

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Shareholders  
**SEDPI Social Enterprise Ventures, Inc. (SSEVI)**  
Unit 303 Loyola Heights Condominium  
23 Dela Rosa St., Loyola Heights  
Quezon City

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of **SEDPI Social Enterprise Ventures, Inc.** which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **SEDPI Social Enterprise Ventures, Inc.** at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control,
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on the Supplementary Information Required Under Revenue Regulation 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 Regulation No. 15-2010 and disclosed in Note 12 is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, as Amended (2011). Such information is the responsibility of the management of **SEDPI Social Enterprise Ventures, Inc.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **MELICOR BRIONES VILLAREAL & CO., CPAs**

#### **FLORIDA A. BRIONES**

Partner

CPA Certificate No. 78901

PTR No. 5642012, issued on January 11, 2018

Quezon City, Philippines

Tax Identification No. 128-261-118

BIR Accreditation No. 07-000572-002-2015

December 1, 2015, valid until November 30, 2018

BOA/PRC Reg. No. 0540

December 1, 2015, valid until December 31, 2018

Quezon City

March 16, 2018

**SEDPI SOCIAL ENTERPRISE VENTURES, INC.****STATEMENTS OF FINANCIAL POSITION**

(in Philippine Peso)

	<b>As of December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash, <i>Note 5</i>	<b>104,186</b>	136,887
Accounts Receivable, <i>Note 6</i>	<b>50,000</b>	50,000
Other Current Assets, <i>Note 7</i>	<b>10,377</b>	9,237
<b>Total Current Assets</b>	<b>164,563</b>	196,124
<b>Non-Current Assets</b>		
Investment in Stocks, <i>Note 8</i>	<b>950,000</b>	775,000
<b>Total Non-Current Assets</b>	<b>950,000</b>	775,000
<b>TOTAL ASSETS</b>	<b>1,114,563</b>	971,124
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable, <i>Note 9</i>	<b>1,249,738</b>	1,069,345
<b>Total Current Liabilities</b>	<b>1,249,738</b>	1,069,345
<b>TOTAL LIABILITIES</b>	<b>1,249,738</b>	1,069,345
<b>Stockholders' Equity</b>		
Capital Stock, <i>₱100 par value</i>	<b>62,500</b>	62,500
<i>Authorized-10,000 shares, Issued-2,500 shares</i>		
Retained Earnings	<b>(197,675)</b>	(160,721)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>(135,175)</b>	(98,221)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>1,114,563</b>	971,124

*See accompanying Notes to Financial Statements*

**SEDPI SOCIAL ENTERPRISE VENTURES, INC.****STATEMENTS OF INCOME**

(in Philippine Peso)

	<b>Years ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>REVENUE</b>	-	-
<b>COST OF SERVICES</b>	-	-
<b>GROSS PROFIT</b>	-	-
<b>OPERATING EXPENSES, <i>Note 10</i></b>		
Professional Fees	<b>13,393</b>	9,500
Taxes and Licenses	<b>23,776</b>	20,970
	<b>(37,169)</b>	(30,470)
<b>INCOME FROM OPERATIONS</b>	<b>(37,169)</b>	(30,470)
<b>OTHER INCOME / (EXPENSES)</b>		
Interest and other income	<b>216</b>	280
<b>INCOME BEFORE TAX</b>	<b>(36,953)</b>	(30,190)
<b>PROVISION FOR INCOME TAX</b>	-	-
<b>NET INCOME (LOSS)</b>	<b>(36,953)</b>	(30,190)

*See accompanying Notes to Financial Statements*

**SEDPI SOCIAL ENTERPRISE VENTURES, INC.****STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(in Philippine Peso)

	<b>Capital Stock</b>	<b>Retained Earnings</b>	<b>TOTAL EQUITY</b>
<b>Balances at December 31, 2015</b>	<b>62,500</b>	<b>(130,531)</b>	<b>(68,031)</b>
Net Income (Loss) for the year	-	(30,190)	(30,190)
<b>Balances at December 31, 2016</b>	<b>62,500</b>	<b>(160,721)</b>	<b>(98,221)</b>
Net Income for the year	-	(36,953)	(36,953)
<b>Balances at December 31, 2017</b>	<b>62,500</b>	<b>(197,675)</b>	<b>(135,175)</b>

*See accompanying Notes to Financial Statements*

**Social Enterprise Development Partnership, Inc.****STATEMENTS OF CASH FLOWS**

(in Philippine Peso)

	Years Ended December 31	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) Before Tax	(36,953)	(30,190)
Adjustments for:		
Advances and Receivables, <i>Note 6</i>	-	-
Other Current Assets	(1,140)	(720)
Accounts Payable, <i>Note 7</i>	180,393	4,288
<b>Net cash used in operating activities</b>	<b>142,299</b>	<b>(26,622)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to furniture, fixtures and equipment		
(Increase)/Decrease in Investment in Stocks	(175,000)	-
<b>Net cash used in investing activities</b>	<b>(175,000)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(32,701)</b>	<b>(26,622)</b>
CASH AT BEGINNING OF THE YEAR	136,887	163,509
<b>CASH AT END OF THE YEAR</b>	<b>104,186</b>	<b>136,887</b>

*See accompanying Notes to Financial Statements*

## **SEDPI SOCIAL ENTERPRISE VENTURES, INC.**

---

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

---

#### **1. The Company**

The **SEDPI Social Enterprise Ventures, Inc.** 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 April 2, 2012 under SEC Registration No. CS201206594, and its principal office address is at Unit 303 Loyola Heights Condominium, 23 Dela Rosa St., Loyola Heights, Quezon City

Its primary purpose is to provide capacity building services such as trainings, research, technical assistance and financial support to start up and growing social enterprises.

The Company started commercial operations in June 2012.

The financial statements were approved and authorized for issuance on March 16, 2018.

#### ***Status of Operations***

*The company incurred net losses of about ₱36,953 and ₱30,190 for the years ended December 31, 2017 and 2016, respectively and a net capital deficiency of ₱135,175 as of December 31, 2017. The stockholders committed its full financial support to the Company to enable it to continue its business operations and also planning to transform it as a holding company. Consequently, the financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amount and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.*

---

#### **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:

	<u>Estimated Useful Life in Years</u>
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 vatiable 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, 2017.

### **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 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.

---

## **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:

	<u>Estimated Useful Life in Years</u>
Building	20
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

#### 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.

*As of balance sheet date, there were no significant concentrations of credit risk.*

**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:

		<u>2017</u>		<u>2016</u>
<b>Cash in Bank</b>	<b>₱</b>	<b>104,186</b>	<b>₱</b>	<b>136,887</b>

*This pertains to cash in bank maintained at BDO Branch at EDSA-East Avenue which 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:

		<u>2017</u>		<u>2016</u>
<b>Accounts Receivable</b>	<b>₱</b>	<b>50,000</b>	<b>₱</b>	<b>50,000</b>



---

**7. Other Current Assets**

This account consists of:

		<b>2017</b>		2016
<b>Input Tax</b>	<b>₱</b>	<b>10,377</b>	<b>₱</b>	9,237

---

---

**8. Investment in Stocks**

This account consists of:

		<b>2017</b>		2016
Ideas for Good Consultancy Group, Inc.	₱	<b>20,000</b>	₱	20,000
Route +63 Sustainable Travels		<b>5,000</b>		5,000
SEDPI Development Finance, Inc.		<b>750,000</b>		750,000
Organic Option Inc.		<b>175,000</b>		-
<b>Total</b>	<b>₱</b>	<b>950,000</b>	<b>₱</b>	775,000

---

---

**9. Accounts Payable**

This account consists of:

		<b>2017</b>		2016
Accounts Payable-SCCI	₱	<b>1,087,500</b>	₱	912,500
Due to SEDPI		<b>148,845</b>		147,345
Accrued Expense		<b>13,393</b>		9,500
<b>Total</b>	<b>₱</b>	<b>1,249,738</b>	<b>₱</b>	1,069,345

---

---

## 10. Operating Expenses

This account consists of:

	2017	2016
Professional Fee	13,393	9,500
Taxes and Licenses	23,776	20,970
TOTAL	37,169	30,470

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

---

## 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:**

	<u>2017</u>	<u>2016</u>
<b>Gross Income</b>	-	-
MCIT Rate	2%	2%
<b>MCIT</b>	-	-
Ordinary Allowable Itemized Deductions	37,169	30,470
<b>INCOME FROM OPERATIONS</b>	<b>(37,169)</b>	<b>(30,470)</b>
<b>NOLCO</b>		
2013	-	(76,173)
2014	-	-
2015	(43,012)	(43,012)
2016	(30,470)	-
<b>TAXABLE INCOME</b>	<b>(110,652)</b>	<b>(149,656)</b>
<b>BASIC INCOME TAX</b>	-	-

## Reconciliation of Net Income Per Books Against Taxable Income

	<u>2017</u>	<u>2016</u>
Net Income/(Loss) per books	<b>(36,953)</b>	(30,190)
Add: Non-deductible Expenses/Taxable Other Income		
Penalties and Charges	-	-
Less: Non-taxable income subjected to Final Tax		
Interest Income	<b>(216)</b>	(280)
Less: Special Deductions		
NOLCO	<b>(73,483)</b>	(119,186)
Net Taxable Income/(Net Loss)	<b>(110,652)</b>	(149,656)

**12. 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. Taxes and Licenses**

	<u>2017</u>	<u>2016</u>
BIR Registration	500	500
Business Permit and other fees	<u>23,276</u>	<u>20,470</u>
Total	<u>23,776</u>	<u>20,970</u>

#### **B. Landed Cost, Customs' Duties and Tariff Fees**

The Company did not have any importation in 2017 that would require for the payment of customs duties and tariff fees.

#### **C. Excise Tax**

The Company did not have any transaction in 2017 which is subject to excise tax.

#### **D. Documentary Stamp Tax**

The Company did not have any transaction in 2017 which are subject to documentary stamp tax.

#### **E. Tax Assessment**

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

#### **F. Tax Cases.**

As of December 31, 2017, the company has no pending tax court cases nor has it received any tax assessment notices from the BIR.

---

### **13. 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 2017, to wit:

13.1 Investment made to the following sister company:

<i>SEDPI Development Finance, Inc.</i>	<b>₱ 950,000</b>
----------------------------------------	------------------

13.2 Advances received from the following sister companies:

<i>SEDPI Capital Credit, Inc.</i>	<b>₱ 1,087,500</b>
<i>SEDPI</i>	<b>148,845</b>
<hr/>	
<i>Total</i>	<b>₱ 1,236,345</b>
<hr/>	

---

#### **14. Comparative Information**

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