

Social Enterprise Development Partnerships, Inc. (SEDPI)

450 J. Marzan Street, Sampaloc, Manila

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

AND

AUDITORS' REPORT

PHILIPPINE PESOS



BIR AN# 07-003261-1-2006
BOA Accreditation No. 0540

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS

Social Enterprise Development Partnerships, Inc. (SEDPI)

450 J. Marzan Street, Sampaloc, Manila

We have audited the accompanying balance sheet, **Social Enterprise Development Partnerships, Inc.** as of December 31, 2006 and 2005 and the related statement of income and cash flow for the years then ended. **The preparation of the financial statements is the responsibility of the management of SEDPI, while our engagement is to express an opinion thereon based on our audit.**

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the Philippines. 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.

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 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 financial statements referred to above presently fairly in all material respects the financial position of the Social Enterprise Development Partnerships, Inc. as of December 31, 2006 and 2005 and the results of its operation, in conformity with generally accepted accounting principles.

MELICOR BRIONES VILLAREAL & CO., CPAS


E. A. BRIONES
Partner

CPA Certificate No. 78901

Tax Identification No. 128-261-118

PTR No.8500634, January 10, 2007, Quezon City

November 16, 2007

Social Enterprise Development Partnership, Inc.

Balance Sheet

(in Philippine Pesos)

As of December 31

| | 2006 | 2005 |
|--------------------------------|------------------|------------------|
| ASSETS | | |
| Cash on hand and in banks | 393,184 | 121,721 |
| Advances and other receivables | 209,743 | 604,219 |
| Properties and Equipment, Net | 1,454,454 | 1,297,991 |
| Other Assets | 332,523 | 232,171 |
| TOTAL ASSETS | 2,389,904 | 2,256,101 |

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

| | | |
|-------------------------------------|------------------|------------------|
| Accrued expenses and other payables | 285,836 | 100,916 |
| Provision for Income Tax | 12,770.38 | 7,604 |
| Loans Payable | 2,033,460 | 2,113,460 |
| | 2,332,066 | 2,221,980 |

Stockholders' Equity

| | | |
|---|------------------|------------------|
| Capital Stock | 34,121 | 20,000 |
| Net Income | 23,716 | 14,121 |
| | 57,838 | 34,121 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 2,389,904 | 2,256,101 |

(See Accompanying Notes to Financial Statements)

Social Enterprise Development Partnership, Inc.

Income Statement

(in Philippine Pesos)

For the years ended December 31

| | 2006 | 2005 |
|--|------|------|
|--|------|------|

REVENUE

| | | |
|---------------------------------------|------------------|---------|
| Management Services | 1,541,002 | 547,160 |
| Training Fee | 0 | |
| | 1,541,002 | 547,160 |
| | 1,541,002 | 547,160 |
| COST OF SERVICES | | |
| Venue Rental and other Charges | 69,540 | 88,907 |
| Board and Lodging | 101,659 | 79,375 |
| Meetings and Consultations | 391,685 | 57,835 |
| Supplies and Materials | 63,329 | 50,573 |
| Transportation and Travel | 323,056 | 49,214 |
| Communication | 55,093 | 30,512 |
| Printing and Reproduction | 18,342 | 19,774 |
| Trainings and Seminars | 224,218 | - |
| Fees and Charges | - | 12,870 |
| | 1,246,922 | 389,060 |
| GROSS PROFIT | 294,080 | 158,100 |
| OPERATING EXPENSES | | |
| Salaries | 85,200 | 48,800 |
| Supplies and Reproduction | | 29,854 |
| Donation | 36,632 | 23,788 |
| Transportation | | 13,159 |
| Repairs and Maintenance | 27,007 | 7,588 |
| 13th Month Pay and Other Benefits | 22,525 | 5,007 |
| Bank Charges and Other Fees | 15,711 | 4,681 |
| Utilities | 19,606 | |
| Professional Fee | 25,000 | |
| Representation | | 2,752 |
| Communication | | 746 |
| Other Admin Expenses | 3,634 | |
| Miscellaneous | 44,095 | |
| | 279,410 | 136,374 |
| NET INCOME FROM OPERATIONS | 14,670 | 21,725 |
| OTHER INCOME / EXPENSES | 21,817 | |
| NET INCOME BEFORE INCOME TAXES | 36,487 | 21,725 |
| PROVISION FOR INCOME TAX | 12,770.38 | 7,604 |
| NET INCOME AFTER TAX | 23,716 | 14,121 |

(See Accompanying Notes to Financial Statements)

Social Enterprise Development Partnership, Inc.

Statement of Cash Flow

(in Philippine Pesos)

For the years ended December

| | 2006 | 2005 |
|--|-----------------|-----------|
| Cash Flows from operating activities | | |
| Net Income | 23,716 | 21,725 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Advances and other Receivables | 394,476 | (604,219) |
| Accrued Expenses and other Payables | 190,087 | 100,916 |
| Loans Payable | (80,000) | 2,113,460 |
| Total Adjustments | 504,562 | 1,610,157 |
| Net Cash provided by Operations | 528,279 | 1,631,882 |
| Cash Flows from investing activities | | |
| Used For | | |
| Properties and Equipment | 156,464 | 1,297,991 |
| Other Assets | 100,352 | 232,171 |
| Net cash used in investing | 256,816 | 1,530,161 |
| Cash Flows from financing activities | | |
| Proceeds From | | |
| Paid-up share capital | | 20,000 |
| NET INCREASE (DECREASE) IN CASH | 271,463 | 121,721 |
| ADD: CASH BALANCE, BEGINNING | 121,721 | - |
| CASH BALANCE, END | 393,184 | 121,721 |

(See Accompanying Notes to Financial Statements)

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Note 1 – The Organization

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

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

Note 2 – Summary of Significant Accounting Policies

2.1 Basis of financial statements preparation

The accompanying financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in the Philippines. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for the adoption of new accounting standards.

2.2 Adoption of new and revised standards

The Accounting Standards Council (ASC) approved the issuance of new and revised accounting standards that are based on the revised International Accounting Standards (IAS) and the new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The new standards are effective for annual periods beginning on or after January 1, 2005, although earlier application is encouraged. The ASC renamed the Standards that it issues to correspond better with the issuances of the IASB. These new standards have been renamed Philippine Accounting Standards (PAS) to correspond to the adopted IAS while Philippines Financial Reporting Standards (PFRS) to correspond to the adopted IFRS. Previously, standards issued by the ASC were designated as Statements of Financial Accounting Standards (SFAS). The following are the Standards that are applicable to the Company

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events. It provides the base criteria for classifying liabilities as current and non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the statements of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments management has made in the process of applying the entity's accounting policies.
- PAS 2, *Inventories*, which prescribes the accounting treatment for inventories to provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and provide guidance on the cost formulas that, are used to assign costs to inventories.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.
- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- PAS 21, *The effect of Changes in Foreign Exchange Rates*, prohibits the capitalization of foreign exchange losses. It also requires company to determine its functional currency and measure its results and financial position in that currency. Translation procedures are specified when the presentation currency used for reporting differs from entity's functional currency. The Company has determined that its functional currency is the Philippine peso, which is also the Company's reporting currency.
- PAS 32, *Financial Instruments: Disclosures and Presentation*, which states the objectives to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance, and cash flows
- PAS 38, *Intangible Assets*, which establishes the criteria for the recognition and measurement of intangible assets. Intangible assets that are recognized should be amortized equally over 20 years.
- PAS 39, *Financial Instruments: Recognition and Measurement*, which defines financial instrument as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- PAS 40, *Investment Property*, which prescribes the measurement in a lessee's financial statements of investment property held under a finance lease and with the measurement in a lessor's financial statements of investment property leased out under an operating lease. The Company believes that the adoption of PAS 40 will have no impact on its financial statements because it has no investment property.

The following principal accounting policies have been applied:

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method over the estimated useful lives of the properties. Costs of minor repairs and maintenance are

charged to operations as incurred. Renewals and betterments which improve the original assessed standard of performance of the property are capitalized to the appropriate property account. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Impairment of Assets

Property and equipment and other long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The excess shall be recognized as impairment loss in the statements of operations, or as revaluation decrease in case of revalued assets. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is possible, for the cash-generating unit to which the asset belongs. Impairment losses recognized in prior years are reversed when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded as income, except for revalued assets, which is credited to revaluation surplus in the stockholder's equity section of the balance sheets to the extent previously recognized as expense in the statements of operations.