Company Registration No: 201025088K

TAX

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

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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

AND ITS SUBSIDIARY COMPANIES

31 DECEMBER 2017

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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 2017

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 2017.

In the opinion of the directors:

(a) the accompanying financial statements of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as described in Note 2(b) to the financial statements.

1 Directors

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

Gregory Francis Casagrande
Wu Pei Ngee Penny

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares or Debentures

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

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

4 Share Options

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

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

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

5 Independent Auditor

Moore Stephens LLP has expressed its willingness to accept re-appointment as auditor.

Directors

.... GREGORY FRANCIS CASAGRANDE

.... WU PEI NGEE PENNY

Singapore
12 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group, and the statement of comprehensive income, statement of changes in equity and cash flow statement of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) to the financial statements which states that for the financial year ended 31 December 2017, the Group incurred a net loss and total comprehensive loss of US$451,821 and US$490,019 (2016: net loss and total comprehensive loss US$152,867 and US$247,064) respectively and as of that date, the Group has a net deficit in shareholder's funds of US$1,657,793 (2016: US$1,145,754).

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

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

(cont'd)

Material Uncertainty Related to Going Concern (cont'd)

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

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

(i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and

(ii) The immediate and ultimate holding company has indicated its intention to provide continuing financial support to enable the Group to meet its obligations as and when they fall due.

Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement".

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

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

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

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

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

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

(cont'd)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

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

(cont'd)

Report on Other Legal and Regulatory Requirements

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

Moore Stephens LLP

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
12 September 2018

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

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017	2016	2017	2016
		US$	US$	US$	US$
Financial revenue	4	5,330,014	4,653,392	983,006	785,350
Other income	5	169,982	215,458	43,170	19,684
Financial expenses	6	(1,390,825)	(1,203,653)	(419,888)	(278,165)
Other operating expenses		(4,393,085)	(3,686,090)	(571,715)	(497,785)
(Loss)/Profit before income tax	7	(283,914)	(20,893)	34,573	29,084
Income tax expense	8	(167,907)	(131,974)	(4,246)	(4,153)
(Loss)/Profit for the financial year		(451,821)	(152,867)	30,327	24,931
Other comprehensive loss: *Items that may be reclassified subsequently to profit or loss* - Exchange differences on translation of foreign operations		(38,198)	(94,197)	-	-
Total comprehensive (loss)/income for the financial year		(490,019)	(247,064)	30,327	24,931

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 US$	Group 2016 US$	Company 2017 US$	Company 2016 US$
ASSETS					
Non-Current Assets					
Goodwill	9	407,438	407,438	-	-
Property, plant and equipment	10	490,651	498,469	-	-
Investments in subsidiaries	11	-	-	1,887,669	1,837,669
Amount due from subsidiaries	12	-	-	3,815,127	2,470,521
		898,089	905,907	5,702,796	4,308,190
Current Assets					
Loans portfolio	13	11,610,869	9,209,376	-	-
Amount due from subsidiaries	12	-	-	1,194,073	972,337
Other receivables	14	199,277	163,723	1,470	19,002
Cash and bank balances	15	2,285,216	2,262,534	185,224	262,413
		14,095,362	11,635,633	1,380,767	1,253,752
Total Assets		14,993,451	12,541,540	7,083,563	5,561,942
EQUITY					
Attributable to equity holder of the Company					
Share capital	16	1,429,998	1,429,998	1,429,998	1,429,998
(Accumulated losses)/Retained earnings		(2,627,318)	(2,153,477)	181,753	173,446
Other reserve	17	(313,505)	(313,505)	-	-
Foreign currency translation reserve		(146,968)	(108,770)	-	-
Total Equity		(1,657,793)	(1,145,754)	1,611,751	1,603,444

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 US$	Group 2016 US$	Company 2017 US$	Company 2016 US$
LIABILITIES					
Non-Current Liabilities					
Obligations under finance lease	19	104,689	146,936	-	-
Amounts due to related parties	18	72,981	73,463	-	-
Borrowings	20	8,123,239	7,102,223	3,858,725	3,296,335
		8,300,909	7,322,622	3,858,725	3,296,335
Current Liabilities					
Members' savings deposits	21	2,351,888	1,925,058	-	-
Other payables	22	481,794	375,912	49,447	27,677
Amounts due to related parties	18	-	39,634	-	-
Bank overdrafts	23	1,259,902	1,046,992	-	-
Obligations under finance lease	19	67,577	75,080	-	-
Borrowings	20	4,070,246	2,801,406	1,563,640	634,486
Provision for taxation		118,928	100,590	-	-
		8,350,335	6,364,672	1,613,087	662,163
Total Liabilities		16,651,244	13,687,294	5,471,812	3,958,498
Total Equity and Liabilities		14,993,451	12,541,540	7,083,563	5,561,942

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Accumulated losses US$	Other reserve US$	Foreign currency translation reserve US$	Total US$
Group					
Balance as at 1 January 2017	1,429,998	(2,153,477)	(313,505)	(108,770)	(1,145,754)
Net loss for the year	-	(451,821)	-	-	(451,821)
Other comprehensive loss	-	-	-	(38,198)	(38,198)
Total comprehensive loss	-	(451,821)	-	(38,198)	(490,019)
Dividends paid (Note 24)	-	(22,020)	-	-	(22,020)
Balance as at 31 December 2017	1,429,998	(2,627,318)	(313,505)	(146,968)	(1,657,793)
Balance as at 1 January 2016	1,429,998	(1,935,548)	(313,505)	(14,573)	(833,628)
Net loss for the year	-	(152,867)	-	-	(152,867)
Other comprehensive loss	-	-	-	(94,197)	(94,197)
Total comprehensive loss	-	(152,867)	-	(94,197)	(247,064)
Dividends paid (Note 24)	-	(65,062)	-	-	(65,062)
Balance as at 31 December 2016	1,429,998	(2,153,477)	(313,505)	(108,770)	(1,145,754)

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Retained earnings US$	Total US$
Company			
Balance as at 1 January 2017	1,429,998	173,446	1,603,444
Net profit for the year	-	30,327	30,327
Other comprehensive income	-	-	-
Total comprehensive income	-	30,327	30,327
Dividend paid (Note 24)	-	(22,020)	(22,020)
Balance as at 31 December 2017	1,429,998	181,753	1,611,751
Balance as at 1 January 2016	1,429,998	213,577	1,643,575
Net profit for the year	-	24,931	24,931
Other comprehensive income	-	-	-
Total comprehensive income	-	24,931	24,931
Dividend paid (Note 24)	-	(65,062)	(65,062)
Balance as at 31 December 2016	1,429,998	173,446	1,603,444

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

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	2016
	US$	US$
Cash Flows from Operating Activities		
Loss before income tax	(283,914)	(20,893)
Adjustments for:		
Depreciation of property, plant and equipment	191,188	146,373
Interest expense (including amortisation of discount)	1,169,578	971,286
Interest income	(4,063,624)	(3,618,927)
Unrealised foreign exchange loss/(gain)	108,535	(135,459)
Allowance for loans losses	109,198	98,400
Gain on disposal of property, plant and equipment	(3,189)	(4,511)
Operating cash inflows before working capital changes	(2,772,228)	(2,563,731)
Changes in operating assets and liabilities:		
Loans portfolio	(2,390,820)	(1,574,520)
Other receivables	(35,554)	(52,360)
Members' savings deposits	397,228	282,334
Other payables	94,310	52,807
Net cash used in operations	(4,707,064)	(3,855,470)
Income tax paid	(150,508)	(67,096)
Interest received	4,063,624	3,618,927
Net cash used in operating activities	(793,948)	(303,639)
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	4,723	13,672
Purchase of property, plant and equipment	(174,199)	(128,932)
Net cash used in investing activities	(169,476)	(115,260)
Cash Flows from Financing Activities		
Proceeds from borrowings	4,468,640	4,064,030
Repayment of borrowings and finance lease	(2,546,928)	(2,421,588)
Decrease in fixed deposits pledged and fixed deposits that are more than three months	1,787	1,424
Interest paid	(1,100,875)	(809,693)
Amount owing to related parties	(39,634)	(29,607)
Dividend paid	(22,020)	(65,062)
(Increase)/Decrease in amount restricted to members' savings deposits	(45,049)	42,754
Net cash generated from financing activities	715,921	782,258
Net (decrease)/increase in cash and cash equivalents	(247,503)	363,359
Cash and cash equivalents at the beginning of the year	854,888	490,104
Currency realignment	14,013	1,425
Cash and cash equivalents at the end of the year (Note 15)	621,398	854,888

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Company	
	2017	2016
	US$	US$
Cash Flows from Operating Activities		
Profit before income tax	34,573	29,084
Adjustments for:		
Interest expense	419,888	278,165
Interest income	(340,155)	(219,872)
Unrealised foreign exchange (gain)/loss	(22,102)	45,168
Operating cash inflows before working capital changes	92,204	132,545
Changes in operating assets and liabilities:		
Other receivables	17,532	(19,002)
Other payables	21,005	(13,880)
Net cash generated from operations	130,741	99,663
Income tax paid	(4,246)	(4,153)
Interest received	355,372	149,571
Net cash generated from operating activities	481,867	245,081
Cash Flows from Investing Activities		
Amount due from subsidiaries	(1,543,794)	(1,333,729)
Investments in subsidiaries	(50,000)	-
Net cash used in investing activities	(1,593,794)	(1,333,729)
Cash Flows from Financing Activities		
Proceeds from borrowings	1,978,763	1,993,829
Repayment of borrowings	(559,478)	(682,652)
Interest paid	(362,527)	(205,356)
Amount due to related parties	-	(60,000)
Dividend paid	(22,020)	(65,062)
Net cash generated from financing activities	1,034,738	980,759
Net decrease in cash and cash equivalents	(77,189)	(107,889)
Cash and cash equivalents at the beginning of the year	262,413	370,302
Cash and cash equivalents at the end of the year (Note 15)	185,224	262,413

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 Information

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

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

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

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

2 Significant Accounting Policies

(a) Basis of Preparation

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 Financial Reporting Standards in Singapore (FRS). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

Adoption of New and Revised FRS that are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new/revised standards mandatorily effective for the said year and relevant to the Group:

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

(a) Basis of Preparation (cont'd)

Adoption of New and Revised FRS that are effective (cont'd)

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

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. Comparatives are not required in the first year of adoption.

As this is a disclosure requirement, the application of the amendments has had no impact on the financial performance or financial position of the Group and the Company. The above required information where material has been set out in Note 30.

New/Revised FRS in issue but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group have been issued but are not yet effective:

FRS 109 *Financial Instruments*

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

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

(a) Basis of Preparation (cont'd)

New/Revised FRS in issue but not yet effective (cont'd)

FRS 109 *Financial Instruments* (cont'd)

Based on the Group's initial assessment, the Group does not expect the adoption of FRS 109 to have a significant impact on the financial statements, except that the new impairment model may result in a possible increase in impairment but the Group does not expect any addition credit losses to be significant. The assessment performed by the Group is only preliminary and therefore may be subject to changes arising from a more detailed ongoing analysis on adoption of FRS 109.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 changes the revenue recognition model under FRS. The core principle of FRS 115 is to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for accounting periods beginning on or after 1 January 2018.

Based on the Group's initial assessment, the Group does not expect the adoption of FRS 115 to have a significant impact on the financial statements. The assessment performed by the Group is only preliminary and therefore may be subject to changes arising from a more detailed ongoing analysis on adoption of FRS 115.

FRS 116 *Leases*

FRS 116 requires lessees to recognise 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 recognised 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. The standard is effective for accounting periods beginning on or after 1 January 2019.

The Group has entered into non-cancellable operating lease agreements, which may be required to be recognised as ROU (right of use) assets with corresponding lease liabilities in respect of some of those commitments under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects prior to the adoption.

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

(a) Basis of Preparation (cont'd)

New/Revised FRS in issue but not yet effective (cont'd)

Amendments to FRS 109 — *Prepayment Features with Negative Compensation and Modification of Financial Liabilities*

The amendments provide an exception for entities to measure particular financial assets with prepayment features that could result in negative compensation (i.e. prepayment amount that is substantially less than unpaid amounts of principal and interest) at amortised cost or fair value through other comprehensive income, subject to an assessment of the business model. Such financial assets with prepayment features pass the solely payments of principal and interest criterion regardless of the event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. It clarifies that an entity should recognise a gain or loss in profit or loss immediately at the date of such modification or exchange.

The Group is in the process of assessing the impact on the financial statements.

INT FRS 123 — *Uncertainty over Income Tax Treatments*

The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertain tax treatment separately or together as a group. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. INT FRS 123 provides the following guidance on determining an entity's accounting tax positions:

- If it is probable that taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filing.

- If it is not probable, an entity should estimate the effect of uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

The Group is in the process of assessing the impact on the financial statements.

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

(b) Going Concern

For the financial year ended 31 December 2017, the Group incurred a net loss and total comprehensive loss of US$451,821 and US$490,019 (2016: net loss and total comprehensive loss of US$152,867 and US$247,064) respectively and as of that date, the Group has a net deficit in shareholder's funds of US$1,657,793 (2016: US$1,145,754).

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

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

(i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and

(ii) The immediate and ultimate holding company has indicated its intention to provide continuing financial support to enable the Group to meet its obligations as and when they fall due.

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 statement of financial position. 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.

(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.

2 Significant Accounting Policies (cont'd)

(c) Currency Translation (cont'd)

(ii) Transactions and balances

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

(iii) Translation of Group entities' financial statements

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

- Assets and liabilities are translated at the closing rate at the reporting date;

- 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 shareholder's meetings.

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

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

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

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 statement of financial position. 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.

(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.

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

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

(iii) Disposals of subsidiaries or businesses (cont'd)

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).

(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.

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

(g) Property, Plant and Equipment (cont'd)

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.

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.

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

(h) Impairment of Non-Financial Assets (cont'd)

(i) Goodwill (cont'd)

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 bank balances" 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.

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.

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

(i) Financial Assets (cont'd)

Impairment (cont'd)

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

(k) Financial Liabilities

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

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

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.

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

(k) Financial Liabilities (cont'd)

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.

(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 statement of financial position.

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 statement of financial position.

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

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

(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.

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 security 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 security fee is recognised as income when earned.

Death benefit fee

The Group offers a Death Benefit Product to help the families of the Group's members to reduce the burden of bereavement and funeral expenses when a borrowing member dies by charging a Death Benefit fee during disbursement of the principal loan amount. The fee is recognised as income when earned.

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

(p) Revenue Recognition (cont'd)

Saving withdrawal fee

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

Membership fee

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

Grant income

Grant income is recognised when there is:

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

(q) Employee Benefits

Defined contribution plan

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

Employee leave entitlement

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

(r) Leases

(i) When the Group is the lessee:

Finance leases

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

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

(r) Leases (cont'd)

(i) When the Group is the lessee: (cont'd)

Finance leases (cont'd)

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

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

Operating leases

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

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

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

(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.

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

(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.

(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.

2 Significant Accounting Policies (cont'd)

(t) Related Parties (cont'd)

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 statement of financial position 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 2017 and 2016. The carrying amounts of the Company's investments in subsidiaries as at the statement of financial position date are disclosed in Note 11.

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

(a) Critical Accounting Estimates and Assumptions (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. No impairment losses has been recognised for the financial years ended 31 December 2017 and 2016. As at 31 December 2017, the carrying amount of goodwill is US$407,438 (2016: 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.

(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$109,198 (2016: US$98,400) 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 2017 was US$11,810,146 and US$5,010,670, respectively (2016: US$9,373,099 and US$3,461,860) (Notes 12, 13 and 14).

4 Financial Revenue

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Development fee	478,213	395,033	-	-
Interest on loans	4,063,624	3,618,927	340,155	219,872
Loan security fee	300,156	226,575	-	-
Death benefit fee	167,996	118,774	-	-
Membership fee	246,677	216,375	-	-
Management income	-	-	497,891	429,944
Professional service	-	-	144,960	135,534
Saving withdrawal fee	24,281	25,745	-	-
Others	49,067	51,963	-	-
	5,330,014	4,653,392	983,006	785,350

5 Other Income

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
This is arrived at after crediting:				
Commission income	3,601	11,575	-	-
Grant and donation received	53,365	1,754	-	-
Gain on disposal of property, plant and equipment	3,189	4,511	-	-
Interest from bank	39	68	-	-
Guarantee fee	-	-	19,472	19,684
Recovery of loan previously written off	1,101	-	-	-
Rental income under operating lease	20,100	20,502	-	-
Unrealised foreign exchange gain	-	-	23,698	-

6 Financial Expenses

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Insurance fee and related claims	112,049	133,967	-	-
Interest on borrowings	1,086,863	897,335	419,888	278,165
Interest on members' savings deposits	37,396	17,391	-	-
Allowance for loans losses	109,198	98,400	-	-
Amortisation of discount	45,319	56,560	-	-
	1,390,825	1,203,653	419,888	278,165

7 (Loss)/Profit before Income Tax

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
This is arrived at after charging:				
Admin and management fee	616,956	496,691	264,000	170,000
Defined contribution plans	47,063	44,056	-	-
Depreciation of property, plant and equipment	191,188	146,373	-	-
Foreign exchange difference -net	96,495	160,938	-	45,168
Rental expenses under operating lease	300,198	251,812	-	-
Legal and professional fees	146,297	219,189	56,531	60,221
Travelling and transportation	538,890	365,913	-	-
Salaries and wages	1,491,647	1,261,533	144,961	135,534

8 Income Tax Expense

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Income tax expense on results for the year consists of:				
Current income tax				
- current year	163,661	127,821	-	-
- under provision in prior year	4,246	4,153	4,246	4,153
	167,907	131,974	4,246	4,153

8 Income Tax Expense (cont'd)

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

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
(Loss)/Profit before taxation	(283,914)	(20,893)	34,573	29,084
Income tax at 17%	(48,265)	(3,552)	5,877	4,944
Non-deductible expenses	85,972	53,356	26,671	26,875
Non-taxable income	(36,345)	(47,429)	(32,548)	(29,696)
Statutory tax exemption	-	(2,123)	-	(2,123)
Effect of higher tax rate in other country	34,654	46,394	-	-
Unrecognised deferred tax assets	127,645	81,175	-	-
Under provision in prior year	4,246	4,153	4,246	4,153
	167,907	131,974	4,246	4,153

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.

	2017	2016
	%	%
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
Republic of Vanuatu	0	0

As at the reporting date, the Group has unutilised tax losses amounting to approximately US$3,130,000 (2016: US$3,026,000) available for offsetting against future taxable income. The related tax benefits of approximately US$828,000 (2016: US$764,000) 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.

8 Income Tax Expense (cont'd)

The breakdown of unutilised tax losses is as follows:

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Expiry dates				
31 December 2017	-	677,000	-	-
31 December 2018	886,000	873,000	-	-
31 December 2019	609,000	601,000	-	-
31 December 2020	555,000	549,000	-	-
31 December 2021	514,000	326,000	-	-
31 December 2022	566,000	-	-	-
	3,130,000	3,026,000	-	-

9 Goodwill

	Group	
	2017	2016
	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% (2016: 10%) based on management's best estimates from market industry. A discount factor of 7.43% (2016: 7.52%) per annum was applied in the value in use calculations.

Sensitivity analysis

If the management's estimated pre-tax discount rate applied and the first year estimated growth rate used in the value in use calculation for the CGU is increased/decreased by 5%, the recoverable amount of the cash-generating unit is still in excess of its carrying amount.

10 Property, Plant and Equipment

	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$
Group							
2017							
Cost							
At beginning of the year	45,682	97,786	62,950	165,880	675,290	37,756	1,085,344
Additions	3,706	32,021	12,359	37,735	86,567	1,811	174,199
Disposals	-	-	-	(16,872)	-	-	(16,872)
Translation adjustment	852	1,726	850	2,919	12,965	511	19,823
At end of the year	50,240	131,533	76,159	189,662	774,822	40,078	1,262,494
Accumulated depreciation							
At beginning of the year	28,395	74,677	31,302	117,102	303,578	31,821	586,875
Charge for the year	5,101	14,948	8,403	24,289	135,146	3,301	191,188
Disposals	-	-	-	(15,338)	-	-	(15,338)
Translation adjustment	573	1,204	463	1,980	4,488	410	9,118
At end of the year	34,069	90,829	40,168	128,033	443,212	35,532	771,843
Net book value							
At end of the year	16,171	40,704	35,991	61,629	331,610	4,546	490,651

10 Property, Plant and Equipment (cont'd)

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

The carrying amount of property, plant and equipment acquired under finance lease arrangements for the Group as at 31 December 2017 amounted to US$172,885 (2016: US$204,639).

During the current financial year, the Group acquired motor vehicles of Nil (2016: US$158,032) under finance leases. The additions of other property, plant and equipment were acquired by cash payments of US$174,199 (2016: US$128,932).

11 Investments in Subsidiaries

	Company 2017 US$	Company 2016 US$
Unquoted shares, at cost		
Ordinary shares		
Balance as at beginning of the financial year	517,298	517,298
Addition	50,000	-
Balance as at end of the financial year	567,298	517,298
Preference shares		
Balance as at beginning of the financial year	1,320,371	1,320,371
Balance as at end of the financial year	1,887,669	1,837,669

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 2017 %	% of equity held by the Company 2016 %	Cost of investment 2017 US$	Cost of investment 2016 US$
South Pacific Business Development Microfinance Ltd. ("SPBD Tonga") [(a)] (Kingdom of Tonga)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	188,904	188,904
SPBD Microfinance (Samoa) Ltd. ("SPBD Samoa") [(b)] (Independent State of Samoa)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	40,000	40,000
South Pacific Business Development Microfinance (Fiji) (Ltd) ("SPBD Fiji") [(c)] (Republic of Fiji)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	1,463,318	1,463,318

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	
		2017	2016	2017	2016
		%	%	US$	US$
South Pacific Business Development Microfinance (Solomon Islands) Limited ("SPBD Solomon") [d] (Solomon Islands)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	145,447	145,447
SPBD Microfinance (Vanuatu) Ltd ("SPBD Vanuatu") [e] (Vanuatu)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	-	50,000	-
				1,887,669	1,837,669

(a) Audited by JK Chartered Accountants
(b) Audited by BDO Chartered Accountants
(c) Audited by BDO Chartered Accountants
(d) Audited by Morris & Sojnocki, Chartered Accountants
(e) Audited by Law Partners, Chartered Accountants

In 2014, the Company converted certain loans from subsidiaries amounting to US$1,543,123 into investment in the subsidiaries' preference shares. The preference shares have the following rights and subject to the following conditions:

(a) Redeemable at par value any time after 5 years from date of issue and as determined and deemed appropriate by the directors of the subsidiaries;

(b) Entitled to dividends not exceeding 6% per annum depending on the profitability and financial position of the subsidiaries, and prior consent of certain financial institutions which the subsidiary obtained finance and given covenant regarding dividends;

(c) Carry similar voting rights as that of ordinary shareholder; and

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

12 Amount due from Subsidiaries

	Company	
	2017	2016
	US$	US$
Loan receivables	4,821,195	3,253,295
Other receivables	188,005	189,563
	5,009,200	3,442,858
Less: Current portion	(1,194,073)	(972,337)
Non-current portion	3,815,127	2,470,521

The loan receivables are unsecured and carries an interest rate of 0% to 11% (2016: 0% to 11%) per annum. The final repayments of the loans range from 31 March 2018 to 30 June 2022 (2016: 31 March 2017 to 30 June 2021).

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

13 Loans Portfolio

	Group	
	2017	2016
	US$	US$
Balance at beginning of the year	10,125,691	8,606,013
Loans disbursement during the year	19,596,920	16,961,739
Loans repayment during the year	(17,206,100)	(15,388,574)
Write-offs during the year	(61,199)	(53,487)
Gross loans portfolio	12,455,312	10,125,691
Less: Allowance for loans losses	(171,905)	(122,331)
Translation adjustment	(672,538)	(793,984)
	11,610,869	9,209,376

The loans earn interest at the rate ranging from 9% to 27% (2016: 10% to 25%) per annum.

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

	Group	
	2017	2016
	US$	US$
Balance at beginning of the year	122,331	78,773
Charge to profit or loss	109,198	98,400
Loans written off	(61,199)	(53,487)
Currency translation adjustment	1,575	(1,355)
Balance at end of the year	171,905	122,331

14 Other Receivables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Deposits and advances	44,595	44,783	-	-
Prepayments	114,742	61,546	-	-
Interest receivables	5,957	5,812	-	-
Amount due from related party	-	15,800	-	15,800
Other receivables	33,983	35,782	1,470	3,202
	199,277	163,723	1,470	19,002

The amount due from related party was unsecured, non-trade in nature, interest free and was fully repaid during the current financial year.

15 Cash and Bank Balances

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash on hand	40,959	38,910	-	-
Cash in banks	1,040,136	1,248,075	185,224	262,413
Vodafone M-Paisa account	182,356	57,639	-	-
Fixed deposits	1,021,765	917,910	-	-
	2,285,216	2,262,534	185,224	262,413

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

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash and bank balances	2,285,216	2,262,534	185,224	262,413
Less:				
Fixed deposits pledged and fixed deposits that are more than 3 months	(74,240)	(76,027)	-	-
Restricted to members' savings deposits	(329,676)	(284,627)	-	-
Bank overdrafts (Note 23)	(1,259,902)	(1,046,992)	-	-
Cash and cash equivalent	621,398	854,888	185,224	262,413

15 Cash and Bank Balances (cont'd)

As at the statement of financial position date, fixed deposits matured within twelve months (2016: twelve months) from the end of the financial year. Interest on fixed deposits are derived at rates ranging from 0.32% to 6.50% (2016: 0.10% to 6.50%) per annum.

16 Share Capital

	Group and Company			
	2017		2016	
	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 and end of the year	600,000	453,300	600,000	453,300
Total share capital	1,821,637	1,429,998	1,821,637	1,429,998

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

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

17 Other Reserve

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

18 Amounts due to Related Parties

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Amount due to related parties	72,981	113,097	-	-
Less: Current Portion	-	(39,634)	-	-
Non-current Portion	72,981	73,463	-	-

The amount due to related party (current portion) was unsecured, non-trade in nature, interest free and was fully repaid during the current financial year.

The amount due to related party (non-current portion) is unsecured, non-trade in nature, bears 8% interest per annum and is repayable not later than 31 March 2020.

19 Obligation under Finance Leases

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	US$	US$	US$	US$
Amounts payable under finance lease:				
Within 1 year	70,922	95,608	67,577	75,080
Between 1 year to 5 years	106,478	163,668	104,689	146,936
	177,400	259,276	172,266	222,016
Less: future finance charge	(5,134)	(37,260)	-	-
Present value of lease obligations	172,266	222,016	172,266	222,016
Less: Amount due for settlement within 12 months			(67,577)	(75,080)
Amount due for settlement after 12 months			104,689	146,936

The finance lease obligations bear interest ranges from 6.5% to 11% (2016: 11% to 11.7%) 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	
	2017	2016	2017	2016
	US$	US$	US$	US$
Secured loans	6,292,261	5,897,751	2,302,988	2,009,817
Unsecured loans	5,933,889	4,081,866	3,119,377	1,921,004
Less: Unamortised discount	(32,665)	(75,988)	-	-
	12,193,485	9,903,629	5,422,365	3,930,821
Commercial loans				
Commercial loans (a)	1,966,324	1,917,802	1,885,675	1,609,872
Commercial loan (b)	903,276	961,078	-	-
Commercial loan (c)	256,215	346,085	-	-
Commercial loan (d)	2,048,900	1,821,824	-	-
Commercial loans (e)	535,117	451,017	-	-
Commercial loan (f)	417,313	399,945	417,313	399,945
Commercial loan (g)	165,116	-	-	-
	6,292,261	5,897,751	2,302,988	2,009,817
Term loans				
Term loan (a)	4,003	4,000	-	-
Term loan (b)	42,868	43,303	-	-
Term loans (c)	2,190,206	1,323,682	2,190,206	1,323,682
Term loans (d)	1,120,783	701,796	-	-
Term loans – related party (e)	1,212,913	935,318	652,180	364,988
Term loan (f)	139,324	42,542	139,324	-
Term loan (g)	193,163	-	-	-
Term loans (h)	747,859	838,234	137,667	232,334
Term loan (i)	33,808	45,144	-	-
Term loan (j)	216,297	71,859	-	-
	5,901,224	4,005,878	3,119,377	1,921,004
Total borrowings	12,193,485	9,903,629	5,422,365	3,930,821
Less: Current portion	(4,070,246)	(2,801,406)	(1,563,640)	(634,486)
Non-current portion	8,123,239	7,102,223	3,858,725	3,296,335

20 Borrowings (cont'd)

Movements in unamortised discount on borrowings are as follows:

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
At the beginning of the year	75,988	132,683	-	-
Amortisation during the year	(45,319)	(56,560)	-	-
Currency realignment	1,996	(135)	-	-
At the end of the year	32,665	75,988	-	-

Commercial loans (a)
These comprise three (2016: four) commercial loans which are secured by guarantee from a related party for up to US$991,000 (2016: US$945,000) or 50% of the loans whichever is lesser and bear interest rate of 9.5% (2016: 9.5%) per annum. The final repayments of the loans range from 31 March 2018 to 31 March 2020 (2016: 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% (2016: 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% (2016: 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% (2016: 9.5%) per annum. The final repayment of the loan is due on 30 September 2022 (2016: 30 September 2018).

Commercial loans (e)
These comprise two (2016: two) commercial loans which are secured by a charge over a portion of the subsidiary's loan portfolio equal to 120% of the principal balance of the credit facility, and bear interest rates ranging from 8.5% to 9% (2016: 8.5% to 9%) per annum. The final repayments of the loans range from 31 December 2019 to 30 June 2020.

Commercial loan (f)
The loan is secured by guarantee from a related party for up to US$133,333 or 33.3% of the loan whichever is lesser and bear interest rate of 9.5% (2016: 9.5%) per annum. The final repayment of the loan is due on 30 September 2018.

20 Borrowings (cont'd)

Commercial loans (g)
These comprise two commercial loans which are secured by four vehicles, and bear interest rates ranging from 9.11% to 9.65% per annum. The final repayments of the loans range from 25 January 2019 to 25 May 2021.

Term loan (a)
The loan is unsecured, interest free and is repayable on demand.

Term loan (b)
The loan is unsecured, interest free and is repayable on demand.

Term loans (c)
These comprise four (2016: five) term loans which are unsecured and bear an interest rate of 8% (2016: 5% to 8%) per annum. The final repayments of the loans range from 30 September 2020 to 31 December 2021 (2016: 1 July 2017 to 30 September 2020).

Term loans (d)
These comprise two (2016: two) term loans which are unsecured, interest free and are repayable on demand.

Term loans (e)
These comprise fourteen (2016: thirteen) term loans from the related party which are unsecured and bear interest rates ranging from 3% to 11.5% (2016: 3% to 11.5%) per annum. The final repayments of the loans range from 16 March 2018 to 30 September 2020 (2016: 31 March 2017 to 30 September 2019).

Term loan (f)
These comprise two (2016: one) term loans which are unsecured and bear an interest rate of 5% (2016: 4%) per annum. The final repayment of the loans range from 31 December 2022 to 30 June 2023 (2016: 31 July 2017).

Term loan (g)
The loan is unsecured and bear an interest rate of 8.5% per annum. The final repayment of the loan is due on 8 April 2019.

Term loans (h)
These comprise eight (2016: nine) term loans which are unsecured and interest free (2016: interest free). The final repayment of the loans range from 18 April 2018 to 30 June 2020 (2016: 19 April 2017 to 30 June 2020).

Term loan (i)
The loan is unsecured, interest free and is repayable on demand.

20 Borrowings (cont'd)

Term loan (j)
The loan is unsecured, bear an interest rate of 1.5% (2016: 1.5%) per annum. The final repayment of the loan is due on 30 June 2020.

21 Members' Savings Deposits

Members in these financial statements refer to the Group's loan portfolio borrowers. The savings deposits earn interest at the rate ranging from 1.5% to 3.0% (2016: 1.5% to 3.0%) per annum and this rate may be modified by the Group based on the prevailing interest rates amongst commercial banks.

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

A savings account is required to be established by a borrowing member while availing a loan by depositing an initiation deposit amount of US$4 to US$5 (2016: US$4 to US$5). When the loan has been processed and approved, the members can regularly deposit and withdraw from their savings account which gets recorded in the members' savings account. Members with a current loan balance are required to maintain their savings account with a minimum required balance.

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

22 Other Payables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Accruals	147,549	109,746	35,648	19,361
Interest payable	90,792	79,220	-	-
Life insurance provision	52,252	36,467	-	-
Other payables	191,201	150,479	13,799	8,316
	481,794	375,912	49,447	27,677

23 Bank Overdrafts

	Group	
	2017	2016
	US$	US$
Bank overdrafts	1,259,902	1,046,992

Bank overdrafts of the Group are secured by the following:

(i) a standby letter of credit of GBP10,000 or equivalent US$13,491 (2016: GBP10,000 or equivalent US$12,332)
(ii) fixed deposits of US$697,730 (2016: US$673,384)
(iii) bank overdraft of US$914,622 (2016: US$808,016) is secured by guarantee from the Company (Note 27)

Interest on bank overdrafts ranges from 9.75% to 10.50% (2016: 9.75% to 10.50%) per annum.

24 Dividends

	Group and Company	
	2017	2016
	US$	US$
Declared and paid during the financial year:		
2017 final tax exempt dividend on S$0.05 per preference share	22,020	-
2016 interim tax exempt dividend on S$0.08 per preference share	-	34,521
2016 interim tax exempt dividend on US$0.025 per ordinary share	-	30,541
	22,020	65,062

25 Commitments

(a) Operating Lease Commitment as a Lessee

At the statement of financial position date, future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	US$	US$
Within 1 year	196,625	203,283
After 1 year but within 5 years	201,856	213,939
After 5 years	36,889	-
	435,370	417,222
Rental expense for the year	300,198	251,812

25 Commitments (cont'd)

(a) Operating Lease Commitment as a Lessee (cont'd)

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

(b) Operating Lease Commitment as a Lessor

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

	Group	
	2017	2016
	US$	US$
Within one year	19,118	18,719
In the second to fifth years inclusive	25,491	43,677
	44,609	62,396

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	
	2017	2016	2017	2016
	US$	US$	US$	US$
Subsidiaries				
-Guarantee remuneration	-	-	19,472	19,684
-Management income	-	-	497,891	429,944
-Professional fee income	-	-	144,960	135,534
-Interest on loans from the Company	-	-	340,155	219,872
Ultimate holding company				
-Administrative fees charged to the Group/Company	(132,000)	(120,000)	(132,000)	(120,000)
-Management fees charged to the Group/Company	(132,000)	(50,000)	(132,000)	(50,000)
-Dividend paid	(22,020)	(65,062)	(22,020)	(65,062)
Related parties				
-Management fees charged to the Group	(352,956)	(429,944)	-	-
-Loans to the Group/Company	562,373	79,687	400,000	-
-Interest on loans to the Group/Company	(77,393)	(75,327)	(34,561)	(35,631)

26 **Related Party Transactions** (cont'd)

Related parties refer to the entities controlled by the ultimate controlling shareholder, Mr. Gregory Francis Casagrande.

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

Other than a nominee director's fee of US$4,720 paid in 2016, no other remuneration was paid to the directors during the year.

27 **Corporate Guarantee**

As at 31 December 2017, the Company has corporate guarantee amounting to US$1,840,358 (2016: US$1,769,094) 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 shareholder, return capital to shareholder or issue new shares.

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

In the management of capital risk, management takes into consideration the net debt-to-equity ratio as well as the Group's working capital requirements. The Group regards equity as capital, and monitors capital using a net debt-to-equity ratio, which is net debt divided by total capital. Net debt is calculated as total liabilities (excluding provision for taxation) less cash and bank balances. Total equity comprises of share capital and reserves attributable to the equity holder of the Company. Total capital is calculated as total equity plus net debt.

28 Capital Management (cont'd)

	Group	
	2017	2016
	US$	US$
Net debt	14,247,100	11,324,170
Total equity	(1,657,793)	(1,145,754)
Total capital	12,589,307	10,178,416
Net debt-to-equity ratio	1.13	1.11

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

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, Solomon Islands and Vanuatu.

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 statement of financial position date:

	2017 US$	2016 US$
Group		
Not past due and not impaired	11,934,663	9,543,225
Past due but not impaired#	348,744	460,135
	12,283,407	10,003,360
Impaired financial assets - individually assessed	171,905	122,331
Less: Allowance for loans losses (Note 13)	(171,905)	(122,331)
	-	-

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

	Group	
	2017 US$	2016 US$
Past due within 1 week to 4 weeks	290,685	422,928
Past due within 5 weeks to 8 weeks	42,725	21,807
Past due within 9 weeks to 12 weeks	5,319	10,893
Past due within 13 weeks to 16 weeks	7,635	3,522
Past due within 17 weeks to 20 weeks	2,380	985
	348,744	460,135

(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.

29 Financial Instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

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

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

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

	Fixed rate				
	Within 1 year	2 to 5 years	Non-interest bearing	Total	Effective interest rate
	US$	US$	US$	US$	%
Group					
2017					
Loans portfolio	11,610,869			11,610,869	9.00%-25.00%
Other receivables (excluding prepayments)	-	-	84,535	84,535	-
Cash and cash equivalents	1,021,765	-	1,263,451	2,285,216	0.32% - 6.50%
Members' savings deposits	(2,351,888)	-	-	(2,351,888)	1.50%-3.00%
Other payables	-	-	(429,542)	(429,542)	-
Amount due to related parties	-	(72,981)	-	(72,981)	8.00%
Bank overdrafts	(1,259,902)	-	-	(1,259,902)	9.75%-10.50%
Obligations under finance lease	(67,577)	(104,689)	-	(172,266)	6.50%-11.00%
Borrowings	(3,405,030)	(6,839,134)	(1,949,321)	(12,193,485)	1.50%-14.00%
Net financial assets/(liabilities)	5,548,237	(7,016,804)	(1,030,877)	(2,499,444)	
2016					
Loans portfolio	9,209,376	-	-	9,209,376	10.00%-25.00%
Other receivables (excluding prepayments)	-	-	102,177	102,177	-
Cash and cash equivalents	917,912	-	1,344,622	2,262,534	0.10%-6.50%
Members' savings deposits	(1,925,058)	-	-	(1,925,058)	1.50%-3.00%
Other payables	-	-	(339,445)	(339,445)	-
Amount due to related parties	-	(73,463)	(39,634)	(113,097)	8.00%
Bank overdrafts	(1,046,992)	-	-	(1,046,992)	9.75%-10.50%
Obligations under finance lease	(75,080)	(146,936)	-	(222,016)	11.00%-11.70%
Borrowings	(4,053,223)	(4,217,929)	(1,632,477)	(9,903,629)	1.50%-14.00%
Net financial assets/(liabilities)	3,026,935	(4,438,328)	(564,757)	(1,976,150)	

29 Financial Instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

	Fixed rate				
	Within 1 year	2 to 5 years	Non-interest bearing	Total	Effective interest rate
	US$	US$	US$	US$	%
Company					
2017					
Amount due from subsidiaries	923,267	3,776,977	308,956	5,009,200	7.00%-11.00%
Other receivables	-	-	1,470	1,470	-
Cash and cash equivalents	-	-	185,224	185,224	-
Other payables	-	-	(49,447)	(49,447)	-
Borrowings	(1,481,329)	(3,803,369)	(137,667)	(5,422,365)	5.00%-9.50%
	(558,062)	(26,392)	308,536	(275,918)	
2016					
Amount due from subsidiaries	701,670	2,352,050	389,138	3,442,858	7.00%-11.00%
Other receivables	-	-	19,002	19,002	-
Cash and cash equivalents	-	-	262,413	262,413	-
Other payables	-	-	(27,677)	(27,677)	-
Borrowings	(539,820)	(3,158,667)	(232,334)	(3,930,821)	5.00%-9.50%
	161,850	(806,617)	410,542	(234,225)	

(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)

		Contractual undiscounted cash flows		
	Carrying Amount US$	Total US$	Within 1 year US$	Between 2 year and 5 years US$
Group				
At 31 December 2017				
Members' savings deposits	2,351,888	2,401,352	2,401,352	-
Other payables	429,542	429,542	429,542	-
Amount due to related parties	72,981	72,981	-	72,981
Bank overdrafts	1,259,902	1,391,967	1,391,967	-
Obligations under finance lease	172,266	177,400	70,922	106,478
Borrowings	12,193,485	14,874,040	4,979,664	9,894,376
Total	16,480,064	19,347,282	9,273,447	10,073,835
At 31 December 2016				
Members' savings deposits	1,925,058	1,964,321	1,964,321	-
Other payables	339,445	339,445	339,445	-
Amount due to related parties	113,097	113,097	39,634	73,463
Bank overdrafts	1,046,992	1,156,796	1,156,796	-
Obligations under finance lease	222,016	259,276	95,608	163,668
Borrowings	9,903,629	11,855,322	3,555,444	8,299,878
Total	13,550,237	15,688,257	7,151,248	8,537,009
Company				
At 31 December 2017				
Other payables	49,447	49,447	49,447	-
Borrowings	5,422,365	6,611,315	2,000,107	4,611,208
Total	5,471,812	6,660,762	2,049,554	4,611,208
At 31 December 2016				
Other payables	27,677	27,677	27,677	-
Borrowings	3,930,821	4,888,940	950,018	3,938,922
Total	3,958,498	4,916,617	977,695	3,938,922

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, the Solomon Islands and the Republic of Vanuatu. 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	United States Dollar US$	Fiji Dollar US$	Samoan Tala US$	Solomon Islander Dollar US$	Tongan Pa'anga US$	Vanuatu Vatu US$	Singapore Dollar US$	Euro US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
2017											
Financial Assets											
Loans portfolio	-	2,345,281	4,336,964	1,482,549	2,781,133	664,942	-	-	-	-	11,610,869
Other receivables	-	19,485	19,250	22,070	13,644	8,616	1,470	-	-	-	84,535
Cash and cash equivalents	272,223	278,544	841,664	194,772	374,324	143,659	30,656	8,848	55,431	85,095	2,285,216
Financial Liabilities											
Members' savings deposits	-	(972,160)	(329,676)	(616,514)	(324,096)	(109,442)	-	-	-	-	(2,351,888)
Other payable	-	(116,709)	(219)	(145,716)	(112,521)	(4,930)	(49,447)	-	-	-	(429,542)
Amount due to related parties	-	-	-	-	-	-	-	-	(72,981)	-	(72,981)
Bank overdrafts	-	-	(1,044,443)	-	(215,459)	-	-	-	-	-	(1,259,902)
Obligations under finance lease	-	(34,846)	(137,420)	-	-	-	-	-	-	-	(172,266)
Borrowings	(4,889,512)	(1,022,716)	(2,422,939)	(382,131)	(868,517)	-	-	-	(1,461,232)	(1,146,438)	(12,193,485)
Net financial (liabilities)/assets	(4,617,289)	496,879	1,263,181	555,030	1,648,508	702,845	(17,321)	8,848	(1,478,782)	(1,061,343)	(2,499,444)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	1,002,865	(496,879)	(1,263,181)	(555,030)	(1,648,508)	(702,845)	-	-	-	-	(3,663,578)
Currency exposure	(3,614,424)	-	-	-	-	-	(17,321)	8,848	(1,478,782)	(1,061,343)	(6,163,022)

29 Financial Instruments (cont'd)

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

(iv) Foreign exchange risk (cont'd)

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

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

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

(iv) Foreign exchange risk (cont'd)

Company	United States Dollar US$	Fiji Dollar US$	Solomon Islander Dollar US$	Singapore Dollar US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
2017							
Financial Assets							
Amounts due from subsidiaries	2,075,807	120,950	-	-	1,024,001	1,788,442	5,009,200
Other receivables	-	-	-	1,470	-	-	1,470
Cash and cash equivalents	14,163	-	-	30,656	55,431	84,974	185,224
Financial Liabilities							
Other payable	-	-	-	(49,447)	-	-	(49,447)
Borrowings	(3,092,835)	-	-	-	(1,183,092)	(1,146,438)	(5,422,365)
Net financial (liabilities)/assets	(1,002,865)	120,950	-	(17,321)	(103,660)	726,978	(275,918)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	1,002,865	-	-	-	-	-	1,002,865
Currency exposure	-	120,950	-	(17,321)	(103,660)	726,978	726,947

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

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

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

Company (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$
2016							
Financial Assets							
Amounts due from subsidiaries	1,397,062	199,576	64,408	-	480,067	1,301,745	3,442,858
Other receivables	15,800	-	-	3,202	-	-	19,002
Cash and cash equivalents	177,162	-	-	17,018	15,650	52,583	262,413
Financial Liabilities							
Other payable	-	-	-	(27,677)	-	-	(27,677)
Borrowings	(2,707,140)	-	-	-	(608,781)	(614,900)	(3,930,821)
Net financial (liabilities)/assets	(1,117,116)	199,576	64,408	(7,457)	(113,064)	739,428	(234,225)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	1,117,116	-	-	-	-	-	1,117,116
Currency exposure	-	199,576	64,408	(7,457)	(113,064)	739,428	882,891

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 statement of financial position 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$
2017		
Fiji Dollar	-	(6,048)
Singapore Dollar	866	866
Euro	(442)	-
New Zealand Dollar	73,939	5,183
Australian Dollar	53,067	(36,349)
2016		
Fiji Dollar	749	(9,979)
Samoan Tala	869	-
Solomon Islander Dollar	-	(3,220)
Tongan Pa'anga	1,022	-
Singapore Dollar	373	373
Euro	(504)	-
New Zealand Dollar	40,029	5,653
Australian Dollar	24,186	(36,971)

29 Financial Instruments (cont'd)

(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).

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 Financing Activities in the Cash Flow Statements

The reconciliation of movement to cash flows arising from the financing activities is presented below.

Group

		←	Cash flows	→		
	1 January 2017	**Proceeds**	**Repayments**	**Interest paid**	**Others***	**31 December 2017**
	US$	US$	US$	US$	US$	US$
Fixed deposits pledged	(76,027)	1,787	-	-	-	(74,240)
Cash (restricted to members' savings deposits)	(284,627)	-	(45,049)	-	-	(329,676)
Members' savings deposits	1,925,058	-	-	(37,396)	464,226	2,351,888
Interest payable	79,220	-	-	(655,633)	667,205	90,792
Amounts due to related parties	113,097	-	(39,634)	-	(482)	72,981
Obligation under finance leases	222,016	-	(55,516)	-	5,766	172,266
Borrowings	9,903,629	4,468,640	(2,491,412)	(407,846)	720,474	12,193,485
	11,882,366	4,470,427	(2,631,611)	(1,100,875)	1,857,189	14,477,496

* Others comprise of interest expense, unrealised foreign exchange differences and movement under operating activities.

Company

		←	Cash flows	→		
	1 January 2017	**Proceeds**	**Repayments**	**Interest paid**	**Others****	**31 December 2017**
	US$	US$	US$	US$	US$	US$
Borrowings	3,930,821	1,978,763	(559,478)	(362,527)	434,786	5,422,365

** Others comprise of interest expense and unrealised foreign exchange differences.

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 2017

	2017 US$	2016 US$
REVENUE		
Management income	497,891	429,944
Interest income	340,155	219,872
Professional fee income	144,960	135,534
	983,006	785,350
Other income	43,170	19,684
LESS: EXPENSES		
FINANCIAL EXPENSE	419,888	278,165
OTHER OPERATING EXPENSES		
Auditor's remuneration	29,121	26,818
Bank charges	9,124	12,159
Director's fee	-	2,678
Exchange difference	-	45,168
Other expenses	478	-
Legal and professional fee	56,531	60,221
Management fee	132,000	50,000
Membership (Association)	-	823
Postage and courier	2,259	1,732
Salaries and wages	144,961	135,534
Service fee	132,000	120,000
Travelling expenses	2,296	4,100
Withholding tax expenses	62,945	38,552
	571,715	497,785
PROFT BEFORE INCOME TAX	34,573	29,084