

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Registration No. 201025088K)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

31ST DECEMBER 2014

TAN WEE TIN & CO
Public Accountants
Chartered Accountants
Singapore

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Registration No. 201025088K)
AND ITS SUBSIDIARY COMPANIES

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SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
 (Registration No. 201025088K)
AND ITS SUBSIDIARY COMPANIES

COMPANY PROFILE

Board of Directors : Gregory Francis Casagrande
Nancy Tan

Secretary : Nancy Tan

Registered office : 1 Goldhill Plaza
#03-39 Podium Block
Singapore 308899

Independent auditors : Messrs. Tan Wee Tin & Co
Public Accountants
Chartered Accountants

Bankers : The Hongkong and Shanghai Banking Corporation
Limited
Australia and New Zealand Banking Group Limited
(ANZ) Bank
Samoa Commercial Bank
Tonga Development Bank
Westpac Banking Corporation
Fiji Development Bank

Financial Institutions : Cresud
David Adams
Deutsche Bank Microfinance Fund
GFC Irrevocable Trust
Good Return
Jasmine Charitable Trust
Kiva Micro Funds
Microlumbia Funds
OikoCredit
PIF Foundation
Samoa National Provident Fund
The MicroDreams Foundation
Whole Planet Foundation
World Education Australia Limited
ResponsAbility Global Microfinance Fund
Credit Corporation

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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DIRECTORS' REPORT

The directors submit to the member their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2014.

1. DIRECTORS

The directors of the Company in office at the date of this report are:-

Gregory Francis Casagrande
Nancy Tan

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings, none of the directors who held office had any interests in the shares, share options, warrants or debentures of the Company, or of related corporations either at the beginning or at end of the financial year.

However, the Company's holding company, SPBD Microfinance Holdings (Delaware) L.L.C., does not issue shares. A director, Gregory Francis Casagrande, is the sole incorporator and owner.

4. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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5. SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company. No shares have been issued during the financial year by virtue of the exercise of option to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.



GREGORY FRANCIS CASAGRANDE
Director



NANCY TAN
Director

Dated: 22nd December 2015

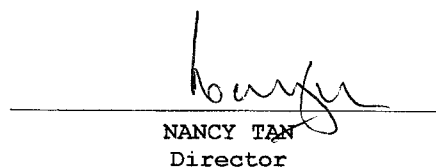
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STATEMENT BY THE DIRECTORS

In the opinion of the directors,

- a. the accompanying financial statements together with the annexed notes set out on pages 6 to 40 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2014 and of the results of the business, changes in equity of the Group and of the Company and cash flows of the Group for the financial year ended on that date; and
- b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due with the continuing financial support from its holding company.


GREGORY FRANCIS CASAGRANDE
Director


NANCY TAN
Director

Dated: 22nd December 2015



SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD. Telefax: (65) 63551306
(Registration No. 201025088K) UEN: S90PF0432D
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 6 to 40, which comprise the statements of financial position of the Group and the Company as at 31st December 2014, the statements of changes in equity and consolidated statements of comprehensive income of the Group and the Company, and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statement of financial position and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial statements that give a true and fair view 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 consolidated financial statements of the Group and the Company are drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31st December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

We draw attention to the fact that as at 31st December 2014, the Group has capital deficiency of US\$691,401. As disclosed in Note 2(a) to the financial statements, the holding company has indicated that it will continue to provide financial support to the Group. Furthermore in Note 2(i), the founder and principal director is of the view, based on the reasons given, that no impairment provision is necessary for the cost of investment in two loss-making subsidiaries. Accordingly, the financial statements have been prepared on a going concern basis. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Tan Wee Tin

TAN WEE TIN & CO
Public Accountants and
Chartered Accountants
Singapore
22nd December 2015
S-255/sh



SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
 (Registration No. 201025088K)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014

	Note	The Group		The Company	
		2014 US\$	2013 US\$	2014 US\$	2013 US\$
ASSETS					
Non-current assets					
Goodwill	3	407,438	407,438	-	-
Property, plant and equipment	4	369,895	393,816	-	-
Investments in subsidiary companies	5	-	-	2,060,421	517,298
		<u>777,333</u>	<u>801,254</u>	<u>2,060,421</u>	<u>517,298</u>
Current assets					
Loans portfolio	6	6,531,114	5,680,721	-	-
Amounts owing by related companies	7	-	-	984,004	1,904,288
Advance share application monies	8	-	-	-	244,655
Other receivables, deposits and prepayments		274,033	258,282	1,540	1,540
Other asset		12,432	11,304	-	-
Tax recoverable	19b	22,858	7,919	22,858	7,529
Cash and cash equivalents	9	2,652,176	1,864,708	682,731	257,237
		<u>9,492,613</u>	<u>7,822,934</u>	<u>1,691,133</u>	<u>2,415,249</u>
TOTAL ASSETS		<u>10,269,946</u>	<u>8,624,188</u>	<u>3,751,554</u>	<u>2,932,547</u>
EQUITY AND LIABILITIES					
Current liabilities					
Members' savings deposits	10	1,603,391	1,289,737	-	-
Life insurance provision		11,067	1,634	-	-
Other payables and accruals		279,282	228,742	10,800	6,100
Amount owing to shareholder		30,541	-	30,541	-
Amounts owing to related parties	12	137,344	78,532	90,000	-
Bank overdrafts	13	961,809	1,283,031	-	-
Borrowings	14	3,627,267	1,177,937	384,463	32,688
Provision for taxation	19b	122,410	113,991	-	(10)
		<u>6,773,111</u>	<u>4,173,604</u>	<u>515,804</u>	<u>38,778</u>
Non-current liabilities					
Amount owing to a related party	12	60,000	150,000	60,000	150,000
Borrowings	14	4,128,236	4,785,667	1,671,011	1,730,276
		<u>4,188,236</u>	<u>4,935,667</u>	<u>1,731,011</u>	<u>1,880,276</u>
TOTAL LIABILITIES		<u>10,961,347</u>	<u>9,109,271</u>	<u>2,246,815</u>	<u>1,919,054</u>
Net (liabilities)/assets		<u>(691,401)</u>	<u>(485,083)</u>	<u>1,504,739</u>	<u>1,013,493</u>
EQUITY					
Share capital	15	1,429,998	976,698	1,429,998	976,698
(Accumulated loss)/ Profit unappropriated		(1,767,729)	(1,141,299)	74,741	36,795
Reserve	16	(313,505)	(313,505)	-	-
Foreign currency translation adjustment		(40,165)	(6,977)	-	-
TOTAL EQUITY		<u>(691,401)</u>	<u>(485,083)</u>	<u>1,504,739</u>	<u>1,013,493</u>
TOTAL EQUITY AND LIABILITIES		<u>10,269,946</u>	<u>8,624,188</u>	<u>3,751,554</u>	<u>2,932,547</u>

The accompanying notes form an integral part of the financial statements.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

<u>The Group</u>	<u>Share capital</u> <u>US\$</u>	<u>(Accumulated loss)/ Profit</u> <u>unappropriated</u> <u>US\$</u>	<u>Reserve</u> <u>US\$</u>	<u>Foreign currency translation adjustment</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Balance as at 1st January 2014	976,698	(1,141,299)	(313,505)	(6,977)	(485,083)
Total comprehensive expense	-	(595,889)	-	-	(595,889)
Issuance of preference shares	453,300	-	-	-	453,300
Interim tax exempt (1-tier) dividend - 3.13% per ordinary share	-	(30,541)	-	-	(30,541)
Foreign currency translation adjustment	-	-	-	(33,188)	(33,188)
Balance as at 31st December 2014	<u>1,429,998</u>	<u>(1,767,729)</u>	<u>(313,505)</u>	<u>(40,165)</u>	<u>(691,401)</u>
Balance as at 1st January 2013	776,698	(390,996)	(313,505)	(33,374)	38,823
Total comprehensive expense	-	(750,303)	-	-	(750,303)
Issuance of ordinary shares	200,000	-	-	-	200,000
Foreign currency translation adjustment	-	-	-	26,397	26,397
Balance as at 31st December 2013	<u>976,698</u>	<u>(1,141,299)</u>	<u>(313,505)</u>	<u>(6,977)</u>	<u>(485,083)</u>

The accompanying notes form an integral part of the financial statements.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

<u>The Company</u>	<u>Share capital</u> <u>US\$</u>	<u>(Accumulated loss) / Profit unappropriated</u> <u>US\$</u>	<u>Foreign currency translation adjustment</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Balance as at 1st January 2014	976,698	36,795	-	1,013,493
Total comprehensive income	-	68,487	-	68,487
Interim tax exempt (1-tier) dividend - 3.13% per ordinary share	-	(30,541)	-	(30,541)
Issuance of preference shares	453,300	-	-	453,300
Balance as at 31st December 2014	<u>1,429,998</u>	<u>74,741</u>	<u>-</u>	<u>1,504,739</u>
Balance as at 1st January 2013	776,698	(92,538)	1,696	685,856
Total comprehensive income	-	129,333	-	129,333
Foreign currency translation adjustment	-	-	(1,696)	(1,696)
Issuance of ordinary shares	200,000	-	-	200,000
Balance as at 31st December 2013	<u>976,698</u>	<u>36,795</u>	<u>-</u>	<u>1,013,493</u>

The accompanying notes form an integral part of the financial statements.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

	<u>Note</u>	<u>The Group</u>		<u>The Company</u>	
		<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Revenue		3,570,729	3,166,447	452,458	412,014
Direct expenses		(379,318)	(322,058)	-	-
Gross profit		3,191,411	2,844,389	452,458	412,014
Other operating income	17	119,852	47,708	40,167	45,305
Administrative expenses		(204,406)	(193,036)	(35,236)	(47,967)
Other operating expenses	18	(3,256,593)	(3,163,374)	(276,615)	(212,838)
Operating (loss)/profit		(149,736)	(464,313)	180,774	196,514
Finance costs		(310,682)	(184,878)	(115,016)	(67,181)
(Loss)/Profit before taxation	18	(460,418)	(649,191)	65,758	129,333
Taxation - current year	19a	(135,471)	(101,112)	2,729	-
(Loss)/Profit after taxation		(595,889)	(750,303)	68,487	129,333
Other comprehensive income		-	-	-	-
Total comprehensive (expense)/income		(595,889)	(750,303)	68,487	129,333

The accompanying notes form an integral part of the financial statements.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

	<u>2014</u> US\$	<u>2013</u> US\$
<u>Cash flows from operating activities</u>		
Loss before taxation	(460,418)	(649,191)
Adjustments for:-		
Depreciation of property, plant and equipment	128,919	116,187
Loan loss provision	54,138	53,627
Loss/(Gain) on disposal of property, plant and equipment	620	(12,315)
Operating cash outflows before working capital changes	(276,741)	(491,692)
Changes in operating assets and liabilities		
Loans portfolio	(904,531)	(907,834)
Other receivables, deposits and prepayment	(15,751)	(42,297)
Other asset	(1,128)	(8,931)
Members' savings deposits	313,654	434,575
Amounts owing to related parties	(31,188)	186,594
Other payables and accruals	50,540	48,113
Net cash used in operations	(865,145)	(781,472)
Income tax paid	(119,624)	(188,960)
Net cash outflows from operating activities	(984,769)	(970,432)
<u>Cash flows from investing activities</u>		
Proceeds from disposal of property, plant and equipment	4,473	34,374
Purchase of property, plant and equipment	(116,063)	(267,716)
Net cash outflows from investing activities	(111,590)	(233,342)
<u>Cash flows from financing activities</u>		
Issuance of ordinary shares	-	200,000
Issuance of preference shares	453,300	-
Amount owing to shareholder	30,541	-
Borrowings	1,791,899	1,125,082
Bank overdrafts	(321,222)	(93,611)
Dividend payable	(30,541)	-
Net cash inflows from financing activities	1,923,977	1,231,471
Net increase in cash and cash equivalents	827,618	27,697
Cash and cash equivalents at beginning of the year	1,864,708	1,812,876
Currency realignment	(40,150)	24,135
Cash and cash equivalents at end of the year (Note 9)	<u>2,652,176</u>	<u>1,864,708</u>

The accompanying notes form an integral part of the financial statements.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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NOTES TO THE FINANCIAL STATEMENTS - 31ST DECEMBER 2014

1. GENERAL INFORMATION

- a) The Company is a private limited liability company incorporated and domiciled in Singapore. The address of the Company's registered office is:-

1 Goldhill Plaza
#03-39 Podium Block
Singapore 308899

- b) The principal activities of the Group are the provision of financial assistance to economically disadvantaged people.

The Company's principal activities are those of investment holding.

2. SIGNIFICANT ACCOUNTING POLICIES

- a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except otherwise disclosed below.

Despite of the Group having a capital deficiency, its financial statements have been prepared on the basis that of a going concern with the continuing financial support from its holding company.

The financial statements are presented in United States dollar (US\$), the functional currency, and all values are rounded to the nearest dollar.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's and the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Interpretations and amendments to published standards effective in 2014

On 1st December 2014, the Company and the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company and the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company and the Group's accounting policies and had no material effect on the amounts reported for the current financial year.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Revenue recognition

Revenue, which can be reliably measured, is recognised to the extent that the economic benefits will flow to the Company. The following recognition criteria is used before revenue is recognised:-

i) Management income

Revenue from management is recognised when services are rendered.

ii) Interest income from loans receivable

Interest income from loan portfolio is recognised using a cash-based method where they are recognised at the time they are received. Hence, if the loan (with the interest) is paid before it is due, then the interest income is recognised at the time of collection, whereas if the loan (with the interest) is in arrears then no interest income is recognised.

iii) Development fees

The Company charges a fee of 2% of principal loan amount which is used to cover the cost of training members, loan evaluation and monitoring. This fee is deducted from the loan proceeds, and is recognised in the year received.

iv) Loan insurance fee

The Company charges and withholds 1% to 2% as an insurance on the principal loan amount plus interest issued to the borrowing members as security in case of death of the borrowing member before full payment of their loans (applies to Group loans only). The loan insurance fee is treated as income as it is not refundable to the borrowing member upon payment of the loan and is recognised in the year in which it is received.

v) Life insurance fee

The Company offers a Life Micro-insurance Product to help the families of the Group's members to reduce the burden of bereavement and funeral expenses when a borrowing member dies by charging a loan fee during disbursement of the principal loan amount.

66% of the life insurance fee collected is treated as income and the balance 34% is treated as a life insurance provision which is utilised to help reduce the burden of bereavement and funeral expenses of family members when a borrowing member dies.

vi) Restructure fee

The restructured loan fees were from members who had great difficulty in paying off their loans for various reasons but these members have expressed their intent of paying off their loans based on agreed terms. Restructure fee is determined by small claims tribunal referees. The restructuring of these loans is approved by the Group's principal director.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Revenue recognition (cont'd)

vii) Savings withdrawal fee

A fee is charged by the Group to its members when they make withdrawals from their savings accounts and is recognised in the year received.

viii) Grant income

Grant income is recognised when there is:-

- i) Entitlement to the grant;
- ii) Virtual certainty that it will be received; and
- iii) Sufficient measurability of the amount.

c) Consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiary companies as at the end of the reporting period. Consistent accounting policies are applied for like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in note 5 to the financial statements.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of the subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the statement of comprehensive income on the date of acquisition.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiary companies not held by the Group. They are presented in the consolidated statements of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated statements of comprehensive income.

SPED MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Consolidation (cont'd)

Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity.

d) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:-

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in USD.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Property, plant and equipment

i) Measurement

All property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment include all direct attributable costs of bringing the asset to its working condition and location.

ii) Depreciation

Depreciation is computed on a straight-line basis over the expected useful lives of the assets concerned as follows:-

	<u>Useful lives</u>
Leasehold improvements	2 to 20 years
Furniture and fixtures	2 to 8 years
Office equipment	2 to 8 years
Computer equipment and peripherals	2 to 5 years
Motor vehicles	2 to 5 years
Software and electronics system	3 to 4 years

The useful lives of property, plant and equipment and their respective residual values at the end of each reporting period are reviewed and, where appropriate, adjusted. The adjustments, if any, are taken to the statement of comprehensive income.

iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the statement of comprehensive income.

f) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a 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 the end of each reporting period and adjusted to reflect the current best estimate. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is a certainty.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Provisions (cont'd)

If the effect of the time value of money is material, provisions determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

g) Loans portfolio

Loans, net of loan loss allowance and loan insurance loss provision, include direct financial assistance provided to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks.

They are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for loan loss allowance and loan insurance loss provision.

Loan loss allowance

The Group conducts loan loss provisioning every quarter to maintain an adequate allowance for doubtful loans. The allowance is determined by applying predicted loss percentages to aged loans grouped by lateness of payment. A loan becomes late as a weekly scheduled payment is missed. The Group applies the following conservative predicted loss ratios.

Allowance ratios for group loans

<u>Loan aging</u>	<u>Loan loss allowance</u>
1 week to 4 weeks late	5%
5 weeks to 8 weeks late	10%
9 weeks to 12 weeks late	25%
13 weeks to 16 weeks late	50%
17 weeks to 20 weeks late	75%
21 weeks or more	100%

h) Impairment of assets

Property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the statement of comprehensive income.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Impairment of assets (cont'd)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the statement of comprehensive income.

i) Interest in subsidiary companies

Shares in subsidiary companies held on a long-term basis are stated at cost. As at 31st December 2014, two subsidiaries have accumulated losses of US\$3,454,937 whereas the remaining two have an aggregated profit unappropriated of US\$1,111,588.

The subsidiaries' financials are accounted for in the consolidated financial statements of the Group and no impairment provision is made at the Company level for the principal director and founder in view of the view that the initial start-up losses of the two subsidiaries are more than offset by the aggregate appreciating values of the remaining matured subsidiaries whose appreciated value over their carrying book values are not recognised in the financial statements. Moreover the said losses incurred were planned and contemplated and the subsidiaries are anticipated to achieve full profitability within the succeeding two years.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and short-term deposits.

k) Operating leases

Rental payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the relevant lease terms.

l) Foreign currencies translations

Monetary assets and liabilities maintained in foreign currencies are translated into United States dollars at the approximate rates of exchange ruling prevailing at the end of the reporting period. Transactions during the financial period have been converted at the rates prevailing at the transaction dates. All exchange differences are dealt with in the statement of comprehensive income.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Related party

A related party is a person or entity that is related to the Group and the Company in the following respects:-

- a) A person or a close member of that person's family is related to the Group if that person:-
 - i) has control or joint control over the Company or;
 - ii) has significant influence over the Company or;
 - iii) is a member of the key management personnel of the Company or of a parent of the Company.

- b) An entity is related to the Group and the Company if any of the following conditions applies:-
 - i) the entity and the Company are members of the same Group (which means each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) one entity is an associate or joint venture of the Company (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - iii) both other entity and the Company are joint ventures of the same third party;
 - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Group;
 - vi) the entity is controlled or jointly controlled by a person identified in (a);
 - vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

n) Deferred taxation

Income tax is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant timing differences. A deferred tax asset is taken up only where there is a reasonable expectation of realisation.

o) Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Critical accounting estimates, assumptions and judgements (cont'd)

i) Critical accounting estimates and assumptions

a) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 2h).

b) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

c) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

d) Allowance for loan loss

The Group makes allowance for doubtful receivables on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Critical accounting estimates, assumptions and judgements (cont'd)

i) Critical accounting estimates and assumptions (cont'd)

d) Allowance for loan loss (cont'd)

The Group specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where the expectations differ from the original estimates, the differences will impact the carrying value of receivables.

e) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. The estimated useful lives applied by the Group as disclosed in Note 2(e) to the financial statements reflects the Group's estimate of the period that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. These are common life expectancies applied in the various business segments of the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

ii) Critical judgements made in applying accounting policies

With the exception of those dividend there are no critical judgments made by the Group in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

3. GOODWILL, at cost

The goodwill is made up as follows:-

	<u>The Group only</u>	
	<u>2014</u>	<u>2013</u>
	US\$	US\$
Purchased goodwill	407,438	407,438

Purchased goodwill arose from the excess of purchase price paid by a subsidiary in acquiring a business since its formation on 18th January 2000, representing the reputation established with clients, lenders, the government of Samoa and all other stakeholders.

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4. PROPERTY, PLANT AND EQUIPMENT

<u>The Group only</u>	<u>Leasehold improvements</u> US\$	<u>Furniture and fixtures</u> US\$	<u>Office equipment</u> US\$	<u>Computer equipment and peripherals</u> US\$	<u>Motor vehicles</u> US\$	<u>Software and electronics systems</u> US\$	<u>Total</u> US\$
2014							
<u>Cost</u>							
- At beginning of the year	33,820	87,048	41,906	117,143	350,094	30,114	660,125
Additions	3,174	10,360	2,906	21,096	72,074	6,453	116,063
Disposals	-	-	(1,985)	(1,630)	(6,576)	-	(10,191)
Translation adjustment	(791)	(3,907)	(1,993)	(3,647)	(7,772)	(1,893)	(20,003)
- At end of the year	36,203	93,501	40,834	132,962	407,820	34,674	745,994
<u>Accumulated depreciation</u>							
- At beginning of the year	18,929	32,170	18,645	63,482	114,441	18,642	266,309
Charge for the year	4,327	17,148	6,858	24,850	70,621	5,115	128,919
Disposals	-	-	(1,321)	(327)	(3,449)	-	(5,097)
Translation adjustment	(814)	(2,085)	(890)	(3,078)	(5,672)	(1,493)	(14,032)
- At end of the year	22,442	47,233	23,292	84,927	175,941	22,264	376,099
<u>Net book value</u>							
- At end of the year	13,761	46,268	17,542	48,035	231,879	12,410	369,895

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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group only	Leasehold	Furniture	Office	Computer	Motor	Software	Total
	improvements	and	equipment	equipment	vehicles	and	
	US\$	fixtures	US\$	peripherals	US\$	electronics	US\$
		US\$		US\$		systems	
						US\$	
2013							
<u>Cost</u>							
- At beginning of the year	23,490	80,544	44,900	151,999	406,397	31,298	738,628
Additions	18,186	20,809	10,036	23,180	194,995	509	267,715
Disposals	(6,885)	(10,698)	(11,663)	(55,166)	(246,518)	-	(330,930)
Translation adjustment	(971)	(3,607)	(1,367)	(2,870)	(4,780)	(1,693)	(15,288)
- At end of the year	33,820	87,048	41,906	117,143	350,094	30,114	660,125
<u>Accumulated depreciation</u>							
- At beginning of the year	21,151	30,097	22,876	100,394	287,527	12,056	474,101
Charge for the year	4,203	13,812	6,512	25,300	59,235	7,125	116,187
Disposals	(6,885)	(9,758)	(11,663)	(54,142)	(226,423)	-	(308,871)
Translation adjustment	460	(1,981)	920	(8,070)	(5,898)	(539)	(15,108)
- At end of the year	18,929	32,170	18,645	63,482	114,441	18,642	266,309
<u>Net book value</u>							
- At end of the year	14,891	54,878	23,261	53,661	235,653	11,472	393,816

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5. INVESTMENTS IN SUBSIDIARY COMPANIES

The investments in subsidiary companies are made up as follows:-

	<u>The Company only</u>	
	<u>2014</u> US\$	<u>2013</u> US\$
Unquoted shares, at cost	2,091,148	517,298

Details of the subsidiary companies are as follows:-

<u>Name of companies</u> (Country of incorporation/ Place of business)	<u>Principal</u> <u>activities</u>	% of equity held by the Company		Cost of investment	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		%	%	US\$	US\$
South Pacific Business Development Microfinance Ltd. ("SPBD Tonga") (a) (The Kingdom of Tonga)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	188,904	188,904
SPBD Microfinance (Samoa) Ltd. ("SPBD Samoa") (b) (Independent State of Samoa)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	262,752	40,000
South Pacific Business Development Microfinance (Fiji) (Ltd) ("SPBD Fiji") (c) (Republic of Fiji)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	1,463,318	142,947
South Pacific Business Development Microfinance (Solomon Islands) Limited ("SPBD Solomon") (d) (Solomon Islands)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	145,447	145,447
				2,060,421	517,298

All the subsidiaries are audited by overseas independent firms of auditors.

- (a) Audited by JK Chartered Accountants
- (b) Audited by Betham & Co, Certified Public Accountants
- (c) Audited by BDO Chartered Accountants
- (d) Audited by Morris & Sojnocki, Chartered Accountants

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
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6. LOANS PORTFOLIO

	<u>The Group only</u>	
	<u>2014</u> US\$	<u>2013</u> US\$
Balance at beginning of the year	5,680,720	4,826,513
Loans disbursement during the year	12,382,715	11,127,814
Loans repaid during the year	(11,290,335)	(10,072,135)
Less: Write-offs against loan insurance loss allowance	(15,485)	(7,086)
Write-offs against loan loss allowance	(12,737)	(34,604)
Gross loans portfolio	6,744,878	5,840,502
Less: Loan insurance loss allowance	(928)	(969)
Loan loss allowance	(71,146)	(65,732)
Currency translation adjustment	(141,690)	(93,080)
	<u>6,531,114</u>	<u>5,680,721</u>

(a) Loan insurance loss allowance

Balance at beginning of the year	969	1,028
Translation adjustment	(41)	(59)
Provision for the year	15,485	7,085
Loans written off	(15,485)	(7,085)
Balance at end of the year	928	969

(b) Loan loss allowance

Balance at beginning of the year	65,732	76,812
Provision for the year	22,065	27,898
Loans written off	(12,737)	(34,604)
Currency translation adjustments	(3,914)	(4,374)
Balance at end of the year	71,146	65,732

Loans portfolio is denominated in the following currencies:-

Fiji dollar	1,047,525	934,896
Samoan Tala	2,962,652	2,534,729
Solomon dollar	467,690	295,318
Tonga Pa'anga	2,053,247	1,915,778
	<u>6,531,114</u>	<u>5,680,721</u>

7. AMOUNTS OWING BY RELATED COMPANIES

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Loans	-	-	939,389	1,766,880
Others	-	-	44,615	137,408
	<u>-</u>	<u>-</u>	<u>984,004</u>	<u>1,904,288</u>

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7. AMOUNTS OWING BY RELATED COMPANIES (cont'd)

The loans are unsecured with interest rate of 0% to 10% (2013: 0% to 10%) per annum. The loans owing are non-trade in nature and with repayment terms no later than 30th June 2019.

The others owing are non-trade in nature, unsecured, interest-free and with no fixed terms of repayment.

8. ADVANCED SHARE APPLICATION MONIES

This related to funds set aside by the Company for future capital investment in a subsidiary, which was converted into 8,910 preference shares during the year.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of the financial year comprise the following:-

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Cash on hand	33,696	19,501	-	-
Cash in banks	1,761,597	946,245	682,731	257,237
Vodafone M-Paisa account	71,245	63,241	-	-
Fixed deposits - unpledged	589,965	310,223	-	-
	<u>2,456,503</u>	<u>1,339,210</u>	<u>682,731</u>	<u>257,237</u>
Fixed deposits - pledged	195,673	525,498	-	-
	<u>2,652,176</u>	<u>1,864,708</u>	<u>682,731</u>	<u>257,237</u>

Cash and cash equivalents are denominated in the following currencies:-

Australian dollar	9,295	5,235	8,034	3,635
Euro dollar	15,790	80,849	-	-
Fiji dollar	275,620	172,386	-	-
New Zealand dollar	1,212	99,153	1,212	99,153
Samoan Tala	991,981	744,413	-	-
Singapore dollar	462,857	302	462,857	302
Solomon dollar	68,071	158,299	-	-
Tonga Pa'angas	285,921	243,006	-	-
United States dollar	541,429	361,065	210,628	154,147
	<u>2,652,176</u>	<u>1,864,708</u>	<u>682,731</u>	<u>257,237</u>

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10. MEMBERS' SAVINGS DEPOSITS

Members in these financial statements refer to the Group's loan portfolio borrowers.

Members' savings deposits are recorded as current liabilities in the statement of financial position.

A savings account is required to be established by a borrowing member in consideration for a loan by depositing US\$4 to US\$10 (2013: US\$4 to US\$10). When the loan has been processed and approved, 2.5% to 5% of the loan amount is deducted and recorded in the members' savings account as compulsory deposit. Member with a current loan balance must have a minimum deposit of 2.5% to 5% of the original loan amount.

There is no limit on the amount of money the members can keep in the savings account. The minimum balance that a member can keep is US\$1. However, for members with current loan, the minimum balance at any given time should be US\$10 plus 2.5% to 5% of the original loan amount.

The Group is not a regulated financial intermediary and does not therefore use members' deposits for on-lending. Members can withdraw money with prior notice at any time for emergencies. The 2.5% to 5% loan retention can only be withdrawn after the latest loan outstanding is fully paid off.

11. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's share capital is wholly owned by SPBD Microfinance Holdings (Delaware) L.L.C. (incorporated in the United States of America), its holding and ultimate holding corporation.

Related companies in these financial statements refer to members of the ultimate company's Group of companies.

12. AMOUNTS OWING TO RELATED PARTIES

The loan owing to a related party is unsecured, non-trade in nature, bears interest rate of 8% per annum and is repayable not later than 30th June 2016.

The other amount owing to another related party is non-trade in nature, interest-free and repayable when the resources of the Company permit.

13. BANK OVERDRAFTS

	<u>The Group only</u>	
	<u>2014</u> US\$	<u>2013</u> US\$
Bank overdraft 1	257	19,571
Bank overdraft 2	815,221	1,221,066
Bank overdraft 3	(29,864)	(3,768)
Bank overdraft 4	176,195	46,162
	<u>961,809</u>	<u>1,283,031</u>

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13. BANK OVERDRAFTS (cont'd)

Bank overdraft 1 is secured by a standby letter of credit of GBP 10,000 or equivalent US\$15,535 (2013: GBP 10,000 or equivalent US\$16,488).

Bank overdraft 2 is secured by a term deposit of WST 3,000,000 or equivalent US\$1,271,100 (2013: WST 1,000,000 or equivalent US\$423,700).

Bank overdraft 3 is secured by term deposit of US\$40,000 (2013: US\$40,000).

Bank overdraft 4 is secured by the subsidiary company's term deposit of US\$75,000 (2013: US\$75,000) and its loans portfolio.

14. BORROWINGS

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Unsecured loans - 1	1,144,575	1,192,183	1,144,575	1,192,183
- 2	284,000	284,000	284,000	284,000
- 3	370,913	286,781	370,913	286,781
Secured loan 4	255,986	-	255,986	-
	<u>2,055,474</u>	<u>1,762,964</u>	<u>2,055,474</u>	<u>1,762,964</u>
<u>Soft term loans</u>				
Term loan - 1 (a)	624,636	398,772	-	-
- 2 (a)	4,193	4,054	-	-
- 3 (a)	476,504	476,515	-	-
- 4 (a)	-	50,662	-	-
- 5 (a)	419,287	-	-	-
- 6 (a)	31,777	215,564	-	-
- 7 (a)	1,057,806	605,351	-	-
- 8 (a)	62,826	118,883	-	-
- 9 (a)	98,480	-	-	-
- 10 (b)	179,099	115,577	-	-
- 11 (b)	-	158,488	-	-
- 12 (b)	16,758	15,474	-	-
- 13 (b)	-	18,958	-	-
- 14 (b)	257,596	213,825	-	-
- 15 (b)	193,619	-	-	-
- 16 (c)	-	105,620	-	-
- 17 (c)	-	203,742	-	-
- 18 (c)	-	91,684	-	-
- 19 (c)	-	63,372	-	-
- 20 (c)	60,696	63,372	-	-
- 21 (c)	60,657	316,961	-	-
- 22 (c)	15,338	29,216	-	-
- 23 (c)	107,657	-	-	-
- 24 (c)	409,058	-	-	-
- 25 (c)	647,861	-	-	-
- 26 (d)	321,818	214,918	-	-
- 27 (d)	24,508	-	-	-
	<u>7,125,648</u>	<u>5,243,972</u>	<u>2,055,474</u>	<u>1,762,964</u>

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14. BORROWINGS (cont'd)

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
<u>Commercial term loans</u>				
Term loan - 1 (b)	230,774	291,343	-	-
- 2 (b)	387,238	428,289	-	-
- 3 (b)	11,843	-	-	-
	<u>7,755,503</u>	<u>5,963,604</u>	<u>2,055,474</u>	<u>1,762,964</u>
Shown under current liabilities	<u>(3,627,267)</u>	<u>(1,177,937)</u>	<u>(384,463)</u>	<u>(32,688)</u>
Shown under non-current liabilities	<u>4,128,236</u>	<u>4,785,667</u>	<u>1,671,011</u>	<u>1,730,276</u>

- (a) obtained by SPBD Samoa
 (b) obtained by SPBD Tonga
 (c) obtained by SPBD Fiji
 (d) obtained by SPBD Solomon

Unsecured loans 1

The loans, consisting of three principal amounts of NZ\$500,000, A\$400,000 and US\$400,000 (2013: NZ\$500,000, A\$400,000 and US\$400,000), all bear interest rates of 5% (2013: 5%) per annum. Interest payment and principal repayment are payable from 1st July 2013 and 1st October 2015, respectively on a quarterly basis.

Unsecured loans 2

The interest free loans consist of two principal amounts of US\$168,000 and US\$116,000 (2013: US\$168,000 and US\$116,000). The respective principal amounts are repayable in 12 quarterly instalments, commencing 1st July 2016 and 31st December 2016.

Unsecured loans 3

The loans consisting of three principal amounts of US\$120,000, NZ\$200,000 and US\$90,000 (2013: US\$120,000 and NZ\$200,000).

The first loan bears interest of 9% (2013: 9%) per annum and interest is repayable semi-annually from 31st March 2014 and quarterly commencing 31st December 2016. The principal amount is repayable in five equal instalments, commencing 30th September 2016.

The second loan bears interest at the rate of 7.5% (2013: 7.5%) per annum and interest is repayable semi-annually from 7th June 2014 and quarterly commencing 7th March 2015. The principal amount is repayable in four equal instalments, commencing 7th March 2015.

The third loan is split into two tranches of US\$45,000 each, bears interest of 8.5% and 6.5% (2013: Nil) per annum respectively, and interest is repayable semi-annually from 31st October 2014 and quarterly commencing 30th July 2017. The principal amount is repayable in four equal instalments, commencing 31st July 2017.

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14. BORROWINGS (cont'd)

Secured loan 4

The loan amounting to US\$250,000 bears interest at 9.5% (2013: Nil) per annum and interest is repayable semi-annually from 30th September 2014. The principal amount is repayable in five equal instalments, commencing 30th September 2015. The loan is secured by a guarantee from a related party for up to a maximum of US\$125,000.

Soft term loans

Term loan 1

The outstanding balance is interest-free and unsecured with ongoing principal repayment based on its fund raising limit.

Term loan 2

The interest-free loan is unsecured with end of term repayment of principal by 31st December 2015.

Term loan 3

The interest-free loan is unsecured with scheduled amortisation of principal payment during the term. The loan is repayable not later than 18th April 2018.

Term loan 4

The loan was unsecured with scheduled amortisation of principal and interest payments at 9.25% (2013: 9.25%) per annum during the term. The loan was fully repaid during the year.

Term loan 5

The loan is unsecured with scheduled amortisation of principal and interest payments at 9.5% (2013: 9%) per annum. The loan is repayable no later than 31st September 2017.

Term loan 6

The unsecured loan, amounting to WST75,000 equivalent US\$31,777 (2013: WST150,000 equivalent US\$63,555) bears interest rate at 6% (2013: 6%) per annum with the final repayment due on 30th June 2015.

Term loan 7

The loan is unsecured. Interest rate is chargeable at 9.5% (2013: 9.25%) per annum and the principal is repayable on 30th September 2018.

Term loan 8

The loan is unsecured. Interest rate is chargeable at 9.25% (2013: 9.25%) per annum and the principal is repayable on 31st August 2016.

Term loan 9

The loan is unsecured. Interest rate is chargeable at 14% (2013: Nil) per annum and the principal is repayable no later than 31st August 2019.

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14. BORROWINGS (cont'd)

Soft term loans (cont'd)

Term loan 10

The amount consisting of four unsecured loans are:-

- a) The first loan made up of two separate amounts with interest chargeable at 7% (2013: 7%) per annum was fully repaid during the year.
- b) The second loan bears interest at 5% (2013: Nil) per annum with principal repayment no later than 31st March 2017.
- c) The third loan bears interest at 6.5% (2013: Nil) per annum with principal repayment no later than 28th February 2015.
- d) The fourth loan bears interest at 6.5% (2013: Nil) per annum with principal repayment no later than 31st December 2018.

Term loan 11

The amount consisting of two bank loans were unsecured. Interest rate was chargeable at 5% (2013: 5%) per annum and both loans were fully repaid during the year.

Term loan 12

The amount is unsecured and interest-free. There is no maturity date of repayment.

Term loan 13

The unsecured loan with interest chargeable at 8% (2013: 8%) per annum was fully repaid during the year.

Term loan 14

The amounts consisting of three separate unsecured, interest-free loans, two of which are repayable no later than 28th November 2019 and the third no later than 1st April 2020.

Term loan 15

The unsecured loan with interest rate is chargeable at 8.5% (2013: Nil) per annum is repayable no later than 28th July 2016.

Term loan 16

Unsecured loan bears interest rate of 8% (2013: 8%) per annum. Interest payments were made semi-annually during 2013 and 2012 and then revised to quarterly in 2014, with the final interest payment due on 31st December 2014.

Principal repayments were in four quarterly instalments commencing 31st March 2014 with the final repayment on 31st December 2014. The loan was fully repaid during the year.

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14. BORROWINGS (cont'd)

Term loan 17

Unsecured loan bore interest rate of 7% (2013: 7%) per annum. Interest payments were made annually beginning 31st December 2014 with the final interest payment on 31st December 2015.

Principal repayments were in five quarterly instalments commencing 31st December 2014 with the final repayment on 31st December 2015. The loan was fully repaid during the year.

Term loan 18

The unsecured loan bore an interest rate at 9% (2013: 9%) per annum and is payable semi-annually during 2013 and 2014 and then quarterly during 2015. The first interest payment was paid on 15th June 2013 with the final payment on 31st December 2015.

Principal repayments were in quarterly instalments with the first due on 15th March 2015 and the final payment on 15th December 2015. The loan was fully repaid during the year.

Term loan 19

The unsecured loan bore interest rate of 5% (2013: 5%) per annum. The first interest payment was due on 31st December 2011 and subsequently interest payment was on yearly basis.

The principal was repayable by quarterly instalments with the first due on 31st March 2014. The residual principal and all unpaid interest were repayable on 31st December 2014. The loan was fully repaid during the year.

Term loan 20

The unsecured loan bears an interest rate of 4% (2013: 4%) per annum. The interest payment is made on yearly basis commencing 31st July 2013 and with the final payment on 31st July 2017. Principal repayments are by quarterly installments with the first due on 31st October 2016 and the final payment due on 31st July 2017.

Term loan 21

The unsecured loan bears an interest rate of 3% (2013: 3%) per annum. The first interest payment was made on 31st March 2013. Thereafter interest payments and principal repayments are due on quarterly basis with the final payment due on 31st March 2015.

Term loan 22

The loan owing is unsecured and interest-free and with no fixed terms of repayment.

Term loan 23

The loan owing is unsecured and interest-free. Principal repayments will be made in twelve quarterly installments commencing on 30th September 2017. The loan is due in full on 30th June 2020.

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14. BORROWINGS (cont'd)

Term loan 24

The secured loan bears an interest rate at 9.5% (2013: Nil) per annum. Principal and interest payments will be made semi-annually. The first interest and principal payment will be due on 31st March 2015 and 31st March 2016 respectively. The loan is repayable no later than 31st March 2018.

The loan is secured by guarantee issued by Microdreams Foundation to CreSud S.p.A. for an amount of US\$260,000 until 30th April 2016, US\$160,000 from 1st May 2016 until 30th April 2017 and US\$56,000 from 1st May 2017 to 30th April 2018.

Term loan 25

The secured loan bears an interest rate at 10% (2013: Nil) per annum. The loan is repayable by interest only repayments till October 2016. Thereafter, repayment of principal interest and bank fees is payable annually.

The loan is secured by guarantee from the Company. (See note 24)

Term loans 26

The unsecured loans were made up of various sums bearing interest rates ranging from 7.5% to 9.5% per annum and repayable from September 2015 to June 2018.

Term loan 27

The secured loan bears an interest rate at 12% (2013: Nil) per annum and is repayable over 36 months. The loan is secured over the subsidiary's motor vehicles.

Commercial term loan 1

The fluctuating credit facility with Tonga Development Bank is secured by a charge of 120% of the loans portfolio of South Pacific Business Development Microfinance Ltd. to cover the facility amount, with interest at 9.0% (2013: 9.0%) per annum. The loan is repayable not later than 31st December 2019.

Commercial term loan 2

The Cresud loan is secured by guarantees from a related party and a US\$25,000 term deposit at a local commercial bank in Tonga.

The loan bears an interest rate of 9.5% (2013: 9.5%) per annum and is repayable not later than 31st March 2017.

Commercial term loan 3

The loan from Westpac Bank of Tonga bears interest rate of 9.65% (2013: Nil) per annum and is repayable no later than 1 July 2016. The loan is secured over the subsidiary's motor vehicles.

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15. SHARE CAPITAL

	<u>The Group and the Company</u>			
	<u>2014</u>	<u>Share capital</u>	<u>2013</u>	<u>Share capital</u>
<u>No. of shares</u>	<u>US\$</u>	<u>No. of shares</u>	<u>US\$</u>	
<u>Ordinary shares</u>				
Balance at beginning of the year	1,221,637	976,698	971,121	776,698
Issuance of shares	-	-	250,516	200,000
Balance at end of the year	<u>1,221,637</u>	<u>976,698</u>	<u>1,221,637</u>	<u>976,698</u>
<u>Preference shares</u>				
Balance at beginning of the year	-	-	-	-
Issuance of new shares	600,000	453,300	-	-
Balance at end of the year	<u>600,000</u>	<u>453,300</u>	<u>-</u>	<u>-</u>
Total share capital	<u>1,821,637</u>	<u>1,429,998</u>	<u>1,221,637</u>	<u>976,698</u>

Both classes of shares have no par value. Ordinary shares have one vote each.

The preference shares carry a dividend of 8% per annum, if and when declared by the Board of Directors. The dividend rights are cumulative and the shareholder has no voting rights unless dividends declared remains in arrears and unpaid for more than six months after the due date.

Redemption of preference shares

- i) At any time after 17 December 2014, if the Company issues new preference shares, the existing preference shareholder has the option to require the Company to redeem all issued preference shares plus all unpaid accumulative dividends declared but not paid; or
- ii) at any time after 15 December 2016 or on any anniversary thereafter (referred to as "Redemption Schedule Trigger Date"), the preference shareholder shall have the option to require the Company to redeem the paid shares according to the Five-Year Redemption Schedule. The Five-Year Redemption Schedule shall mean a period of five years commencing on the Redemption Schedule Trigger Date pursuant to which 20% of the preference shares will be redeemed on each of the first through fifth anniversaries.

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16. RESERVE

This relates to the difference between the cost of the acquisition and the amounts at which the acquired assets and liabilities are recorded for a business combination with an entity under common control.

17. OTHER OPERATING INCOME

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Exchange gain	-	22,297	-	22,297
Commission income	8,416	4,431	-	-
Donations received	85,044	4,821	-	-
(Loss)/Gain on disposal of property, plant and equipment	(620)	12,315	-	-
Interest on term loan and Guarantee fee	-	-	21,233	21,164
Admin fee for issuance of preference shares	-	-	18,934	-
Others	27,012	3,844	-	1,844
	<u>119,852</u>	<u>47,708</u>	<u>40,167</u>	<u>45,305</u>

18. OPERATING RESULTS

This is arrived at as follows:-

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
After charging/(crediting):-				
Donations received	(85,044)	(4,821)	-	-
Loss/(Gain) on disposal of property, plant and equipment	620	(12,315)	-	-
Depreciation of property, plant and equipment *	128,919	116,187	-	-
Exchange difference *	75,949	147,470	-	-
Interest on bank overdrafts	195,666	117,697	-	-
Interest on loans	391,769	310,433	115,016	67,181
Transportation *	263,662	272,133	-	-
Travelling *	125,980	110,836	1,997	2,021
Salaries and wages *	<u>1,203,888</u>	<u>1,182,826</u>	<u>118,520</u>	<u>136,000</u>

* Aggregating US\$1,798,398 (2013: US\$1,829,452) are shown under Group's other operating expenses.

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19. TAXATIONa) Tax expense

The charges for taxation are made up as follows:-

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Current year	138,200	101,112	-	-
Prior year	(2,729)	-	(2,729)	-
	<u>135,471</u>	<u>101,112</u>	<u>(2,729)</u>	<u>-</u>

Reconciliation of effective tax rate

(Loss)/Profit before taxation	(460,418)	(649,191)	65,758	129,333
Income tax at 17%	(78,271)	(110,363)	11,179	21,987
Non-deductible expenses	41,103	39,301	7,066	-
Non-taxable income	(24,366)	(22,763)	(24,366)	(22,763)
Deductible expense	(17,709)	(9,415)	-	-
Effect of higher tax rate in other country	215,428	124,586	-	-
Unrecognised deferred tax asset	5,251	2,498	-	-
Deferred tax benefit not recognised	86,131	105,077	6,121	776
Prior year	(2,729)	-	(2,729)	-
Utilisation of deferred tax benefit	(2,774)	(1,825)	-	-
Utilisation of capital allowance	(86,593)	(25,984)	-	-
	<u>135,471</u>	<u>101,112</u>	<u>(2,729)</u>	<u>-</u>

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19. TAXATION (cont'd)b) Movements in tax recoverable/(provision for taxation)

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Balance at beginning of the year	106,072	197,995	(7,539)	(10)
Income tax - current year	135,471	101,112	-	-
Income tax (paid)/refunded	(119,624)	(188,961)	7,497	(7,529)
Translation adjustment	449	(4,074)	(22,816)	-
Income tax receivable	(22,816)	-	-	-
Balance at end of the year	<u>99,552</u>	<u>106,072</u>	<u>(22,858)</u>	<u>(7,539)</u>

20. LEASING COMMITMENTS

At the end of the reporting period, there are leasing commitments in respect of rental of premises which are payable in the following accounting period as follows:-

	<u>The Group only</u>	
	<u>2014</u> US\$	<u>2013</u> US\$
Payable within 1 year	113,918	105,238
Payable after 1 year but within 5 years	59,026	60,820
Payable after 5 years	<u>13,353</u>	<u>77,206</u>

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21. RELATED PARTIES TRANSACTIONS

- a) Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Group and the Company with related parties:-

	<u>The Group</u>		<u>The Company</u>	
	<u>2014</u> US\$	<u>2013</u> US\$	<u>2014</u> US\$	<u>2013</u> US\$
Other income	-	-	(40,167)	(21,165)
Dividend income	-	-	(124,395)	(111,600)
Management income	-	-	(182,615)	(189,001)
Interest on term loan and Guarantee fee	-	-	(145,448)	(111,413)
Management fees charged by ultimate holding company	88,000	22,000	88,000	22,000
Management fees charged by related party	58,850	284,630	-	45,075
Loans from related parties	1,048,828	1,380,353	-	433,248
Interest on loans from related parties	<u>62,501</u>	<u>69,357</u>	<u>-</u>	<u>10,109</u>

b) Compensation of key management personnel

The key management personnel comprise mainly directors who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Other than a nominee director's fee of US\$1,577 (2013: US\$1,572), no other remuneration was paid during the year.

22. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to support its business and maximise shareholder value. Capital is defined as equity attributable to the equity holders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year.

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23. FINANCIAL INSTRUMENTS

Financial risk management

The principal risks from the Group's financial instruments are credit risk, interest rate risk and foreign exchange risk. The management reviews and manages these risks as follows:-

a) Credit risk

The carrying amounts of bank balances, loans portfolio and other receivables represent the Group's maximum exposure to credit risk.

The Group has insignificant concentration of credit risk.

As part of its risk control procedures, an assessment of the credit quality of a new member, taking into account its financial position, past experience and other factors, is carried out prior to the credit approval. Individual credit risk limits are then set based on the assessments done. The utilisation of credit limits is regularly monitored. Loans to clients are settled via weekly deductions.

It placed its surplus funds with licensed financial institutions in Singapore, Kingdom of Tonga, Fiji and Samoa.

b) Interest rate risk

The Group's exposures to changes in interest rates relate primarily to its borrowings. These are monitored on regular basis to ensure that the rates obtained are not less favourable than prevailing market rates applicable to the facilities obtained.

c) Foreign exchange risk

The Group's exposures to changes in foreign currency rates relate primarily to its outstanding foreign currency bank balances, other receivables and other payables. The Group monitors exchange fluctuations and takes appropriate steps to minimise or reduce exchange losses.

The Group is exposed to foreign exchange risk in respect of its investments in The Kingdom of Tonga, Republic of Fiji and Independent State of Samoa. As these investments are held on long-term basis, these exposures are not hedged.

The transactions in those countries take place in the local currencies of the countries concerned. As the foreign exchange rates of those operational currencies are set by their respective central banks based on a prescribed basket of foreign currencies, the Group tries to hedge the assets in those countries against significant fluctuations in foreign exchange valuation by borrowing in non-local currencies, in proportions which match, as close as possible, the foreign currencies utilised by the local central banks to fix their exchange rates, to the best of management's ability. No other specific currency hedging is performed.

Fair values

The carrying amounts of cash and bank balances, other receivables and other payables approximate their fair values due to their short-term nature.

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24. CONTINGENT LIABILITIES

On 15th April 2014, the Company provided corporate guarantee of US\$647,861 (2013: Nil) relating to a loan taken up by its subsidiary. No loss is anticipated (see Note 14).

25. EVENTS SUBSEQUENT TO REPORTING PERIOD

- a) On 31st March 2015, the Company disbursed an unsecured loan of US\$100,000 to a subsidiary. The loan bears interest at 8.5% per annum, payable on a semi-annual basis, commencing 31st December 2015. The loan principal is repayable in five semi-annual installments of US\$20,000 each commencing 30th June 2017.
- b) On 15th April 2015, the Company received an unsecured loan of US\$200,000 from The MicroDreams Foundation. The loan bears interest at 6.5% per annum, payable on a semi-annual basis, commencing 31st December 2015 and then quarterly starting 31st March 2018. The loan principal is repayable in four quarterly installments of US\$50,000 each commencing 31st March 2018.
- c) On 15th April 2015, the Company disbursed an unsecured loan of US\$200,000 to a subsidiary. The loan bears interest at 8% per annum, payable on a semi-annual basis, commencing 15th December 2015 and then quarterly starting 15th March 2018. The loan principal is repayable in four quarterly installments of US\$50,000 each commencing 15th March 2018.
- d) On 15th September 2015, the Company disbursed an unsecured loan of US\$100,000 to a subsidiary. The loan bears interest at 8.5% per annum, payable on a semi-annual basis, commencing 31st December 2015 and then quarterly starting 31st March 2018. The loan principal is repayable in four quarterly installments of US\$25,000 each commencing 31st March 2018.
- e) On 22nd December 2015, the Company disbursed an unsecured loan of A\$300,000 to a subsidiary. The loan bears interest at 11% per annum, payable on a semi-annual basis, commencing 31st March 2016. The loan principal is repayable in five semi-annual installments of A\$60,000 each commencing 31st March 2018.
- f) On 21st December 2015, the following interim tax-exempt (1-tier) dividends were declared:-
- i) An interim tax-exempt (1-tier) dividend of S\$0.08 per preference share amounting to S\$48,000.00 for the financial year ended 31st December 2014 be declared and payable to the preference shareholders on 21st December 2015.
- 1i) An interim tax-exempt (1-tier) dividend of US\$0.018 per ordinary share amounting to US\$21,989.46 for the financial year ended 31st December 2014 be declared and payable to the ordinary shareholders on 24th December 2015.

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26. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors on 22nd December 2015.