

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATING
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2013 AND 2012

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of comprehensive loss	4
Statements of member's equity (deficit)	5
Statements of cash flows	6
Notes to consolidated financial statements	7-15
CONSOLIDATING SUPPLEMENTARY INFORMATION	
Statements of financial position	16-17
Statements of comprehensive loss	18-19



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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Member
SPBD Microfinance Holdings (Delaware) LLC

We have compiled the accompanying consolidated statements of financial position of SPBD Microfinance Holdings (Delaware) LLC and Subsidiary (collectively, the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive loss, member's equity (deficit), and cash flows for the years then ended. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

As disclosed in Note 11 to the consolidated financial statements, International Financial Reporting Standards require certain information related to insurance contracts such as the recognition of assets, liabilities, income and expenses to be disclosed in the consolidated financial statements. Management has informed us that they believe it is impracticable to develop the information, and as such, this information has not been presented. The effects of the departure from International Financial Reporting Standards on financial position, results of operations and cash flows have not been determined.

The consolidating supplementary information prepared in accordance with the International Financial Reporting Standards contained on pages 16-19, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the consolidating supplementary information and, accordingly, do not express an opinion or provide any assurance on such consolidating supplementary information.

Citin Capemmen & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Livingston, New Jersey
September 26, 2014

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 601,096	\$ 970,728
Borrowers' saving deposits	1,289,737	855,162
Loans portfolio	5,680,721	4,826,513
Prepaid expenses and other current assets	<u>277,505</u>	<u>219,118</u>
Total current assets	<u>7,849,059</u>	<u>6,871,521</u>
Non-current assets:		
Property and equipment - net	393,816	264,527
Goodwill	<u>407,438</u>	<u>407,438</u>
Total non-current assets	<u>801,254</u>	<u>671,965</u>
TOTAL ASSETS	<u>\$ 8,650,313</u>	<u>\$ 7,543,486</u>
<u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u>		
Current liabilities:		
Current portion of long-term debt	\$ 1,177,937	\$ 601,239
Bank overdraft	1,283,031	1,376,642
Accounts payable and accrued expenses	230,060	180,628
Due to related parties	78,848	44,038
Borrowers' saving deposits	1,289,737	855,162
Income taxes payable	<u>113,991</u>	<u>197,996</u>
Total current liabilities	<u>4,173,604</u>	<u>3,255,705</u>
Non-current liabilities:		
Long-term debt	4,785,667	4,237,284
Loans payable to member	250,000	-
Loan payable to related party	<u>150,000</u>	<u>-</u>
Total long-term liabilities	<u>5,185,667</u>	<u>4,237,284</u>
Total liabilities	<u>9,359,271</u>	<u>7,492,989</u>
Commitments and contingencies (Notes 2 and 12)		
Member's equity:		
Member's equity (deficit)	(705,825)	83,871
Accumulated comprehensive loss	<u>(3,133)</u>	<u>(33,374)</u>
Total member's equity (deficit)	<u>(708,958)</u>	<u>50,497</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 8,650,313</u>	<u>\$ 7,543,486</u>

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

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Revenues	\$ 3,166,447	\$ 2,505,373
Financing expenses	<u>(531,670)</u>	<u>(532,744)</u>
Gross profit	<u>2,634,777</u>	<u>1,972,629</u>
Other income (expenses):		
Other operating income	47,708	182,568
Administrative expenses	(193,386)	(190,700)
Operating expenses	<u>(3,173,839)</u>	<u>(2,369,434)</u>
Other expenses, net	<u>(3,319,517)</u>	<u>(2,377,566)</u>
Loss before income tax expense	(684,740)	(404,937)
Income tax expense	<u>(104,956)</u>	<u>(201,142)</u>
Net loss	(789,696)	(606,079)
Foreign currency translation adjustments	<u>30,241</u>	<u>(17,726)</u>
COMPREHENSIVE LOSS	<u>\$ (759,455)</u>	<u>\$ (623,805)</u>

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

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Member's Equity (Deficit)</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance at January 1, 2012	\$ 549,950	\$ (15,648)	\$ 534,302
Member contributions	140,000	-	140,000
Comprehensive loss:			
Net loss	(606,079)	-	(606,079)
Foreign currency translation adjustments	<u>-</u>	<u>(17,726)</u>	<u>(17,726)</u>
Balance at December 31, 2012	83,871	(33,374)	50,497
Comprehensive loss:			
Net loss	(789,696)	-	(789,696)
Foreign currency translation adjustments	<u>-</u>	<u>30,241</u>	<u>30,241</u>
BALANCE AT DECEMBER 31, 2013	<u>\$ (705,825)</u>	<u>\$ (3,133)</u>	<u>\$ (708,958)</u>

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

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net loss	\$ (789,696)	\$ (606,079)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	116,187	91,248
Gain on disposal of property and equipment	(12,315)	-
Loan loss provision	53,627	144,322
Interest expense	253,023	271,233
Income tax expense	<u>104,956</u>	<u>201,142</u>
	(274,218)	101,866
Changes in operating assets and liabilities:		
Loans portfolio	(907,835)	(872,536)
Prepaid expenses and other current assets	(58,387)	(169,588)
Due to related parties	34,810	31,307
Accounts payable and accrued expenses	<u>49,432</u>	<u>35,563</u>
Cash used in operations	(1,156,198)	(873,388)
Interest paid	(253,023)	(271,233)
Income tax paid	<u>(188,961)</u>	<u>(50,090)</u>
Net cash used in operating activities	<u>(1,598,182)</u>	<u>(1,194,711)</u>
Cash used in investing activities:		
Purchase of property and equipment	(267,536)	(176,623)
Proceeds from disposal of property and equipment	<u>34,374</u>	<u>-</u>
Net cash used in investing activities	<u>(233,162)</u>	<u>(176,623)</u>
Cash flows from financing activities:		
Member's contributions	-	140,000
Proceeds from debt	1,125,082	1,000,625
(Increase) decrease in bank overdrafts	(93,611)	385,764
Proceeds from member loans	250,000	-
Proceeds from related party loan	<u>150,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,431,471</u>	<u>1,526,389</u>
Effect of exchange rate changes	<u>30,241</u>	<u>(17,726)</u>
Net increase (decrease) in cash and cash equivalents	(369,632)	137,329
Cash and cash equivalents - beginning	<u>970,728</u>	<u>833,399</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 601,096</u>	<u>\$ 970,728</u>

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

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Nature of operations

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

Basis of accounting

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

Use of estimates

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

Revenue recognition

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

Cash and cash equivalents

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

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

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

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

At both December 31, 2013 and 2012, management has determined that there was no impairment of goodwill.

Property and equipment

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

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

Impairment of assets

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

At both December 31, 2013 and 2012, management has determined that no impairment of assets was sustained.

Loans portfolio

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

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

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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

Transactional foreign currency gains or losses are reflected in operations.

Income taxes

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

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

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

Subsequent events

The Company has evaluated all events or transactions that occurred through September 26, 2014, the date that these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

NOTE 2. CONCENTRATION OF CREDIT RISK

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

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

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

Cash and cash equivalents and borrowers' savings accounts at December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents:		
Cash in banks	\$ <u>601,096</u>	\$ <u>970,728</u>
Borrowers' savings accounts:		
Pledged	525,498	505,106
Unpledged	310,223	323,633
Other	<u>454,016</u>	<u>26,423</u>
Total borrowers' savings accounts	<u>1,289,737</u>	<u>855,162</u>
Total cash and cash equivalents and borrowers' savings account	<u>\$ 1,890,833</u>	<u>\$ 1,825,890</u>

The Company's cash and cash equivalents and borrowers' savings deposits at December 31, 2013 and 2012, have been translated to the United States dollar and include the following amounts held in foreign bank accounts that were originally denominated in the following currencies:

	<u>2013</u>	<u>2012</u>
Solomon dollars	\$ 158,299	\$ 75,439
Euro dollars	80,849	85,484
Fiji dollars	172,386	358,282
Samoan Tala	744,413	577,746
Singapore dollars	302	1,258
Tonga Pa'angas	243,006	259,443
United States dollars	361,065	188,494
Australian dollars	5,235	62,512
New Zealand dollars	<u>99,153</u>	<u>204,218</u>
Total held in foreign accounts	1,864,708	1,812,876
Total held in United States accounts	<u>26,125</u>	<u>13,014</u>
Total cash and cash equivalents and borrowers' savings accounts	<u>\$ 1,890,833</u>	<u>\$ 1,825,890</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 4. LOANS PORTFOLIO

Activity in the Company's loan portfolio during the years ended December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of the year	\$ 4,826,513	\$ 4,084,837
Loans disbursed during the year	11,127,814	9,030,033
Loans repaid during the year	(10,072,135)	(8,236,497)
Write-offs against loan insurance loss reserve	(7,086)	(6,643)
Write-offs against loan loss allowance	<u>(34,604)</u>	<u>(89,739)</u>
Gross loans portfolio	5,840,502	4,781,991
Loan insurance loss allowance	(969)	(1,028)
Loan loss allowance	(65,732)	(76,812)
Currency translation adjustment	<u>(93,080)</u>	<u>122,362</u>
Loan portfolio, net	<u>\$ 5,680,721</u>	<u>\$ 4,826,513</u>

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

Loan insurance loss allowance:

Balance at beginning of year	\$ 1,028	\$ -
Translation adjustment	(59)	45
New subsidiaries acquired	-	1,660
Provision for the year	7,085	6,635
Loans written off	<u>(7,085)</u>	<u>(7,312)</u>
	<u>\$ 969</u>	<u>\$ 1,028</u>

Loan loss allowance:

Balance at beginning of year	\$ 76,812	\$ 708
Translation adjustment	(4,374)	-
New subsidiaries acquired	-	37,695
Provision for the year	27,898	128,148
Loans written off	<u>(34,604)</u>	<u>(89,739)</u>
	<u>\$ 65,732</u>	<u>\$ 76,812</u>

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

Fiji dollars	\$ 934,896	\$ 625,864
Samoa Tala	2,534,729	2,247,867
Solomon dollars	295,318	-
Tonga Pa'anga	<u>1,915,778</u>	<u>1,952,782</u>
	<u>\$ 5,680,721</u>	<u>\$ 4,826,513</u>

See independent accountant's compilation report.

SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2013 and 2012:

	<u>Leasehold</u>	<u>Furniture and</u>	<u>Office</u>	<u>Computer</u>	<u>Motor</u>	<u>Software and</u>	<u>Total</u>
	<u>improvements</u>	<u>fixtures</u>	<u>equipment</u>	<u>equipment</u>	<u>vehicles</u>	<u>electronic</u>	
				<u>and</u>		<u>systems</u>	
				<u>peripherals</u>			
Cost at January 1, 2012	\$ 20,701	\$ 51,669	\$ 31,824	\$ 121,484	\$ 323,667	\$ 12,660	\$ 562,005
Additions	2,324	27,927	12,520	28,244	77,085	18,407	166,507
Translation adjustment	465	948	556	2,271	5,645	231	10,116
Cost at December 31, 2012	23,490	80,544	44,900	151,999	406,397	31,298	738,628
Additions	18,186	20,809	10,036	23,180	194,995	509	267,715
Disposals	(6,885)	(10,698)	(11,663)	(55,166)	(246,518)	-	(330,930)
Translation adjustment	(971)	(3,607)	(1,367)	(2,870)	(4,780)	(1,693)	(15,288)
Cost at December 31, 2013	\$ 33,820	\$ 87,048	\$ 41,906	\$ 117,143	\$ 350,094	\$ 30,114	\$ 660,125
Accumulated depreciation at January 1, 2012	\$ 14,447	\$ 21,596	\$ 18,943	\$ 80,415	\$ 242,495	\$ 4,957	\$ 382,853
Depreciation expense	6,339	8,105	3,598	18,457	40,832	6,984	84,315
Translation adjustment	365	396	335	1,522	4,200	115	6,933
Accumulated depreciation at December 31, 2012	21,151	30,097	22,876	100,394	287,527	12,056	474,101
Depreciation expense	4,203	13,812	6,512	25,300	59,235	7,125	116,187
Disposals	(6,885)	(9,758)	(11,663)	(54,142)	(226,423)	-	(308,871)
Translation adjustment	460	(1,981)	920	(8,070)	(5,898)	(539)	(15,108)
Accumulated depreciation at December 31, 2013	\$ 18,929	\$ 32,170	\$ 18,645	\$ 63,482	\$ 114,441	\$ 18,642	\$ 266,309
Property and equipment, net	\$ 14,891	\$ 54,878	\$ 23,261	\$ 53,661	\$ 235,653	\$ 11,472	\$ 393,816

See independent accountants' compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6. BANK OVERDRAFTS

Bank overdrafts consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Bank overdraft 1, secured by a standby letter of credit of GBP 10,000 or equivalent US\$16,488	\$ 19,571	\$ 11,938
Bank overdraft 2, secured by a term deposit of WST 1,000,000 or equivalent US\$423,700	1,221,066	1,131,842
Bank overdraft 3, secured by a term deposit of US\$40,000	(3,768)	25,388
Bank overdraft 4, secured by the Company's term deposit of US\$75,000	<u>46,162</u>	<u>207,474</u>
	<u>\$ 1,283,031</u>	<u>\$ 1,376,642</u>

NOTE 7. CLIENTS' SAVINGS DEPOSITS

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

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

NOTE 8. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unsecured interest bearing loans	\$ 1,762,964	\$ 1,247,332
Unsecured interest bearing term notes	2,308,996	2,353,459
Unsecured non-interest bearing term notes	1,172,012	909,309
Secured interest bearing commercial term notes	<u>719,632</u>	<u>328,423</u>
	5,963,604	4,838,523
Less: current maturities	<u>(1,177,937)</u>	<u>(601,239)</u>
Long-term debt, net of current maturities	<u>\$ 4,785,667</u>	<u>\$ 4,237,284</u>

Unsecured interest bearing loans, bearing interest at rates ranging from 5% to 9%, are due periodically through September 2019.

Unsecured interest bearing term notes, bearing interest at rates ranging from 3% to 9.5%, are due periodically through September 2018.

Unsecured non-interest bearing notes are due periodically through November 2019.

Secured interest bearing commercial term notes, bearing interest at rates ranging between 9% and 9.5%, are due periodically through December 2019 and are secured by a loan portfolio and a term deposit held at a local commercial bank in Tonga.

The Company incurred interest costs of \$253,023 and \$271,233 in 2013 and 2012, respectively, all of which were charged to finance expenses.

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 9. INCOME TAXES

The liability for income taxes consisted of the following at December 31, 2013 and 2012:

Balance at January 1, 2012	\$ 46,944
Income tax - current year	201,142
Income tax paid in 2012	<u>(50,090)</u>
Balance at December 31, 2012	197,996
Income tax - current year	104,956
Income tax paid in 2013	<u>(188,961)</u>
Balance at December 31, 2013	<u>\$ 113,991</u>

At December 31, 2013 and 2012, SPBD Fiji and SPBD Solomon has available unused net operating losses that may be applied against future taxable income. For financial reporting purposes, these subsidiaries have incurred losses in each period since their inception. Based on the available objective evidence, including the subsidiaries' history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against the deferred tax assets at December 31, 2013 and 2012.

NOTE 10. RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, the Company paid a director's fee of \$1,572 and \$1,587, respectively, and the Company also paid management fees of \$284,634 and \$86,469, respectively, to an entity owned by the director of the Company.

Due to related parties represents amounts payable to this entity for accrued management fees and unreimbursed expenses. The balances are \$78,848 and \$44,038 as of December 31, 2013 and 2012, respectively.

Loans payable to member represents unsecured loans payable to the Company's member. The loans mature in December 2017 and bear interest at 8%, which is payable quarterly.

As of December 31, 2013, the Company has a \$150,000 loan payable to an entity controlled by a director of the Company. The loan bears interest at 8% and is payable no later than June 30, 2016.

SPBD Samoa and SPBD Tonga have some loans which are guaranteed by a related party, a non-profit organization whereby the director of the Company is a board member. In addition, certain of the subsidiaries have \$969,852 and \$930,601, respectively, of unsecured interest bearing term notes payable to this related entity at December 31, 2013 and 2012.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 11. LIFE INSURANCE CONTRACTS

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

NOTE 12. COMMITMENTS

Leasing agreements

At December 31, 2013 and 2012, there are leasing commitments in respect of rental of premises which are payable as follows:

	<u>2013</u>	<u>2012</u>
Payable within 1 year	\$ 105,238	\$ 79,259
Payable later than 1 year but within 5 years	60,820	14,783
Payable after 5 years	<u>77,206</u>	<u>21,391</u>
	<u>\$ 243,264</u>	<u>\$ 115,433</u>

Letter of credit

The Company is the beneficiary of an open ended standby letter of credit in the amount of GBP 10,000, which may be used to support certain of its banking facilities. As of December 31, 2013 and 2012, no funds were advanced under this letter of credit. The letter of credit has no specified expiration date but may be terminated upon three months notice by the issuer.

NOTE 13. SUBSEQUENT EVENTS

On March 31, 2014, SPBD Samoa issued 8,910 preference shares for \$222,752 for additional working capital purposes. The preference shares are entitled to dividends which accrue at a rate of 8.5% per annum, payable on a quarterly basis from March 31, 2014 onwards. The preference shares are to be redeemed in 4 equal quarterly installments commencing March 31, 2015.

On April 17, 2014, the Company received a loan of \$250,000 from an existing funder. The loan is secured by a guarantee from a related party, for an amount up to \$125,000. The loan bears interest at the rate of 9.5%, payable on a semi-annual basis, starting September 30, 2014. The loan principal is repayable in 5 quarterly installments, commencing September 30, 2015.

SUPPLEMENTARY INFORMATION

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

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 26,125	\$ 574,971	\$ -	\$ 601,096
Borrowers' saving deposits	-	1,289,737	-	1,289,737
Loans portfolio	-	5,680,721	-	5,680,721
Prepaid expenses and other current assets	-	277,505	-	277,505
Total current assets	<u>26,125</u>	<u>7,822,934</u>	<u>-</u>	<u>7,849,059</u>
Non-current assets:				
Property and equipment - net	-	393,816	-	393,816
Goodwill	-	407,438	-	407,438
Investment in subsidiary	976,698	-	(976,698)	-
Total non-current assets	<u>976,698</u>	<u>801,254</u>	<u>(976,698)</u>	<u>801,254</u>
TOTAL ASSETS	<u>\$ 1,002,823</u>	<u>\$ 8,624,188</u>	<u>\$ (976,698)</u>	<u>\$ 8,650,313</u>
<u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 1,177,937	\$ -	\$ 1,177,937
Bank overdraft	-	1,283,031	-	1,283,031
Accounts payable and accrued expenses	-	230,060	-	230,060
Due to related parties	-	78,848	-	78,848
Borrowers' saving deposits	-	1,289,737	-	1,289,737
Income taxes payable	-	113,991	-	113,991
Total current liabilities	<u>-</u>	<u>4,173,604</u>	<u>-</u>	<u>4,173,604</u>
Non-current liabilities:				
Long-term debt	-	4,785,667	-	4,785,667
Loans payable to member	250,000	-	-	250,000
Loan payable to related party	-	150,000	-	150,000
Total long-term liabilities	<u>250,000</u>	<u>4,935,667</u>	<u>-</u>	<u>5,185,667</u>
Total liabilities	<u>250,000</u>	<u>9,109,271</u>	<u>-</u>	<u>9,359,271</u>
Member's equity (deficit):				
Member's equity (deficit)	752,823	-	(1,458,648)	(705,825)
Share capital	-	976,698	(976,698)	-
Accumulated deficit	-	(1,458,648)	1,458,648	-
Accumulated comprehensive loss	-	(3,133)	-	(3,133)
Total member's equity (deficit)	<u>752,823</u>	<u>(485,083)</u>	<u>(976,698)</u>	<u>(708,958)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 1,002,823</u>	<u>\$ 8,624,188</u>	<u>\$ (976,698)</u>	<u>\$ 8,650,313</u>

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012**

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 13,014	\$ 957,714	\$ -	\$ 970,728
Borrowers' saving deposits	-	855,162	-	855,162
Loans portfolio	-	4,826,513	-	4,826,513
Prepaid expenses and other current assets	<u>760</u>	<u>218,358</u>	<u>-</u>	<u>219,118</u>
Total current assets	<u>13,774</u>	<u>6,857,747</u>	<u>-</u>	<u>6,871,521</u>
Non-current assets:				
Property and equipment - net	-	264,527	-	264,527
Goodwill	-	407,438	-	407,438
Due from related parties	-	2,100	(2,100)	-
Investment in subsidiary	<u>776,698</u>	<u>-</u>	<u>(776,698)</u>	<u>-</u>
Total non-current assets	<u>776,698</u>	<u>674,065</u>	<u>(778,798)</u>	<u>671,965</u>
TOTAL ASSETS	<u>\$ 790,472</u>	<u>\$ 7,531,812</u>	<u>\$ (778,798)</u>	<u>\$ 7,543,486</u>
<u>LIABILITIES AND MEMBER'S EQUITY</u>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 601,239	\$ -	\$ 601,239
Bank overdraft	-	1,376,642	-	1,376,642
Accounts payable and accrued expenses	-	180,628	-	180,628
Due to related parties	2,100	44,038	(2,100)	44,038
Borrowers' saving deposits	-	855,162	-	855,162
Income taxes payable	<u>-</u>	<u>197,996</u>	<u>-</u>	<u>197,996</u>
Total current liabilities	2,100	3,255,705	(2,100)	3,255,705
Non-current liabilities:				
Long-term debt	<u>-</u>	<u>4,237,284</u>	<u>-</u>	<u>4,237,284</u>
Total liabilities	<u>2,100</u>	<u>7,492,989</u>	<u>(2,100)</u>	<u>7,492,989</u>
Member's equity:				
Member's equity	788,372	-	(704,501)	83,871
Share capital	-	776,698	(776,698)	-
Accumulated deficit	-	(704,501)	704,501	-
Accumulated comprehensive loss	<u>-</u>	<u>(33,374)</u>	<u>-</u>	<u>(33,374)</u>
Total member's equity	<u>788,372</u>	<u>38,823</u>	<u>(776,698)</u>	<u>50,497</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 790,472</u>	<u>\$ 7,531,812</u>	<u>\$ (778,798)</u>	<u>\$ 7,543,486</u>

See independent accountant's compilation report.

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

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

See independent accountant's compilation report.

**SPBD MICROFINANCE HOLDINGS (DELAWARE) LLC AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	SPBD Microfinance Holdings (Delaware) LLC	SPBD Microfinance Holdings (Singapore) PTE Ltd.	Eliminations	Total
Revenues	\$ -	\$ 2,505,373	\$ -	\$ 2,505,373
Financing expenses	<u>-</u>	<u>(532,744)</u>	<u>-</u>	<u>(532,744)</u>
Gross profit	<u>-</u>	<u>1,972,629</u>	<u>-</u>	<u>1,972,629</u>
Other income (expenses):				
Other operating income	-	182,568	-	182,568
Administrative expenses	-	(190,700)	-	(190,700)
Operating expenses	<u>(8,721)</u>	<u>(2,360,713)</u>	<u>-</u>	<u>(2,369,434)</u>
Other expenses, net	<u>(8,721)</u>	<u>(2,368,845)</u>	<u>-</u>	<u>(2,377,566)</u>
Loss before income tax expense	(8,721)	(396,216)	-	(404,937)
Income tax expense	<u>-</u>	<u>(201,142)</u>	<u>-</u>	<u>(201,142)</u>
Net loss	(8,721)	(597,358)	-	(606,079)
Foreign currency translation adjustments	<u>-</u>	<u>(17,726)</u>	<u>-</u>	<u>(17,726)</u>
COMPREHENSIVE LOSS	<u>\$ (8,721)</u>	<u>\$ (615,084)</u>	<u>\$ -</u>	<u>\$ (623,805)</u>

See independent accountant's compilation report.