INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
SEDPI Capital Credit, Inc.
450 J. Marzan Street,
Sampaloc, Manila

We have audited the accompanying financial statements of **SEDPI Capital Credit, Inc.**, which comprise the balance sheet as of December 31, 2008 and the statements of operations, changes in equity and cash flows for the ten months then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **SEDPI Capital Credit, Inc.** as of December 31, 2008 and its financial performance and its cash flows for the ten months then ended in accordance with Philippine Financial Reporting Standards.

For the Firm: **BDO Alba Romeo & Co.**

LETICIA C. TAGLE
Partner
CPA Certificate No. 0017358
PTR No. 1592077, January 23, 2009, Makati City
TIN 123-048-280
SEC Accreditation No. 0007-FR-2 (Firm)
SEC Accreditation No. 0039-AR-2 (Individual)
BIR Accreditation No. 08-001682-6-2009
PRC/BOA Accreditation No. 0005

Makati City, Philippines
October 28, 2009

SEDPI CAPITAL CREDIT, INC.

BALANCE SHEET

December 31, 2008

	Notes	2008
ASSETS		
Current Assets		
Cash	4	**P641,599**
Loans receivables, net	5	**15,317,759**
Total Current Assets		**15,959,358**
Non-current Asset		
Deferred tax asset		**56,494**
		P16,015,852
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses		**P98,213**
Interest payable	8	**422,786**
Income tax payable		**161,972**
Advances from shareholders	6	**996,322**
Sustainable investment fund	7	**2,769,253**
Total Current Liabilities		**4,448,546**
Non-current Liability		
Loans payable	8	**5,000,000**
Total Liabilities		**9,448,546**
Equity		
Share capital	9	**6,397,850**
Retained earnings		**169,456**
Total Equity		**6,567,306**
		P16,015,852

See accompanying Notes to Financial Statements.

SEDPI CAPITAL CREDIT, INC.

STATEMENT OF OPERATIONS

For the Period from March 10, 2008 (incorporation date) to December 31, 2008

	Notes	2008
Interest Income	4,5	**P1,369,116**
Operating Expenses		
Management fees		**210,911**
Provision for probable loss		**188,313**
Professional fees		**157,500**
Insurance		**18,417**
Taxes and licenses		**17,201**
Utilities		**9,971**
Miscellaneous		**10,624**
		612,937
Income before Finance Costs		**756,179**
Finance Costs	7	**481,245**
Income before Tax		**274,934**
Provision for (Benefit from) Income Tax	11	
Current		**161,972**
Deferred		**(56,494)**
		105,478
Net Income		**P169,456**

See accompanying Notes to Financial Statements.

SEDPI CAPITAL CREDIT, INC.

STATEMENT OF CHANGES IN EQUITY

For the Period from March 10, 2008 (incorporation date) to December 31, 2008

	Notes	Share Capital	Retained Earnings	Total
Balances at March 10, 2008		P500,000	P-	P500,000
Issuance of additional share capital	9	5,897,850	-	5,897,850
Net income for the period		-	169,456	169,456
Balances at December 31, 2008		**P6,397,850**	**P169,456**	**P6,567,306**

See accompanying Notes to Financial Statements.

SEDPI CAPITAL CREDIT, INC.

STATEMENT OF CASH FLOWS

For the Period from March 10, 2008 (incorporation date) to December 31, 2008

	Notes	2008
Cash Flows from Operating Activities		
Income before tax		**P274,934**
Adjustments for:		
Provision for probable loss	5	**188,313**
Interest income from deposit	4	**(810)**
Finance costs		**481,245**
Operating income before changes in working capital		**943,682**
Loans receivables	5	**(15,506,072)**
Accrued expenses		**98,213**
Advances from shareholders	6	**996,322**
Sustainable investment fund	7	**2,769,253**
Loans payable	8	**5,000,000**
Net cash used in operating activites		**(5,698,602)**
Cash Flow from Investing Activity		
Interest received	4	**810**
Cash Flows from Financing Activities		
Issuance of additional share capital	9	**6,397,850**
Interest paid		**(58,459)**
Net cash provided by financing activites		**6,339,391**
Cash		**P641,599**

See accompanying Notes to Financial Statements.

SEDPI CAPITAL CREDIT, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 – Corporate Information and Approval of Financial Statements

Corporate Information

SEDPI Capital Credit, Inc. (herein referred to as the "Company") is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) was on March 10, 2008 primarily to provide loans to micro, small and medium enterprises.

The Company's principal place of business is located at 450 J. Marzan Street, Sampaloc, Manila.

The Company has no employee and is under professional management.

Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on October 28, 2009.

Note 2 – Summary of Significant Accounting Policies

Basis of preparation

Basis of measurement

The Company's financial statements have been prepared on a historical cost basis.

Statement of compliance

The financial statements of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs) issued by the Financial Reporting Standards Council (FRSC). PFRSs consist of the following:

a. PFRSs – correspond to International Financial Reporting Standards;
b. Philippine Accounting Standards (PASs) – correspond to International Accounting Standards; and
c. Philippine Interpretations to existing standards – correspond to Interpretations of International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB); these also include Interpretations developed by the Philippine Interpretations Committee (PIC).

Functional and presentation currency

The financial statements are presented in the Philippine Peso, which is also the Company's functional currency.

New Accounting Standards, Amendments and Interpretations to Existing Standards

The accounting policies adopted in the preparation of the Company's financial statements have been consistently applied unless otherwise stated.

Adoption of Philippine Financial Reporting Standards

In relation to standards referred to above, the Company has resolved to adopt the following beginning March 10, 2008:

- PFRS 1**,** *First Time Adoption of PFRS*
- PAS 1**,** *Presentation of Financial Statements*
- Amendments to PAS 1, *Presentation of Financial Statements*
- PAS 8, Accounting Policies, *Changes in Accounting Estimates and Errors*
- PFRS 7, *Financial Instruments: Disclosures*
- Amendment to PAS 1, *Presentation of Financial Statements* **-** *Capital Disclosures*

Future Revisions, Amendments and Interpretation to Existing Standards

The Company opted not to early adopt the following revisions and interpretations to existing standards effective for periods subsequent to December 31, 2008:

- Revised PAS 1, *Presentation of Financial Statements* (Effective for annual periods beginning January 1, 2009)

  The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements**-** a separate income statement and a statement of comprehensive income. The statement of comprehensive income shall present profit or loss for the period, plus each component of income and expense not recognized in the statement of profit or loss (such as gains and losses on available-for-sale investments and translation differences) but excluding all changes in equity arising from transactions with owners (such as dividends and capital increases).

- PAS 23 (Amendment), *Borrowing Cost* (Effective for annual periods beginning January 1, 2009)

  The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

- PAS 27 (Amendment), *Consolidated and Separate Financial Statements* (Effective for annual periods beginning July 1, 2009)

  Amendments to PAS 27 include guidance on the partial disposal of subsidiaries, partial disposal of associates and joint ventures, and attribution of income to the non-controlling interest. With the new standard, if an investor loses significant influence over an associate, it derecognizes that associate and recognizes in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost. Similar treatment applies when an investor loses joint control over a jointly controlled entity.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners* (Effective for annual periods beginning January 1, 2009)

  The interpretation made the following clarifications on the distribution of non-cash assets to owners:

  a. A dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.
  b. An entity should measure the dividend payable at the fair value of the net assets to be distributed.
  c. An entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
  d. An entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

Based on management's initial assessment, except for the revised PAS 1, the adoption of the foregoing revisions to and interpretations to existing standards will not have any material impact on the Company's financial statements.

The Company has complied with the following accounting policies during the year:

Financial Instruments

Initial Recognition

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Company commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value plus transaction costs except for those designated at fair value through profit and loss (FVPL).

Classification of financial instruments

The Company classifies its financial assets in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (AFS) financial assets, financial assets designated at fair FVPL and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments and debt are acquired and incurred, respectively and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions). When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques, which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Financial Assets

- *Cash*

  Cash consists of cash in bank.

- *AFS financial assets*

  AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the other categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of operations.

  The Company's time deposit is included under this category (see Note 5).

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process. Unearned discount is recognized as income over the life of the loan using the EIR method.

  The Company's loans receivables are included in this category (see Note 6).

Financial Liabilities

- *Other financial liabilities*

  This classification pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings.

  The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

  Included in this category are liabilities arising from operations and borrowings (see Notes 7, 8 and 9).

Derecognition of Financial Instruments

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when (a) the rights to receive cash flows from the asset have expired; (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or (c) the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of operations.

Impairment of Financial Assets

- *Assessment of impairment*

  The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

  Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

  The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

- *Evidence of impairment*

  Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

- *Impairment of assets carried at amortized cost*

  If there is objective evidence that an impairment loss has been incurred on an asset carried at amortized cost such as loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of loss is recognized in the statement of operations.

- *Impairment of assets carried at cost*

  If there is objective evidence that an impairment loss has been incurred on an asset carried at cost such as an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

- *Reversal of impairment loss*

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of loss, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

Classification of Financial Instruments between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument, or a component that is a financial liability, is reported as an expense.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial assets to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or (c) satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the balance sheet.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Company makes a formal estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset's or its cash generating unit's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Provisions and Contingencies

Provisions are recognized when there is a present legal or constructive obligation as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the statement of operations.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

The additional specific recognition criteria for each type of revenue are as follows:

Interest income on loans

Interest income on loans is recognized in the statement of operations for all financial instruments measured at amortized cost using the EIR method.

Interest income on deposits and placements

Interest income on deposits and placements is recognized as the interest accrues usually on a time proportion basis taking into account the effective yield on the asset or EIR.

Interest income on bank deposits is subject to final tax and is presented net of tax.

Interest Expense on Borrowings

Interest expense is recognized in the statement of operations when incurred. It is calculated using the EIR method.

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 are substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the liability method, on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits (excess minimum corporate income tax-MCIT) and unused tax losses (net operating loss carryover-NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and NOLCO can be utilized.

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 reporting date.

Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

Events after the Financial Reporting Date

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

Note 3 – Significant Accounting Estimates, Assumptions and Judgments

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

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated 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.

Classification of Financial Instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 32 and 39 on the definitions of a financial asset, a financial liability or an equity.

The substance of a financial instrument, rather than its legal form, and the management intention and ability to hold the financial instrument to maturity generally governs its classification in the balance sheet.

Determination of the Fair Value of Financial Instruments

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets would affect the statements of operations and statements of changes in equity.

The fair value of financial assets and liabilities as of December 31, 2008 amounted to P16,279,358 and P9,606,574, respectively (see Note 15).

Estimation of Loan Loss Reserve

Recoverability of specific receivables is evaluated based on the best available facts and circumstances, the length of the Company's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

The Company recognizes loan loss provision at 1% for every loan granted and no reversal is made on fully paid loans.

Recognition/Realization of Deferred Income Tax Assets

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 taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Estimation of Impairment of Non-financial Assets

The Company assesses at each balance sheet date whether there is an indication that the carrying amount of all non-financial assets may be impaired or that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business.

However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material impact on the Company's financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the Company's financial statements as of December 31, 2008.

Note 4 – Cash

Cash in banks consists of local currency deposits maintained in various banks, primarily to facilitate check payment and deposit. These generally earn interest at rates based on daily bank deposit rates.

Interest income earned from deposits in banks amounted to P810 for the period ending December 31, 2008.

Note 5 – Loans Receivables

This account refers to the loans granted to micro, small and medium enterprises during the period:

	2008
Current	P15,506,072
Past due	-
	15,506,072
Loan loss reserve	(188,313)
	P15,317,759

Loans receivables amounting to P5,522,827 as of December 31, 2008 were assigned to Stichting Cordaid to secure the loans obtained by the Company.

The loan portfolio of the Company is classified into:

	2008
Microfinance wholesale loans	P14,450,961
Social enterprise loans	1,055,111
	P15,506,072

Microfinance wholesale loans (MFI) are intended for microfinance institutions such as cooperatives, rural banks and non-government organizations that are small and medium in size; emerging in their institutional readiness; and has good financial performance or commitment to achieve financial performance standards for microfinance in the next twelve months.

Social enterprise loans (SEL) are for individuals and corporations that operate social enterprises that are not serviced by the commercial financial sector due to their inability to produce collateral; and are also not serviced by microfinance institutions because they generally need larger loan amounts. The aim of the social enterprise loan is to expand their present business activities and increase their income, and to make available affordable credit to microentrepreneurs classified as the missing link in the Philippine microfinance industry. It focuses on microenterprises that are involved in business activities that have good potential for expansion, generate employment and at least adopt a second bottom line other than financial sustainability.

Loans receivables are payable on a monthly or quarterly basis thru post dated checks.

Interest rates for MFI and SEL range from 13% to 24% and 24 to 36%, respectively. Interest income earned from the loans amounted to P1,368,306.

Note 6 – Advances from Shareholders

Advances from shareholders as of December 31, 2008 amounted to P996,322. These are additional capital funds from the shareholders intended for the purchase of the Company's shares upon its application of increase of its authorized capital in 2009.

Note 7 – Sustainable Investment Fund

The Company caters this product to provide alternative investment option to individuals and organizations that support initiatives or projects that are socially responsible and to provide positive economic returns. The Sustainable Investment Fund will be used to provide loans to organizations that implement microfinance. The sources of the fund are as follows:

	2008
Overseas Filipino Workers (OFW) investors	**P1,892,347**
Non-Government Organization investors	**617,301**
Local Filipino investors	**259,605**
	P2,769,253

Interest rate ranges from 5% - 10% per annum with a term of six to twelve months. Interest expense incurred for the period amounted to P481,245.

Note 8 – Loans Payable

The account represents loans obtained from Cordaid mainly to finance the Company's working capital requirements in providing loans to emerging microfinance institutions.

The agreement stipulates that the loan will be received by the Company in two equal installments of P5 million on October 27, 2008 and January 29, 2009, respectively.

The loan or outstanding amount shall bear fixed interest rate of 8%, payable semi-annually, the first payment of interest to be made 6 months after the Company has received the first installment. The principal of the loan shall be repaid in 8 equal installments of P1,250,000 starting April 27, 2010.

As of December 31, 2008, accrued interest amounted to P66,666.

Note 9 – Share Capital

The details are as follows:

	2008	
	Amount	**Share**
Common share – P200 par value		
Authorized	**P8,000,000**	**40,000**
Issued and outstanding		
At March 10	**P500,000**	**2,500**
Additional issuance	**5,897,850**	**29,489**
At December 31	**P6,397,850**	**31,989**

Note 10 – Allowance for Probable Loss

The movements of the allowance for probable loss pertaining to loans receivables are as follows:

	2008
At March 10	**P-**
Provision for the period	**188,313**
At December 31	**P188,313**

The Company recognizes provision for probable loss at 1% of every loan granted.

Note 11 – Income Taxes

a) Deferred tax assets amounting to P143,530 as of December 31, 2008 pertains to provision for probable loss on loans receivables.

The movements of temporary differences during the year are as follows:

2008	Beginning	Recognized in Income	Ending
Allowance for probable loss	**P-**	**P56,494**	**P56,494**

b) The reconciliation between the benefit from income tax computed at the statutory income tax rate and the actual income tax benefit is shown below:

	2008
Income tax benefit at statutory tax rate of 35%	**P96,227**
Additions to (reductions in) income tax due to the following:	
Interest income subjected to final tax	**(284)**
Loan loss provision expense	**65,910**
Deferred tax asset on provision for probable loss	**(56,494)**
Non-deductible interest expense	**119**
	P105,478

c) New tax laws and regulations

Effective July 2008, R.A. No. 9504, will give corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales (previously 10% of gross sales). Once the option to claim OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2009, the Company opted to continue claiming itemized deductions.

By virtue of RA No. 9337, beginning November 1, 2005, the regular income tax rate was increased from 32% to 35% and was effective until December 31, 2008. It was reduced to 30% beginning January 1, 2009. The rate for allowable deduction for interest expense was increased from 38% to 42% beginning November 1, 2005 and was reduced to 33% beginning January 1, 2009. The new tax rate of 30% is used in deferred tax computation to avoid complication in subsequent years.

Note 12 – Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks, which primarily include credit risk and liquidity risk. Management is responsible for the management of financial risks. Their objective is to minimize adverse impact on the Company's financial performance due to the unpredictability of financial markets. The Company devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly review its risk management procedures and systems to ensure that they continue to meet the Company's needs. The Company does not use derivative financial instruments to hedge certain risk exposures.

The most significant financial risks to which the Company is exposed to are described below:

a. Credit risk

The Company employs a range of policies and practices to mitigate credit risk. The Company assesses all counterparties for credit risk before contracting them.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). As of December 31, 2008, the Company's maximum exposures to credit risk are as follows:

	2008
Cash	**P641,599**
Loans receivables, gross	**15,506,072**
	P16,147,671

The aging analysis of financial assets as of December 31, 2008 is as follows (amounts gross of allowances):

2008	**Total**	**Neither Past Due Nor Impaired**	**Past due but not impaired 1 – 30 Days**	**31 - 60 days**	**61 - 90 Days**	**91 -120 days**	**Over 120 Days**	**Impaired**
Cash	**P641,599**	**P641,599**	**P-**	**P-**	**P-**	**P-**	**P-**	**P-**
Loans and receivables, gross	**15,506,072**	**15,506,072**	**-**	**-**	**-**	**-**	**-**	**-**
	P16,147,671	**P16,147,671**	**P-**	**P-**	**P-**	**P-**	**P-**	**P-**

The Company has placed strict credit and collection policy that helps minimize the risk of loss due to defaulting debtors.

b. Market Risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, equity prices and other market changes. The Company's market risk is manageable within conservative bounds.

c. Interest Rate Risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

The Company closely monitors the movements of interest rates in the market and reviews its assets and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

d. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit line available. The Company maintains committed credit facilities that are designed to ensure that the Company has sufficient available funds for operations and planned expansion.

The Company's review and reporting processes allow management to monitor liquidity risk and cash requirements.

The amounts disclosed in the table below are the carrying amounts of the financial liabilities as at December 31, 2008 which approximate the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2009	Total	On demand	Less than 3 months	3 – 12 Months	1 – 5 years
Accrued expenses	**P98,213**	**P-**	**98,213**	**P-**	**P-**
Interest payable	**422,786**	**-**	**-**	**422,786**	**-**
Advances from shareholders	**996,322**	**-**	**-**	**996,322**	**-**
Sustainable investment fund	**2,769,253**	**-**	**1,266,187**	**1,503,066**	**-**
Loans payable	**5,000,000**	**-**	**-**	**-**	**5,000,000**
	P9,286,574	**P-**	**P1,364,400**	**P2,922,174**	**P5,000,000**

e. Foreign currency risk

The Company manages its exposure to the effects of fluctuations in the foreign currency exchanges by limiting such exposure within the limits that management believes to be relatively conservative.

Note 13 – Capital Risk Management

The primary objectives of the Company for capital management are to ensure its ability to continue as a going concern; to maintain quality ratios especially liquidity; and to ensure compliance with SEC regulations.

The BOD is responsible for managing the Company's capital structure and makes the necessary adjustments to address the risks and adapt to changes in economic conditions and regulatory requirements.

The Company's objectives when managing capital (which consists of total equity as shown in the balance sheet) are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt consists of total liabilities as shown in the balance sheet less cash.

Pursuant to Section 6 of R.A.8556 also known as Financing Company Act, Financing companies shall be organized in the form of stock corporations at least forty percent (40%) of the voting stock of which is owned by citizens of the Philippines and shall have a paid-up capital of not less than Ten million pesos (P10,000,000) in case the financing company is located in Metro Manila and other first class cities, Five million pesos (P5,000,000) in other classes of cities and Two million five hundred thousand pesos (P2,500,000) in municipalities.

The Company plans to increase their paid-up capital to comply with the requirement s of the foregoing R.A.

Note 14 – Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of the Company's financial assets and liabilities as of December 31, 2008:

	2008	
	Carrying value	**Fair value**
Financial assets		
Cash	**P641,599**	**P641,599**
Loans receivables, net	**15,317,759**	**15,317,759**
	P15,959,358	**P15,959,358**

	2008	
	Carrying value	**Fair value**
Financial liabilities		
Accrued expenses	**P98,213**	**P98,213**
Interest payable	**422,786**	**422,786**
Advances from shareholders	**996,322**	**996,322**
Sustainable investment fund	**2,769,253**	**2,769,253**
Loans payable	**5,000,000**	**5,000,000**
	P9,286,574	**P9,286,574**

The carrying amounts of cash, available-for-sale investment, loans receivables, accrued expenses, interest payable, advances from shareholders, sustainable investment fund and loans payable, approximate their fair values due to the relatively short-term maturities of the financial instruments.