

Company Registration No: 201025088K

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

**DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS**

31 DECEMBER 2018

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

AND ITS SUBSIDIARY COMPANIES

31 DECEMBER 2018

CONTENTS	PAGE
Directors' Statement	1 - 2
Independent Auditor's Report	3 - 7
Statements of Comprehensive Income	8
Statements of Financial Position	9 - 10
Consolidated Statement of Changes in Equity	11
Statement of Changes in Equity	12
Consolidated Cash Flow Statement	13
Cash Flow Statement	14
Notes to the Financial Statements	15 - 77

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

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018.

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 2018 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:

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

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

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

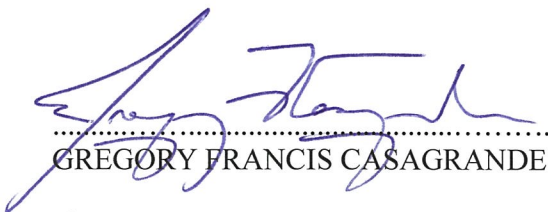
There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

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

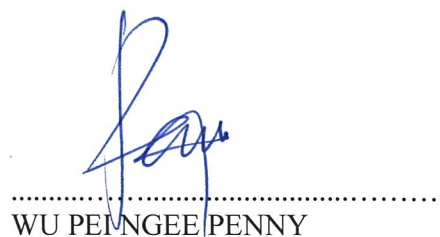
Moore Stephens LLP has expressed its willingness to accept re-appointment as auditor.

Directors



.....
GREGORY FRANCIS CASAGRANDE

Singapore



.....
WU PEINGEE PENNY

28 AUG 2019

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 2018, 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 2018 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 as at 31 December 2018, the Group has a net deficit in shareholder's funds of US\$941,254 (2017: US\$1,657,793).

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 condition indicates 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.

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.

Our opinion is not modified in respect of this matter.

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 FRSSs, 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.

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

(cont'd)

Report on Other Legal and Regulatory Requirements

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



Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
28 August 2019

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

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Financial revenue	4	6,409,261	5,330,014	838,036	983,006
Other income	5	194,945	169,982	43,153	43,170
Financial expenses	6	(1,530,877)	(1,390,825)	(363,190)	(419,888)
Other operating expenses		(4,239,819)	(4,393,085)	(506,142)	(571,715)
Profit/(Loss) before income tax	7	833,510	(283,914)	11,857	34,573
Income tax expense	8	(217,087)	(167,907)	(4,678)	(4,246)
Profit/(Loss) for the financial year		616,423	(451,821)	7,179	30,327
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to profit or loss</i>					
- Exchange differences on translation of foreign operations		100,116	(38,198)	-	-
Total comprehensive income/(loss) for the financial year		716,539	(490,019)	7,179	30,327

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 2018

	Note	Group		Company	
		2018 US\$	2017 US\$	2018 US\$	2017 US\$
ASSETS					
Non-Current Assets					
Goodwill	9	407,438	407,438	-	-
Property, plant and equipment	10	456,608	490,651	-	-
Investments in subsidiaries	11	-	-	1,887,669	1,887,669
Amount due from subsidiaries	12	-	-	3,592,997	3,815,127
		<u>864,046</u>	<u>898,089</u>	<u>5,480,666</u>	<u>5,702,796</u>
Current Assets					
Loans portfolio	13	13,363,386	11,610,869	-	-
Amount due from subsidiaries	12	-	-	579,353	1,194,073
Other receivables	14	304,437	199,277	2,248	1,470
Cash and bank balances	15	1,806,341	2,285,216	44,322	185,224
		<u>15,474,164</u>	<u>14,095,362</u>	<u>625,923</u>	<u>1,380,767</u>
Total Assets		<u>16,338,210</u>	<u>14,993,451</u>	<u>6,106,589</u>	<u>7,083,563</u>
EQUITY					
Attributable to equity holder of the Company					
Share capital	16	1,429,998	1,429,998	1,429,998	1,429,998
(Accumulated losses)/Retained earnings		(2,010,895)	(2,627,318)	188,932	181,753
Other reserve	17	(313,505)	(313,505)	-	-
Foreign currency translation reserve		(46,852)	(146,968)	-	-
Total Equity		<u>(941,254)</u>	<u>(1,657,793)</u>	<u>1,618,930</u>	<u>1,611,751</u>

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 US\$	2017 US\$	2018 US\$	2017 US\$
LIABILITIES					
Non-Current Liabilities					
Obligations under finance lease	19	88,106	104,689	-	-
Amount due to a related party	18	70,615	72,981	-	-
Borrowings	20	7,581,917	8,123,239	3,036,689	3,858,725
		<u>7,740,638</u>	<u>8,300,909</u>	<u>3,036,689</u>	<u>3,858,725</u>
Current Liabilities					
Members' savings deposits	21	2,799,712	2,351,888	-	-
Other payables	22	503,561	481,794	100,943	49,447
Bank overdrafts	23	1,803,296	1,259,902	-	-
Obligations under finance lease	19	74,692	67,577	-	-
Borrowings	20	4,258,875	4,070,246	1,350,027	1,563,640
Provision for taxation		98,690	118,928	-	-
		<u>9,538,826</u>	<u>8,350,335</u>	<u>1,450,970</u>	<u>1,613,087</u>
Total Liabilities		<u>17,279,464</u>	<u>16,651,244</u>	<u>4,487,659</u>	<u>5,471,812</u>
Total Equity and Liabilities		<u>16,338,210</u>	<u>14,993,451</u>	<u>6,106,589</u>	<u>7,083,563</u>

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<u>Share capital</u> US\$	<u>Accumulated losses</u> US\$	<u>Other reserve</u> US\$	<u>Foreign currency translation reserve</u> US\$	<u>Total</u> US\$
Group					
Balance as at 1 January 2018	1,429,998	(2,627,318)	(313,505)	(146,968)	(1,657,793)
Net profit for the year	-	616,423	-	-	616,423
Other comprehensive income	-	-	-	100,116	100,116
Total comprehensive income	-	616,423	-	100,116	716,539
Balance as at 31 December 2018	<u>1,429,998</u>	<u>(2,010,895)</u>	<u>(313,505)</u>	<u>(46,852)</u>	<u>(941,254)</u>
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	<u>1,429,998</u>	<u>(2,627,318)</u>	<u>(313,505)</u>	<u>(146,968)</u>	<u>(1,657,793)</u>

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	<u>Share capital</u> US\$	<u>Retained earnings</u> US\$	<u>Total</u> US\$
Balance as at 1 January 2018	1,429,998	181,753	1,611,751
Net profit for the year	-	7,179	7,179
Other comprehensive income	-	-	-
Total comprehensive income	-	7,179	7,179
Balance as at 31 December 2018	<u>1,429,998</u>	<u>188,932</u>	<u>1,618,930</u>
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	<u>1,429,998</u>	<u>181,753</u>	<u>1,611,751</u>

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	<u>2018</u>	<u>2017</u>
	US\$	US\$
Cash Flows from Operating Activities		
Profit/(loss) before income tax	833,510	(283,914)
Adjustments for:		
Depreciation of property, plant and equipment	189,632	191,188
Interest expense (including amortisation of discount)	1,162,055	1,169,578
Interest income	(4,954,572)	(4,063,624)
Unrealised foreign exchange loss	67,883	108,535
Allowance for loans losses	228,350	109,198
Gain on disposal of property, plant and equipment	(641)	(3,189)
Operating cash inflows before working capital changes	(2,473,783)	(2,772,228)
Changes in operating assets and liabilities:		
Loans portfolio	(2,204,596)	(2,390,820)
Other receivables	(105,160)	(35,554)
Members' savings deposits	478,008	397,228
Other payables	73,305	94,310
Net cash used in operations	(4,232,226)	(4,707,064)
Income tax paid	(238,218)	(150,508)
Interest received	4,954,572	4,063,624
Net cash generated from/(used in) operating activities	484,128	(793,948)
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	2,225	4,723
Purchase of property, plant and equipment	(109,788)	(174,199)
Net cash used in investing activities	(107,563)	(169,476)
Cash Flows from Financing Activities		
Proceeds from borrowings	3,699,435	4,468,640
Repayment of borrowings and finance lease	(3,816,393)	(2,546,928)
Increase in bank overdrafts and fixed deposits pledged for bank overdrafts	656,496	188,564
Interest paid	(1,286,608)	(1,100,875)
Amount owing to related parties	-	(39,634)
Dividend paid	-	(22,020)
Decrease/(Increase) in amount restricted to members' savings deposits	9,743	(45,049)
Net cash (used in)/generated from financing activities	(737,327)	902,698
Net decrease in cash and cash equivalents	(360,762)	(60,726)
Cash and cash equivalents at the beginning of the year	1,257,810	1,304,523
Currency realignment	4,732	14,013
Cash and cash equivalents at the end of the year (Note 15)	901,780	1,257,810

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 2018

	Company	
	<u>2018</u>	<u>2017</u>
	US\$	US\$
Cash Flows from Operating Activities		
Profit before income tax	11,857	34,573
Adjustments for:		
Interest expense	363,190	419,888
Interest income	(207,255)	(340,155)
Unrealised foreign exchange gain	(19,950)	(22,102)
Operating cash inflows before working capital changes	<u>147,842</u>	<u>92,204</u>
Changes in operating assets and liabilities:		
Other receivables	(778)	17,532
Other payables	51,496	21,005
Net cash generated from operations	<u>198,560</u>	<u>130,741</u>
Income tax paid	(4,678)	(4,246)
Interest received	244,516	355,372
Net cash generated from operating activities	<u>438,398</u>	<u>481,867</u>
Cash Flows from Investing Activities		
Amount due from subsidiaries	669,647	(1,543,794)
Investments in subsidiaries	-	(50,000)
Net cash generated from/(used in) investing activities	<u>669,647</u>	<u>(1,593,794)</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	650,000	1,978,763
Repayment of borrowings	(1,441,503)	(559,478)
Interest paid	(457,444)	(362,527)
Dividend paid	-	(22,020)
Net cash (used in)/generated from financing activities	<u>(1,248,947)</u>	<u>1,034,738</u>
Net decrease in cash and cash equivalents	(140,902)	(77,189)
Cash and cash equivalents at the beginning of the year	<u>185,224</u>	<u>262,413</u>
Cash and cash equivalents at the end of the year (Note 15)	<u>44,322</u>	<u>185,224</u>

The accompanying notes form an integral part of these financial statements

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/amended FRSs which are effective

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2018. Except for the adoption of FRS 109 *Financial Instruments* and FRS 115 *Revenue from Contracts with Customers* described below, the adoption of these standards did not have any material effect on the financial performance or financial position of the Group and the Company.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied FRS 109 retrospectively, with an initial application date of 1 January 2018. The Group has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39. The adoption of FRS 109 did not have any significant effect on the Group's accounting policies for financial liabilities.

The impact on the Group and the Company's financial statements as well as the new requirements are described below.

(i) Classification of financial assets and financial liabilities

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of FRS 109.

Under FRS 109, financial assets are classified in the following categories: measured at amortised cost, FVOCI or FVPL. The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under FRS 109, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of FRS 109 did not have a significant effect on the Group's accounting policy for financial assets and financial liabilities except that loans portfolio, amount due from subsidiaries, other receivables, and cash and bank balances that were classified as loans and receivables under FRS 39 are now classified as amortised cost.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRSs which are effective (cont'd)

FRS 109 *Financial Instruments* (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

On the initial date of initial application of FRS 109 on 1 January 2018, the following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Group and the Company's financial assets as at 1 January 2018:

	Measurement category		Carrying amount		Differences US\$
	FRS 39	FRS 109	FRS 39 US\$	FRS 109 US\$	
Group					
Loans portfolio	Loans and receivables (amortised cost)	Amortised cost	11,610,869	11,610,869	-
Other receivables (excluding prepayments)	Loans and receivables (amortised cost)	Amortised cost	84,535	84,535	-
Cash and bank balances	Loans and receivables (amortised cost)	Amortised cost	2,285,216	2,285,216	-
Company					
Amount due from subsidiaries	Loans and receivables (amortised cost)	Amortised cost	5,009,200	5,009,200	-
Other receivables (excluding prepayments)	Loans and receivables (amortised cost)	Amortised cost	1,470	1,470	-
Cash and bank balances	Loans and receivables (amortised cost)	Amortised cost	185,224	185,224	-

The Group and Company have not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Group and Company's financial liabilities.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRSs which are effective (cont'd)

FRS 109 *Financial Instruments* (cont'd)

(ii) Impairment of financial assets

FRS 109 replaces the “incurred loss” model in FRS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and financial guarantee contracts, but not to equity investments.

The Group has applied the general approach to recognise ECL on loans portfolio that arise from FRS 115. Based on the assessment made, no additional allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 on transition to FRS 109, as the allowance recognised under FRS 39 does not differ significantly from that of the allowance measured under FRS 109. For other receivables, the Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

The application of FRS 109 impairment requirements at 1 January 2018 did not have a significant impact on the financial performance and/or financial position of the Group. Additional information about how the Group measures the allowance for impairment is described in Note 29(a)(i).

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of FRS 115 had no impact on the financial performance or financial position of the Group and Company.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRSs which are issued but not yet effective

At the date of authorisation of the financial statements, the following standards have been issued and are relevant to the Group, but not yet effective:

Description	Effective for annual financial periods beginning on or after
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Annual Improvements to FRSs (March 2018)	1 January 2019
Amendments to FRS 103 <i>Business Combinations</i>	1 January 2019
Amendments to FRS 12 <i>Income Taxes</i>	1 January 2019
Amendments to FRS 23 <i>Borrowing Costs</i>	1 January 2019

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the Group's financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 are described below.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on the statement of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. FRS 116 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRSs which are issued but not yet effective (cont'd)

FRS 116 *Leases* (cont'd)

On the adoption of FRS 116, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if FRS 116 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply FRS 116 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group is in the process of assessing the impact on the financial statements and plans to adopt the standard when it becomes effective.

(b) Going Concern

As at 31 December 2018, the Group has a net deficit in shareholder's funds of US\$941,254 (2017: US\$1,657,793).

The above condition indicates 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:

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(b) Going Concern (cont'd)

- (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.

(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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(c) Currency Translation (cont'd)

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

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

- Assets and liabilities 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.

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:

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

(i) *Consolidation* (cont'd)

- 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.

(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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

(ii) *Acquisition of businesses* (cont'd)

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.

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(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.

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

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

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.

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

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

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

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.

(i) Financial Assets

Applicable to reporting periods from 1 January 2018

(i) Classification and measurement

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Initial Recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Applicable to reporting periods from 1 January 2018 (cont'd)

(i) Classification and measurement (cont'd)

Initial Recognition (cont'd)

Financial assets measured at amortised costs are presented as “loans portfolio”, “other receivables (excluding prepayment)”, “amount due from subsidiaries” and “cash and bank balances” on the statement of financial position.

Subsequent Measurement

Debt instruments - Financial assets measured at amortised cost

Debt instruments mainly comprise of “loans portfolio”, “other receivables (excluding prepayment)”, “amount due from subsidiaries” and “cash and bank balances”. Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. The Group’s debt instruments are classified in the amortised cost category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

(ii) Impairment

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group assesses on a forward looking basis the expected credit losses associated with financial assets measured at amortised costs.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Applicable to reporting periods from 1 January 2018 (cont'd)

(ii) Impairment (cont'd)

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses (“ECLs”) – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

General approach

The Group applies the general approach to provide for ECLs on loans portfolio and all other receivables, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group’s historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Applicable to reporting periods from 1 January 2018 (cont'd)

(ii) Impairment (cont'd)

General approach (cont'd)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Applicable to reporting periods from 1 January 2018 (cont'd)

(ii) Impairment (cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Applicable to reporting periods before 1 January 2018

As disclosed in Note 2(a), the Group has applied FRS 109 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Applicable to reporting periods before 1 January 2018 (cont'd)

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Applicable to reporting periods before 1 January 2018 (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.

<u>Loan aging</u>	<u>Loan loss allowance</u>
1 week to 4 weeks late	5%
5 weeks to 8 weeks late	10%
9 weeks to 12 weeks late	25%
13 weeks to 16 weeks late	50%
17 weeks to 20 weeks late	75%
21 weeks or more	100%

(j) Cash and Cash Equivalents

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

(k) Financial Liabilities

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

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

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 guarantees 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 in the separate financial statements – accounting policies from 1 January 2018

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(m) Financial Guarantees (cont'd)

Financial guarantees in the separate financial statements – accounting policies from 1 January 2018 (cont'd)

- the amount of the loss allowance determined in accordance with expected credit loss model under FRS 109.
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of FRS 115.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover. Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as "Borrowings".

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

Financial guarantees in the separate financial statements – accounting policies applied until 31 December 2017

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

(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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(p) Revenue Recognition (cont'd)

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.

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(q) Employee Benefits

Defined contribution plan

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

Employee leave entitlement

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

(r) Leases

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

Finance leases

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

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the 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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(r) Leases (cont'd)

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

Operating leases (cont'd)

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.

(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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2 Significant Accounting Policies (cont'd)

(s) Income Tax (cont'd)

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.

b. An entity is related to a reporting entity if any of the following conditions applies:

- i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- iii. both entities are joint ventures of the same third party;
- iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- vi. the entity is controlled or jointly controlled by a person identified in (a);
- vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 indication that the investments in subsidiaries are impaired. To determine whether there is any indication 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 2018 and 2017. The carrying amounts of the Company's investments in subsidiaries as at the statement of financial position date are disclosed in Note 11.

Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with the accounting policy as disclosed in Note 2(h)(i). The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions will result in changes in the carrying values of goodwill arising from the acquisition of business. No impairment losses has been recognised for the financial years ended 31 December 2018 and 2017. As at 31 December 2018, the carrying amount of goodwill is US\$407,438 (2017: 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.

Provision for expected credit losses of loans portfolio

The Group calculates the allowance for expected credit losses (ECLs) for loans portfolio which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(a) Critical Accounting Estimates and Assumptions (cont'd)

Provision for expected credit losses of loans portfolio (cont'd)

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort when estimating ECLs. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes various external sources of actual and forecast economic information that relate to the Group's core operations.

The Group recognised provision for expected credit losses amounting to US\$228,350 (2017: US\$109,198) in the profit or loss during the current financial year. The carrying amount of the Group's loan portfolio as at 31 December 2018 was US\$13,544,023 (2017: US\$11,695,404) as disclosed in Note 13.

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

In the preparation of the financial statements, there were no critical judgements that management made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4 Financial Revenue

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Type of revenue:				
- Development fee	526,716	478,213	-	-
- Interest on loans	4,954,572	4,063,624	207,255	340,155
- Loan security fee	380,272	300,156	-	-
- Death benefit fee	168,078	167,996	-	-
- Membership fee	270,579	246,677	-	-
- Management income	-	-	566,281	497,891
- Professional service	-	-	64,500	144,960
- Saving withdrawal fee	48,404	24,281	-	-
- Others	60,640	49,067	-	-
	<u>6,409,261</u>	<u>5,330,014</u>	<u>838,036</u>	<u>983,006</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 Financial Revenue (cont'd)

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Geographical location:				
- Samoa	2,108,541	1,908,675	-	-
- Tonga	1,631,857	1,232,838	-	-
- Fiji	1,396,557	1,238,852	-	-
- Solomon Islands	704,435	799,303	-	-
- Vanuatu	567,871	150,346	-	-
- Singapore	-	-	838,036	983,006
	6,409,261	5,330,014	838,036	983,006

5 Other Income

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
This is arrived at after crediting:				
Commission income	20,344	3,601	-	-
Donation received	71,431	53,365	-	-
Gain on disposal of property, plant and equipment	641	3,189	-	-
Financial booklet	47,948	21,755	-	-
Guarantee fee	-	-	18,640	19,472
Recovery of loan previously written off	10,900	1,101	-	-
Rental income under operating lease	18,177	20,100	-	-
Unrealised foreign exchange gain	-	-	24,513	23,698
	-	-	24,513	23,698

6 Financial Expenses

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Insurance fee and related claims	140,472	112,049	-	-
Interest on borrowings	1,113,142	1,086,863	363,190	419,888
Interest on members' savings deposits	27,371	37,396	-	-
Allowance for loans losses	228,350	109,198	-	-
Amortisation of discount (Note 20)	21,542	45,319	-	-
	1,530,877	1,390,825	363,190	419,888

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 Profit/(Loss) before Income Tax

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
This is arrived at after charging:				
Admin and management fee	525,142	616,956	264,000	264,000
Defined contribution plans	91,455	47,063	-	-
Depreciation of property, plant and equipment	189,632	191,188	-	-
Foreign exchange difference-net	21,034	96,495	-	-
Rental expenses under operating lease	257,361	300,198	-	-
Legal and professional fees	207,193	146,297	27,743	56,531
Travelling and transportation	579,755	538,890	7,898	2,296
Salaries and wages	1,071,830	1,491,647	63,710	144,961

8 Income Tax Expense

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Income tax expense on results for the year consists of:				
Current income tax				
- current year	212,409	163,661	-	-
- under provision in prior year	4,678	4,246	4,678	4,246
	<u>217,087</u>	<u>167,907</u>	<u>4,678</u>	<u>4,246</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 profit/(loss) before income tax as a result of the following differences:

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Profit/(Loss) before taxation	833,510	(283,914)	11,857	34,573
Income tax at 17%	141,697	(48,265)	2,016	5,877
Non-deductible expenses	50,179	85,972	15,890	26,671
Non-taxable income	(32,093)	(36,345)	(7,183)	(32,548)
Statutory tax exemption	(9,041)	-	(9,041)	-
Corporate tax rebate	(1,682)	-	(1,682)	-
Effect of higher tax rate in other country	78,269	34,654	-	-
Utilisation of deferred tax not recognise	(42,101)	-	-	-
Unrecognised deferred tax assets	27,181	127,645	-	-
Under provision in prior year	4,678	4,246	4,678	4,246
	<u>217,087</u>	<u>167,907</u>	<u>4,678</u>	<u>4,246</u>

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

	<u>2018</u> %	<u>2017</u> %
<u>Tax rate applicable to the Company</u>		
Singapore	17	17
<u>Tax rate applicable to the Subsidiaries</u>		
Independent State of Samoa	27	27
Kingdom of Tonga	25	25
Republic of Fiji	20	20
Solomon Islands	30	30
Republic of Vanuatu	<u>0</u>	<u>0</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8 Income Tax Expense (cont'd)

As at the reporting date, the Group has unutilised tax losses amounting to approximately US\$2,214,000 (2017: US\$3,130,000) available for offsetting against future taxable income. The related tax benefits of approximately US\$602,000 (2017: US\$828,000) arising from these unutilised tax losses have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the future periods, in accordance with the accounting policy as stated in Note 2(s) to the financial statements. The availability of the unabsorbed tax losses for set off against future taxable income is subject to the tax regulations of the respective countries in which the Group companies are incorporated and approval by the relevant tax authorities.

The breakdown of unutilised tax losses is as follows:

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
<u>Expiry dates</u>				
31 December 2018	-	886,000	-	-
31 December 2019	601,000	609,000	-	-
31 December 2020	548,000	555,000	-	-
31 December 2021	507,000	514,000	-	-
31 December 2022	469,000	566,000	-	-
31 December 2023	89,000	-	-	-
	<u>2,214,000</u>	<u>3,130,000</u>	<u>-</u>	<u>-</u>

9 Goodwill

	Group	
	<u>2018</u> US\$	<u>2017</u> US\$
The goodwill is made up as follows:		
Purchased goodwill	<u>407,438</u>	<u>407,438</u>

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

Goodwill is assessed for impairment during the end of each financial year. An impairment loss is the amount by which the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows from one to five year period were extrapolated using the estimated growth rates of 10% (2017: 10%) based on management's best estimates from market industry. A discount factor of 7.59% (2017: 7.43%) per annum was applied in the value in use calculations.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 Goodwill (cont'd)

Sensitivity analysis

If the management's estimated growth rate used in the value in use calculation for the CGU is decreased by 5%, the recoverable amount of the cash-generating unit is still in excess of its carrying amount.

If the management added a small size risk premium of 3.74% on top of the discount factor of 7.59%, the recoverable amount of the cash-generating unit is still in excess of its carrying amount.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 Property, Plant and Equipment	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronics systems	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Group							
2018							
<u>Cost</u>							
At beginning of the year	50,240	131,533	76,159	189,662	774,822	40,078	1,262,494
Additions	9,024	14,051	4,011	29,703	100,770	6,264	163,823
Disposals	-	-	(2,994)	(5,519)	(8,462)	-	(16,975)
Translation adjustment	(446)	(1,447)	(505)	(2,435)	(11,182)	(238)	(16,253)
At end of the year	58,818	144,137	76,671	211,411	855,948	46,104	1,393,089
<u>Accumulated depreciation</u>							
At beginning of the year	34,069	90,829	40,168	128,033	443,212	35,532	771,843
Charge for the year	4,529	13,946	8,740	27,396	131,728	3,293	189,632
Disposals	-	-	(1,938)	(4,991)	(8,462)	-	(15,391)
Translation adjustment	(493)	(970)	(340)	(1,509)	(6,170)	(121)	(9,603)
At end of the year	38,105	103,805	46,630	148,929	560,308	38,704	936,481
<u>Net book value</u>							
At end of the year	20,713	40,332	30,041	62,482	295,640	7,400	456,608

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 Property, Plant and Equipment (cont'd)

Group	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronics systems	Total
2017	US\$	US\$	US\$	US\$	US\$	US\$	US\$
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

The carrying amount of property, plant and equipment acquired under finance lease arrangements for the Group as at 31 December 2018 amounted to US\$159,589 (2017: US\$172,885).

During the current financial year, the Group acquired motor vehicles of US\$54,035 (2017: Nil) under finance leases. The additions of other property, plant and equipment were acquired by cash payments of US\$109,788 (2017: US\$174,199).

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 Investments in Subsidiaries

	Company	
	<u>2018</u> US\$	<u>2017</u> US\$
<u>Unquoted shares, at cost</u>		
<i>Ordinary shares</i>		
Balance as at beginning of the financial year	567,298	517,298
Addition	-	50,000
Balance as at end of the financial year	567,298	567,298
<i>Preference shares</i>		
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	1,887,669

Details of the subsidiary companies are as follows:

<u>Name of subsidiaries, country of incorporation, and place of business</u>	<u>Principal activities</u>	<u>% of equity held by the Company</u>		<u>Cost of investment</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		%	%	US\$	US\$
South Pacific Business Development Microfinance Ltd. ("SPBD Tonga") ^(a) (Kingdom of Tonga)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	188,904	188,904
SPBD Microfinance (Samoa) Ltd. ("SPBD Samoa") ^(b) (Independent State of Samoa)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	40,000	40,000
South Pacific Business Development Microfinance (Fiji) Ltd ("SPBD Fiji") ^(c) (Republic of Fiji)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	1,463,318	1,463,318

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
		2018	2017	2018	2017
		%	%	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	100	50,000	50,000
				1,887,669	1,887,669

(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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12 Amount due from Subsidiaries

	Company	
	<u>2018</u> US\$	<u>2017</u> US\$
Loan receivables	4,154,527	4,821,195
Other receivables	17,823	188,005
	<u>4,172,350</u>	<u>5,009,200</u>
Less: Current portion	(579,353)	(1,194,073)
Non-current portion	<u>3,592,997</u>	<u>3,815,127</u>

The loan receivables are unsecured and carries an interest rate of 0% to 11% (2017: 0% to 11%) per annum. The final repayments of the loans range from 31 March 2019 to 31 December 2028 (2017: 31 March 2018 to 30 June 2022).

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

13 Loans Portfolio

	Group	
	<u>2018</u> US\$	<u>2017</u> US\$
Balance at beginning of the year	12,455,312	10,125,691
Loans disbursement during the year	22,245,962	19,596,920
Loans repayment during the year	(20,041,366)	(17,206,100)
Write-offs during the year	(224,843)	(61,199)
Gross loans portfolio	<u>14,435,065</u>	<u>12,455,312</u>
Less: Allowance for loans losses	(187,343)	(171,905)
Translation adjustment	(884,336)	(672,538)
	<u>13,363,386</u>	<u>11,610,869</u>

The loans earn interest at the rate ranging from 9% to 27% (2017: 9% to 27%) per annum.

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

	Group	
	<u>2018</u> US\$	<u>2017</u> US\$
Balance at beginning of the year	171,905	122,331
Charge to profit or loss	228,350	109,198
Loans written off	(224,844)	(61,199)
Currency translation adjustment	11,932	1,575
Balance at end of the year	<u>187,343</u>	<u>171,905</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14 Other Receivables

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Deposits	41,787	44,595	-	-
Prepayments	123,800	114,742	778	-
Interest receivables	-	5,957	-	-
Other receivables	138,850	33,983	1,470	1,470
	<u>304,437</u>	<u>199,277</u>	<u>2,248</u>	<u>1,470</u>

15 Cash and Bank Balances

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Cash on hand	36,319	40,959	-	-
Cash in banks	832,107	1,040,136	44,322	185,224
Vodafone M-Paisa account	2,626	182,356	-	-
Fixed deposits	935,289	1,021,765	-	-
	<u>1,806,341</u>	<u>2,285,216</u>	<u>44,322</u>	<u>185,224</u>

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

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Cash and bank balances	1,806,341	2,285,216	44,322	185,224
Less:				
Fixed deposits pledged for bank overdrafts (Note 23)	(584,628)	(697,730)	-	-
Restricted to members' savings deposits	(319,933)	(329,676)	-	-
Cash and cash equivalent	<u>901,780</u>	<u>1,257,810</u>	<u>44,322</u>	<u>185,224</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15 Cash and Bank Balances (cont'd)

As at the statement of financial position date, fixed deposits matured within twelve months (2017: twelve months) from the end of the financial year. Interest on fixed deposits are derived at rates ranging from 0.10% to 3.50% (2017: 0.32% to 6.50%) per annum.

16 Share Capital

	Group and Company			
	<u>2018</u>		<u>2017</u>	
	No. of shares	Share capital US\$	No. of shares	Share capital US\$
<u>Ordinary shares</u>				
Balance at beginning and end of the year	1,221,637	976,698	1,221,637	976,698
<u>Preference shares</u>				
Balance at beginning and end of the year	600,000	453,300	600,000	453,300
Total share capital	1,821,637	1,429,998	1,821,637	1,429,998

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

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

17 Other Reserve

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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 Amount due to a Related Party

The amount due to a 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

	Minimum		Group	
	lease payments		Present value of	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	US\$	US\$	US\$	US\$
Amounts payable under finance lease:				
Within 1 year	100,442	70,922	74,692	67,577
Between 1 year to 5 years	98,845	106,478	88,106	104,689
	<u>199,287</u>	<u>177,400</u>	<u>162,798</u>	<u>172,266</u>
Less: future finance charge	(36,489)	(5,134)	-	-
Present value of lease obligations	<u>162,798</u>	<u>172,266</u>	162,798	172,266
Less: Amount due for settlement within 12 months			<u>(74,692)</u>	<u>(67,577)</u>
Amount due for settlement after 12 months			<u>88,106</u>	<u>104,689</u>

The finance lease obligations bear interest ranges from 6.5% to 11% (2017: 6.5% to 11%) per annum. The carrying amount of the lease obligation approximates their fair values. The net carrying amount of motor vehicles acquired under finance lease agreements is disclosed in Note 10.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Borrowings

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Secured loans	5,502,252	6,292,261	1,099,914	2,302,988
Unsecured loans	6,346,418	5,933,889	3,286,802	3,119,377
Less: Unamortised discount	(7,878)	(32,665)	-	-
	<u>11,840,792</u>	<u>12,193,485</u>	<u>4,386,716</u>	<u>5,422,365</u>
<u>Commercial loans</u>				
Commercial loans (a)	1,099,914	1,966,324	1,099,914	1,885,675
Commercial loan (b)	577,215	903,276	-	-
Commercial loan (c)	157,321	256,215	-	-
Commercial loan (d)	2,741,813	2,048,900	-	-
Commercial loans (e)	826,750	535,117	-	-
Commercial loan (f)	-	417,313	-	417,313
Commercial loan (g)	99,239	165,116	-	-
	<u>5,502,252</u>	<u>6,292,261</u>	<u>1,099,914</u>	<u>2,302,988</u>
<u>Term loans</u>				
Term loan (a)	-	4,003	-	-
Term loan (b)	15,491	42,868	-	-
Term loans (c)	2,059,808	2,190,206	2,059,808	2,190,206
Term loans (d)	1,418,501	1,120,783	-	-
Term loans – related party (e)	1,188,873	1,212,913	650,000	652,180
Term loan (f)	133,994	139,324	133,994	139,324
Term loan (g)	196,630	193,163	-	-
Term loans (h)	482,744	747,859	43,000	137,667
Term loan (i)	16,715	33,808	-	-
Term loan (j)	425,784	216,297	-	-
Term loan – ultimate holding company (k)	400,000	-	400,000	-
	<u>6,338,540</u>	<u>5,901,224</u>	<u>3,286,802</u>	<u>3,119,377</u>
Total borrowings	11,840,792	12,193,485	4,386,716	5,422,365
Less: Current portion	(4,258,875)	(4,070,246)	(1,350,027)	(1,563,640)
Non-current portion	<u>7,581,917</u>	<u>8,123,239</u>	<u>3,036,689</u>	<u>3,858,725</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Borrowings (cont'd)

Movements in unamortised discount on borrowings are as follows:

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
At the beginning of the year	32,665	75,988	-	-
Amortisation during the year	(21,542)	(45,319)	-	-
Currency realignment	(3,245)	1,996	-	-
At the end of the year	<u>7,878</u>	<u>32,665</u>	-	-

Commercial loans (a)

These comprise two (2017: three) commercial loans which are secured by guarantee from a related party for up to US\$935,000 (2017: US\$991,000) or 50% of the loans whichever is lesser and bear interest rate of 9.5% (2017: 9.5%) per annum. The final repayments of the loans range from 31 March 2019 to 31 March 2020 (2017: 31 March 2018 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% (2017: 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% (2017: 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% (2017: 9.5%) per annum. The final repayment of the loan is due on 30 September 2022.

Commercial loans (e)

These comprise three (2017: 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% (2017: 8.5% to 9%) per annum. The final repayments of the loans range from 31 March 2022 to 30 June 2023 (2017: 31 March 2022 to 30 June 2023).

Commercial loan (f)

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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Borrowings (cont'd)

Commercial loans (g)

These comprise two (2017: two) commercial loans which are secured by four vehicles, and bear interest rates ranging from 9.11% to 9.65% (2017: 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 was unsecured, interest free and is repayable on demand. The amount was fully paid financial during the year ended 31 December 2018.

Term loan (b)

The loan is unsecured, interest free and is repayable on demand.

Term loans (c)

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

Term loans (d)

These comprise four (2017: two) term loans which are unsecured, interest free and are repayable on demand.

Term loans (e)

These comprise twelve (2017: fourteen) term loans from the related party which are unsecured and bear interest rates ranging from 3% to 11.5% (2017: 3% to 11.5%) per annum. The final repayments of the loans range from 31 March 2019 to 30 September 2022 (2017: 16 March 2018 to 30 September 2020).

Term loan (f)

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

Term loan (g)

The loan is unsecured and bear an interest rate of 8.5% (2017: 8.5%) per annum. The final repayment of the loan is due on 8 April 2019.

Term loans (h)

These comprise seven (2017: eight) term loans which are unsecured and interest free (2017: interest free). The final repayment of the loans range from 18 April 2019 to 30 June 2020 (2017: 18 April 2018 to 30 June 2020).

Term loan (i)

The loan is unsecured, interest free and is repayable on demand.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 Borrowings (cont'd)

Term loan (j)

These comprise three (2017: two) term loans which are unsecured and bear interest rates ranging from 1.5% to 5% (2017: 1.5% to 5%) per annum. The final repayments of the loans range from 30 June 2020 to 30 June 2024 (2017: 30 June 2020 to 30 September 2020).

Term loan (k)

These comprise three term loans from the ultimate holding company which are unsecured and bear an interest rate of 8% per annum. The final repayment of the loans range from 30 June 2021 to 31 December 2022.

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% (2017: 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 (2017: US\$4 to US\$5). When the loan has been processed and approved, the members can regularly deposit and withdraw from their savings account which gets recorded in the members' savings account. Members with a current loan balance are required to maintain their savings account with a minimum required balance.

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

22 Other Payables

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
Accruals	241,872	147,549	20,746	35,648
Interest payable	39,254	90,792	-	-
Life insurance provision	37,472	52,252	-	-
Other payables	184,963	191,201	80,197	13,799
	<u>503,561</u>	<u>481,794</u>	<u>100,943</u>	<u>49,447</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 Bank Overdrafts

	Group	
	<u>2018</u>	<u>2017</u>
	US\$	US\$
Bank overdrafts	1,803,296	1,259,902

Bank overdrafts of the Group are secured by the following:

- (i) a standby letter of credit of GBP10,000 or equivalent US\$12,690 (2017: GBP10,000 or equivalent US\$13,491)
- (ii) fixed deposits of US\$584,628 (2017: US\$697,730)
- (iii) bank overdraft of US\$856,567 (2017: US\$914,622) is secured by guarantee from the Company (Note 27)

Interest on bank overdrafts ranges from 9.75% to 10.50% (2017: 9.75% to 10.50%) per annum.

24 Dividends

Dividends pertained to the final tax exempt dividend of S\$0.05 per preference share amounting to US\$22,020 in relation to the financial year ended 31 December 2017.

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	
	<u>2018</u>	<u>2017</u>
	US\$	US\$
Within 1 year	187,366	196,625
After 1 year but within 5 years	232,976	201,856
After 5 years	531	36,889
	420,873	435,370
Rental expense for the year	257,361	300,198

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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25 Commitments (cont'd)

(b) Operating Lease Commitment as a Lessor

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

	Group	
	<u>2018</u> US\$	<u>2017</u> US\$
Within one year	18,912	19,118
In the second to fifth years inclusive	6,304	25,491
	25,216	44,609

26 Related Party Transactions

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Group and the Company with related parties:

	Group		Company	
	<u>2018</u> US\$	<u>2017</u> US\$	<u>2018</u> US\$	<u>2017</u> US\$
<u>Subsidiaries</u>				
-Guarantee remuneration	-	-	18,640	19,472
-Management income	-	-	566,281	497,891
-Professional fee income	-	-	64,500	144,960
-Interest on loans from the Company	-	-	207,255	340,155
<u>Ultimate holding company</u>				
-Administrative fees charged to the Group/Company	(132,000)	(132,000)	(132,000)	(132,000)
-Management fees charged to the Group/Company	(132,000)	(132,000)	(132,000)	(132,000)
-Dividend paid	-	(22,020)	-	(22,020)
-Loans to the Group/Company	400,000	-	400,000	-
-Interest on loans to the Group/Company	(9,189)	-	(9,189)	-
<u>Related parties</u>				
-Management fees charged to the Group	(261,142)	(352,956)	-	-
-Loans to the Group/Company	471,253	562,373	250,000	400,000
-Interest on loans to the Group/Company	(78,653)	(77,393)	(47,736)	(34,561)

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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\$1,728, no other remuneration was paid to the directors during the year.

27 Corporate Guarantee

As at 31 December 2018, the Company has corporate guarantee amounting to US\$1,433,782 (2017: US\$1,840,358) issued to bank for a subsidiary's bank borrowing and bank overdraft. 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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 Capital Management (cont'd)

	Group	
	<u>2018</u>	<u>2017</u>
	US\$	US\$
Net debt	15,374,433	14,247,100
Total equity	(941,254)	(1,657,793)
Total capital	14,433,179	12,589,307
Net debt-to-equity ratio	1.07	1.13

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

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

Credit risk grading guideline

The Group and Company has established the Group and Company's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group and Company's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due).	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayments are more than 90 days past due).	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayments are more than 180 days past due).	Asset is written off

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

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

Credit risk exposure and significant credit risk concentration

The credit quality of the Group and Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	Internal credit rating	ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
Group					
<u>31 December 2018</u>					
Loans portfolio (a)	Performing	12-month ECL	13,550,729	(187,343)	13,363,386
Other receivables (b)	Performing	12-month ECL	180,637	-	180,637
Cash and bank balances (c)	Performing	12-month ECL	1,806,341	-	1,806,341
<u>1 January 2018</u>					
Loans portfolio (a)	Performing	12-month ECL	11,782,774	(171,905)	11,610,869
Other receivables (b)	Performing	12-month ECL	84,535	-	84,535
Cash and bank balances (c)	Performing	12-month ECL	2,285,216	-	2,285,216
Company					
<u>31 December 2018</u>					
Amount due from subsidiaries (b)	Performing	12-month ECL	4,172,350	-	4,172,350
Other receivables (b)	Performing	12-month ECL	1,470	-	1,470
Cash and bank balances (c)	Performing	12-month ECL	44,322	-	44,322
<u>1 January 2018</u>					
Amount due from subsidiaries (b)	Performing	12-month ECL	5,009,200	-	5,009,200
Other receivables (b)	Performing	12-month ECL	1,470	-	1,470
Cash and bank balances (c)	Performing	12-month ECL	185,224	-	185,224

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

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

Credit risk exposure and significant credit risk concentration (cont'd)

Note a: Loans portfolio

The Group has applied the general approach in FRS 109 to measure loss allowance at an amount equal to 12-month ECL at initial recognition. The Group assessed whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. Accordingly, the Group determined that the provision for expected credit losses as at 31 December 2018 amounted to US\$187,343.

Note b: Other receivables including amount due from subsidiaries

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period. The Group and Company assessed the latest financial performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of these financial assets. Accordingly, for the purpose of impairment assessment of other receivables, the Group and Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Note c: Cash at bank balances

Cash and bank balances were placed with reputable banks and financial institutions with high credit ratings and no history of default.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and Company considers that its cash at banks has low credit risk based on the external credit ratings of the counterparties. The Group and Company uses a similar approach for assessment of ECL for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents was immaterial.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

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

Previous accounting policy for impairment of financial assets under FRS 39

Financial assets that were neither past due nor impaired

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

Financial assets that were past due and/or impaired

There were no other class of financial assets that were past due and/or impaired except for loan receivables. The table below was an analysis of loans portfolio (before translation adjustment) as at 31 December 2017:

	2017
	US\$
Group	
Not past due and not impaired	11,934,663
Past due but not impaired [#]	348,744
	12,283,407
Impaired financial assets	171,905
Less: Allowance for loans losses	(171,905)
	-

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

	2017
	US\$
Group	
Past due within 1 week to 4 weeks	290,685
Past due within 5 weeks to 8 weeks	42,725
Past due within 9 weeks to 12 weeks	5,319
Past due within 13 weeks to 16 weeks	7,635
Past due within 17 weeks to 20 weeks	2,380
	348,744

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

(ii) *Interest rate risk*

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

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

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

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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

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

	<u>Fixed rate</u>		Non-interest <u>bearing</u> US\$	<u>Total</u> US\$	Effective <u>interest rate</u> %
	<u>Within</u> <u>1 year</u> US\$	<u>2 to 5</u> <u>years</u> US\$			
Group					
2018					
Loans portfolio	13,363,386	-	-	13,363,386	9.00%-25.00%
Other receivables (excluding prepayments)	-	-	180,637	180,637	-
Cash and cash equivalents	935,289	-	871,052	1,806,341	0.10% - 3.50%
Members' savings deposits	(2,799,712)	-	-	(2,799,712)	1.50%-3.00%
Other payables	-	-	(466,089)	(466,089)	-
Amount due to a related party	-	(70,615)	-	(70,615)	8.00%
Bank overdrafts	(1,803,296)	-	-	(1,803,296)	9.75%-10.50%
Obligations under finance lease	(74,692)	(88,106)	-	(162,798)	6.50%-11.00%
Borrowings	(3,347,683)	(6,559,658)	(1,933,451)	(11,840,792)	1.50%-14.00%
Net financial assets/(liabilities)	<u>6,273,292</u>	<u>(6,718,379)</u>	<u>(1,347,851)</u>	<u>(1,792,938)</u>	
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 a related party	-	(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)	<u>5,548,237</u>	<u>(7,016,804)</u>	<u>(1,030,877)</u>	<u>(2,499,444)</u>	

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

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

Company	<u>Fixed rate</u>		<u>Non-interest bearing</u>	<u>Total</u>	<u>Effective interest rate</u>
	<u>Within 1 year</u>	<u>2 to 5 years</u>			
	US\$	US\$	US\$	US\$	%
2018					
Amount due from subsidiaries	506,335	1,751,336	1,914,679	4,172,350	7.00%-11.00%
Other receivables	-	-	1,470	1,470	-
Cash and cash equivalents	-	-	44,322	44,322	-
Other payables	-	-	(100,943)	(100,943)	-
Borrowings	(1,306,866)	(3,036,850)	(43,000)	(4,386,716)	5.00%-9.50%
	<u>(800,531)</u>	<u>(1,285,514)</u>	<u>1,880,555</u>	<u>(205,490)</u>	
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%
	<u>(558,062)</u>	<u>(26,392)</u>	<u>308,536</u>	<u>(275,918)</u>	

(iii) *Liquidity risk*

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

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

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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

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

	Carrying <u>Amount</u> US\$	Contractual undiscounted cash flows		
		<u>Total</u> US\$	<u>Within</u> <u>1 year</u> US\$	<u>Between 2 year</u> <u>and 5 years</u> US\$
Group				
<u>At 31 December 2018</u>				
Members' savings deposits	2,799,712	2,853,996	2,853,996	-
Other payables	466,089	466,089	466,089	-
Amount due to a related party	70,615	70,615	-	70,615
Bank overdrafts	1,803,296	1,991,797	1,991,797	-
Obligations under finance lease	162,798	199,287	100,442	98,845
Borrowings	11,840,792	14,247,262	5,099,722	9,147,540
Total	17,143,302	19,829,046	10,512,046	9,317,000
<u>At 31 December 2017</u>				
Members' savings deposits	2,351,888	2,401,352	2,401,352	-
Other payables	429,542	429,542	429,542	-
Amount due to a related party	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
Company				
<u>At 31 December 2018</u>				
Other payables	100,943	100,943	100,943	-
Borrowings	4,386,716	5,160,472	1,700,092	3,460,380
Total	4,487,659	5,261,415	1,801,035	3,460,380
<u>At 31 December 2017</u>				
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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018	United States	Fiji	Samoan	Solomon	Tongan	Vanuatu	Singapore	Euro	New Zealand	Australian	Total
	Dollar US\$	Dollar US\$	Tala US\$	Islander Dollar US\$	Pa'anga US\$	Vatu US\$	Dollar US\$	US\$	Dollar US\$	Dollar US\$	US\$
Financial Assets											
Loans portfolio	-	2,917,692	5,512,560	915,339	3,099,411	918,384	-	-	-	-	13,363,386
Other receivables	-	20,416	111,366	12,521	26,032	8,832	1,470	-	-	-	180,637
Cash and cash equivalents	200,523	41,750	741,209	64,715	553,317	160,397	6,939	8,547	2,147	26,797	1,806,341
Financial Liabilities											
Members' savings deposits	-	(1,528,729)	(319,933)	(412,905)	(345,135)	(193,010)	-	-	-	-	(2,799,712)
Other payable	(33,000)	(201,929)	(18,570)	(96,658)	(30,293)	(17,696)	(67,943)	-	-	-	(466,089)
Amount due to a related party	-	-	-	-	-	-	-	-	(70,615)	-	(70,615)
Bank overdrafts	-	(20,834)	(141,964)	-	(212,039)	-	-	-	-	-	(1,803,296)
Obligations under finance lease	-	(644,755)	(2,921,260)	(235,768)	(1,276,140)	-	-	-	-	-	(162,798)
Borrowings	(4,083,276)								(1,624,741)	(1,054,852)	(11,840,792)
Net financial (liabilities)/assets	(3,915,753)	583,611	1,372,151	247,244	1,815,153	876,907	(59,534)	8,547	(1,693,209)	(1,028,055)	(1,792,938)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	431,677	(583,611)	(1,372,151)	(247,244)	(1,815,153)	(876,907)	-	-	-	-	(4,463,389)
Currency exposure	(3,484,076)	-	-	-	-	-	(59,534)	8,547	(1,693,209)	(1,028,055)	(6,256,327)

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

(iv) Foreign exchange risk (cont'd)

Group (cont'd)	United States		Fiji		Samoan		Solomon Islander		Tongan		Vanuatu		Singapore		Euro		New Zealand		Australian		Total	
	Dollar	US\$	Dollar	US\$	Tala	US\$	Dollar	US\$	Pa'anga	US\$	Vatu	US\$	Dollar	US\$	Dollar	US\$	Dollar	US\$	Dollar	US\$	Dollar	US\$
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	841,664	194,772	194,772	374,324	374,324	143,659	143,659	30,656	30,656	8,848	8,848	-	-	55,431	55,431	85,095	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 a related party	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(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)	(2,422,939)	(382,131)	(382,131)	(868,517)	(868,517)	-	-	-	-	-	-	-	-	(1,461,232)	(1,461,232)	(1,146,438)	(1,146,438)	(12,193,485)	
Net financial (liabilities)/assets	(4,617,289)	496,879	1,263,181	1,263,181	555,030	555,030	1,648,508	1,648,508	702,845	702,845	(17,321)	(17,321)	8,848	8,848	(1,478,782)	(1,478,782)	(1,061,343)	(1,061,343)	(1,061,343)	(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)	(1,263,181)	(555,030)	(555,030)	(1,648,508)	(1,648,508)	(702,845)	(702,845)	-	-	-	-	-	-	-	-	-	-	-	(3,663,578)
Currency exposure	(3,614,424)	-	-	-	-	-	-	-	-	-	(17,321)	(17,321)	8,848	8,848	(1,478,782)	(1,478,782)	(1,061,343)	(1,061,343)	(1,061,343)	(1,061,343)	(1,061,343)	(6,163,022)

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

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

(iv) Foreign exchange risk (cont'd)

Company	United States <u>Dollar</u> US\$	Fiji <u>Dollar</u> US\$	Singapore <u>Dollar</u> US\$	New Zealand <u>Dollar</u> US\$	Australian <u>Dollar</u> US\$	Total <u>US\$</u>
2018						
Financial Assets						
Amounts due from subsidiaries	1,785,533	37,739	-	941,075	1,408,003	4,172,350
Other receivables	-	-	1,470	-	-	1,470
Cash and cash equivalents	8,704	-	6,939	2,147	26,532	44,322
Financial Liabilities						
Other payable	(33,000)	-	(67,943)	-	-	(100,943)
Borrowings	(2,192,914)	-	-	(1,138,950)	(1,054,852)	(4,386,716)
Net financial (liabilities)/assets	(431,677)	37,739	(59,534)	(195,728)	379,683	(269,517)
Less: Net financial liabilities denominated in the functional currency of the Company	431,677	-	-	-	-	431,677
Currency exposure	-	37,739	(59,534)	(195,728)	379,683	162,160
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 denominated in the functional currency of the Company	1,002,865	-	-	-	-	1,002,865
Currency exposure	-	120,950	(17,321)	(103,660)	726,978	726,947

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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) <u>Profit or loss</u> US\$	Company Increase/ (decrease) <u>Profit or loss</u> US\$
<u>2018</u>		
Fiji Dollar	-	1,887
Singapore Dollar	(2,977)	(2,977)
Euro	427	-
New Zealand Dollar	(84,660)	(9,786)
Australian Dollar	(51,403)	18,984
<hr/>		
<u>2017</u>		
Fiji Dollar	-	6,048
Singapore Dollar	866	(866)
Euro	(442)	-
New Zealand Dollar	73,939	(5,183)
Australian Dollar	53,067	36,349
<hr/>		

(b) Fair Values

Fair Value Hierarchy

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

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

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 Financial Instruments (cont'd)

(b) Fair Values (cont'd)

Fair value measurement

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

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

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

(ii) *Other financial assets and liabilities*

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

30 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 →					31 December US\$
	1 January US\$	Proceeds US\$	Repayments US\$	Interest paid US\$	Others* US\$	
2018						
Fixed deposits pledged to bank overdrafts	(697,730)	113,102	-	-	-	(584,628)
Cash (restricted to members' savings deposits)	(329,676)	9,743	-	-	-	(319,933)
Bank overdrafts	1,259,902	543,394	-	-	-	1,803,296
Members' savings deposits	2,351,888	-	-	(27,371)	475,195	2,799,712
Interest payable	90,792	-	-	(801,793)	750,255	39,254
Amounts due to related parties	72,981	-	-	-	(2,366)	70,615
Obligation under finance leases	172,266	-	(64,475)	-	55,007	162,798
Borrowings	12,193,485	3,699,435	(3,751,918)	(457,444)	157,234	11,840,792
	<u>15,113,908</u>	<u>4,365,674</u>	<u>(3,816,393)</u>	<u>(1,286,608)</u>	<u>1,435,325</u>	<u>15,811,906</u>

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 Financing Activities in the Cash Flow Statements

Group (cont'd)

	← Cash flows →					31 December US\$
	1 January US\$	Proceeds US\$	Repayments US\$	Interest paid US\$	Others* US\$	
2017						
Fixed deposits pledged to bank overdrafts	(673,384)	-	(24,346)	-	-	(697,730)
Cash (restricted to members' savings deposits)	(284,627)	-	(45,049)	-	-	(329,676)
Bank overdrafts	1,046,992	212,910	-	-	-	1,259,902
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
	<u>12,332,001</u>	<u>4,681,550</u>	<u>(2,655,957)</u>	<u>(1,100,875)</u>	<u>1,857,189</u>	<u>15,113,908</u>

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

Company

	← Cash flows →					31 December US\$
	1 January US\$	Proceeds US\$	Repayments US\$	Interest paid US\$	Others** US\$	
2018						
Borrowings	<u>5,422,365</u>	<u>650,000</u>	<u>(1,441,503)</u>	<u>(457,444)</u>	<u>213,298</u>	<u>4,386,716</u>
2017						
Borrowings	<u>3,930,821</u>	<u>1,978,763</u>	<u>(559,478)</u>	<u>(362,527)</u>	<u>434,786</u>	<u>5,422,365</u>

** 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 2018

	<u>2018</u>	<u>2017</u>
	US\$	US\$
REVENUE		
Management income	566,281	497,891
Interest income	207,255	340,155
Professional fee income	64,500	144,960
	838,036	983,006
OTHER INCOME	43,153	43,170
LESS: EXPENSES		
FINANCIAL EXPENSE	363,190	419,888
OTHER OPERATING EXPENSES		
Auditor's remuneration	23,718	29,121
Bank charges	7,227	9,124
Director's fee	1,728	-
Other expenses	6,224	478
Legal and professional fee	27,743	56,531
Management fee	132,000	132,000
Postage and courier	-	2,259
Salaries and wages	63,710	144,961
Service fee	132,000	132,000
Travelling expenses	7,898	2,296
Withholding tax expenses	103,894	62,945
	506,142	571,715
PROFIT BEFORE INCOME TAX	11,857	34,573