

Company Registration No: 201025088K



SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2016

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

31 DECEMBER 2016

CONTENTS	PAGE
Directors' Statement	1 - 2
Independent Auditor's Report	3 - 7
Statements of Comprehensive Income	8
Statements of Financial Position	9 - 10
Consolidated Statement of Changes in Equity	11
Statement of Changes in Equity	12
Consolidated Cash Flow Statement	13
Cash Flow Statement	14
Notes to the Financial Statements	15 - 65

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the shareholder together with the audited financial statements of SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016.

In the opinion of the directors:

- (a) the accompanying financial statements of the Company and the consolidated financial statements of the Group as set out on pages 8 to 65 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the Company for the 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 as described in Note 2(a) to the financial statements.

1 Directors

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

Gregory Francis Casagrande
Wu Pei Ngee Penny

(Appointed on 1 November 2016)

2 Arrangements to Enable Directors to Acquire Shares or 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 or Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

SPBD Microfinance Holdings (Delaware) L.L.C. (Immediate and Ultimate Holding Company)	<i>Registered in the name of director</i>	
	At the beginning of the year	At the end of the year
Gregory Francis Casagrande	<u>Percentage of equity interest</u>	
	100%	100%

**SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)**

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 Share Options

There were no share options granted during the financial year to subscribe for unissued shares of the Company or any corporation in the Group.


There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

5 Independent Auditor

Moore Stephens LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment as auditor.

Board of Directors


.....
GREGORY FRANCIS CASAGRANDE


.....
WU PEI NGEE PENNY

Singapore
24 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 8 to 65, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and the Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). 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 Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) to the financial statements which states that for the financial year ended 31 December 2016, the Group incurred a net loss and total comprehensive loss of US\$152,867 and US\$247,064 (2015: net loss and total comprehensive loss of US\$330,172 and US\$294,604) respectively and as of that date, the Group has a net deficit in shareholder's funds of US\$1,145,754 (2015: net deficit of US\$833,628).

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Material Uncertainty Related to Going Concern (cont'd)

The above conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern and therefore that it may be unable to realise their assets and discharge their liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Nevertheless, in the preparation of the financial statements, the directors of the Company believe that the use of the going concern assumption is appropriate after taking into consideration the following factors:

- (i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
- (ii) The immediate and ultimate holding company has indicated its intention to provide continuing financial support to enable the Group to meet its obligations as and when they fall due.

Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement" section on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group'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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 Group's ability to continue 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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

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.



Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
24 July 2017

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Financial revenue	4	4,653,392	4,054,120	785,350	598,169
Other income	5	215,458	169,836	19,684	106,767
Financial expenses	6	(1,203,653)	(943,258)	(278,165)	(120,343)
Other operating expenses		(3,686,090)	(3,516,019)	(497,785)	(390,326)
(Loss)/Profit before income tax	7	(20,893)	(235,321)	29,084	194,267
Income tax expense	8	(131,974)	(94,851)	(4,153)	-
(Loss)/Profit for the financial year		(152,867)	(330,172)	24,931	194,267
Other comprehensive (loss)/income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
- Exchange differences on translation of foreign operations		(94,197)	35,568	-	-
Total comprehensive (loss)/income for the financial year		(247,064)	(294,604)	24,931	194,267

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 US\$	2015 US\$	2016 US\$	2015 US\$
ASSETS					
Non-Current Assets					
Goodwill	9	407,438	407,438	-	-
Property, plant and equipment	10	498,469	363,852	-	-
Investments in subsidiaries	11	-	-	1,837,669	1,837,669
Amount due from subsidiaries	12	-	-	2,470,521	1,899,884
		<u>905,907</u>	<u>771,290</u>	<u>4,308,190</u>	<u>3,737,553</u>
Current Assets					
Loans portfolio	13	9,209,376	7,728,745	-	-
Amount due from subsidiaries	12	-	-	972,337	216,708
Other receivables	14	163,723	111,363	19,002	-
Cash and cash equivalents	15	2,262,534	2,218,011	262,413	370,302
		<u>11,635,633</u>	<u>10,058,119</u>	<u>1,253,752</u>	<u>587,010</u>
Total Assets		<u>12,541,540</u>	<u>10,829,409</u>	<u>5,561,942</u>	<u>4,324,563</u>
EQUITY					
Attributable to equity holder of the Company					
Share capital	16	1,429,998	1,429,998	1,429,998	1,429,998
(Accumulated losses)/Retained earnings		(2,153,477)	(1,935,548)	173,446	213,577
Other reserve	17	(313,505)	(313,505)	-	-
Foreign currency translation reserve		(108,770)	(14,573)	-	-
Total Equity		<u>(1,145,754)</u>	<u>(833,628)</u>	<u>1,603,444</u>	<u>1,643,575</u>

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	<u>Note</u>	Group <u>2016</u> US\$	<u>2015</u> US\$	Company <u>2016</u> US\$	<u>2015</u> US\$
LIABILITIES					
Non-Current Liabilities					
Obligations under finance lease	19	146,936	58,926	-	-
Amounts due to related parties	18	73,463	-	-	-
Borrowings	20	7,102,223	5,746,528	3,296,335	1,886,863
		<u>7,322,622</u>	<u>5,805,454</u>	<u>3,296,335</u>	<u>1,886,863</u>
Current Liabilities					
Members' savings deposits	21	1,925,058	1,627,606	-	-
Other payables	22	375,912	229,031	27,677	19,801
Amounts due to related parties	18	39,634	69,241	-	60,000
Bank overdrafts	23	1,046,992	1,323,075	-	-
Obligations under finance lease	19	75,080	41,646	-	-
Borrowings	20	2,801,406	2,527,483	634,486	714,324
Provision for taxation		100,590	39,501	-	-
		<u>6,364,672</u>	<u>5,857,583</u>	<u>662,163</u>	<u>794,125</u>
Total Liabilities		<u>13,687,294</u>	<u>11,663,037</u>	<u>3,958,498</u>	<u>2,680,988</u>
Total Equity and Liabilities		<u>12,541,540</u>	<u>10,829,409</u>	<u>5,561,942</u>	<u>4,324,563</u>

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital US\$	Accumulated losses US\$	Other reserve US\$	Foreign currency translation reserve US\$	Total US\$
Group					
Balance as at 1 January 2016	1,429,998	(1,935,548)	(313,505)	(14,573)	(833,628)
Net loss for the year	-	(152,867)	-	-	(152,867)
Other comprehensive loss	-	-	-	(94,197)	(94,197)
Total comprehensive loss	-	(152,867)	-	(94,197)	(247,064)
Dividends paid (Note 24)	-	(65,062)	-	-	(65,062)
Balance as at 31 December 2016	<u>1,429,998</u>	<u>(2,153,477)</u>	<u>(313,505)</u>	<u>(108,770)</u>	<u>(1,145,754)</u>
Balance as at 1 January 2015	1,429,998	(1,549,945)	(313,505)	(50,141)	(483,593)
Net loss for the year	-	(330,172)	-	-	(330,172)
Other comprehensive income	-	-	-	35,568	35,568
Total comprehensive (loss)/income	-	(330,172)	-	35,568	(294,604)
Dividends paid (Note 24)	-	(55,431)	-	-	(55,431)
Balance as at 31 December 2015	<u>1,429,998</u>	<u>(1,935,548)</u>	<u>(313,505)</u>	<u>(14,573)</u>	<u>(833,628)</u>

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	<u>Share capital</u> US\$	<u>Retained earnings</u> US\$	<u>Total</u> US\$
Balance as at 1 January 2016	1,429,998	213,577	1,643,575
Net profit for the year	-	24,931	24,931
Other comprehensive income	-	-	-
Total comprehensive income	-	24,931	24,931
Dividend paid (Note 24)	-	(65,062)	(65,062)
Balance as at 31 December 2016	<u>1,429,998</u>	<u>173,446</u>	<u>1,603,444</u>
Balance as at 1 January 2015	1,429,998	74,741	1,504,739
Net profit for the year	-	194,267	194,267
Other comprehensive income	-	-	-
Total comprehensive income	-	194,267	194,267
Dividend paid (Note 24)	-	(55,431)	(55,431)
Balance as at 31 December 2015	<u>1,429,998</u>	<u>213,577</u>	<u>1,643,575</u>

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Cash Flows from Operating Activities		
Loss before income tax	(20,893)	(235,321)
Adjustments for:		
Depreciation of property, plant and equipment	146,373	126,498
Interest expense	971,286	769,092
Unrealised foreign exchange (gain)/loss	(135,459)	111,992
Allowance for loans losses	98,400	56,055
Gain on disposal of property, plant and equipment	(4,511)	(2,869)
Operating cash inflows before working capital changes	1,055,196	825,447
Changes in operating assets and liabilities:		
Loans portfolio	(1,574,520)	(1,910,491)
Other receivables	(52,360)	(12,692)
Members' savings deposits	282,334	355,581
Other payables	52,807	8,097
Net cash used in operations	(236,543)	(734,058)
Income tax paid	(67,096)	(152,590)
Net cash used in operating activities	(303,639)	(886,648)
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	13,672	8,205
Purchase of property, plant and equipment	(128,932)	(73,468)
Net cash used in investing activities	(115,260)	(65,263)
Cash Flows from Financing Activities		
Proceeds from borrowings	4,064,030	3,327,951
Repayment of borrowings and finance lease	(2,421,588)	(2,109,398)
Decrease/(Increase) in fixed deposits pledged and fixed deposits that are more than three months	1,424	(4,804)
Interest paid	(809,693)	(747,314)
Amount owing to related parties	(29,607)	(128,103)
Dividend paid	(65,062)	(85,972)
Decrease in amount restricted to members' savings deposits	42,754	113,774
Net cash generated from financing activities	782,258	(366,134)
Net increase/(decrease) in cash and cash equivalents	228,521	(585,777)
Cash and cash equivalents at the beginning of the year	490,104	1,176,565
Currency realignment	1,425	(100,684)
Cash and cash equivalents at the end of the year (Note 15)	854,888	490,104

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Company	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Cash Flows from Operating Activities		
Profit before income tax	29,084	194,267
Adjustments for:		
Interest expense	278,165	120,343
Interest income	(219,872)	(100,175)
Unrealised foreign exchange loss/(gain)	45,168	(86,552)
Operating cash inflows before working capital changes	132,545	127,883
Changes in operating assets and liabilities:		
Other receivables	(19,002)	1,540
Other payables	(13,880)	9,001
Net cash generated from operations	99,663	138,424
Income tax (paid)/refund	(4,153)	22,858
Net cash generated from operating activities	95,510	161,282
Cash Flows from Investing Activities		
Amount due from subsidiaries	(1,184,158)	(1,038,966)
Redemption of preference shares	-	222,752
Net cash used in investing activities	(1,184,158)	(816,214)
Cash Flows from Financing Activities		
Proceeds from borrowings	1,993,829	1,120,000
Repayment of borrowings	(682,652)	(454,025)
Interest paid	(205,356)	(147,500)
Amount due to related parties	(60,000)	(90,000)
Dividend paid	(65,062)	(85,972)
Net cash generated from financing activities	980,759	342,503
Net decrease in cash and cash equivalents	(107,889)	(312,429)
Cash and cash equivalents at the beginning of the year	370,302	682,731
Cash and cash equivalents at the end of the year (Note 15)	262,413	370,302

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General Information

SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the “Company”) is a private limited company, domiciled and incorporated in Singapore. The Company’s registered office and place of business is located at 1 Goldhill Plaza, #03-39 Podium Block, Singapore 308899.

The principal activities of the Company are that of investment holding and provision of services. There have been no significant changes in the nature of these activities during the financial year. The principal activities of subsidiaries are disclosed in Note 11.

The Company’s immediate and ultimate holding company is SPBD Microfinance Holdings (Delaware) L.L.C. (incorporated in the United States of America). The Company’s ultimate controlling shareholder is Mr. Gregory Francis Casagrande.

The directors have authorised these financial statements for issue on the date of the Directors’ Statement.

2 Significant Accounting Policies

(a) Going Concern

For the financial year ended 31 December 2016, the Group incurred a net loss and total comprehensive loss of US\$152,867 and US\$247,064 (2015: net loss and total comprehensive loss of US\$330,172 and US\$294,604) respectively and as of that date, the Group has a net deficit in shareholder’s funds of US\$1,145,754 (2015: net deficit of US\$833,628).

The above conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Group to continue as going concerns and therefore that they may be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, the directors of the Company believe that the use of the going concern assumption is appropriate after taking into consideration the following factors:

- (i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
- (ii) The immediate and ultimate holding company has indicated its intention to provide continuing financial support to enable the Group to meet its obligations as and when they fall due.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(b) Basis of Preparation

In the event the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Adoption of New and Revised FRSs and Interpretations of FRSs (“INT FRSs”)

For the financial year ended 31 December 2016, the Group has adopted all the amendments to FRSs issued that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The adoption of these amendments to FRSs has had no material financial impact on the financial performance and financial position of the Group and the Company.

New and Revised FRSs Issued but not yet Effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	Effective for annual periods beginning
Amendment to FRS 7 <i>Statement of Cash Flows</i>	1 January 2017
Amendment to FRS 12 <i>Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

The Group is in the process of assessing the impact of these standards and interpretations.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(b) Basis of Preparation (cont'd)

New and Revised FRSs Issued but not yet Effective (cont'd)

Amendments to FRS 7 *Statement of Cash Flows*

The amendments require new disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to FRS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised.

- Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.
- Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:
 - a) includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;
 - b) includes only income types against which those temporary differences qualify to be deducted under tax legislation; and
 - c) excludes tax deductions resulting from the reversal of those temporary differences.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(b) Basis of Preparation (cont'd)

New and Revised FRSs Issued but not yet Effective (cont'd)

FRS 115 *Revenue from Contracts with Customers* (cont'd)

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is generally required, except that hedge accounting requirements are, with limited exemptions, applied prospectively. Comparative information need not be restated.

FRS 116 *Leases*

FRS 116 Leases sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 requires lessees to recognize right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognized on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(c) Currency Translation

(i) *Functional and presentation currency*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar (“US\$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(ii) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

(iii) *Translation of Group entities' financial statements*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal (i.e. loss of control) of the entity giving rise to such reserve.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(d) Group Accounting

Subsidiaries

(i) *Consolidation*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

(ii) *Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In business combinations achieved in stages, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the consolidated balance sheet. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

(iii) *Disposals of subsidiaries or businesses*

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(e) Investments in Subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments is taken to profit or loss.

(f) Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Subsequently, goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. If the Group's interest in the net fair value of the identifiable assets and liabilities exceeds the consideration transferred and the non-controlling interest in the acquiree, the Group will reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and any excess thereafter is recognised as an income immediately.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit and loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2(c).

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(g) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost represents all costs that are directly attributable to bringing the asset to its working location and condition for its intended use.

Depreciation is calculated on straight line basis to write off the cost of the property, plant and equipment less their residual values over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with effect of any changes in estimate accounted for on a prospective basis. The annual rates have been taken as follows:

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Impairment of Non-Financial Assets

(i) *Goodwill*

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(h) Impairment of Non-Financial Assets

(i) *Goodwill* (cont'd)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(ii) *Property, Plant and Equipment*
Investments in Subsidiaries

Property, plant and equipment and investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If 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, the 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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 is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in profit or loss.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(i) Financial Assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purposes for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are presented as “loans portfolio”, “other receivables (excluding prepayment)”, “amount due from subsidiaries” and “cash and cash equivalents” on the statement of financial position.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On the disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Measurement

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method less impairment, if any.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy and default or significant delay in payments are considered objective evidence that a receivable is impaired.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Impairment (cont'd)

In determining this, management has made judgements 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.

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 allowance ratio for 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%

(j) Cash and Cash Equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents comprise cash and bank balances less pledged/restricted bank balances with financial institutions, which are subject to an insignificant risk of change in value.

(k) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provision of the financial instruments. Financial liabilities are included in "total liabilities (excluding provision for taxation and life insurance provision)" on the statement of financial position.

Financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(k) Financial Liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial liabilities of the Group are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(m) Financial Guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for amounts higher than the unamortised amounts. In this case, the financial guarantees shall be carried at the expected amounts payable to the banks in the Company's balance sheet.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

(n) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(o) Preference Share Capital

Preference shares are classified as equity as it is redeemable only at the Company's option and any dividend is discretionary. Dividends thereon are recognised as distributions within equity.

(p) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and it can be measured reliably and also after obtaining reasonable assurance about its collectability. Revenue from rendering services is recognised upon delivery of services to the customers.

Management and professional service income

Management and professional service income are recognised in the period when the services are rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(p) Revenue Recognition (cont'd)

Development fee

The Group charges certain percentage of 1% to 3% 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 period when the services are rendered.

Loan insurance fee

The Group 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. The loan insurance fee is recognised as income when earned.

Death benefit fee

The Group offers a Death Benefit 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 Death Benefit fee during disbursement of the principal loan amount. The fee is recognised as income when earned.

Saving withdrawal fee

A fee is charged by the Group to its members when they make withdrawals from their savings account and is recognised upon the withdrawals.

Membership fee

In South Pacific Business Development Microfinance (Fiji) (Ltd), a membership fee is charged to the members for entitlements given by the Group, and hence membership fees is non-refundable and recognised as income over the duration of the membership.

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.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(q) Employee Benefits

Defined contribution plan

Defined contributions are recognised as an expense in the same period as the employment that gives rise to the contribution. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlement

No provision has been made for employee's annual leave entitlements as generally any unconsumed annual leave not utilised will be forfeited.

(r) Leases

(i) *When the Group is the lessee:*

Finance leases

Lease where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property plant and equipment and finance lease respectively, at the inception of the lease based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each leased payment is apportioned between the finance lease and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Contingent rents are recognised as an expense in the profit or loss when incurred. Rental costs under operating leases are charged to profit or loss on a straight-line basis over the period of the leases.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(r) Leases (cont'd)

(ii) *When the Group is the lessor:*

Operating leases

Assets leased out under operating leases are included in property, plant and equipment.

Rental income from operating leases (net of any incentives given to the lessees) are recognised in the profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the profit or loss when earned.

(s) Income Tax

Current income tax for the current period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by reporting date.

Deferred income tax is provided using the liability method on all temporary differences at reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except in respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at reporting date.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(t) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the “reporting entity”).

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

- b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. both entities 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - 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); or
 - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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.

(a) Critical Accounting Estimates and Assumptions

Impairment of Investments in Subsidiaries

The Company assesses at each balance sheet date whether there is any objective evidence that the investments in subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the subsidiaries' financial performance and financial position, changes in customer demand, consumer tastes and trends, and the overall economic environment.

No impairment losses has been recognised for the financial years ended 31 December 2016 and 2015. The carrying amounts of the Company's investments in subsidiaries as at the balance sheet date are disclosed in Note 11.

Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with the accounting policy as disclosed in Note 2(h)(i). The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions will result in changes in the carrying values of goodwill arising from the acquisition of business. No impairment losses has been recognised for the financial years ended 31 December 2016 and 2015. As at 31 December 2016, the carrying amount of goodwill is US\$407,438 (2015: US\$407,438).

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires that the directors estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the estimation of the value in use are provided in Note 9.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Critical Judgements in Applying the Group's Accounting Policies

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.

The Group recognised provision for loans losses amounting to US\$98,400 (2015: US\$56,055) in the profit or loss during the current financial year. The carrying amount of the Group and Company's loans and receivables as at 31 December 2016 was US\$9,311,533 and US\$3,461,860 respectively (2015: US\$7,793,051 and US\$2,116,592) (Notes 12, 13 and 14).

4 Financial Revenue

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Development fee	395,033	355,453	-	-
Dividend income	-	-	-	11,791
Interest on loans	3,618,927	2,972,749	219,872	100,175
Loan insurance fee	226,575	203,729	-	-
Death benefit fee	118,774	231,775	-	-
Membership fee	216,375	238,970	-	-
Management income	-	-	429,944	365,203
Professional service	-	-	135,534	121,000
Saving withdrawal fee	25,745	15,972	-	-
Others	51,963	35,472	-	-
	<u>4,653,392</u>	<u>4,054,120</u>	<u>785,350</u>	<u>598,169</u>

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

5 Other Income

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Commission income	11,575	5,997	-	-
Donation received	1,754	166	-	-
Gain on disposal of property, plant and equipment	4,511	2,869	-	-
Interest from bank	68	105	-	-
Guarantee fee	-	-	19,684	19,338
Rental income	20,502	17,972	-	-
Unrealised foreign exchange gain	-	-	-	86,552
Others	177,048	142,727	-	877
	<u>215,458</u>	<u>169,836</u>	<u>19,684</u>	<u>106,767</u>

6 Financial Expenses

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Insurance fee and related claims	133,967	118,111	-	-
Interest on borrowings	897,335	693,951	278,165	120,343
Interest on members' savings deposits	17,391	13,081	-	-
Allowance for loans losses	98,400	56,055	-	-
Amortisation of discount	56,560	62,060	-	-
	<u>1,203,653</u>	<u>943,258</u>	<u>278,165</u>	<u>120,343</u>

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

7 (Loss)/Profit before Income Tax

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
This is arrived at after charging:				
Admin and management fee	496,691	281,026	170,000	138,000
Defined contribution plans	44,056	40,591	-	-
Depreciation of property, plant and equipment	146,373	126,498	-	-
Foreign exchange difference	160,938	159,429	45,168	-
Rental expenses	251,812	242,345	-	-
Legal and professional fees	219,189	271,554	-	-
Travelling and transportation	365,913	386,847	-	-
Salaries and wages	1,261,533	1,243,513	135,534	128,333

8 Income Tax Expense

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
Income tax expense on results for the year consists of:				
Current income tax				
- current year	127,821	94,851	-	-
- under provision in prior year	4,153	-	4,153	-
	131,974	94,851	4,153	-

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

8 Income Tax Expense (cont'd)

Income tax varied from the amount of income tax determined by applying the Singapore income tax rate of 17% (2015: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
(Loss)/Profit before taxation	(20,893)	(235,231)	29,084	194,267
Income tax at 17%	(3,552)	(40,005)	4,944	33,025
Non-deductible expenses	53,356	40,433	26,875	-
Non-taxable income	(47,429)	(29,801)	(29,696)	(14,714)
Statutory tax exemption	(2,123)	(6,950)	(2,123)	(6,950)
Effect of higher tax rate in other country	46,394	30,661	-	-
Unrecognised deferred tax assets	81,175	111,874	-	-
Under provision in prior year	4,153	-	4,153	-
Utilisation of deferred tax asset previously not recognised	-	(11,361)	-	(11,361)
	<u>131,974</u>	<u>94,851</u>	<u>4,153</u>	<u>-</u>

The corporate income tax rate for the Group's subsidiaries incorporated are calculated at the tax rates applicable in the country in which the subsidiaries are accessible for tax, based on existing legislations, interpretations and practices in respect thereof.

	<u>2016</u> %	<u>2015</u> %
<u>Tax rate applicable to the Company</u>		
Singapore	17	17
<u>Tax rate applicable to the Subsidiaries</u>		
Independent State of Samoa	27	27
Kingdom of Tonga	25	25
Republic of Fiji	20	20
Solomon Islands	<u>30</u>	<u>30</u>

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

8 Income Tax Expense (cont'd)

As at the balance sheet date, the Group has unutilised tax losses amounting to approximately US\$3,026,000 (2015: US\$3,074,000) available for offsetting against future taxable income. The related tax benefits of approximately US\$764,000 (2015: US\$736,000) arising from these unutilised tax losses have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the future periods, in accordance with the accounting policy as stated in Note 2(s) to the financial statements. The availability of the unabsorbed tax losses for set off against future taxable income is subject to the tax regulations of the respective countries in which the Group companies are incorporated and approval by the relevant tax authorities.

The breakdown of unutilised tax losses is as follows:

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Expiry dates</u>				
31 December 2016	-	538,000	-	-
31 December 2017	677,000	664,000	-	-
31 December 2018	873,000	854,000	-	-
31 December 2019	601,000	587,000	-	-
31 December 2020	549,000	387,000	-	-
31 December 2021	326,000	-	-	-
No expiry dates subject to terms and conditions	-	44,000	-	44,000
	<u>3,026,000</u>	<u>3,074,000</u>	<u>-</u>	<u>44,000</u>

9 Goodwill

	Group	
	<u>2016</u> US\$	<u>2015</u> US\$
The goodwill is made up as follows:		
Purchased goodwill	<u>407,438</u>	<u>407,438</u>

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

Goodwill is assessed for impairment during the end of each financial year. An impairment loss is the amount by which the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows from one to five year period were extrapolated using the estimated growth rates of 10% (2015: 10%) based on management's best estimates from market industry. A discount factor of 7.52% (2015: 6.21%) per annum was applied in the value in use calculations.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

10 Property, Plant and Equipment	<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\$
Group 2016							
<u>Cost</u>							
At beginning of the year	32,650	89,779	46,547	135,221	480,685	34,865	819,747
Additions	12,679	8,081	16,650	29,637	216,675	3,242	286,964
Disposals	-	-	-	-	(23,270)	-	(23,270)
Translation adjustment	353	(74)	(247)	1,022	1,200	(351)	1,903
At end of the year	45,682	97,786	62,950	165,880	675,290	37,756	1,085,344
<u>Accumulated depreciation</u>							
At beginning of the year	24,075	59,823	25,505	94,867	227,538	24,087	455,895
Charge for the year	4,110	15,013	5,968	21,905	91,211	8,166	146,373
Disposals	-	-	-	-	(14,109)	-	(14,109)
Translation adjustment	210	(159)	(171)	330	(1,062)	(432)	(1,284)
At end of the year	28,395	74,677	31,302	117,102	303,578	31,821	586,875
<u>Net book value</u>							
At end of the year	17,287	23,109	31,648	48,778	371,712	5,935	498,469

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

10 Property, Plant and Equipment (cont'd)	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronics systems	Total
Group 2015 Cost	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At beginning of the year	36,203	93,501	40,834	132,962	407,820	34,674	745,994
Additions	117	4,702	9,277	16,781	120,225	2,860	153,962
Disposals	-	-	-	(1,861)	(5,336)	-	(7,197)
Translation adjustment	(3,670)	(8,424)	(3,564)	(12,661)	(42,024)	(2,669)	(73,012)
At end of the year	32,650	89,779	46,547	135,221	480,685	34,865	819,747
Accumulated depreciation							
At beginning of the year	22,442	47,233	23,292	84,927	175,941	22,264	376,099
Charge for the year	3,855	17,559	4,716	20,583	76,137	3,648	126,498
Disposals	-	-	-	(1,861)	-	-	(1,861)
Translation adjustment	(2,222)	(4,969)	(2,503)	(8,782)	(24,540)	(1,825)	(44,841)
At end of the year	24,075	59,823	25,505	94,867	227,538	24,087	455,895
Net book value							
At end of the year	8,575	29,956	21,042	40,354	253,147	10,778	363,852

The carrying amount of property, plant and equipment acquired under finance lease arrangements for the Group as at 31 December 2016 amounted to US\$204,639 (2015: US\$94,694).

During the current financial year, the Group acquired motor vehicles of US\$158,032 (2015: US\$80,494) under finance leases.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11 Investments in Subsidiaries

	Company	
	<u>2016</u> US\$	<u>2015</u> US\$
<u>Unquoted shares, at cost</u>		
<i>Ordinary shares</i>		
Balance as at beginning and end of the financial year	517,298	517,298
<i>Preference shares</i>		
Balance as at beginning of the financial year	1,320,271	1,543,123
Redemptions	-	(222,752)
	1,320,371	1,320,371
Balance as at end of the financial year	1,837,669	1,837,669

Details of the subsidiary companies are as follows:

<u>Name of subsidiaries, country of incorporation, and place of business</u>	<u>Principal activities</u>	<u>% of equity held by the Company</u>		<u>Cost of investment</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		%	%	US\$	US\$
South Pacific Business Development Microfinance Ltd. ("SPBD Tonga") ^(a) (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	40,000	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	1,463,318

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

11 Investments in Subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, and place of business	Principal activities	% of equity held by the Company		Cost of investment	
		2016	2015	2016	2015
		%	%	US\$	US\$
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
SPBD Microfinance (Vanuatu) Ltd ("SPBD Vanuatu") ^(e) (Vanuatu)	Provision of financial services, training, on- going guidance and motivation to economically disadvantaged people	-	-	-	-
				1,837,669	1,837,669

(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

(e) During the current financial year, the Company incorporated the subsidiary. Subsequent to the financial year end, investment of US\$50,000 has been made.

During the financial year ended 31 December 2014, the Company converted certain loans from subsidiaries amounting to US\$1,543,123 into investment in the subsidiaries' preference shares. The preference shares have the following rights and subject to the following conditions:

- (a) Redeemable at par value any time after 5 years from date of issue and as determined and deemed appropriate by the directors of the subsidiaries;
- (b) Entitled to dividends not exceeding 6% per annum depending on the profitability and financial position of the subsidiaries, and prior consent of certain financial institutions which the subsidiary obtained finance and given covenant regarding dividends;
- (c) Carry similar voting rights as that of ordinary shareholder; and
- (d) Do not entitle holder to any additional seats on the board of the subsidiaries.

During the prior financial year, a subsidiary company redeemed preference shares amounting to US\$222,752.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

12 Amount Due from Subsidiaries

	Company	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Loan receivables	3,253,295	2,109,995
Other receivables	189,563	6,597
	3,442,858	2,116,592
Less: Current portion	(972,337)	(216,708)
Non-current portion	2,470,521	1,899,884

The loan receivables are unsecured and carries an interest rate of 0% to 11% (2015: 0% to 11%) per annum. The final repayments of the loans range from 31 March 2017 to 30 June 2021.

The other receivables are non-trade in nature, unsecured, interest-free and payable on demand.

13 Loans Portfolio

	Group	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Balance at beginning of the year	8,606,013	6,744,878
Loans disbursement during the year	16,961,739	14,191,909
Loans repayment during the year	(15,388,574)	(12,287,963)
Write-offs during the year	(53,487)	(42,811)
Gross loans portfolio	10,125,691	8,606,013
Less: Allowance for loans losses	(122,331)	(78,773)
Translation adjustment	(793,983)	(798,495)
	9,209,376	7,728,745

The loans earn interest at the rate ranging from 10% to 25% (2015: 8% to 25%) per annum.

Movement in the allowance for loans losses during the financial year are as follows:

	Group	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Balance at beginning of the year	78,773	72,074
Charge to profit or loss	98,400	56,055
Loans written off	(53,487)	(42,811)
Currency translation adjustment	(1,356)	(6,545)
Balance at end of the year	122,331	78,773

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

14 Other Receivables

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Deposits and advances	44,783	42,476	-	-
Prepayments	61,546	47,057	-	-
Interest receivables	5,812	5,691	-	-
Amount due from related party	15,800	-	15,800	-
Other receivables	35,782	16,139	3,202	-
	<u>163,723</u>	<u>111,363</u>	<u>19,002</u>	<u>-</u>

15 Cash and Cash Equivalents

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Cash on hand	38,910	20,153	-	-
Cash in banks	1,248,075	1,181,506	262,413	370,302
Vodafone M-Paisa account	57,639	120,677	-	-
Fixed deposits	917,910	895,675	-	-
	<u>2,262,534</u>	<u>2,218,011</u>	<u>262,413</u>	<u>370,302</u>

For the purpose of the presentation of the cash flow statement, the cash and cash equivalents as at the reporting date comprise the following:

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Cash and cash equivalent	2,262,534	2,218,011	262,413	370,302
Less:				
Fixed deposits pledged and fixed deposits that are more than 3 months	(76,027)	(77,451)	-	-
Restricted to members' savings deposits	(284,627)	(327,381)	-	-
Bank overdrafts (Note 23)	(1,046,992)	(1,323,075)	-	-
	<u>854,888</u>	<u>490,104</u>	<u>262,413</u>	<u>370,302</u>

As at the balance sheet date, fixed deposits matured within twelve months (2015: twelve months) from the end of the financial year. Interest on fixed deposits are derived at rates ranging from 0.1% to 6.5% (2015: 0.15% to 3.5%) per annum.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

16 Share Capital

	Group and Company			
	<u>2016</u>		<u>2015</u>	
	<u>No. of</u> <u>shares</u>	<u>Share</u> <u>capital</u> US\$	<u>No. of</u> <u>shares</u>	<u>Share</u> <u>capital</u> US\$
<u>Ordinary shares</u>				
Balance at beginning and end of the year	1,221,637	976,698	1,221,637	976,698
<u>Preference shares</u>				
Balance at beginning and end of the year	600,000	453,300	600,000	453,300
Total share capital	1,821,637	1,429,998	1,821,637	1,429,998

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 preference shareholder has no voting rights unless dividends declared remains in arrears and unpaid for more than six months after the due date.

17 Other 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.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

18 Amounts Due to Related Parties

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
Amount due to related parties	113,097	69,241	-	60,000
Less: Current Portion	(39,634)	(69,241)	-	(60,000)
Non-current Portion	<u>73,463</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the previous financial year, the amounts due to related parties include US\$60,000 that is unsecured, non-trade in nature, bears interest rate of 8% per annum and is repayable not later than 30 June 2016.

During the current financial year, the amounts due to related parties include US\$73,463 that is unsecured, non-trade in nature, bears 8% interest per annum and is repayable not later than 31 March 2020.

The remaining amounts owing to related parties are unsecured, non-trade in nature, interest free and repayable on demand.

19 Obligation under Finance Leases

	Group			
	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
Amounts payable under finance lease:				
Within 1 year	95,608	52,188	75,080	41,646
Between 1 year to 5 years	163,668	64,058	146,936	58,926
	<u>259,276</u>	<u>116,246</u>	<u>222,016</u>	<u>100,572</u>
Less: future finance charge	(37,260)	(15,674)	-	-
Present value of lease obligations	<u>222,016</u>	<u>100,572</u>	222,016	100,572
Less: Amount due for settlement within 12 months			<u>(75,080)</u>	<u>(41,646)</u>
Amount due for settlement after 12 months			<u>146,936</u>	<u>58,926</u>

The finance lease obligations bear interest ranges from 11% to 11.7% (2015: 6.5% to 12%) per annum. The carrying amount of the lease obligation approximates their fair values. The net carrying amount of motor vehicles acquired under finance lease agreements is disclosed in Note 10.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

20 Borrowings

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Secured loans	5,897,751	4,998,567	634,486	1,129,712
Unsecured loans	4,081,866	3,408,127	3,296,335	1,471,475
Less: Unamortised discount	(75,988)	(132,683)	-	-
	<u>9,903,629</u>	<u>8,274,011</u>	<u>3,930,821</u>	<u>2,601,187</u>
<u>Commercial loans</u>				
Commercial loans (a)	1,917,802	1,756,325	1,609,872	1,129,712
Commercial loan (b)	961,078	951,621	-	-
Commercial loan (c)	346,085	422,536	-	-
Commercial loan (d)	1,821,824	1,271,679	-	-
Commercial loans (e)	451,017	596,406	-	-
Commercial loan (f)	399,945	-	399,945	-
	<u>5,897,751</u>	<u>4,998,567</u>	<u>2,009,817</u>	<u>1,129,712</u>
<u>Term loans</u>				
Term loan (a)	4,000	3,938	-	-
Term loan (b)	43,303	8,083	-	-
Term loans (c)	1,323,682	775,611	1,323,682	775,611
Term loans (d)	701,796	409,942	-	-
Term loans (e)	935,318	963,581	364,988	411,864
Term loan (f)	42,542	55,827	-	-
Term loan (g)	-	194,577	-	-
Term loans (h)	838,234	847,005	232,334	284,000
Term loan (i)	45,144	16,880	-	-
Term loan (j)	71,859	-	-	-
	<u>4,005,878</u>	<u>3,275,444</u>	<u>1,921,004</u>	<u>1,471,475</u>
Total borrowings	9,903,629	8,274,011	3,930,821	2,601,187
Less: Current portion	(2,801,406)	(2,527,483)	(634,486)	(714,324)
Non-current portion	<u>7,102,223</u>	<u>5,746,528</u>	<u>3,296,335</u>	<u>1,886,863</u>

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

20 Borrowings (cont'd)

Movements in unamortised discount on borrowings are as follows:

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
At the beginning of the year	132,683	207,808	-	-
Amortisation during the year	(56,560)	(62,060)	-	-
Currency realignment	(135)	(13,065)	-	-
At the end of the year	<u>75,988</u>	<u>132,683</u>	<u>-</u>	<u>-</u>

Commercial loans (a)

These comprise four (2015: four) commercial loans which are secured by guarantee from a related party for up to US\$945,000 or 50% of the loans whichever is lesser and bear interest rate of 9.5% (2015: 9.5%) per annum. The final repayments of the loans range from 30 March 2017 to 31 March 2020.

Commercial loan (b)

The loan is secured by guarantee from the Company (Note 27) and bear an interest rate of 10% (2015: 10%) per annum. The final repayment of the loan is due on 31 December 2020.

Commercial loan (c)

The loan is secured by a charge over a portion of the subsidiary's loan portfolio equal to 100% of the principal balance of the credit facility, and bear an interest rate of 14% (2015: 14%) per annum. The final repayment of the loan is due on 31 August 2019.

Commercial loan (d)

The loan is secured by a charge over a portion of the subsidiary's loan portfolio equal to 150% of the principal balance of the credit facility, and bear an interest rate of 9.5% (2015: 9.5%) per annum. The final repayment of the loan is due on 30 September 2018.

Commercial loans (e)

These comprise two (2015: two) commercial loans which are secured by a charge over a portion of the subsidiary's loan portfolio equal to 120% of the principal balance of the credit facility, and bear interest rates ranging from 8.5% to 9% (2015: 8.5% to 9%) per annum. The final repayments of the loans range from 31 December 2019 to 30 December 2020.

Commercial loan (f)

The loan is secured by guarantee from a related party for up to US\$133,333 or 33.3% of the loan whichever is lesser and bear interest rate of 9.5% per annum. The final repayments of the loan is due on 30 September 2018.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

20 Borrowings (cont'd)

Term loan (a)

The loan is unsecured, interest free and has no fixed term of repayment.

Term loan (b)

The loan is unsecured, interest free and has no fixed term of repayment.

Term loans (c)

These comprise five (2015: three) term loans which are unsecured bear an interest rate of 5% to 8% (2015: 5%) per annum. The final repayments of the loans range from 1 July 2017 to 30 September 2020.

Term loans (d)

These comprise two (2015: two) term loans which are unsecured, interest free and have no fixed term of repayment.

Term loans (e)

These comprise thirteen (2015: eleven) term loans from the related party which are unsecured and bear interest rates ranging from 3% to 11.5% (2015: 5% to 11.5%) per annum. The final repayments of the loans range from 31 March 2017 to 30 September 2019.

Term loan (f)

The loan is unsecured and bear an interest rate of 4% (2015: 4%) per annum. The final repayment of the loan is due on 31 July 2017.

Term loan (g)

The loan is unsecured and bear an interest rate of 8.5% (2015: 8.5%) per annum. The loan was paid during the current financial year.

Term loans (h)

These comprise nine (2015: nine) term loans which are unsecured and interest free (2015: 8% per annum). The final repayment of the loans range from 19 April 2017 to 30 June 2020.

Term loan (i)

The loan is unsecured, interest free and has no fixed term of repayment.

Term loan (j)

The loan is unsecured, bear an interest rate of 1.5% per annum. The final repayment of the loan is due on 30 June 2020.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

21 Members' Savings Deposits

Members in these financial statements refer to the Group's loan portfolio borrowers. The savings deposits earn interest at the rate ranging from 1.5% to 3.0% (2015: 1.5% to 2.5%) per annum and this rate may be modified by the Group based on the prevailing interest rates amongst commercial banks.

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 while availing a loan by depositing an initiation deposit amount of US\$4 to US\$5 (2015: US\$4 to US\$5). When the loan has been processed and approved, the members can regularly deposit and withdraw from their savings account which gets recorded in the members' savings account. Members with a current loan balance are required to maintain their savings account with a minimum required balance.

There is no limit on the amount of money the members can keep in the savings accounts. The minimum balance that a member can keep is US\$5. Members can withdraw money from their savings account at any time for emergencies, however the savings account can be closed and fully withdrawn only after the loan outstanding is fully paid off

22 Other Payables

	Group		Company	
	<u>2016</u> US\$	<u>2015</u> US\$	<u>2016</u> US\$	<u>2015</u> US\$
Accruals	109,746	90,827	19,361	19,801
Interest payable	79,220	36,515	-	-
Life insurance provision	36,467	36,119	-	-
Other payables	150,479	65,570	8,316	-
	<u>375,912</u>	<u>229,031</u>	<u>27,677</u>	<u>19,801</u>

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

23 Bank Overdrafts

	Group	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Bank overdrafts	1,046,992	1,323,075

Bank overdrafts of the Group are secured by the following:

- (i) a standby letter of credit of GBP10,000 or equivalent US\$12,332 (2015: GBP 10,000 or equivalent US\$14,763)
- (ii) fixed deposits of US\$673,384 (2015: US\$539,970)
- (iii) bank overdraft of US\$808,016 (2015: US\$605,442) is secured by guarantee from the Company (Note 27)

Interest on bank overdrafts ranges from 9.75% to 10.50% (2015: 9.75% to 10.50%) per annum.

24 Dividends

	Group and Company	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
<u>Declared and paid during the financial year:</u>		
2015 interim tax exempt dividend on S\$0.08 per preference share	-	33,442
2015 interim tax exempt dividend on US\$0.018 per ordinary share	-	21,989
2016 interim tax exempt dividend on S\$0.08 per preference share	34,521	-
2016 interim tax exempt dividend on US\$0.025 per ordinary share	30,541	-
	65,062	55,431

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

25 Commitments

(a) Operating Lease Commitment as a Lessee

At the balance sheet date, future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Within 1 year	203,283	195,139
After 1 year but within 5 years	213,939	202,640
After 5 years	-	44,997
	<u>417,222</u>	<u>442,776</u>
Rental expense for the year	<u>251,812</u>	<u>242,345</u>

The Group leases its offices space from non-related parties under non-cancellable operating arrangements. These leases have varying terms and renewal rights.

(b) Operating Lease Commitment as a Lessor

The Group has entered into an operating lease on its motor vehicles. This non-cancellable lease has remaining lease term of less than 5 years and with renewal rights.

	Group	
	<u>2016</u>	<u>2015</u>
	US\$	US\$
Within one year	18,719	20,779
In the second to fifth years inclusive	43,677	61,410
	<u>62,396</u>	<u>82,189</u>

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

26 Related Party Transactions

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:

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$	US\$	US\$
<u>Subsidiaries</u>				
-Guarantee remuneration	-	-	19,684	19,338
-Dividend income	-	-	-	11,791
-Management income	-	-	429,944	365,203
-Professional fee income	-	-	135,534	121,000
-Interest on loans from the Company	-	-	219,872	100,175
<u>Ultimate holding company</u>				
-Administrative fees charged to the Company	(120,000)	(108,000)	(120,000)	(108,000)
-Management fees charged to the Company	(50,000)	(30,000)	(50,000)	(30,000)
-Dividend paid	(65,062)	(55,431)	(65,062)	(55,431)
<u>Related parties</u>				
-Management fees charged to the Group	(429,944)	(304,746)	-	-
-Loans to the Group/Company	79,687	341,000	-	200,000
-Interest on loans to the Group/Company	(75,327)	(78,484)	(35,631)	(43,457)

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\$4,720 (2015: US\$5,188), no other remuneration was paid to the directors during the year.

27 Corporate Guarantee

As at 31 December 2016, the Company has corporate guarantee amounting to US\$1,769,094 (2015: US\$1,557,063) issued to bank for a subsidiary's bank borrowing. The fair value of the corporate guarantee is estimated to be insignificant as the subsidiary has the ability to generate sufficient cash flows from their operations to finance their continuing operations and repay the bank borrowing.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

28 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 shareholder, return capital to shareholder or issue new shares.

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

29 Financial Instruments

(a) Financial Risk Management and Policies

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

(i) *Credit risk*

The carrying amounts of cash and cash equivalents, 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 members are settled via weekly deductions.

The Group placed its surplus funds with licensed financial institutions in Singapore, Kingdom of Tonga, Fiji, Samoa and Solomon Islands.

Financial assets that are neither past due nor impaired

Loan receivables that are neither past due nor impaired are with creditworthy members with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with good credit ratings.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) *Credit risk* (cont'd)

Financial assets that are past due and/or impaired

There are no other class of financial assets that is past due and/or impaired except for loan receivables.

The table below is an analysis of loans portfolio (before translation adjustment) as at the balance sheet date:

	<u>2016</u> US\$	<u>2015</u> US\$
Group		
Not past due and not impaired	9,543,225	8,331,255
Past due but not impaired [#]	460,135	195,985
	<u>10,003,360</u>	<u>8,527,240</u>
Impaired financial assets - individually assessed	122,331	78,773
Less: Allowance for loans losses (Note 13)	<u>(122,331)</u>	<u>(78,773)</u>
	<u>-</u>	<u>-</u>

[#] The age analysis of financial assets past due but not impaired is as follows:

	Group	
	<u>2016</u> US\$	<u>2015</u> US\$
Past due within 1 week to 4 weeks	422,928	174,625
Past due within 5 weeks to 8 weeks	21,807	15,552
Past due within 9 weeks to 12 weeks	10,893	4,515
Past due within 13 weeks to 16 weeks	3,522	603
Past due within 17 weeks to 20 weeks	985	690
	<u>460,135</u>	<u>195,985</u>

(ii) *Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group and the Company monitors its interest rate risks, and changes in fair values from time to time and any gains and losses are included in the profit or loss.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(ii) *Interest rate risk* (cont'd)

The Group and Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group and Company. The Group and Company manage its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group obtains additional financing through bank borrowings. The Group's borrowings are mainly on a fixed interest rate.

The table below sets out the Group's and the Company's exposure to interest rate risks and information on weighted average effective yield. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	<u>Fixed rate</u>			<u>Total</u> US\$	<u>Effective interest</u> <u>rate</u> %
	<u>Within</u> <u>1 year</u> US\$	<u>2 to 5</u> <u>years</u> US\$	<u>Non-interest</u> <u>bearing</u> US\$		
	Group				
<u>2016</u>					
Loans portfolio	9,209,376	-	-	9,209,376	10.00%-25.00%
Other receivables	-	-	102,177	102,177	-
Cash and cash equivalents	917,912	-	1,344,622	2,262,534	0.10%-6.50%
Members' savings deposits	(1,925,058)	-	-	(1,925,058)	1.50%-3.0%
Other payables	-	-	(339,445)	(339,445)	-
Amount due to related parties	-	(73,463)	(39,634)	(113,097)	8.00%
Bank overdrafts	(1,046,992)	-	-	(1,046,992)	9.75%-10.50%
Obligations under finance lease	(75,080)	(146,936)	-	(222,016)	11.00%-11.70%
Borrowings	(1,353,751)	(6,466,523)	(2,083,355)	(9,903,629)	1.50%-14.00%
Net financial assets/(liabilities)	<u>5,726,407</u>	<u>(6,686,922)</u>	<u>(1,015,635)</u>	<u>(1,976,150)</u>	
<u>2015</u>					
Loans portfolio	7,728,745	-	-	7,728,745	8.00%-25.00%
Other receivables	-	-	64,306	64,306	-
Cash and cash equivalents	895,675	-	1,322,336	2,218,011	0.15%-3.50%
Members' savings deposits	(1,627,606)	-	-	(1,627,606)	1.50-2.50%
Other payables	-	-	(192,912)	(192,912)	-
Amount due to related parties	(60,000)	-	(9,241)	(69,241)	8.00%
Bank overdrafts	(1,323,075)	-	-	(1,323,075)	9.75-10.50%
Obligations under finance lease	(41,646)	(58,926)	-	(100,572)	6.50%-12.00%
Borrowings	(1,895,613)	(5,092,550)	(1,285,848)	(8,274,011)	4.00-14.00%
Net financial assets/(liabilities)	<u>3,676,480</u>	<u>(5,151,476)</u>	<u>(101,359)</u>	<u>(1,576,355)</u>	

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(ii) *Interest rate risk* (cont'd)

	<u>Fixed rate</u>		<u>Non-interest bearing</u>	<u>Total</u>	<u>Effective interest rate</u>
	<u>Within 1 year</u>	<u>2 to 5 years</u>			
Company	US\$	US\$	US\$	US\$	%
<u>2016</u>					
Amount due from subsidiaries	701,670	2,352,050	389,138	3,442,858	7% - 11%
Other receivables	-	-	19,002	19,002	-
Cash and cash equivalents	-	-	262,413	262,413	-
Other payables	-	-	(27,677)	(27,677)	-
Borrowings	(539,820)	(3,158,668)	(232,333)	(3,930,821)	5% - 9.5%
	<u>161,850</u>	<u>(806,618)</u>	<u>410,543</u>	<u>(234,225)</u>	
<u>2015</u>					
Amount due from subsidiaries	167,085	1,703,546	245,961	2,116,592	7%-11%
Cash and cash equivalents	-	-	370,302	370,302	-
Other payables	-	-	(19,801)	(19,801)	-
Amount due to related parties	(60,000)	-	-	(60,000)	8%
Borrowings	(676,657)	(1,640,530)	(284,000)	(2,601,187)	5%-9.5%
	<u>(569,572)</u>	<u>63,016</u>	<u>312,462</u>	<u>(194,094)</u>	

(iii) *Liquidity risk*

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due to the shortage of funds.

In the management of its liquidity risk, the Group and the Company monitor and maintain a level of cash and bank balances deemed adequate by management to finance the Group's and the Company's operations to mitigate the effects of fluctuations in cash flows.

The table below analyses Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not expected to be significant.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iii) *Liquidity risk* (cont'd)

	Carrying <u>Amount</u> US\$	Contractual undiscounted cash flows		
		<u>Total</u> US\$	<u>Within 1 year</u> US\$	<u>Between 2 year and 5 years</u> US\$
Group				
<u>At 31 December 2016</u>				
Members' savings deposits	1,925,058	1,964,321	1,964,321	-
Other payables	339,445	339,445	339,445	-
Amount due to related parties	113,097	113,097	39,634	73,463
Bank overdrafts	1,046,992	1,156,796	1,156,796	-
Obligations under finance lease	222,016	259,276	95,608	163,668
Borrowings	9,903,629	11,855,323	3,555,444	8,299,878
Total	13,550,237	15,688,258	7,151,248	8,537,009
<u>At 31 December 2015</u>				
Members' savings deposits	1,627,606	1,660,506	1,660,506	-
Other payables	192,912	192,912	192,912	-
Amount due to related parties	69,241	74,041	74,041	-
Bank overdrafts	1,323,075	1,461,768	1,461,768	-
Obligations under finance lease	100,572	116,246	52,188	64,058
Borrowings	8,274,011	10,192,991	3,158,281	7,034,710
Total	11,587,417	13,698,464	6,599,696	7,098,768
Company				
<u>At 31 December 2016</u>				
Other payables	27,677	27,677	27,677	-
Borrowings	3,930,821	4,888,939	950,018	3,938,922
Total	3,958,498	4,916,616	977,695	3,938,922
<u>At 31 December 2015</u>				
Other payables	19,801	19,801	19,801	-
Amount due to related parties	60,000	64,800	64,800	-
Borrowings	2,601,187	3,115,365	891,145	2,224,220
Total	2,680,988	3,199,966	975,746	2,224,220

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) *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, the Republic of Fiji, Independent State of Samoa and the Solomon Islands. 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.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) Foreign exchange risk (cont'd)

The Group and Company's exposure to foreign currency risk is as follows:

Group 2016	United States		Fiji		Samoa		Solomon Islander		Tongan		Singapore		Euro		New Zealand		Australian Dollar		Total	
	Dollar	US\$	Dollar	US\$	Tala	US\$	Dollar	US\$	Pa'anga	US\$	Dollar	US\$	Dollar	US\$	Dollar	US\$	Dollar	US\$	Dollar	US\$
Financial Assets																				
Loans portfolio	-	2,196,241	-	3,638,825	1,258,511	-	2,115,799	-	-	-	-	-	-	-	-	-	-	-	-	9,209,376
Other receivables	15,800	19,162	21,299	25,700	17,014	3,202	-	-	-	-	-	-	-	-	-	-	-	-	-	102,177
Cash and cash equivalents	397,895	111,018	962,117	215,590	401,985	17,018	10,088	15,650	131,173	-	-	-	-	-	-	-	-	-	-	2,262,534
Financial Liabilities																				
Members' savings deposits	-	(850,364)	(284,627)	(502,714)	(287,353)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,925,058)
Other payable	-	(89,434)	(10,919)	(159,353)	(52,062)	(27,677)	-	-	-	-	-	-	-	-	-	-	-	-	-	(339,445)
Amount due to related parties	-	-	-	-	(39,634)	-	-	-	-	-	-	-	-	-	-	(73,463)	-	-	-	(113,097)
Bank overdrafts	-	-	(921,350)	-	(125,642)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,046,992)
Obligations under finance lease	-	(46,135)	(169,229)	-	(6,652)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(222,016)
Borrowings	(4,159,359)	(1,149,373)	(2,424,868)	(136,520)	(675,845)	-	-	-	-	-	-	-	-	-	-	(742,763)	(614,901)	-	-	(9,903,629)
Net financial (liabilities)/assets	(3,745,664)	191,115	811,248	701,214	1,347,610	(7,457)	10,088	(800,576)	(483,728)	-	-	-	-	-	-	-	-	-	-	(1,976,150)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	1,078,135	(206,103)	(828,629)	(701,214)	(1,368,048)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,025,859)
Currency exposure	(2,667,529)	(14,988)	(17,381)	-	(20,438)	(7,457)	10,088	(800,576)	(483,728)	-	-	-	-	-	-	-	-	-	-	(4,002,009)

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29	Financial Instruments (cont'd)	United States Dollar US\$	Fiji Dollar US\$	Samoa Tala US\$	Solomon Islander Dollar US\$	Tonga Pa'anga US\$	Singapore Dollar US\$	Euro US\$	New Zealand Dollar US\$	Australian Dollar US\$	Total US\$
	(a) Financial Risk Management and Policies (cont'd)										
	(iv) Foreign exchange risk (cont'd)										
	Financial Assets										
	Loans portfolio	-	1,594,505	3,047,112	907,706	2,179,422	-	-	-	-	7,728,745
	Other receivables	-	18,580	18,676	17,375	9,675	-	-	-	-	64,306
	Cash and cash equivalents	423,500	235,184	891,884	164,480	380,171	29,699	12,546	5,267	75,280	2,218,011
	Financial Liabilities										
	Members' savings deposits	-	(704,517)	(221,690)	(418,023)	(283,376)	-	-	-	-	(1,627,606)
	Other payable	-	(61,860)	(20,651)	(62,021)	(28,579)	(19,801)	-	-	-	(192,912)
	Amount due to related parties	(69,241)	-	-	-	-	-	-	-	-	(69,241)
	Bank overdrafts	-	-	(1,096,823)	-	(226,252)	-	-	-	-	(1,323,075)
	Obligations under finance lease	-	(55,935)	(12,171)	(15,117)	(17,349)	-	-	-	-	(100,572)
	Borrowings	(3,696,266)	(1,102,412)	(2,029,228)	(128,891)	(796,264)	-	-	(302,299)	(218,651)	(8,274,011)
	Net financial (liabilities)/assets	(3,342,007)	(76,455)	577,109	465,509	1,217,448	9,898	12,546	(297,032)	(143,371)	(1,576,355)
	Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	839,184	315,828	(577,109)	(345,603)	(1,217,448)	-	-	-	-	(985,148)
	Currency exposure	(2,502,823)	239,373	-	119,906	-	9,898	12,546	(297,032)	(143,371)	(2,561,503)

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29	Financial Instruments (cont'd)	United States Dollar US\$	Fiji Dollar US\$	Solomon Islander Dollar US\$	Singapore Dollar US\$	New Zealand Dollar US\$	Australian Dollar US\$	Total US\$
	(a) Financial Risk Management and Policies (cont'd)							
	(iv) Foreign exchange risk (cont'd)							
	Financial Assets							
	Amounts due from subsidiaries	1,397,062	199,576	64,408	-	480,067	1,301,745	3,442,858
	Other receivables	15,800	-	-	3,202	-	-	19,002
	Cash and cash equivalents	177,162	-	-	17,018	15,650	52,583	262,413
	Financial Liabilities							
	Other payable	-	-	-	(27,677)	-	-	(27,677)
	Borrowings	(2,707,140)	-	-	-	(608,781)	(614,900)	(3,930,821)
	Net financial (liabilities)/assets	(1,117,116)	199,576	64,408	(7,457)	(113,064)	739,428	(234,225)
	Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	1,117,116	-	-	-	-	-	1,117,116
	Currency exposure	-	199,576	64,408	(7,457)	(113,064)	739,428	882,891

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29	Financial Instruments (cont'd)	United States Dollar US\$	Fiji Dollar US\$	Solomon Islander Dollar US\$	Singapore Dollar US\$	New Zealand Dollar US\$	Australian Dollar US\$	Total US\$
	(a) Financial Risk Management and Policies (cont'd)							
	(iv) Foreign exchange risk (cont'd)							
	Financial Assets							
	Amounts due from subsidiaries	971,641	239,373	119,906	-	83,804	701,868	2,116,592
	Cash and cash equivalents	332,944	-	-	29,699	5,267	2,392	370,302
	Financial Liabilities							
	Other payable	-	-	-	(19,801)	-	-	(19,801)
	Amount owing to related parties	(60,000)	-	-	-	-	-	(60,000)
	Borrowings	(2,125,631)	-	-	-	(256,905)	(218,651)	(2,601,187)
	Net financial (liabilities)/assets	(881,046)	239,373	119,906	9,898	(167,834)	485,609	(194,094)
	Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	881,046	-	-	-	-	-	881,046
	Currency exposure	-	239,373	119,906	9,898	(167,834)	485,609	686,952

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) *Foreign exchange risk* (cont'd)

A 5% strengthening of the United States Dollar against the following currencies at the balance sheet date would increase/(decrease) the profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Increase/ (decrease) <u>Profit or loss</u> US\$	Company Increase/ (decrease) <u>Profit or loss</u> US\$
<u>2016</u>		
Fiji Dollar	749	(9,979)
Samoan Tala	869	-
Solomon Islander Dollar	-	(3,220)
Tongan Pa'anga	1,022	-
Singapore Dollar	373	373
Euro	(504)	-
New Zealand Dollar	40,029	5,653
Australian Dollar	24,186	(36,971)
<hr/>		
<u>2015</u>		
Fiji Dollar	(11,969)	(11,969)
Solomon Islander Dollar	(5,995)	(5,995)
Singapore Dollar	(495)	(495)
Euro	(627)	-
New Zealand Dollar	14,852	8,392
Australian Dollar	7,169	(24,280)
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(b) Fair Values

Fair Value Hierarchy

The Group categorise fair value measurement using a fair value hierarchy that is depended on the valuation inputs used as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

29 Financial Instruments (cont'd)

(b) Fair Values (cont'd)

Fair value measurement

The following summarises the significant methods and assumption used in estimating fair values of financial instruments of the Group and Company that are not measured at fair value on a recurring basis.

(i) *Long term financial assets and financial liabilities*

The carrying amounts of amount due from subsidiaries, borrowings and obligations under finance leases approximate fair value (Level 2 of fair value hierarchy) as they bear interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements.

(ii) *Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT
HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY
AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	US\$	US\$
REVENUE		
Dividend income	-	11,791
Management income	429,944	365,203
Interest income	219,872	100,175
Professional fee income	135,534	121,000
	<hr/>	<hr/>
	785,350	598,169
Other income	19,684	106,767
LESS: EXPENSES		
FINANCIAL EXPENSE	278,165	120,343
OTHER OPERATING EXPENSES		
Auditor's remuneration	26,818	16,977
Bank charges	12,159	11,439
Director's fee	2,678	3,279
Exchange difference	45,168	22,727
General expenses	-	1,133
Guarantee fee	-	5,628
IT software support	-	7,361
Legal and professional fee	60,221	27,048
Management fee	50,000	30,000
Membership (Association)	823	965
Postage and courier	1,732	402
Salaries and wages	135,534	128,333
Service fee	120,000	108,000
Travelling expenses	4,100	3,682
Withholding tax expenses	38,552	23,352
	<hr/>	<hr/>
	497,785	390,326
PROFIT BEFORE INCOME TAX	<hr/>	<hr/>
	29,084	194,267