

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND CONSOLIDATING  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Member  
SPBD Microfinance Holdings (Delaware) LLC

We have compiled the accompanying consolidated statements of financial position of SPBD Microfinance Holdings (Delaware) LLC and Subsidiary (collectively, the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, member's equity (deficit), and cash flows for the years then ended. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of consolidated financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements. During our compilation, we did become aware of a departure from the International Financial Reporting Standards as issued by the International Accounting Standards Board that is described in the following paragraph.

As disclosed in Note 12 to the consolidated financial statements, International Financial Reporting Standards require certain information related to insurance contracts such as the recognition of assets, liabilities, income and expenses to be disclosed in the consolidated financial statements. Management has informed us that they believe it is impracticable to develop the information, and as such, this information has not been presented. The effects of the departure from International Financial Reporting Standards on financial position, results of operations and cash flows have not been determined.

The consolidating supplementary information prepared in accordance with the International Financial Reporting Standards contained on pages 17-20, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the consolidating supplementary information and, accordingly, do not express an opinion or provide any assurance on such consolidating supplementary information.



CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey  
August 18, 2016

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u> (Restated)
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,099,088	\$ 601,096
Borrowers' savings accounts	1,603,391	1,289,737
Loans portfolio	6,531,114	5,680,721
Prepaid expenses and other current assets	<u>309,323</u>	<u>277,505</u>
Total current assets	<u>9,542,916</u>	<u>7,849,059</u>
Non-current assets:		
Property and equipment - net	369,895	393,816
Goodwill	<u>407,438</u>	<u>407,438</u>
Total non-current assets	<u>777,333</u>	<u>801,254</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,320,249</u></b>	<b><u>\$ 8,650,313</u></b>
<b><u>LIABILITIES AND MEMBER'S DEFICIT</u></b>		
Current liabilities:		
Current portion of long-term debt	\$ 3,627,267	\$ 1,177,937
Borrowers' saving deposits	1,603,391	1,289,737
Bank overdraft	961,809	1,283,031
Accounts payable and accrued expenses	290,349	230,060
Current portion of loans payable to related parties	201,375	-
Due to related party	47,344	78,848
Income taxes payable	<u>122,410</u>	<u>113,991</u>
Total current liabilities	<u>6,853,945</u>	<u>4,173,604</u>
Non-current liabilities:		
Long-term debt, net of current portion	4,128,236	4,785,667
Loans payable to related parties, net of current portion	<u>451,374</u>	<u>622,749</u>
Total non-current liabilities	<u>4,579,610</u>	<u>5,408,416</u>
Total liabilities	<u>11,433,555</u>	<u>9,582,020</u>
Commitments and contingencies (Notes 2, 12 and 13)		
Member's equity (deficit):		
Member's deficit	(1,074,425)	(928,574)
Accumulated comprehensive loss	<u>(38,881)</u>	<u>(3,133)</u>
Total member's deficit	<u>(1,113,306)</u>	<u>(931,707)</u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b><u>\$ 10,320,249</u></b>	<b><u>\$ 8,650,313</u></b>

See independent accountant's compilation report and  
accompanying notes to consolidated financial statements.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Revenues	\$ 3,570,729	\$ 3,166,447
Financing expenses	<u>(728,218)</u>	<u>(531,670)</u>
Gross profit	<u>2,842,511</u>	<u>2,634,777</u>
Other income (expenses):		
Other operating income	119,852	47,708
Administrative expenses	(204,706)	(193,386)
Operating expenses	<u>(3,268,037)</u>	<u>(3,173,839)</u>
Other expenses, net	<u>(3,352,891)</u>	<u>(3,319,517)</u>
Loss before income tax expense	(510,380)	(684,740)
Income tax expense	<u>(135,471)</u>	<u>(104,956)</u>
Net loss	(645,851)	(789,696)
Foreign currency translation adjustments	<u>(35,748)</u>	<u>30,241</u>
COMPREHENSIVE LOSS	<u>\$ (681,599)</u>	<u>\$ (759,455)</u>

See independent accountant's compilation report and  
accompanying notes to consolidated financial statements.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY (DEFICIT)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Member's Equity (Deficit)</u>	<u>Accumulated Comprehensive Loss</u>	<u>Total</u>
Balance at January 1, 2013, as originally reported	\$ 83,871	\$ (33,374)	\$ 50,497
Reclassification of member advances	<u>(222,749)</u>	<u>-</u>	<u>(222,749)</u>
Balance at January 1, 2013, as restated	(138,878)	(33,374)	(172,252)
Comprehensive loss:			
Net loss	(789,696)	-	(789,696)
Foreign currency translation adjustments	<u>-</u>	<u>30,241</u>	<u>30,241</u>
Balance at December 31, 2013	(928,574)	(3,133)	(931,707)
Member contributions	500,000	-	500,000
Comprehensive loss:			
Net loss	(645,851)	-	(645,851)
Foreign currency translation adjustments	<u>-</u>	<u>(35,748)</u>	<u>(35,748)</u>
BALANCE AT DECEMBER 31, 2014	<u>\$ (1,074,425)</u>	<u>\$ (38,881)</u>	<u>\$ (1,113,306)</u>

See independent accountant's compilation report and  
accompanying notes to consolidated financial statements.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net loss	\$ (645,851)	\$ (789,696)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	128,919	116,187
Gain on disposal of property and equipment	620	(12,315)
Loan loss provision	54,138	53,627
Interest expense	442,449	253,023
Income tax expense	<u>135,471</u>	<u>104,956</u>
	115,746	(274,218)
Changes in assets and liabilities:		
Loans portfolio	(904,531)	(907,835)
Prepaid expenses and other current assets	(31,818)	(58,387)
Due to related parties	(31,504)	34,810
Accounts payable and accrued expenses	<u>60,289</u>	<u>49,432</u>
Cash used in operations	(791,818)	(1,156,198)
Interest paid	(442,449)	(253,023)
Income tax paid	<u>(127,052)</u>	<u>(188,961)</u>
Net cash used in operating activities	<u>(1,361,319)</u>	<u>(1,598,182)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(116,062)	(267,536)
Proceeds from disposal of property and equipment	<u>10,444</u>	<u>34,374</u>
Net cash used in investing activities	<u>(105,618)</u>	<u>(233,162)</u>
Cash flows from financing activities:		
Member's contributions	500,000	-
Proceeds from debt	1,791,899	1,125,082
Decrease in bank overdrafts	(321,222)	(93,611)
Proceeds from related party loans	<u>30,000</u>	<u>400,000</u>
Net cash provided by financing activities	<u>2,000,677</u>	<u>1,431,471</u>
Effect of foreign currency translation adjustments	<u>(35,748)</u>	<u>30,241</u>
Net increase (decrease) in cash and cash equivalents	497,992	(369,632)
Cash and cash equivalents - beginning	<u>601,096</u>	<u>970,728</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,099,088</u>	<u>\$ 601,096</u>

See independent accountant's compilation report and accompanying notes to consolidated financial statements.



**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of consolidation

The accompanying consolidated financial statements include the accounts of SPBD Microfinance Holdings (Delaware) LLC ("Delaware") and its wholly-owned subsidiary, SPBD Microfinance Holdings (Singapore) PTE. Ltd. ("Singapore"), hereinafter collectively referred to as the "Company." All significant intercompany accounts and transactions have been eliminated in consolidation.

Prior year restatement

In prior years, the sole member of the Company had loaned \$222,749 to the Company to be used for general operations purpose. The Company had erroneously recorded the receipts as contributions to equity. Accordingly, the accompanying 2013 financial statements have been restated to properly reflect the advance as a loan to the Company. The 2013 results of operations were not affected as a result of this reclassification.

Nature of operations

The Company provides financial services, training, on-going guidance and motivation to economically disadvantaged people in several third-world countries. These activities are conducted primarily through Singapore's four operating subsidiaries, as follows: South Pacific Business Development Microfinance Ltd. (located in The Kingdom of Tonga) ("SPBD Tonga"); SPBD Microfinance (Samoa) Ltd. (located in the Independent State of Samoa) ("SPBD Samoa"); South Pacific Business Development Microfinance (Fiji) (Ltd) (located in the Republic of Fiji) ("SPBD Fiji") and; South Pacific Business Development Microfinance (Solomon Islands) Limited (located in the Solomon Islands) ("SPBD Solomon").

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which require use of the historical cost basis, except when otherwise noted, and are presented in the United States dollar (US\$), the functional currency of Delaware.

Use of estimates

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

Revenue recognition

Revenue consists primarily of interest on loans receivable, and loan and life insurance fees. Interest income on loans receivable is recognized using the interest method. Interest income on impaired loans is recognized as cash is collected or on a cost-recovery basis. Loan and life insurance fees are recognized as revenue upon receipt.

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit and short term investments that are readily convertible into cash and purchased with original maturities of three months or less.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment or whenever the circumstances indicate that the value of the asset may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the company sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified accordingly to the operating segment.

At both December 31, 2014 and 2013, management has determined that there was no impairment of goodwill.

Property and equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Except for leasehold improvements, depreciation is provided using the straight-line over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the remaining lease term or the estimated useful lives of the assets.

Impairment of assets

During the reporting period, the Company evaluates whether there is any indication that an asset has been impaired. Should any such indication exist, the Company estimates the recoverable amount of that asset to determine the amount of impairment in each case. In the case of identified assets that do not generate cash flows independently, the Company estimates the recoverability of the cash generating unit to which the asset belongs, which is understood to be the smallest identifiable group of assets that generate cash inflows.

At both December 31, 2014 and 2013, management has determined that no impairment of assets was sustained.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Loans portfolio

Loans, net of loan loss allowance and loan insurance loss reserve, include direct financial assistance provided to economically disadvantaged people, particularly women, who cannot easily access savings and loan products from traditional banks. They are carried at a recoverable amount represented by the gross value of the outstanding balance adjusted for loan loss allowance and loan insurance loss reserve.

The Company conducts a loan loss analysis quarterly to determine an adequate reserve for doubtful loans by applying predicted loss percentages to aged loans grouped by lateness of payment. A loan becomes late as a scheduled payment is missed.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated at the rate of exchange in effect on the consolidated balance sheet date; income and expenses are translated at the average rate of exchange prevailing during the year. Such foreign currency gains or losses are reflected in "other comprehensive income."

Transactional foreign currency gains or losses are reflected in operations.

Income taxes

Delaware is a limited liability company and, at the election of its member, is treated as a corporation for federal and state income tax purposes. Singapore is a private limited liability company incorporated in Singapore and is subject to various taxes and fees imposed by the taxing authority of Singapore. Income tax is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant timing differences. A deferred tax asset is recorded only where there is a reasonable expectation of realization.

The Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Delaware files income tax returns in the U.S. federal and certain state jurisdictions. Singapore and its subsidiaries file their income tax returns with various foreign taxing authorities. All income tax returns filed by the entities are subject to income tax examinations by their respective taxing authorities.

Subsequent events

The Company has evaluated all events or transactions that occurred through August 18, 2016, the date that these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 2. CONCENTRATION OF CREDIT RISK**

Routinely throughout the year, the Company maintained certain bank accounts that are not insurable. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to such balances.

Substantially all of the Company's program activities are provided to affiliates in the developing countries of Samoa, the Kingdom of Tonga, Fiji and the Solomon Islands. The Company's services are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Company operates. Among other risks, the Company's activities are subject to the risks and restrictions on transfer of funds, foreign exchange restrictions, political conditions and governmental regulations. The Company's exposure to changes in foreign currency rates relate primarily to its outstanding foreign currency bank balances, other receivables and other payables. The Company monitors foreign currency exchange fluctuations and takes the appropriate steps to minimize or reduce exchange losses.

**NOTE 3. CASH, CASH EQUIVALENTS AND BORROWERS' SAVINGS ACCOUNTS**

Cash and cash equivalents and borrowers' savings accounts at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents:		
Cash in banks	\$ <u>1,099,088</u>	\$ <u>601,096</u>
Borrowers' savings accounts:		
Pledged	195,673	525,498
Unpledged	<u>1,407,718</u>	<u>764,239</u>
Total borrowers' savings accounts	<u>1,603,391</u>	<u>1,289,737</u>
Total cash and cash equivalents and borrowers' savings account	\$ <u><u>2,702,479</u></u>	\$ <u><u>1,890,833</u></u>

The Company's cash and cash equivalents and borrowers' savings accounts at December 31, 2014 and 2013, have been translated to the United States dollar and include the following amounts held in foreign bank accounts that were originally denominated in the following currencies:

	<u>2014</u>	<u>2013</u>
Solomon dollars	\$ 68,070	\$ 158,299
Euro dollars	15,790	80,849
Fiji dollars	275,620	172,386
Samoaan Tala	991,981	744,413
Singapore dollars	462,857	302
Tonga Pa'angas	285,921	243,006
United States dollars	541,429	361,065
Australian dollars	9,295	5,235
New Zealand dollars	<u>1,212</u>	<u>99,153</u>
Total held in foreign accounts	2,652,175	1,864,708
Total held in United States accounts	<u>50,304</u>	<u>26,125</u>
Total cash and cash equivalents and borrowers' savings accounts	\$ <u><u>2,702,479</u></u>	\$ <u><u>1,890,833</u></u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 4. LOANS PORTFOLIO**

Activity in the Company's loan portfolio during the years ended December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	\$ 5,680,721	\$ 4,826,513
Loans disbursed during the year	12,382,714	11,127,814
Loans repaid during the year	(11,290,335)	(10,072,135)
Write-offs against loan insurance loss reserve	(15,485)	(7,086)
Write-offs against loan loss allowance	<u>(12,737)</u>	<u>(34,604)</u>
Gross loans portfolio	6,744,878	5,840,502
Loan insurance loss allowance	(928)	(969)
Loan loss allowance	(71,146)	(65,732)
Currency translation adjustment	<u>(141,690)</u>	<u>(93,080)</u>
Loan portfolio, net	<u>\$ 6,531,114</u>	<u>\$ 5,680,721</u>

The Company's loan insurance loss and loan loss allowance are as follows:

Loan insurance loss allowance:

Balance at beginning of year	\$ 969	\$ 1,028
Translation adjustment	(41)	(59)
Provision for the year	15,485	7,085
Loans written off	<u>(15,485)</u>	<u>(7,085)</u>
	<u>\$ 928</u>	<u>\$ 969</u>

Loan loss allowance:

Balance at beginning of year	\$ 65,732	\$ 76,812
Translation adjustment	(3,914)	(4,374)
Provision for the year	22,065	27,898
Loans written off	<u>(12,737)</u>	<u>(34,604)</u>
	<u>\$ 71,146</u>	<u>\$ 65,732</u>

The Company's loan portfolio has been translated to the United States dollar and was originally denominated in the following currencies:

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

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2014 and 2013:

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronic systems	<u>Total</u>
Cost at January 1, 2013	\$ 23,490	\$ 80,544	\$ 44,900	\$ 151,999	\$ 406,397	\$ 31,298	\$ 738,628
Additions	18,186	20,809	10,036	23,180	194,995	509	267,715
Disposals	(6,885)	(10,698)	(11,663)	(55,166)	(246,518)	-	(330,930)
Translation adjustment	(971)	(3,607)	(1,367)	(2,870)	(4,780)	(1,693)	(15,288)
Cost at December 31, 2013	33,820	87,048	41,906	117,143	350,094	30,114	660,125
Additions	3,174	10,360	2,906	21,096	72,074	6,453	116,063
Disposals	-	-	(1,985)	(1,630)	(6,576)	-	(10,191)
Translation adjustment	(791)	(3,907)	(1,993)	(3,647)	(7,772)	(1,893)	(20,003)
Cost at December 31, 2014	\$ <u>36,203</u>	\$ <u>93,501</u>	\$ <u>40,834</u>	\$ <u>132,962</u>	\$ <u>407,820</u>	\$ <u>34,674</u>	\$ <u>745,994</u>
Accumulated depreciation at January 1, 2013	\$ 21,151	\$ 30,097	\$ 22,876	\$ 100,394	\$ 287,527	\$ 12,056	\$ 474,101
Depreciation expense	4,203	13,812	6,512	25,300	59,235	7,125	116,187
Disposals	(6,885)	(9,758)	(11,663)	(54,142)	(226,423)	-	(308,871)
Translation adjustment	460	(1,981)	920	(8,070)	(5,898)	(539)	(15,108)
Accumulated depreciation at December 31, 2013	18,929	32,170	18,645	63,482	114,441	18,642	266,309
Depreciation expense	4,327	17,148	6,858	24,850	70,621	5,115	128,919
Disposals	-	-	(1,321)	(327)	(3,449)	-	(5,097)
Translation adjustment	(814)	(2,085)	(890)	(3,078)	(5,672)	(1,493)	(14,032)
Accumulated depreciation at December 31, 2014	\$ <u>22,442</u>	\$ <u>47,233</u>	\$ <u>23,292</u>	\$ <u>84,927</u>	\$ <u>175,941</u>	\$ <u>22,264</u>	\$ <u>376,099</u>
Property and equipment, net	\$ <u>13,761</u>	\$ <u>46,268</u>	\$ <u>17,542</u>	\$ <u>48,035</u>	\$ <u>231,879</u>	\$ <u>12,410</u>	\$ <u>369,895</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 6. BANK OVERDRAFTS**

Bank overdrafts consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Bank overdraft 1, secured by a standby letter of credit of GBP 10,000 or equivalent US\$16,488	\$ 257	\$ 19,571
Bank overdraft 2, secured by a term deposit of WST 1,000,000 or equivalent US\$423,700	815,221	1,221,066
Bank overdraft 3, secured by a term deposit of US\$40,000	(29,864)	(3,768)
Bank overdraft 4, secured by the Company's term deposit of US\$75,000	<u>176,195</u>	<u>46,162</u>
	<u>\$ 961,809</u>	<u>\$ 1,283,031</u>

**NOTE 7. BORROWERS' SAVINGS DEPOSITS**

In accordance with each loan agreement, the borrower is required to establish a savings account with the Company for consideration of a loan. When the loan has been processed and approved, 2.5% to 5% of the loan amount is deducted and recorded in the borrower's savings account as a compulsory deposit. All borrowers with a current loan balance must have a minimum deposit of 2.5% to 5% of the original loan amount.

The Company is not a regulated financial intermediary and does not, therefore, use depositor's funds for on-lending. Borrowers can withdraw money with prior notice at any time for emergencies. The 2.5% to 5% loan retention can only be withdrawn after the latest loan is fully paid off.

**NOTE 8. LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unsecured interest bearing loans	\$ 1,515,488	\$ 1,762,964
Unsecured non-interest bearing loan	284,000	-
Secured interest bearing loan	255,986	-
Unsecured interest bearing term notes	3,567,492	2,308,996
Unsecured non-interest bearing term notes	1,502,682	1,172,012
Secured interest bearing commercial term notes	<u>629,855</u>	<u>719,632</u>
	7,755,503	5,963,604
Less: current portion	<u>(3,627,267)</u>	<u>(1,177,937)</u>
Long-term debt, net	<u>\$ 4,128,236</u>	<u>\$ 4,785,667</u>

Unsecured interest bearing loans, bearing interest at rates ranging from 5% to 9%, are due periodically through July 2018.

Unsecured non-interest bearing loan is due periodically through September 2019.

Secured interest bearing loan, bearing interest at 9.5%, is due periodically through September 2017.

Unsecured interest bearing term notes, bearing interest at rates ranging from 3% to 14%, are due periodically through August 2019. The balances include \$882,912 and \$1,133,100 of loans payable to two related non-profit entities at December 31, 2014 and 2013, respectively. (See Note 11.)

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8. LONG-TERM DEBT (CONTINUED)**

Unsecured non-interest bearing notes are due periodically through June 2020.

Secured interest bearing commercial term notes, bearing interest at rates ranging between 9% and 9.65%, are due periodically through December 2019 and are secured by a loan portfolio, a term deposit held at a local commercial bank in Tonga and motor vehicles.

The Company incurred interest costs of \$442,449 and \$253,023 in 2014 and 2013, respectively, all of which were charged to financing expenses.

**NOTE 9. LOANS PAYABLE TO RELATED PARTIES**

Loans payable to related parties consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u> (Restated)
Unsecured loans payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is payable in quarterly installments of \$31,250 beginning in March 2016 through December 2017.	\$ 250,000	\$ 250,000
Unsecured loans payable to an entity controlled by the Company's member. Interest is payable semi-annually at 8%. Principal is payable in semi-annual installments of \$15,000 in June and December 2018.	30,000	-
Unsecured loan payable to the Company's member. Interest is payable quarterly at 8%. Principal is payable in quarterly installments of \$27,844 beginning in March 2015 through December 2016. These funds were originally contributed as equity in a prior year and were converted to a loan in 2013.	222,749	222,749
Unsecured loans payable to an entity controlled by the Company's member. Interest is payable quarterly at 8%. Principal is payable in quarterly installments of \$30,000 beginning in June 2015 through June 2016.	<u>150,000</u>	<u>150,000</u>
	652,749	622,749
Less: current portion	<u>201,375</u>	<u>-</u>
Loans payable to related parties, net	<u>\$ 451,374</u>	<u>\$ 622,749</u>

See independent accountant's compilation report.



**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10. INCOME TAXES**

The liability for income taxes consisted of the following at December 31, 2014 and 2013:

Balance at January 1, 2013	\$ 197,996
Income tax - current year	104,956
Income tax paid in 2013	<u>(188,961)</u>
Balance at December 31, 2013	113,991
Income tax - current year	135,471
Income tax paid in 2014	<u>(127,052)</u>
Balance at December 31, 2014	<u>\$ 122,410</u>

At December 31, 2014 and 2013, SPBD Fiji and SPBD Solomon have available unused net operating losses that may be applied against future taxable income. For financial reporting purposes, these subsidiaries have incurred losses in each period since their inception. Based on the available objective evidence, including the subsidiaries' history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against the deferred tax assets at December 31, 2014 and 2013.

**NOTE 11. RELATED-PARTY TRANSACTIONS**

During the years ended December 31, 2014 and 2013, the Company paid director's fees of \$1,577 and \$1,572, respectively, and the Company also paid management fees of \$128,875 and \$284,634, respectively, to an entity owned by a director of the Company.

Due to related party represents amounts payable to this entity for accrued management fees and unreimbursed expenses. The balances are \$47,344 and \$78,848 as of December 31, 2014 and 2013, respectively.

Some of the Company's loans are guaranteed by two related party, non-profit organizations. A director of the Company is also a board member of the non-profit organizations. In addition, the Company has \$882,912 and \$1,133,100, respectively, of unsecured interest bearing term notes payable to these related entities at December 31, 2014 and 2013. (See Note 8.) Interest expense on loans payable to these related entities totaled \$86,976 and \$71,162 in 2014 and 2013, respectively.

**NOTE 12. LIFE INSURANCE CONTRACTS**

Life insurance fees are generated from life insurance contracts provided by three of Singapore's operating subsidiaries. SPBD Fiji utilizes a third party to underwrite the insurance policies while SPBD Samoa and SPBD Tonga is self-managed. IFRS 4, *Insurance Contracts*, requires certain information related to the recognition of assets, liabilities, income, and expense, insurance risk, and actuarial assumptions for the insurance contracts to be disclosed in the consolidated financial statements. Management has informed us that they believe it is impracticable to develop the information, and as such, this information has not been presented. If the omitted disclosures were included in the consolidated financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the consolidated financial statements are not designed for those who are not informed about such matters.

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 13. COMMITMENTS**

Leasing agreements

At December 31, 2014 and 2013, there are leasing commitments in respect of rental of premises which are payable as follows:

	<u>2014</u>	<u>2013</u>
Payable within 1 year	\$ 113,918	\$ 105,238
Payable later than 1 year but within 5 years	59,026	60,820
Payable after 5 years	<u>13,353</u>	<u>77,206</u>
	<u>\$ 186,297</u>	<u>\$ 243,264</u>

Letter of credit

The Company is the beneficiary of an open ended standby letter of credit in the amount of GBP 10,000, which may be used to support certain of its banking facilities. As of December 31, 2014 and 2013, no funds were advanced under this letter of credit. The letter of credit has no specified expiration date but may be terminated upon three months notice by the issuer.

**NOTE 14. SUBSEQUENT EVENTS**

On April 15, 2015, the Company received an unsecured loan of \$200,000 from the related party non-profit organization described in Note 11. The loan bears interest at 6.5% per annum, payable on a semi-annual basis, commencing December 31, 2015 and then quarterly starting March 31, 2018. The loan principal is repayable in four quarterly installments of \$50,000 each commencing March 31, 2018.

SUPPLEMENTARY INFORMATION

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

	<b>SPBD Microfinance Holdings (Delaware) LLC</b>	<b>SPBD Microfinance Holdings (Singapore) PTE Ltd.</b>	<b>Eliminations</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 50,303	\$ 1,048,785	\$ -	\$ 1,099,088
Borrowers' saving deposits	-	1,603,391	-	1,603,391
Dividends receivable	30,541	-	(30,541)	-
Loans portfolio	-	6,531,114	-	6,531,114
Prepaid expenses and other current assets	-	309,323	-	309,323
Total current assets	<u>80,844</u>	<u>9,492,613</u>	<u>(30,541)</u>	<u>9,542,916</u>
Non-current assets:				
Property and equipment - net	-	369,895	-	369,895
Goodwill	-	407,438	-	407,438
Investment in subsidiary	1,466,943	-	(1,466,943)	-
Total non-current assets	<u>1,466,943</u>	<u>777,333</u>	<u>(1,466,943)</u>	<u>777,333</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,547,787</u></b>	<b><u>\$ 10,269,946</u></b>	<b><u>\$ (1,497,484)</u></b>	<b><u>\$ 10,320,249</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u></b>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 3,627,267	\$ -	\$ 3,627,267
Borrowers' saving deposits	-	1,603,391	-	1,603,391
Bank overdraft	-	961,809	-	961,809
Accounts payable and accrued expenses	-	290,349	-	290,349
Current portion of loans payable to related parties	111,375	90,000	-	201,375
Due to related party	-	47,344	-	47,344
Income taxes payable	-	122,410	-	122,410
Due to shareholder	-	30,541	(30,541)	-
Total current liabilities	<u>111,375</u>	<u>6,773,111</u>	<u>(30,541)</u>	<u>6,853,945</u>
Non-current liabilities:				
Long-term debt, net of current portion	-	4,128,236	-	4,128,236
Loans payable to related parties, net of current portion	391,374	60,000	-	451,374
Total non-current liabilities	<u>391,374</u>	<u>4,188,236</u>	<u>-</u>	<u>4,579,610</u>
Total liabilities	<u>502,749</u>	<u>10,961,347</u>	<u>(30,541)</u>	<u>11,433,555</u>
Member's equity (deficit):				
Member's equity (deficit)	1,045,038	-	(2,119,463)	(1,074,425)
Share capital	-	1,436,402	(1,436,402)	-
Accumulated deficit	-	(2,088,922)	2,088,922	-
Accumulated comprehensive loss	-	(38,881)	-	(38,881)
Total member's equity (deficit)	<u>1,045,038</u>	<u>(691,401)</u>	<u>(1,466,943)</u>	<u>(1,113,306)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>	<b><u>\$ 1,547,787</u></b>	<b><u>\$ 10,269,946</u></b>	<b><u>\$ (1,497,484)</u></b>	<b><u>\$ 10,320,249</u></b>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 (RESTATED)**

	<b>SPBD Microfinance Holdings (Delaware) LLC</b>	<b>SPBD Microfinance Holdings (Singapore) PTE Ltd.</b>	<b>Eliminations</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 26,125	\$ 574,971	\$ -	\$ 601,096
Borrowers' saving deposits	-	1,289,737	-	1,289,737
Loans portfolio	-	5,680,721	-	5,680,721
Prepaid expenses and other current assets	-	277,505	-	277,505
Total current assets	26,125	7,822,934	-	7,849,059
Non-current assets:				
Property and equipment - net	-	393,816	-	393,816
Goodwill	-	407,438	-	407,438
Investment in subsidiary	976,698	-	(976,698)	-
Total non-current assets	976,698	801,254	(976,698)	801,254
<b>TOTAL ASSETS</b>	<b>\$ 1,002,823</b>	<b>\$ 8,624,188</b>	<b>\$ (976,698)</b>	<b>\$ 8,650,313</b>
<b><u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u></b>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 1,177,937	\$ -	\$ 1,177,937
Borrowers' saving deposits	-	1,289,737	-	1,289,737
Bank overdraft	-	1,283,031	-	1,283,031
Accounts payable and accrued expenses	-	230,060	-	230,060
Due to related party	-	78,848	-	78,848
Income taxes payable	-	113,991	-	113,991
Total current liabilities	-	4,173,604	-	4,173,604
Non-current liabilities:				
Long-term debt, net of current portion	-	4,785,667	-	4,785,667
Loans payable to related parties, net of current portion	472,749	150,000	-	622,749
Total non-current liabilities	472,749	4,935,667	-	5,408,416
Total liabilities	472,749	9,109,271	-	9,582,020
Member's equity (deficit):				
Member's equity (deficit)	530,074	-	(1,458,648)	(928,574)
Share capital	-	976,698	(976,698)	-
Accumulated deficit	-	(1,458,648)	1,458,648	-
Accumulated comprehensive loss	-	(3,133)	-	(3,133)
Total member's equity (deficit)	530,074	(485,083)	(976,698)	(931,707)
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>	<b>\$ 1,002,823</b>	<b>\$ 8,624,188</b>	<b>\$ (976,698)</b>	<b>\$ 8,650,313</b>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>SPBD Microfinance Holdings (Delaware) LLC</b>	<b>SPBD Microfinance Holdings (Singapore) PTE Ltd.</b>	<b>Eliminations</b>	<b>Total</b>
Revenues	\$ 88,800	\$ 3,570,729	\$ (88,800)	\$ 3,570,729
Financing expenses	<u>(38,218)</u>	<u>(690,000)</u>	<u>-</u>	<u>(728,218)</u>
Gross profit	<u>50,582</u>	<u>2,880,729</u>	<u>(88,800)</u>	<u>2,842,511</u>
Other income (expenses):				
Other operating income	-	119,852	-	119,852
Administrative expenses	(300)	(204,406)	-	(204,706)
Operating expenses	(96,400)	(3,260,437)	88,800	(3,268,037)
Dividend income	<u>30,541</u>	<u>-</u>	<u>(30,541)</u>	<u>-</u>
Other expenses, net	<u>(66,159)</u>	<u>(3,344,991)</u>	<u>58,259</u>	<u>(3,352,891)</u>
Loss before income tax expense	(15,577)	(464,262)	(30,541)	(510,380)
Income tax expense	<u>-</u>	<u>(135,471)</u>	<u>-</u>	<u>(135,471)</u>
Net loss	(15,577)	(599,733)	(30,541)	(645,851)
Foreign currency translation adjustments	<u>-</u>	<u>(35,748)</u>	<u>-</u>	<u>(35,748)</u>
COMPREHENSIVE LOSS	<u>\$ (15,577)</u>	<u>\$ (635,481)</u>	<u>\$ (30,541)</u>	<u>\$ (681,599)</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>SPBD Microfinance Holdings (Delaware) LLC</b>	<b>SPBD Microfinance Holdings (Singapore) PTE Ltd.</b>	<b>Eliminations</b>	<b>Total</b>
Revenues	\$ 22,000	\$ 3,166,447	\$ (22,000)	\$ 3,166,447
Financing expenses	<u>(24,734)</u>	<u>(506,936)</u>	<u>-</u>	<u>(531,670)</u>
Gross profit (loss)	<u>(2,734)</u>	<u>2,659,511</u>	<u>(22,000)</u>	<u>2,634,777</u>
Other income (expenses):				
Other operating income	-	47,708	-	47,708
Administrative expenses	(350)	(193,036)	-	(193,386)
Operating expenses	<u>(32,465)</u>	<u>(3,163,374)</u>	<u>22,000</u>	<u>(3,173,839)</u>
Other expenses, net	<u>(32,815)</u>	<u>(3,308,702)</u>	<u>22,000</u>	<u>(3,319,517)</u>
Loss before income tax expense	(35,549)	(649,191)	-	(684,740)
Income tax expense	<u>-</u>	<u>(104,956)</u>	<u>-</u>	<u>(104,956)</u>
Net loss	(35,549)	(754,147)	-	(789,696)
Foreign currency translation adjustments	<u>-</u>	<u>30,241</u>	<u>-</u>	<u>30,241</u>
COMPREHENSIVE LOSS	<u>\$ (35,549)</u>	<u>\$ (723,906)</u>	<u>\$ -</u>	<u>\$ (759,455)</u>

See independent accountant's compilation report.