

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
SEDP - Simbag sa Pag-asenso, Inc. (A Microfinance NGO)
The Chancery, Cathedral Compound
Albay District, Legazpi City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SEDP - Simbag sa Pag-asenso, Inc. (A Microfinance NGO) (the "Organization"), which comprise the statement of financial position as at December 31, 2025, and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). 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 Organization 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.

Other Matter

The Organization's financial statements as at and for the year ended December 31, 2024 were audited by another auditor whose report, dated April 28, 2025, expressed an unmodified opinion on those statements.

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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 PSA 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 PSA, 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 Organization'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 Organization'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 Organization 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.

BDO CMC



Ezra L. Panopio

Partner

CPA Certificate No. 0125488

Tax Identification No. 294-213-772

BOA Accreditation No. 9289/P-004 issued on March 18, 2025
effective until September 15, 2026

SEC Partner Accreditation No. 125488-SEC (Group A)

Valid to cover audit of 2025 financial statements

SEC Firm Accreditation No. 9289-SEC (Group A)

Valid to cover audit of 2025 to 2029 financial statements

BIR Accreditation No. 08-008047-000-2025, issued on March 12, 2025
effective until March 11, 2028

PTR No. 10780273, issued on January 16, 2026, Makati City

June 10, 2026

Makati City

SEDP - Simbag sa Pag-aseño, Inc. (A Microfinance NGO)
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31

	<i>Note</i>	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	5	P94,581,561	P257,992,252
Short-term investments	6	203,235,757	65,118,011
Financial assets at fair value through profit or loss (FVPL)	7	79,873,995	42,682,289
Loans and other current receivables, net	8	1,008,303,812	899,253,895
Prepayments	9	6,339,928	5,462,047
Total Current Assets		1,392,335,053	1,270,508,494
Noncurrent Assets			
Property and equipment, net	10	44,013,132	37,588,260
Other noncurrent assets	11	6,602,489	6,539,283
Total Noncurrent Assets		50,615,621	44,127,543
TOTAL ASSETS		P1,442,950,674	P1,314,636,037
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts and other current payables	12	P73,105,614	P55,359,690
Short-term borrowings	14	87,985,694	99,140,733
Microsavings	13	387,125,967	346,146,866
Income tax payable	19	2,248,045	2,181,840
Total Current Liabilities		550,465,320	502,829,129
Noncurrent Liabilities			
Long-term borrowings	14	25,373,573	63,359,267
Retirement benefits obligation	20	28,368,937	23,690,803
Deferred tax liabilities	19	190,351	130,543
Other noncurrent liabilities		3,471,820	2,426,515
Total Noncurrent Liabilities		57,404,681	89,607,128
Total Liabilities		607,870,001	592,436,257
Fund Balance			
General fund	24	761,617,523	643,952,588
Restricted fund	23	90,000,000	90,000,000
Remeasurement of retirement benefits	20	(16,536,850)	(11,752,808)
Total Fund Balance		835,080,673	722,199,780
TOTAL LIABILITIES AND FUND BALANCE		P1,442,950,674	P1,314,636,037

See accompanying Notes to Financial Statements.

SEDP - Simbag sa Pag-asenso, Inc. (A Microfinance NGO)
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Notes	2025	2024
REVENUES			
Income from Microfinance Operations	15	P448,887,574	P398,350,370
Other Income	16	11,515,053	8,976,719
		460,402,627	407,327,089
EXPENSES			
Operating expenses	17	(262,165,241)	(238,033,079)
General and administrative expenses	18	(50,933,945)	(43,400,188)
Finance costs	13, 14	(16,317,220)	(13,058,403)
Expected credit losses	8	(4,295,608)	(7,920,100)
		(333,712,014)	(302,411,770)
INCOME BEFORE INCOME TAX		126,690,613	104,915,319
INCOME TAX EXPENSE			
Current	19	(8,959,144)	(7,943,044)
Deferred	19	(66,534)	(100,953)
		(9,025,678)	(8,043,997)
NET INCOME		117,664,935	96,871,322
OTHER COMPREHENSIVE LOSS			
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurement loss on retirement benefits, net of tax	20	(4,784,042)	(181,419)
TOTAL COMPREHENSIVE INCOME		P112,880,893	P96,689,903

See accompanying Notes to Financial Statements.

SEDP - Simbag sa Pag-asenso, Inc. (A Microfinance NGO)
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<i>Note</i>	General Fund	Restricted Fund	Remeasurement of Retirement Benefits	Total
Balance at January 1, 2024		P607,081,266	P30,000,000	(P11,571,389)	P625,509,877
Additional appropriation	23	(60,000,000)	60,000,000	-	-
Net income during the year		96,871,322	-	-	96,871,322
Remeasurement losses on retirement benefits, net of tax	20	-	-	(181,419)	(181,419)
Balance at December 31, 2024		P643,952,588	P90,000,000	(P11,752,808)	P722,199,780
Additional appropriation		-	-	-	-
Net income during the year		117,664,935	-	-	117,664,935
Remeasurement losses on retirement benefits, net of tax	20	-	-	(4,784,042)	(4,784,042)
Balance at December 31, 2025		P761,617,523	P90,000,000	(P16,536,850)	P835,080,673

See accompanying Notes to Financial Statements.

SEDP - Simbag sa Pag-aseño, Inc. (A Microfinance NGO)
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<i>Notes</i>	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P126,690,613	P104,915,319
Adjustments for:			
Interest expense on microsavings	13	13,083,560	12,463,113
Interest income from banks and investments	5, 6, 7, 11	(11,357,700)	(8,668,762)
Depreciation and amortization	10, 11	6,144,158	5,359,896
Expected credit losses	8	4,295,608	7,920,100
Retirement expense	20	3,894,092	3,667,863
Interest expense on borrowings	14	3,233,660	595,290
Unrealized gain on financial assets at FVPL	7, 16	(190,631)	(307,957)
Loss on withdrawal of investment	7	33,278	-
Loss on write-off of property and equipment		-	32,270
Operating income before working capital changes		145,826,638	125,977,132
Decrease (increase) in:			
Short-term investments		(138,117,746)	9,916,419
Loans and other current receivables		(113,345,525)	(149,477,958)
Prepayments		(877,881)	3,154,178
Other noncurrent assets		(30,480)	(32,066)
Increase in:			
Accounts and other current payables		17,745,924	16,713,611
Microsavings		40,979,101	18,917,941
Other noncurrent liabilities		1,045,305	-
Net cash generated from (used for) operations		(46,774,664)	25,169,257
Interest received from banks and investments		11,357,700	8,668,762
Interest paid on microsavings	25	(13,083,560)	(12,463,113)
Interest paid on borrowings	25	(3,233,660)	(595,290)
Income tax paid		(8,892,939)	(7,602,860)
Contributions paid	20	(4,000,000)	(2,000,000)
Net cash flow provided by (used in) operating activities		(64,627,123)	11,176,756
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment and intangible asset	10, 11	(12,608,482)	(10,363,066)
Withdrawals in financial assets at FVPL	7	2,965,647	-
Acquisition of financial assets at FVPL	7	(40,000,000)	-
Net cash used in investing activities		(49,642,835)	(10,363,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	14	138,210,669	140,000,000
Payments of borrowings	14	(187,351,402)	(63,778,008)
Net cash provided by (used in) financing activities		(49,140,733)	76,221,992
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(163,410,691)	77,035,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		257,992,252	180,956,570
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	P94,581,561	P257,992,252

See accompanying Notes to Financial Statements.