Company Registration No: 201025088K

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

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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

AND ITS SUBSIDIARY COMPANIES

31 DECEMBER 2015

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

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015.

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 7 to 66 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Company and the Group 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
Nancy Tan

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

According to the register of directors' shareholdings, no director of the Company who hold office at the end of the financial year had any interests in the share capital or debentures of the Company or its related corporations except as follows:

	Registered in the name of director	
SPBD Microfinance Holdings (Delaware) L.L.C.	At the beginning of the year	At the end of the year
	Percentage of equity interest	
Gregory Francis Casagrande	100%	100%

4 Options Granted

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted

5 Options Exercised

No shares were 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.

6 Options Outstanding

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

7 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants have expressed their willingness to accept appointment as auditors.

Board of Directors

....
GREGORY FRANCIS CASAGRANDE

....
NANCY TAN

Singapore
19 September 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

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

Report on the Financial Statements

We have audited the accompanying financial statements of SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") and its subsidiaries (the "Group"), as set out on pages 7 to 66, which comprise the statements of financial position of the Company and the Group as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Company and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

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

(cont'd)

Opinion

In our opinion, the financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Company and of the Group for the year ended on that date.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements which states that the Group incurred a net loss of US$330,172 (2014 restated: US$602,689) and total comprehensive loss of US$294,604 (2014 restated: US$645,853) for the current financial year ended 31 December 2015 and as of that date, the Group has a net deficit in shareholder's funds of US$833,628 (2014 restated: US$483,593).

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 to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2015 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.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

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

(cont'd)

Other Matter

The financial statements for the year ended 31 December 2014 were audited by another auditor whose report dated 22 December 2015 expressed an unqualified opinion with emphasis of matter on the ability of the Group to continue as a going concern.

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
19 September 2016

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 US$	Group 2014 US$ (Restated)	Company 2015 US$	Company 2014 US$
Financial revenue	4	4,054,120	3,570,729	598,169	452,458
Other income	5	169,836	175,110	106,767	40,167
Financial expenses	6	(943,258)	(849,128)	(120,343)	(115,016)
Other operating expenses		(3,516,019)	(3,363,929)	(390,326)	(311,851)
(Loss)/Profit before income tax	7	(235,321)	(467,218)	194,267	65,758
Income tax (expense)/benefit	8	(94,851)	(135,471)	-	2,729
(Loss)/Profit for the financial year		(330,172)	(602,689)	194,267	68,487
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
- Exchange differences on translation of foreign operations		35,568	(43,164)	-	-
Total comprehensive (loss)/income for the financial year		(294,604)	(645,853)	194,267	68,487

The accompanying notes form an integral part of these financial statements

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 US$	Group 2014 US$ (Restated)	Group 2013 US$ (Restated)	Company 2015 US$	Company 2014 US$
ASSETS						
Non-Current Assets						
Goodwill	9	407,438	407,438	407,438	-	-
Property, plant and equipment	10	363,852	369,895	393,816	-	-
Investments in subsidiaries	11	-	-	-	1,837,669	2,060,421
Amount due from subsidiaries	12	-	-	-	1,899,884	-
		771,290	777,333	801,254	3,737,553	2,060,421
Current Assets						
Loans portfolio	13	7,728,745	6,531,114	5,680,721	-	-
Amount due from subsidiaries	12	-	-	-	216,708	984,004
Other receivables	14	111,363	98,671	269,586	-	1,540
Tax recoverable		-	22,858	7,919	-	22,858
Cash and cash equivalents	15	2,218,011	2,652,176	1,864,708	370,302	682,731
		10,058,119	9,304,819	7,822,934	587,010	1,691,133
Total Assets		10,829,409	10,082,152	8,624,188	4,324,563	3,751,554
EQUITY						
Attributable to equity holder of the Company						
Share capital	16	1,429,998	1,429,998	976,698	1,429,998	1,429,998
(Accumulated losses)/Retained earnings		(1,935,548)	(1,549,945)	(916,715)	213,577	74,741
Other reserve	17	(313,505)	(313,505)	(313,505)	-	-
Foreign currency translation reserve		(14,573)	(50,141)	(6,977)	-	-
Total Equity		(833,628)	(483,593)	(260,499)	1,643,575	1,504,739

The accompanying notes form an integral part of these financial statements

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 US$	Group 2014 US$ (Restated)	Group 2013 US$ (Restated)	Company 2015 US$	Company 2014 US$
LIABILITIES						
Non-Current Liabilities						
Amount due to a related party	18	-	60,000	150,000	-	60,000
Obligations under finance lease	19	58,926	26,867	-	-	-
Borrowings	20	5,746,528	3,893,561	4,561,083	1,886,863	1,671,011
		5,805,454	3,980,428	4,711,083	1,886,863	1,731,011
Current Liabilities						
Members' saving deposits	21	1,627,606	1,415,597	1,289,737	-	-
Other payables	22	229,031	290,349	230,376	19,801	10,800
Amounts due to related parties	18	69,241	167,885	78,532	60,000	120,541
Bank overdrafts	23	1,323,075	961,809	1,283,031	-	-
Obligations under finance lease	19	41,646	72,310	-	-	-
Borrowings	20	2,527,483	3,554,957	1,177,937	714,324	384,463
Provision for taxation		39,501	122,410	113,991	-	-
		5,857,583	6,585,317	4,173,604	794,125	515,804
Total Liabilities		11,663,037	10,565,745	8,884,687	2,680,988	2,246,815
Total Equity and Liabilities		10,829,409	10,082,152	8,624,188	4,324,563	3,751,554

The accompanying notes form an integral part of these financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital US$	Accumulated losses US$	Other reserve US$	Foreign currency translation reserve US$	Total US$
Group					
Balance as at 1 January 2015 (previously reported)	1,429,998	(1,767,729)	(313,505)	(40,165)	(691,401)
Prior year adjustments (Note 30)	-	217,784	-	(9,976)	207,808
Balance as at 1 January 2015 (restated)	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	1,429,998	(1,935,548)	(313,505)	(14,573)	(833,628)
Balance as at 1 January 2014 (previously reported)	976,698	(1,141,299)	(313,505)	(6,977)	(485,083)
Prior year adjustments (Note 30)	-	224,584	-	-	224,584
Balance as at 1 January 2014 (restated)	976,698	(916,715)	(313,505)	(6,977)	(260,499)
Net loss for the year	-	(602,689)	-	-	(602,689)
Other comprehensive loss	-	-	-	(43,164)	(43,164)
Total comprehensive loss	-	(602,689)	-	(43,164)	(645,853)
Dividends paid (Note 24)	-	(30,541)	-	-	(30,541)
Issuance of preference shares (Note 16)	453,300	-	-	-	453,300
Balance as at 31 December 2014	1,429,998	(1,549,945)	(313,505)	(50,141)	(483,593)

The accompanying notes form an integral part of these financial statements

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital US$	Retained earnings US$	Total US$
Company			
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	1,429,998	213,577	1,643,575
Balance as at 1 January 2014	976,698	36,795	1,013,493
Net profit for the year	-	68,487	68,487
Other comprehensive income	-	-	-
Total comprehensive income	-	68,487	68,487
Dividend paid (Note 24)	-	(30,541)	(30,541)
Issuance of preference shares (Note 16)	453,300	-	453,300
Balance as at 31 December 2014	1,429,998	74,741	1,504,739

The accompanying notes form an integral part of these financial statements

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group	
	2015	2014
	US$	US$
Cash Flows from Operating Activities		
Loss before income tax	(235,321)	(467,218)
Adjustments for:		
Depreciation of property, plant and equipment	126,498	128,919
Interest expense	756,011	649,494
Grant income	-	(55,258)
Unrealised foreign exchange loss	111,992	-
Allowance for loans losses	56,055	56,208
(Gain)/Loss on disposal of property, plant and equipment	(2,869)	620
Operating cash inflows before working capital changes	812,366	312,765
Changes in operating assets and liabilities:		
Loans portfolio	(1,910,491)	(906,601)
Other receivables	(12,692)	170,915
Members' saving deposits	355,581	125,860
Other payables and accruals	8,097	(57,557)
Net cash used in operations	(747,139)	(354,618)
Income tax paid	(152,590)	(141,991)
Net cash used in operating activities	(899,729)	(496,609)
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	8,205	4,473
Purchase of property, plant and equipment	(73,468)	(116,063)
Net cash used in investing activities	(65,263)	(111,590)
Cash Flows from Financing Activities		
Issuance of redeemable preference shares	-	453,300
Proceeds from borrowings	3,327,951	3,281,092
Repayment of borrowings	(2,109,398)	(1,479,217)
Decrease/(Increase) in fixed deposits pledged and fixed deposits that are more than three months	57,621	(707,190)
Interest paid	(734,233)	(469,906)
Amount owing to related parties	(128,103)	(31,188)
Dividend paid	(85,972)	-
Net cash generated from financing activities	327,866	1,046,891
Net (decrease)/increase in cash and cash equivalents	(637,126)	438,692
Cash and cash equivalents at the beginning of the year	983,177	581,677
Currency realignment	(100,684)	(37,192)
Cash and cash equivalents at the end of the year (Note 15)	245,367	983,177

The accompanying notes form an integral part of these financial statements

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Company	
	2015	2014
	US$	US$
Cash Flows from Operating Activities		
Profit before income tax	194,267	65,758
Adjustments for:		
Interest expense	120,343	115,016
Interest income	(100,175)	(145,448)
Unrealised foreign exchange gain	(86,552)	-
Operating cash inflows before working capital changes	127,883	35,326
Changes in operating assets and liabilities:		
Other receivables	1,540	244,655
Other payables and accruals	9,001	4,700
Net cash generated from operations	138,424	284,681
Income tax paid/(refund)	22,858	(12,590)
Net cash generated from operating activities	161,282	272,091
Cash Flows from Investing Activities		
Amount due from subsidiaries	(1,038,966)	(477,391)
Redemption of preference shares	222,752	-
Net cash used in investing activities	(816,214)	(477,391)
Cash Flows from Financing Activities		
Issuance of preference shares	-	453,300
Proceeds from borrowings	1,120,000	340,000
Repayment of borrowings	(454,025)	(86,246)
Interest paid	(147,500)	(76,260)
Amount due to related parties	(90,000)	-
Dividend paid	(85,972)	-
Net cash generated from financing activities	342,503	630,794
Net (decrease)/increase in cash and cash equivalents	(312,429)	425,494
Cash and cash equivalents at the beginning of the year	682,731	257,237
Cash and cash equivalents at the end of the year (Note 15)	370,302	682,731

The accompanying notes form an integral part of these financial statements

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

1 General

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. 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

The Group incurred a net loss of US$330,172 (2014 restated: US$602,689) and total comprehensive loss of US$294,604 (2014 restated: US$645,853) for the current financial year ended 31 December 2015 and as of that date, the Group has a net deficit in shareholder's funds of US$833,628 (2014 restated: US$483,593).

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 to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2015 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.

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/Revised FRS

For the financial year ended 31 December 2015, there are no new and revised FRS which are relevant to the Company and the Group and mandatory for application.

Adoption of New/Revised FRS which are issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following new/revised FRSs that have been issued but is not yet effective:

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments provide clarification on various aspects of financial statements presentation. Key clarifications relate to the interpretation of materiality requirements in FRS, extent of aggregation and disaggregation of financial information presented in the primary financial statements, presentation of sub-totals, and ordering of notes to the financial statements. The amendments also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently be reclassified to profit or loss. The standard is effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group and Company when implemented.

2 **Significant Accounting Policies** (cont'd)

(b) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are issued but not yet effective (cont'd)

Amendments to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

(a) changes from financing cash flows;
(b) changes arising from obtaining or losing control of subsidiaries or other businesses;
(c) the effect of changes in foreign exchange rates;
(d) changes in fair values; and
(e) other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. The amendment is effective for annual periods beginning on or after 1 January 2017. As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group and Company when implemented.

Amendments to FRS 27 *Equity Method in Separate Financial Statements*

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available.

This amendment is effective prospectively for annual period beginning on or after 1 January 2016. The Company is in the process of assessing the impact of this standard.

Amendments to FRS 107 *Financial Instruments: Disclosures*

The amendment clarifies whether a servicing contract is considered to be "continuing involvement" in a transferred asset for the purpose of determining whether the disclosures in FRS 107.42A-42H are required. The disclosures need to be made if the servicing contract results in the transferor retaining an interest in the future performance of the transferred financial asset.

The amendment also clarifies that the offsetting disclosure requirements in FRS 107 that were effective from 1 January 2013 did not apply to interim financial statements prepared based on FRS 34, unless their omission will make the interim financial statements misleading.

2 **Significant Accounting Policies** (cont'd)

(b) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are issued but not yet effective (cont'd)

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. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies. The standard is effective for annual periods beginning on or after 1 January 2018. The Group and Company are currently determining the impact of this standard.

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2015, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 113 *Customer Loyalty Programs*.

The changes are effective for accounting periods beginning on or after 1 January 2018 and earlier application is permitted. The Group and Company do not expect the application of FRS 115 to have a material impact on the Group and Company's financial statements.

2 **Significant Accounting Policies** (cont'd)

(b) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are issued but not yet effective (cont'd)

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.

(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.

2 **Significant Accounting Policies** (cont'd)

(c) Currency Translation (cont'd)

(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.

(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.

2 **Significant Accounting Policies** (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

(i) Consolidation (cont'd)

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 shareholders' 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.

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.

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).

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.

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.

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.

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.

Loan aging	Loan loss allowance
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 statement of cash flows, 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)" 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.

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.

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.

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.

Life insurance fee

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

A membership fee is charged to the members for entitlements given by the Group. 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.

2 **Significant Accounting Policies** (cont'd)

(q) Employee Benefits

<u>*Defined contribution plan*</u>

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.

<u>*Employee leave entitlement*</u>

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:

<u>*Finance leases*</u>

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.

<u>*Operating leases*</u>

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.

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.

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.

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 2015 and 2014. The carrying amounts of the Company's investments in subsidiaries as at the balance sheet date are disclosed in Note 11.

(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$56,055 (2014: US$56,208) 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 2015 was US$7,728,745 and US$2,116,592 respectively (2014: US$6,531,114 and US$984,004) (Notes 12 and 13).

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

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

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. As at 31 December 2015, the carrying amount of goodwill is US$407,438 (2014: 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.

4 Financial Revenue

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Development fee	355,453	218,942	-	-
Dividend income	-	-	11,791	124,395
Interest on loans	2,972,749	2,794,870	100,175	145,448
Loan insurance fee	203,729	191,964	-	-
Life insurance fee	231,775	253,442	-	-
Membership fee	238,970	-	-	-
Management income	-	-	365,203	182,615
Professional service	-	-	121,000	-
Saving withdrawal fee	15,972	19,742	-	-
Others	35,472	91,769	-	-
	4,054,120	3,570,729	598,169	452,458

5 Other Income

	Group		Company	
	2015	2014	2015	2014
	US$	US$ (Restated)	US$	US$
Admin fee for issuance of preference shares	-	-	-	18,934
Commission income	5,997	8,416	-	-
Donation received	166	85,044	-	-
Gain/(Loss) on disposal of property, plant and equipment	2,869	(620)	-	-
Interest from bank	105	-	-	-
Guarantee fee	-	-	19,338	21,233
Rental income	17,972	-	-	-
Grant income	-	55,258	-	-
Unrealised foreign exchange gain	-	-	86,552	-
Others	142,727	27,012	877	-
	169,836	175,110	106,767	40,167

6 Financial Expenses

	Group		Company	
	2015	2014	2015	2014
	US$	US$ (Restated)	US$	US$
Insurance fee and related claims	118,111	129,292	-	-
Interest on borrowings	693,951	587,436	120,343	115,016
Interest on members' saving deposits	13,081	14,134	-	-
Allowance for loans losses	56,055	56,208	-	-
Amortisation of discount	62,060	62,058	-	-
	943,258	849,128	120,343	115,016

7 (Loss)/Profit before Income Tax

	Group		Company	
	2015	2014	2015	2014
	US$	US$ (Restated)	US$	US$
This is arrived at after charging:				
Admin and management fee	281,026	330,493	138,000	-
Defined contribution plans	40,591	41,539	-	-
Depreciation of property, plant and equipment	126,498	128,919	-	-
Foreign exchange difference	159,429	75,949	-	-
Rental expenses	242,345	254,886	-	-
Legal and professional fees	271,554	104,031	-	-
Travelling and transportation	386,847	389,642	-	1,997
Salaries and wages	1,243,513	1,203,888	128,333	118,520

8 Income Tax Expense/(Benefit)

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Income tax expense/(benefit) on results for the year consists of:				
Current income tax				
- current year	94,851	138,200	-	-
- overprovision in prior year	-	(2,729)	-	(2,729)
	94,851	135,471	-	(2,729)

8 Income Tax Expense/(Benefit) (cont'd)

Income tax varied from the amount of income tax determined by applying the Singapore income tax rate of 17% (2014: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group		Company	
	2015 US$	2014 US$ (Restated)	2015 US$	2014 US$
(Loss)/Profit before taxation	(235,231)	(467,218)	194,267	65,758
Income tax at 17%	(40,005)	(79,427)	33,025	11,179
Non-deductible expenses	40,433	42,259	-	7,066
Non-taxable income	(29,801)	(42,075)	(14,714)	(24,366)
Statutory tax exemption	(6,950)	-	(6,950)	-
Effect of higher tax rate in other country	30,661	215,428	-	-
Unrecognised deferred tax assets	111,874	91,382	-	6,121
Over provision in prior year	-	(2,729)	-	(2,729)
Utilisation of deferred tax asset previously not recognised	(11,361)	(2,774)	(11,361)	-
Utilisation of capital allowance	-	(86,593)	-	-
	94,851	135,471	-	(2,729)

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.

	2015 %	2014 %
Tax rate applicable to the Company		
Singapore	17	17
Tax rate applicable to the Subsidiaries		
Independent State of Samoa	27	27
Kingdom of Tonga	25	25
Republic of Fiji	20	20
Solomon Islands	30	30

8 Income Tax Expense/(Benefit) (cont'd)

As at the balance sheet date, the Group has unutilised tax losses amounting to approximately US$3,074,000 (2014: US$2,965,000) available for offsetting against future taxable income. The related tax benefits of approximately US$736,000 (2014: US$678,000) 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	
	2015	2014	2015	2014
Expiry dates				
31 December 2015	-	251,000	-	-
31 December 2016	538,000	585,000	-	-
31 December 2017	664,000	719,000	-	-
31 December 2018	854,000	919,000	-	-
31 December 2019	587,000	380,000	-	-
31 December 2020	387,000	-	-	-
No expiry dates subject to terms and conditions	44,000	111,000	44,000	111,000
	3,074,000	2,965,000	44,000	111,000

9 Goodwill

	Group	
	2015	2014
	US$	US$
The goodwill is made up as follows:		
Purchased goodwill	407,438	407,438

Purchased goodwill arose from the excess of purchase price paid by a subsidiary in acquiring a business since its formation 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% (2014: 10%) based on management's best estimates from market industry. A discount factor of 6.21% (2014: 6.21%) per annum was applied in the value in use calculations.

10 Property, Plant and Equipment

Group 2015	Leasehold improvements US$	Furniture and fixtures US$	Office equipment US$	Computer equipment and peripherals US$	Motor vehicles US$	Software and electronics systems US$	Total US$
Cost							
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

10 Property, Plant and Equipment (cont'd)

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

The carrying amount of property, plant and equipment acquired under finance lease arrangements for the Group as at 31 December 2015 amounted to US$94,694 (2014: US$77,948).

During the financial year, the Group acquired motor vehicles of US$80,494 (2014: Nil) under finance leases.

11 Investments in Subsidiaries

	Company	
	2015	2014
	US$	US$
Unquoted shares, at cost		
Ordinary shares		
Balance as at beginning and end of the financial year	517,298	517,298
Preference shares		
Balance as at beginning of the financial year	1,543,123	-
(Redemptions)/Additions	(222,752)	1,543,123
	1,320,371	1,543,123
Balance as at end of the financial year	1,837,669	2,060,421

Details of the subsidiary companies are as follows:

Name of subsidiaries, country of incorporation, and place of business	Principal activities	% of equity held by the Company		Cost of investment	
		2015	2014	2015	2014
		%	%	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	262,752
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

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	
		2015	2014	2015	2014
		%	%	US$	US$
South Pacific Business Development Microfinance (Soloman Islands) Limited ("SPBD Soloman") [d] (Solomon Islands)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	145,447	145,447
				1,837,669	2,060,421

[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

During the prior year, 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 shareholders; and

(d) Do not entitle holder to any additional seats on the board of the subsidiaries.

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

12 Amount Due from Subsidiaries

	Company	
	2015	2014
	US$	US$
Loan receivables	2,109,995	939,389
Other receivables	6,597	44,615
	2,116,592	984,004
Less: Current portion	(216,708)	(984,004)
Non-current portion	1,899,884	-

The loan receivables are unsecured and carries an interest rate of 0% to 11% (2014: 0% to 10%) per annum. The final repayments of the loans range from 30 June 2016 to 31 March 2021.

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

13 Loans Portfolio

	Group	
	2015	2014
	US$	US$
Balance at beginning of the year	6,744,878	5,680,720
Loans disbursement during the year	14,191,909	12,382,715
Loans repayment during the year	(12,287,963)	(11,290,335)
Write-offs during the year	(42,811)	(28,222)
Gross loans portfolio	8,606,013	6,744,878
Less: Allowance for loans losses	(78,773)	(72,074)
Translation adjustment	(798,495)	(141,690)
Currency translation adjustment	7,728,745	6,531,114

The loans earn interest at the rate ranging from 8% to 25% (2014: 8% to 25%) per annum.

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

	Group	
	2015	2014
	US$	US$
Balance at beginning of the year	72,074	66,701
Charge to profit or loss	56,055	37,550
Loans written off	(42,811)	(28,222)
Currency translation adjustment	(6,545)	(3,955)
Balance at end of the year	78,773	72,074

14 Other Receivables

	Group		Company	
	2015	2014	2015	2014
	US$	US$ (Restated)	US$	US$
Deposits and advances	42,476	45,735	-	1,540
Prepayment	47,057	34,840	-	-
Interest receivables	5,691	6,503	-	-
Other receivables	16,139	11,593	-	-
	111,363	98,671	-	1,540

15 Cash and Cash Equivalents

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Cash on hand	20,153	33,696	-	-
Cash in banks	1,181,506	1,761,597	370,302	682,731
Vodafone M-Paisa account	120,677	71,245	-	-
Fixed deposits	895,675	785,638	-	-
	2,218,011	2,652,176	370,302	682,731

For the purposes of the presentation of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Cash and cash equivalent	2,218,011	2,652,176	370,302	682,731
Less:				
Fixed deposits pledged and fixed deposits that are more than 3 months	(649,569)	(707,190)	-	-
Bank overdrafts	(1,323,075)	(961,809)	-	-
	245,367	983,177	370,302	682,731

As at the balance sheet date, fixed deposits matured within twelve months (2014: twelve months) from the end of the financial year. Interest on fixed deposits are derived at rates ranging from 0.15% to 3.5% (2014: 0.15% to 3.5%) per annum.

16 Share Capital

	Group and Company			
	2015		2014	
	No. of shares	Share capital US$	No. of shares	Share capital US$
Ordinary shares				
Balance at beginning and end of the year	1,221,637	976,698	1,221,637	976,698
Preference shares				
Balance at beginning of the year	600,000	453,300	-	-
Issuance of new shares	-	-	600,000	453,300
Balance at 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.

18 Amounts Due to Related Parties

	Group		Company	
	2015 US$	2014 US$	2015 US$	2014 US$
Non-current				
Amount due to a related party	-	60,000	-	60,000
Current				
Amount due to a shareholder	-	30,541	-	30,541
Amount due to related parties	69,241	137,344	60,000	90,000
	69,241	167,885	60,000	120,541

18 Amount Due to Related Parties (cont'd)

The amounts owing to related parties include US$60,000 (2014: US$150,000) that is unsecured, non-trade in nature, bears interest rate of 8% (2014: 8%) per annum and is repayable not later than 30 June 2016.

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

19 Obligation under Finance Leases

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	US$	US$	US$	US$
Amounts payable under finance lease:				
Within 1 year	52,188	84,364	41,646	72,310
Between 1 year to 5 years	64,058	36,950	58,926	26,867
	116,246	121,314	100,572	99,177
Less: future finance charge	(15,674)	(22,137)	-	-
Present value of lease obligations	100,572	99,177	100,572	99,177
Less: Amount due for settlement within 12 months			(41,646)	(72,310)
Amount due for settlement after 12 months			58,926	26,867

The finance lease obligations bear interest ranges from 6.5% to 12% (2014: 9.25% 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.

20 Borrowings

	Group		Company	
	2015	2014	2015	2014
	US$	US$ (Restated)	US$	US$
Secured loans	4,998,567	3,506,490	1,129,712	255,986
Unsecured loans	3,408,127	4,149,836	1,471,475	1,799,488
Less: Unamortised discount	(132,683)	(207,808)	-	-
	8,274,011	7,448,518	2,601,187	2,055,474
Commercial loans				
Commercial loans (a)	1,756,325	1,471,569	1,129,712	255,986
Commercial loan (b)	951,621	647,861	-	-
Commercial loan (c)	422,536	98,480	-	-
Commercial loan (d)	1,271,679	1,057,806	-	-
Commercial loans (e)	596,406	230,774	-	-
	4,998,567	3,506,490	1,129,712	255,986
Term loans				
Term loan (a)	3,938	4,193	-	-
Term loan (b)	8,083	16,758	-	-
Term loans (c)	775,611	1,205,232	775,611	1,144,575
Term loans (d)	409,942	624,636	-	-
Term loans (e)	963,581	903,607	411,864	370,913
Term loan (f)	55,827	60,696	-	-
Term loan (g)	194,577	193,619	-	-
Term loans (h)	847,005	917,949	284,000	284,000
Term loan (i)	16,880	15,338	-	-
	3,275,444	3,942,028	1,471,475	1,799,488
Total borrowings	8,274,011	7,448,518	2,601,187	2,055,474
Less: Current portion	(2,527,483)	(3,554,957)	(714,324)	(384,463)
Non-current portion	5,746,528	3,893,561	1,886,863	1,671,011

Movements in unamortised discount on borrowings are as follows:

	Group		Company	
	2015	2014	2015	2014
	US$	US$ (Restated)	US$	US$
At the beginning of the year	207,808	224,584	-	-
Addition	-	55,258	-	-
Amortisation during the year	(62,060)	(62,058)	-	-
Currency realignment	(13,065)	(9,976)	-	-
At the end of the year	132,683	207,808	-	-

20 Borrowings (cont'd)

Commercial loans (a)
These comprise four (2014: four) commercial loans which are secured by guarantee from a related party for up to US$1,045,000 or 50% of the loans whichever is lesser and bear interest rate of 9.5% (2014: 9.5%) per annum. The final repayments of the loans range from 31 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% (2014: 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% (2014: 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% (2014: 9.5%) per annum. The final repayment of the loan is due on 30 September 2018.

Commercial loans (e)
These comprise two (2014: one) 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% (2014: 9%) per annum. The final repayments of the loans range from 31 December 2019 to 30 December 2020.

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 three (2014: four) term loans which are unsecured bear an interest rate of 5% (2014: 3% to 5%) per annum. The final repayment of the loans is due on 1 July 2017.

Term loans (d)
These comprise two (2014: one) term loans which are unsecured, interest free and have no fixed term of repayment.

Term loans (e)
These comprise eleven (2014: eleven) term loans from the related party which are unsecured and bear interest rates ranging from 5% to 11.5% (2014: 5% to 9.5%) per annum. The final repayments of the loans range from 31 March 2017 to 30 September 2019.

20 Borrowings (cont'd)

Term loan (f)
The loan is unsecured and bear an interest rate of 4% (2014: 4%) per annum. The final repayment of the loan is due on 31 July 2017.

Term loan (g)
The loan is unsecured by and bear an interest rate of 8.5% (2014: 8.5%) per annum. The final repayment of the loan is due on 28 July 2016.

Term loans (h)
These comprise nine (2014: nine) term loans which are unsecured and with effective interest rate of 8% (2014: 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.

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 2.5% (2014: 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 in consideration for a loan by depositing US$4 to US$5 (2014: US$4 to US$10). When the loan has been processed and approved, 2.5% to 5% of the loan amount is deducted and recorded in the members' savings account as compulsory deposit. Member with a current loan balance must have a minimum deposit of 2.5% to 5% of the original loan amount.

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

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

22 Other Payables

	Group		Company	
	2015	2014	2015	2014
	US$	US$	US$	US$
Accruals	90,827	76,511	19,801	10,800
Interest payable	36,515	78,773	-	-
Life insurance provision	36,119	23,778	-	-
Other payables	65,570	111,287	-	-
	229,031	290,349	19,801	10,800

23 Bank Overdrafts

	Group	
	2015	2014
	US$	US$
Bank overdrafts	1,323,075	961,809

Bank overdrafts of the Group are secured by the following:

(i) a standby letter of credit of GBP10,000 or equivalent US$14,763 (2014: GBP 10,000 or equivalent US$15,535)
(ii) fixed deposits of US$539,970 (2014: US$584,124)

Interest on bank overdrafts ranges from 9.75% to 10.50% (2014: 9.75% to 10.50%) per annum.

24 Dividends

	Group and Company	
	2015	2014
	US$	US$
Declared and paid during the financial year:		
2014 interim tax exempt dividend on US$0.025 per ordinary share	-	30,541
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	-
	55,431	30,541

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	
	2015	2014
	US$	US$
Within 1 year	195,139	154,572
After 1 year but within 5 years	202,640	217,525
After 5 years	44,997	13,353
	442,776	385,450
Rental expense for the year	242,345	254,886

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 4 years and with renewal rights.

	Group	
	2015	2014
	US$	US$
Within 1 year	20,779	-
After 1 year but within 5 years	18,423	-
After 5 years	42,987	-
	82,189	-

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	
	2015	2014	2015	2014
	US$	US$	US$	US$
Subsidiaries				
-Other income	-	-	-	18,934
-Guarantee remuneration	-	-	19,338	21,233
-Dividend income	-	-	11,791	124,395
-Management income	-	-	365,203	182,615
-Professional fee income	-	-	121,000	-
-Interest on loans from the Company	-	-	100,175	145,448
Ultimate holding company				
-Management fees charged to the Company	(108,000)	(88,000)	(108,000)	(88,000)
-Dividend paid	(55,431)	(30,541)	(55,431)	(30,541)
Related parties				
-Management fees charged to the Group	(304,746)	(58,850)	-	-
-Loans to the Group/Company	341,000	1,048,828	200,000	-
-Interest on loans to the Group/Company	(78,484)	(62,501)	(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$5,188 (2014: US$1,577), no other remuneration was paid to the directors during the year.

27 Corporate Guarantee

As at 31 December 2015, the Company has corporate guarantee amounting to US$1,557,063 (2014: US$647,861) 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.

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 shareholders, return capital to shareholders 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.

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:

	2015	2014
	US$	US$
Group		
Not past due and not impaired	8,331,255	6,521,061
Past due but not impaired#	195,985	151,743
	8,527,240	6,672,804
Impaired financial assets - individually assessed	78,773	72,074
Less: Allowance for loans losses (Note 13)	(78,773)	(72,074)
	-	-

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

	Group	
	2015	2014
	US$	US$
Past due within 1 week to 4 weeks	174,625	134,395
Past due within 5 weeks to 8 weeks	15,552	10,779
Past due within 9 weeks to 12 weeks	4,515	5,465
Past due within 13 weeks to 16 weeks	603	537
Past due within 17 weeks to 20 weeks	690	567
	195,985	151,743

29 **Financial Instruments** (cont'd)

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

(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.

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.

29 Financial Instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

	Fixed rate Within 1 year US$	Fixed rate 2 to 5 years US$	Non-interest bearing US$	Total US$	Effective interest rate %
Group					
2015					
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 deposit	(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%
	3,676,480	(5,151,476)	(101,359)	(1,576,355)	
2014					
Loans portfolio	6,531,114	-	-	6,531,114	8.00%-25.00%
Other receivables	-	-	63,831	63,831	-
Cash and cash equivalents	785,638	-	1,866,538	2,652,176	0.15%-3.50%
Members' savings deposit	(1,415,597)	-	-	(1,415,597)	1.50%-2.50%
Other payables	-	-	(266,571)	(266,571)	-
Amount due to related parties	(60,000)	(167,885)	-	(227,885)	8.00%
Bank overdrafts	(961,809)	-	-	(961,809)	9.75%-10.50%
Obligations under finance lease	(72,310)	(26,867)	-	(99,177)	9.25%-12.00%
Borrowings	(2,889,124)	(2,980,520)	(1,578,874)	(7,448,518)	4.00%-14.00%
	1,917,912	(3,175,272)	84,924	(1,172,436)	

29 Financial Instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

	Fixed rate Within 1 year	Fixed rate 2 to 5 years	Non-interest bearing	Total	Effective interest rate
	US$	US$	US$	US$	%
Company					
2015					
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%
	(569,572)	63,016	312,462	(194,094)	
2014					
Amount due from subsidiaries	679,139	-	304,865	984,004	7%-11%
Other receivables	-	-	1,540	1,540	-
Cash and cash equivalents	-	-	682,731	682,731	-
Other payables	-	-	(10,800)	(10,800)	-
Amount due to related parties	(60,000)	(90,000)	(30,541)	(180,541)	8%
Borrowings	(384,463)	(1,387,011)	(284,000)	(2,055,474)	5%-9.5%
	234,676	(1,477,011)	663,795	(578,540)	

(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.

29 Financial Instruments (cont'd)

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

(iii) Liquidity risk (cont'd)

	Carrying amount	Contractual undiscounted cash flows Total	Within 1 year	Between 2 year and 5 years
	US$	US$	US$	US$
Group				
At 31 December 2015				
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
At 31 December 2014				
Members' savings deposits	1,415,597	1,442,406	1,442,406	-
Other payables	266,571	266,571	266,571	-
Amount due to related parties	227,885	249,498	179,885	69,613
Bank overdrafts	961,809	1,062,621	1,062,621	-
Obligations under finance lease	99,177	101,541	72,818	28,723
Borrowings	7,448,518	10,111,881	3,762,366	6,349,515
Total	10,419,557	13,234,518	6,786,667	6,447,851
Company				
At 31 December 2015				
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
At 31 December 2014				
Other payables	10,800	10,800	10,800	-
Amount due to related parties	180,541	202,154	132,541	69,613
Borrowings	2,055,474	2,249,858	738,895	1,510,963
Total	2,246,815	2,462,812	882,236	1,580,576

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.

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 2015	United States Dollar US$	Fiji Dollar US$	Samoan Tala US$	Solomon Islander Dollar US$	Tongan Pa'anga US$	Singapore Dollar US$	Euro US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
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)

29 Financial Instruments (cont'd)

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

(iv) Foreign exchange risk (cont'd)

	United States Dollar US$	Fiji Dollar US$	Samoan Tala US$	Solomon Islander Dollar US$	Tongan Pa'anga US$	Singapore Dollar US$	Euro US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
Group										
2014										
Financial Assets										
Loans portfolio	-	1,047,524	2,962,652	467,691	2,053,247	-	-	-	-	6,531,114
Other receivables	-	19,610	17,692	12,948	12,041	1,540	-	-	-	63,831
Cash and cash equivalents	541,429	275,620	991,981	68,071	285,921	462,857	15,790	1,212	9,295	2,652,176
Financial Liabilities										
Members' savings deposits	-	(688,652)	(253,361)	(202,767)	(270,817)	-	-	-	-	(1,415,597)
Other payable	-	(58,214)	(36,338)	(87,947)	(73,272)	(10,800)	-	-	-	(266,571)
Amount due to related parties	(150,000)	(235)	-	(47,109)	-	(30,541)	-	-	-	(227,885)
Bank overdrafts	-	-	(785,614)	-	(176,195)	-	-	-	-	(961,809)
Obligations under finance lease	-	-	(62,826)	(24,508)	(11,843)	-	-	-	-	(99,177)
Borrowings	(3,936,718)	(802,573)	(1,599,164)	-	(451,317)	-	(419,287)	(239,459)	-	(7,448,518)
Net financial (liabilities)/assets	(3,545,289)	(206,920)	1,235,022	186,379	1,367,765	423,056	(403,497)	(238,247)	9,295	(1,172,436)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	1,772,456	206,920	(1,235,022)	(186,379)	(1,367,765)	-	-	-	-	(809,790)
Currency exposure	(1,772,833)	-	-	-	-	423,056	(403,497)	(238,247)	9,295	(1,982,226)

29 **Financial Instruments** (cont'd)

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

(iv) Foreign exchange risk (cont'd)

Company 2015	United States Dollar US$	Fiji Dollar US$	Solomon Islander Dollar US$	Singapore Dollar US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
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

29 **Financial Instruments** (cont'd)

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

(iv) Foreign exchange risk (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$
Company							
2014							
Financial Assets							
Amounts due from subsidiaries	386,449	260,250	201,458	-	94,688	41,159	984,004
Other receivables	-	-	-	1,540	-	-	1,540
Cash and cash equivalents	210,628	-	-	462,857	1,212	8,034	682,731
Financial Liabilities							
Others payable	-	-	-	(10,800)	-	-	(10,800)
Amount owing to related parties	(150,000)	-	-	(30,541)	-	-	(180,541)
Borrowings	(1,892,699)	-	-	-	(162,775)	-	(2,055,474)
Net financial (liabilities)/assets	(1,445,622)	260,250	201,458	423,056	(66,875)	49,193	(578,540)
Less: Net financial liabilities/(assets) denominated in the Company functional currency	-	-	(201,458)	-	-	-	(201,458)
Currency exposure	(1,445,622)	260,250	-	423,056	(66,875)	49,193	(779,998)

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) Profit or loss US$	**Company** Increase/ (decrease) Profit or loss US$
2015		
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)
2014		
Fiji Dollar	-	(13,013)
Singapore Dollar	(21,153)	(21,153)
Euro	20,175	-
New Zealand Dollar	11,912	3,344
Australian Dollar	(465)	(2,460)

(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).

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.

30 **Comparative Figures**

The comparative figures were audited by a firm of Public Accountants other than Moore Stephens LLP.

Adjustments have been made to the prior year's financial statements to recognise (i) unamortised discount of non-interest bearing borrowings; and (ii) certain reclassifications to enhance comparability with the current year's financial statements.

30 Comparative Figures (cont'd)

As a result, certain line items have been amended on the face of the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes to the financial statements. The prior year adjustments resulted in the changes of the followings line items:

	Balance as previously reported US$	Adjustments US$	Balance as restated US$
Group			
2014			
Consolidated Statement of Comprehensive Income			
Direct expenses	(379,318)	379,318	-
Other income	119,852	55,258	175,110
Financial expenses	(310,682)	(538,446)	(849,128)
Other operating expenses	(3,460,999)	97,070	(3,363,929)
Consolidated Statement of Financial Position			
Current assets			
Other receivables	286,465	(187,794)	98,671
Current liabilities			
Members' saving deposits	1,603,391	(187,794)	1,415,597
Obligations under finance lease	-	72,310	72,310
Borrowings	3,627,267	(72,310)	3,554,957
Non-current liabilities			
Obligations under finance lease	-	26,867	26,867
Borrowings	4,128,236	(234,675)	3,893,561
Equity			
Accumulated losses	(1,767,729)	217,784	(1,549,945)
Foreign currency translation reserve	(40,165)	(9,976)	(50,141)
Group			
2013			
Consolidated Statement of Financial Position			
Non-current liabilities			
Borrowings	4,785,667	(224,584)	4,561,083
Equity			
Accumulated losses	(1,141,299)	224,584	(916,715)

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 2015

	2015 US$	2014 US$
REVENUE		
Dividend income	11,791	124,395
Management income	365,203	182,615
Interest income	100,175	145,448
Professional fee income	121,000	-
	598,169	452,458
Other income	106,767	40,167
LESS: EXPENSES		
FINANCIAL EXPENSE	120,343	115,016
OTHER OPERATING EXPENSES		
Amount owing by subsidiary written off	-	18,922
Auditors' remuneration	16,977	4,700
Bank charges	11,439	6,416
Director's fee	3,279	-
Exchange difference	22,727	9,734
General expenses	1,133	-
Guarantee fee	5,628	2,500
Income tax service fee	-	1,486
IT software support	7,361	-
Late lodgement penalties - withholding taxes	-	2,177
Legal and professional fee	27,048	26,630
Management fee	30,000	88,000
Membership (Association)	965	753
Postage and courier	402	66
Printing and stationery	-	320
Salaries and wages	128,333	118,520
Service fee	108,000	-
Secretarial fee	-	2,420
Telephone expenses	-	55
Travelling expenses	3,682	1,997
Withholding tax expenses	23,352	27,155
	390,326	311,851
PROFT BEFORE INCOME TAX	194,267	65,758