	***973,018***	*560,000*
Total	***3,084,126***	*2,485,826*

7. Other Current Assets

This account consists of:

	2015	2014
Creditable tax	**1,418,955**	1,041,111
Input tax	**38,371**	1,022,071
Total	**1,457,326**	2,063,182

8. Property and Equipment

December 31, 2015

	Office Equipment	Furniture and Fixtures	Vehicle	Condominium Unit	Land	Total
Cost						
Balances at beginning of year	**1,052,325**	**107,282**	**2,827,606**	**-**	**-**	**3,987,213**
Additions	44,262	-	-	2,000,000	1,757,923	3,802,185
Disposal	(1,044,180)	(48,457)	-	-	-	(1,092,637)
Balances at end of year	**52,408**	**58,825**	**2,827,606**	**2,000,000**	**1,757,923**	**6,696,762**
Accumulated Depreciation						
Balances at beginning of year	**1,036,768**	**87,221**	**1,030,754**	**-**	**-**	**2,154,742**
Depreciation	28,104	11,066	188,507	66,667	-	294,344
Disposal	(1,044,180)	(48,457)	-	-	-	(1,092,637)
Balances at end of year	**20,692**	**49,829**	**1,219,261**	**66,667**	**-**	**1,356,449**
Net Carrying Values	**31,716**	**8,996**	**1,608,346**	**1,933,333**	**1,757,923**	**5,340,313**

December 31, 2014

	Office Equipment	Furniture and Fixtures	Vehicle	Total
Cost				
Balances at beginning of year	1,050,410	107,282	2,827,606	3,985,298
Additions	1,915	-	-	1,915
Balances at end of year	**1,052,325**	**107,282**	**2,827,606**	**3,987,213**
Accumulated Depreciation				
Balances at beginning of year	988,696	75,539	842,246	1,906,482
Depreciation	48,071	11,681	188,507	248,260
Balances at end of year	**1,036,768**	**87,221**	**1,030,754**	**2,154,742**
Net Carrying Values	**15,558**	**20,061**	**1,796,853**	**1,832,472**

The net carrying value of the property and equipment is equivalent to its fair value.

Furniture, fixtures and transportation equipments are carried at cost less accumulated depreciation.

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

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

No assets were found impaired. Depreciation were charged to operation.

9. Other Assets

This account consists of:

	2015	2014
Land	-	1,757,923
Condominium	-	2,000,000
Prepaid Donation	-	500,000
Retirement Fund	-	416,095
Prepaid Rent	-	25,000
Others	**171,276**	171,276
Total	**171,276**	4,870,294

10. Accounts Payable and Other Current Liabilities

This account consists of:

	2015	2014
Due to Related Parties	**13,181,449**	13,107,915
Accounts Payable	**1,265,412**	587,255
Output VAT	**913,214**	1,297,745
Accrued expenses	**708,987**	125,449
Other Payables	**675,481**	558,423
SSS/HDMF/PHIC Payable	**9,470**	25,932
Withholding Tax Payable	**7,599**	14,475
Total	**16,761,612**	15,717,195

Due to related parties pertains to the advances by SEDPI from the following:

	2015	*2014*
SEDPI Capital Credit, Inc.	***12,531,449***	*13,107,915*
SEDPI Development Finance, Inc.	***650,000***	*-*
Total	***13,181,449***	*13,107,915*

Accounts payable represents the unpaid portion of the company's purchases of goods from its suppliers. They do not earn interest and expected to be settled within a short period of time. It also comprises liabilities for obligations to the government.

Other current liabilities represent statutory liabilities and are measured initially at their nominal values and subsequently being decreased by settlement payments.

Obligations to the government are remitted on the following month after being withheld from various income recipients.

11. Income Taxes

Republic Act (R.A.) No. 9337

On May 24, 2005, Republic Act No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said R.A., which became effective on November 2, 2005 are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- Increase in Value-Added Tax (VAT) rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance;
- Revised invoicing and reporting requirements for VAT; and
- Expanded scope of transactions subject to VAT.

On October 10, 2007, the BIR issued Revenue Regulations No. 12-2007, which amended the timing of the calculation and payment of MCIT from an annual basis to quarterly basis, i.e. excess MCIT from a previous quarter during the current taxable year may be applied against subsequent quarterly or current annual income tax due, whether MCIT or Regular Corporate Income Tax (RCIT). However, excess MCIT from the previous taxable year/s is not creditable against MCIT due for a subsequent quarter and are only creditable against quarterly and annual RCIT.

The reconciliation of the income tax expense computed at statutory tax rate and the income tax liability for the current period is as follows.

COMPUTATION OF TAXABLE INCOME:

	2015	2014
Gross Income	8,628,146	7,171,870
MCIT Rate	2%	2%
MCIT	**172,563**	**143,437**
Ordinary Allowable Itemized Deductions	8,155,484	6,196,545
TAXABLE INCOME	**472,662**	**975,325**
At 30% Income tax	141,799	292,597
BASIC INCOME TAX	172,563	292,597

PROVISION FOR INCOME TAX	**172,563**	**292,597**
Less: Tax paid 1st-3rd Quarters	-	-
Tax Due	172,563	292,597
Less: Creditable w/tax-previous year	1,041,111	169,934
Creditable w/tax-this year	394,416	1,163,775
Income tax payable	**(1,262,964)**	**(1,041,111)**

Reconciliation of Net Income Per Books Against Taxable Income

	2015	2014
Net Income/(Loss) per books	**490,030**	975,325
Add: Non-deductible Expenses/Taxable Other Income		
Disallowed Interest Expense	**-**	-
Penalties and Charges	**-**	-
Less: Non-taxable income subjected to Final Tax		
Interest Income	**(79)**	-
Other Income	**(18,397)**	-
Forex Gain (Loss)	**1,108**	-
Net Taxable Income/(Net Loss)	**472,662**	975,325

12. Capital Stock

Authorized Capital Stock	**₱ 5,684,000.00**	**28,420 shares**
Subscribed Capital Stock	**2,030,600**	**10,153 shares**
Amount of Paid In Capital	**2,030,600**	**10,153 shares**

On November 8, 2011, the Corporation, by the affirmative vote of the members of its Board of Directors and the affirmative vote of its stockholders owning One Hundred Percent (100%) of the outstanding capital stock of the Corporation, has approved the increase in the authorized capital stock of the corporation from Twenty Thousand Pesos (₱20,000.00) divided into One Hundred (100) shares with par value of Two Hundred Pesos (₱200.00) per share to Five Million Six Hundred Eighty Four Thousand Pesos (₱5,684,000.00) divided into Twenty Eight Thousand Four Hundred Twenty (28,420) shares with par value of Two Hundred Pesos (₱200.00) per share. This is in accordance with the provision of Section 38 of the Corporation Code of the Philippines(Batas Pambansa Blg. 68).

On December 31, 2015, additional 2,973 shares, from 7,180 shares to 10,153 shares, were subscribed and fully paid up through additional capital of ₱1,656,600, broken down as follows:

Stock dividends declared	***999,600***
Conversion of advances from stockholder to stocks	***657,000***
Total	***1,656,600***

13. Revenue

This account consists of:

	2015	2014
Management Services	**5,848,392**	1,800,084
Research	**3,504,214**	6,892,010
Training Services	**2,781,319**	2,948,087
Other Income	**180,000**	258,697
TOTAL	**12,313,925**	11,898,878

Included in the Revenue is the income from the Department of Agrarian Reform (DAR) under the contract which the DAR awarded to SEDPI, with project title: "Micro Financing Institutions (MFI) Credit Support to Agri-Production and Enterprise of Agrarian Reform Beneficiaries Households (ARB-HH) and Rural Women in the Program Beneficiaries Development (PBD) Model Areas Project".

14. Cost of Services

This account consists of:

	2015	2014
Transportation and Travel	**1,874,849**	1,620,629
Board and Lodging	**1,516,888**	1,692,979
Communication	**135,521**	165,618
Supplies and Materials	**134,038**	484,823
Trainings and Seminar Expenses	**24,483**	285,259
Bidding Fee	**-**	477,700
TOTAL	**3,685,779**	4,727,008

15. Operating Expenses

This account consists of:

	2015	2014
Salaries and Benefits	**1,824,466**	284,693
Transportation	**1,084,648**	841,114
Professional Fee	**1,059,473**	1,505,644
Staff Development	**606,004**	543,572
Bad Debts	**582,988**	-
Insurance	**561,471**	610,555
Donation	**500,000**	117,210
Taxes and Licenses	**305,710**	457,408
Supplies and Reproduction	**298,365**	236,844
Depreciation Expense	**294,344**	248,260
Repairs and Maintenance	**250,550**	305,180
Utilities	**199,805**	159,834
Medical Assistance	**158,312**	187,375
Communication	**121,412**	106,614
Meetings and Conferences	**107,221**	5,892
SSS,PHIC, HDMF & Other Contributions	**82,988**	22,334
Miscellaneous	**43,585**	57,347
Dues and Other Fees	**74,143**	59,432
Marketing and Advertising	**-**	228,410
Other Services	**-**	218,828
TOTAL	**8,155,484**	6,196,545

Operating expenses are recognized in the statement of income upon utilization of the service or on the date they are incurred.

16. Information required by Bureau of Internal Revenue's Revenue Regulation (RR) 15-2010.

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulation (RR) No. 15-2010, which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose in the Notes to the Financial Statements, in addition to the disclosures mandated under PFRS and such other standards and/or conversions that may be adopted, information on taxes, duties and license fees paid or accrued during the taxable year.

A. Withholding taxes

	2015	2014
Tax on compensation	**36,619**	31,664
Expanded withholding tax	**96,724**	142,064
Total	**133,343**	173,728

B. All Other taxes

Other taxes paid during the year

	2015	2014
Taxes-2306	**199,256**	408,555
Business Permit	**38,491**	4,277
Real Property Tax	**15,718**	-
BIR renewal of Registration	**715**	500
Others	**51,530**	44,076
Total	**305,710**	457,408

C. Landed Cost, Customs' Duties and Tariff Fees

The Company did not have any importation in 2015 that would require for the payment of customs duties and tariff fees.

D. Excise Tax

The Company did not have any transaction in 2015 which is subject to excise tax.

E. Documentary Stamp Tax

The Company did not have any transaction in 20145which are subject to documentary stamp tax.

F. Tax Assessment

The Company has no final deficiency tax assessments, whether protested or not.

G. Tax Cases

As of December 31, 2015 the company has no pending tax court cases nor has it received any tax assessment notices from the BIR.

17. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Presented below is the summary of the related party transactions for the year 2015, to wit:

17.1 Advances made by the following related parties:

SEDPI Foundation, Inc.	***1,964,551***
SEDPI Social Enterprise Ventures, Inc.	***146,557***
SEDPI Capital Credit, Inc.	***973,018***
Total	***3,084,126***

17.2 Advances received from the following related parties:

SEDPI Capital Credit, Inc.	***12,531,449***
SEDPI Development Finance, Inc.	***650,000***
Total	***13,181,449***

18. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.