16 April 2019

ASA International Group plc reports full year results for the year ended 31 December 2018

Strong underlying performance, with good branch, client and high-quality portfolio growth

ASA International Group plc (LSE: ASAI), one of the world's largest international microfinance institutions, today announces its full year results for the twelve-month period from 1 January to 31 December 2018.

Key performance indicators

(Amounts in USD millions)	2018	2017	Δ 2017 - 2018	Δ Constant currency
Number of clients (m)	2.2	1.9	*17%*	
Number of branches	1,665	1,387	*20%*	
Net profit	24.5	29.3	*-17%*	*-7%*
Normalised net profit [(1)]	32.4	26.9	*20%*	*30%*
Outstanding Loan Portfolio ("OLP") [(2)]	378.5	313.4	*21%*	*34%*
Dividend per share (in US¢) [(3)]	7.3	8.7		
PAR > 30 days[(4)]	*0.6%*	*0.6%*		

(1) Adjusted for one-off items. For 2018, these mainly relate to IPO costs. For 2017, this mainly relates to incidental credit loss in India, provision for fees in Nigeria, and reversal of provision for work welfare expenses in Pakistan; and previous year tax expenses

(2) Includes off-book Business Correspondence loans and excludes interest receivable and the unamortized loan processing fee

(3) Number of shares in issue was adjusted to 100m in 2017 for comparison purposes. Actual number of shares outstanding was 3.7m pre-IPO.

(4) PAR>30 is the percentage of OLP that has one or more instalment of repayment of principal past due for more than 30 days divided by the total outstanding gross loan portfolio.

Highlights

- Number of clients up by 17% to 2.2m and number of branches up by 20% reaching 1,665
- OLP grew to USD 378.5m up by 21% (34% up on constant currency basis)
- OLP/client averaged USD 174, up by 3% despite substantial currency depreciation in Pakistan, India, Sri Lanka and Myanmar (OLP/client up 14% in constant currency)
- Normalised net profit up by 20% at USD 32.4m (30% up on a constant currency basis), with reported net profit down by 17% at USD 24.5m, mainly due to one-off IPO costs
- Asian operations delivered strong local currency operating and financial performance, however as previously noted USD loan growth and net profits were impacted by higher than previously expected currency depreciation
- West and East Africa delivered higher than expected operational and financial performance in both local currency and USD, reaffirming our confidence in these regions and, in particular, in East Africa as a major future profit generator for the Group
- Continued investment in the IT infrastructure in preparation for the gradual introduction of digital financial services and rollout of proprietary ASA Microfinance Banking System
- Operations in Zambia started in January 2019, in-line with our strategy as we continue to assess new countries to expand into
- Proposed dividend of US¢ 7.3 per share, in line with our dividend policy

Outlook

- As stated in our Year-End Trading update on 26 February 2019, we continue to expect:
    - A strong underlying performance in 2019
    - Given the significant currency depreciation in some of the Company's major countries during the second half of 2018, 2019 USD earnings growth is expected to be materially below our medium-term target.
    - Over the medium term we continue to target earnings growth of 20-25% per annum in USD.

Dirk Brouwer, Chief Executive Officer of ASA International, commented:

"We made good progress during the year, with strong operating and underlying financial performance. In particular, we've seen continued strong branch, client and portfolio growth across almost all our markets in 2018. Encouragingly, West and East Africa performed ahead of expectations, in both local currency and USD. We also maintained a high portfolio quality with PAR>30 at 0.6%, demonstrating the ongoing strength of our responsible ASA business model.

While many of the Asian currencies impacted in 2018 appear more or less to have stabilised, the effect of the unprecedented level of currency depreciation in 2018 will be felt throughout 2019 as well, particularly because the bulk of the currency depreciation occurred during the second half of 2018. As previously stated, we expect 2019 USD earnings growth to be materially below our medium-term target of 20-25% per annum. However, due to our strong underlying growth rates, we continue to target earnings growth of 20-25% per annum in USD over the medium-term."

Webcast and Conference Call

Management will be hosting a live audio webcast and conference call today at 15:30 (BST).

To access the audio webcast, please use the following link:
http://webcasting.brrmedia.co.uk/broadcast/5c9a4845ec650d01c34f4575

To dial into the conference call, please use the details below:

Dial in: +44 (0)330 336 9126

Confirmation Code: 6598662

If you have any further questions, please contact MHP Communications on 020 3128 8572 or ASAInternational@mhpc.com.

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Cautionary statement
These Preliminary Results have been prepared solely to provide additional information to shareholders to assess the Group's performance in relation to its operations and growth potential. These Preliminary Results should not be relied upon by any other party or for any other reason. Any forward-looking statements made in this document are done so by the directors in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The listing rules of the UK Listing Authority (LR 9.7A.1) require that preliminary statements of annual results must be agreed with the listed company's auditor prior to publication. In addition, the Listing Rules require such statements to give details of the nature of any likely modifications that may be contained in the auditor's report to be included with the Annual Report and whether any audit report has been issued on the statutory accounts. ASA International Group plc confirms that it has agreed with Ernst & Young LLP for the preliminary announcement to be notified to RNS. The audited financial statements will be delivered to the Registrar of Companies and a copy will also be available on the Company's website (www.asa-international.com) in due course. The financial information contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

This constitutes regulated information for the purposes of the Disclosure and Transparency Rules.

About ASA International
ASA International is one of the world's largest international microfinance institutions, with a strong and well-established commitment to improving financial inclusion and enabling socioeconomic progress. The company does this by providing small, responsible loans to low-income, financially underserved entrepreneurs and business owners, most of whom are women, across its operations in South Asia, South East Asia, West and East Africa.

CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to report a strong underlying performance in our first year as a listed company, demonstrating the strength and adaptability of the proven and replicable ASA microfinance model.

Our listing on the premium segment of the London Stock Exchange main market in July 2018 was an important landmark in the Group's development and we continue to benefit from our rich heritage in the microfinance sector - lending at competitive rates, maintaining a strong risk discipline and a low-cost structure to enable us to generate attractive returns, while continuing to pursue our mission to enhance financial inclusion among predominantly female micro-entrepreneurs across Asia and Africa.

Regional performance

We have been particularly pleased with the strong performance of the three largest East African operations. This bodes well for the future and increases the geographic diversification of the Company's earnings stream. In 2019, we commenced operations in Zambia and continue to assess new countries.

In 2018, the Company experienced unprecedented currency headwinds, with most of our major Asian operating currencies substantially depreciating against the USD: PKR fell by 26%, INR fell by 9%, LKR fell by 19% and MMK fell by 14%. Most of the depreciation occurred during the second half of 2018.

Investment in operations

During the year, we further strengthened our operations through major investments in IT. We almost doubled our IT development team in Dhaka in order to further strengthen systems, so that we are ready for the gradual introduction of digital financial services to our clients.

We also completed the global roll-out of tablets for each of our loan officers. Currently, we are rolling out our proprietary ASA Microfinance Banking System (AMBS), which is our real-time core banking system, to all our operating entities. AMBS gives us the ability to gradually introduce a wide range of digital financial services for our clients, including, amongst others, doorstep banking and digital disbursements and collections. While the required telecom infrastructure and regulatory framework for our client base is not yet established in many of our operating markets, we expect that our clients will gradually replace cash with digital money.

Dividend

In line with our dividend policy of a pay-out ratio of 30 per cent of net income, the Board is proposing a dividend per share of US¢ 7.3 to be paid on 28 June 2019 to shareholders on the register on 7 June 2019.

GROUP FINANCIAL PERFORMANCE

(In USD thousands)	2018	2017	Δ 2017 - 2018	Δ Constant currency
Net profit	24,454	29,304	*-17%*	*-7%*
Normalised net profit [(1)]	32,352	26,929	*20%*	*30%*
Cost/income ratio [(1)]	*55%*	*54%*		
Return on average assets (TTM) [(1)]	*7.3%*	*7.9%*		
Return on average equity (TTM) [(1)]	*37.7%*	*35.8%*		
Earnings growth (TTM) [(1)]	*20%*	*43%*		
OLP [(2)]	378,468	313,390	*21%*	*34%*
Total assets	473,055	419,356	*13%*	
Client deposits	63,986	53,231	*20%*	
Interest-bearing debt [(3)]	277,137	267,901	*3%*	
Share capital and reserves	88,548	82,982	*7%*	
Number of clients	2,174,116	1,852,698	*17%*	
Number of branches	1.665	1,387	*20%*	
Average outstanding loan per client (USD)	174	169	*3%*	
PAR > 30 days	*0.6%*	*0.6%*		
Client deposits as % of loan portfolio	*17%*	*17%*		

[(1)] Adjusted for one-off items. For 2018, these mainly relate to IPO costs. For 2017, this mainly relates to incidental credit loss in India, provision for fees in Nigeria, and reversal of provision for work welfare expenses in Pakistan; and previous year tax expenses

[(2)] Includes off-book Business Correspondence loans and excludes interest receivable and the unamortized loan processing fee

[(3)] Excludes interest payable

Regional performance

South Asia

(In USD thousands)	2018	2017	Δ 2017 - 2018	Δ Constant currency
Net profit	14,872	15,155	*-2%*	8%
Normalised net profit [(1)]	15,200	11,931	*27%*	*40%*
Cost/income ratio [(1)]	*45%*	*44%*		
Return on average assets (TTM) [(1)]	*7.1%*	*7.6%*		
Return on average equity (TTM) [(1)]	*35.3%*	*36.9%*		
Earnings growth (TTM) [(1)]	*27%*	*26%*		
OLP [(2)]	211,470	182.,669	*16%*	*34%*
Total assets	213,570	212,849	*0.3%*	
Client deposits	73	85	*-14%*	
Interest-bearing debt [(3)]	156,707	167,611	*-7%*	
Share capital and reserves	47,314	38,706	*22%*	
Number of clients	1,053,889	896,090	*18%*	
Number of branches	638	521	*23%*	
Average outstanding loan per client (USD)	202	206	*-2%*	
PAR > 30 days	*0.8%*	*0.8%*		
Client deposits as % of loan portfolio	*0%*	*0%*		

[(1)] Adjusted for one-off items

[(2)] Includes off-book Business Correspondence loans and excludes interest receivable and the unamortized loan processing fee

[(3)] Excludes interest payable

Due to substantial currency depreciation in Pakistan (PKR down 26% against USD), India (INR down 9*%* against USD), and Sri Lanka (LKR down 19% against USD), South Asia's USD net profits were below expectations, with loan growth in USD terms reduced from 2017.

- Normalised net profit up 27% (40% up on a constant currency basis)
- OLP up 16% (34% up on a constant currency basis), which is lower than expected due to higher than expected depreciation of this segment's operating currencies relative to the USD
- Number of clients crossed one million, up 18%
- Number of branches up 23%
- OLP/Client in USD down by 2%, primarily due to PKR, INR and LKR depreciation
- The quality of the loan portfolio slightly declined with PAR>30 increasing from 0.7% to 0.8%
- Cost/Income ratio increased by *160 bps* to 45% due to increased operating expenses related to the upgrading of the operating licenses in Pakistan and Sri Lanka to deposit taking licenses, rapid branch expansion undertaken in India in the last half of 2018, and increased funding costs in Pakistan due to currency depreciation as well as an increase in benchmark interest rates
- Return on average assets was down *50 bps* to 7.1% due to (i) the higher proportionate growth of the Indian operations, (ii) temporary over-capitalization and excess liquidity in Pakistan related to the microfinance bank application and iii) reduced USD profitability in Pakistan due to the combination of the increased cost of hedging USD-denominated debt, and a substantial increase in the Kibor rate
- Return on average equity down by *160 bps* to 35.3%

India

ASA India continued to rapidly expand its operations:

- Number of clients from 466k to 564k (up 21%)
- Number of branches from 217 to 300 (up 38%), which is expected to fuel continuing high growth in 2019
- OLP from INR 5.8bn (USD 92m) to INR 6.9bn (USD 99m) (up 18% *in INR*)
- Off-book portfolio from INR 1bn (USD 15.3m) to INR 2.6bn (USD 36.7m) (up 162% *in INR*)
- OLP/Client from INR 15K to INR 17K (up 13.8% *in INR*), while PAR>30 improved from 1.2% to 0.7%, which is an excellent achievement in this relatively competitive market
- ASA India continues to benefit from its strong business correspondent relationship with IDFC First Bank and the ongoing support of its many local and international lenders
- Following the receipt of the MFI registration, the Group injected USD 5 million of additional equity capital to further expand the loan portfolio

Pakistan

ASA Pakistan continued to expand its operations:

- Number of clients from 364k to 419k (up 15%)
- Number of branches from 245 to 270 (up 10%)
- OLP from PKR 7.5bn (USD 67.3m) to PKR 9.3bn (USD 66.9m) (up 25% in *PKR*)
- OLP/Client from PKR 20K (USD 186) to PKR 22K (USD 160) (up 10*%* in *PKR)*
- PAR>30 increased slightly from 0.2% to 0.3%
- Despite the substantial devaluation of the PKR (down 26%), ASA Pakistan's operating and financial performance in PKR was in line with expectations in terms of interest income and operating expenses, with the exception of funding costs, which increased due to a substantial increase in the KIBOR rate and higher hedging cost

Sri Lanka

Lak Jaya Micro Finance continued to expand its operations, despite an increasingly challenging environment:

- Number of clients from 65k to 71k (up 9%)
- Number of branches from 59 to 68 (up 15%)
- OLP from LKR 1.3bn (USD 8.5m) to LKR 1.7bn (USD 9.2m) (up 29*%* in *LKR*)
- OLP/Client from LKR 20K (USD 133) to LKR 24K (USD 134) (up 20*%* in *LKR*)
- PAR>30 materially increased from 1.6% to 4.1%
- The recent introduction of a debt relief program in response to a few droughts affected districts. Combined with political activism to extend this program across the country, this eroded clients' repayment habits and discipline with, as a result, a substantial increase in PAR>30
- In addition, the potential introduction of an interest rate cap for finance companies as described in the regulatory section below, has led to uncertainty in the Sri Lankan microfinance sector
- As a result, management temporarily halted the planned expansion of the operations in Sri Lanka in order to exclusively focus on managing its existing clients and prepare for an operating environment with a possible interest rate cap

South East Asia

(In USD thousands)	2018	2017	Δ 2017 - 2018	Δ Constant currency
Net profit	3,881	3,516	*10%*	*19%*
Normalised net profit [(1)]	3,881	3,513	*11%*	*19%*
Cost/income ratio [(1)]	*75%*	*75%*		
Return on average assets (TTM) [(1)]	*4.4%*	*4.4%*		
Return on average equity (TTM) [(1)]	*25.1%*	*22.6%*		
Earnings growth (TTM) [(1)]	*10%*	*34%*		
OLP [(2)]	62,118	53,264	*17%*	*26%*
Total assets	95,015	82,401	*15%*	
Client deposits	17,801	16,230	*10%*	
Interest-bearing debt [(3)]	54,306	45,780	*19%*	
Share capital and reserves	15,353	15,612	*-2%*	
Number of clients	442,254	405,922	*9%*	
Number of branches	369	325	*14%*	
Average outstanding loan per client (USD)	141	132	*7%*	
PAR > 30 days	0.5%	0.3%		
Client deposits as % of loan portfolio	29%	31%		

(1) Adjusted for one-off items

(2) Excludes interest receivable and the unamortized loan processing fee

(3) Excludes interest payable

Higher than expected currency depreciation in Myanmar (down 13.8*%* against USD) and lower than expected loan growth also in Myanmar contributed to South East Asia's net profits being slightly lower than expected:

- Net profit up 10*%* (19% up on a constant currency basis)
- OLP up 17% (26% up on a constant currency basis), which was lower growth in USD terms than expected due to (i) higher than expected depreciation of the Myanmar kyat (MMK down 13.8%), and (ii) lower than expected loan per client growth in Myanmar
- Number of clients up 9%
- Number of branches up 14%
- OLP/Client in USD up by 7%
- PAR>30 up slightly from 0.3% to 0.5%
- Cost/Income ratio stable at 75*%*
- Return on average assets is unchanged at 4.4*%*
- Return on average equity increased to 25.2*%*

The Philippines

Pagasa Philippines Finance Company, Inc. ("PPFCI") continued to gradually expand:

- Number of clients from 301k to 314k (up 4%)
- Number of branches from 265 to 288 (up 9%)
- OLP from PHP 1.8bn (USD 36.1m) to PHP 2.1bn (USD 40.7m) (up 19% in *PHP*)
- OLP/Client from PHP 6K (USD 120) to PHP 7K (USD 130) (up 14*% in PHP)*
- PAR>30 slightly increased to 0.4%
- PPFCI succeeded in upgrading is lending company license to a finance company license. As a result, PPFI should be able to realize a 5% higher return on gross interest income

Myanmar

ASA Myanmar achieved strong client and branch growth, increasing:

- Number of clients from 104k to 128k (up 22%)
- Number of branches from 60 to 81 (up 35%)
- OLP from MMK 23.3bn (USD 17.2m) to MMK 33.0bn (USD 21.3m) (up 41% *in MMK*)
- OLP/Client from MMK 224K (USD 165) to MMK 259K (USD 168) (up 16*% in MMK*)
- PAR>30 from 0.1% to 0.3%
- The operations were affected by damage from severe monsoons in June and July
- Profitability was adversely affected by (i) long delays for regulatory approval to commence lending from newly-opened branches, (ii) higher cost of funding, and (iii) increased competition

<u>West Africa</u>

(In USD thousands)	2018	2017	Δ 2017 - 2018	Δ Constant currency
Net profit	16,872	11,981	*41%*	*45%*
Normalized net profit [(1)]	16,484	12,738	*29%*	*34%*
Cost/income ratio [(1)]	*38 %*	*41%*		
Return on average assets (TTM) [(1)]	*20.4%*	*20.2%*		
Return on average equity (TTM) [(1)]	*56.6%*	*56.3%*		
Earnings growth (TTM) [(1)]	*29%*	*32%*		
OLP [(2)]	71,840	58,230	*23%*	*29%*
Total assets	88,359	73,370	*20%*	
Client deposits	35,958	31,379	*15%*	
Interest-bearing debt [(3)]	13,315	9,669	*38%*	
Share capital and reserves	32,246	25,992	*24%*	
Number of clients	435,660	389,987	*12%*	
Number of branches	414	358	*16%*	
Average outstanding loan per client (USD)	165	150	*10%*	
PAR > 30 days	*0.4%*	*0.1%*		
Client deposits as % of loan portfolio	*50%*	*54%*		

[(1)] Adjusted for one-off items

[(2)] Excludes interest receivable and the unamortized loan processing fee

[(3)] Excludes interest payable

Benefiting from lower than expected currency depreciation vis-à-vis the USD, West Africa's net profit growth was higher than expected.

- Net profit 2018 up 40% and normalised net profit up 29% (34% up on a constant currency basis)
- OLP up 23% (29% on a constant currency basis), which is higher growth in USD terms than expected due to (i) lower than expected depreciation of this segment's operating currencies relative to the USD in 2018 (NGN down 1%, GHS down 7%, and SLL down 12%), and (ii) faster growth of OLP in all countries with a higher average OLP per client across the segment
- Number of clients up by 12*%*
- Number of branches up 16%
- OLP/Client in USD up by 10%
- PAR>30 increased to 0.4%
- Cost/Income ratio improved by 280bps to 38*%*
- Return on average assets up 20 b*ps* to 20.4*%*
- Return on average equity up by 30 *bps* to 56.6*%*

Ghana

ASA Savings & Loans Ltd ("ASA S&L Ghana") continues to successfully expand, while maintaining a high portfolio quality and increasing:

- Number of clients from 137k to 149k (up *9%*)
- Number of branches from 108 to 120 (up *11%*)
- OLP from GHS 151.6m (USD 33m) to GHS 185.3m (USD 38m) (up 22*%* in *GHS*)
- OLP/Client to GHS 1.2K (USD 256) (up 12% in *GHS)*
- PAR>30 remained low at 0.1%
- ASA S&L Ghana received approval for opening 15 branches, despite the ongoing restructuring of the Ghanaian banking and microfinance sector, which made the Central Bank initially reluctant to approve further branch expansion in 2018
- Despite all the financial problems faced by banks and other microfinance institutions, ASA S&L Ghana's operational and financial performance continues to be excellent

Nigeria

ASHA Microfinance Bank Ltd. (ASA Nigeria) and ASIEA performed well, growing:

- Number of clients from 236k to 259k (up 9%)
- Number of branches from 230 to 262 (up 14%)
- OLP from NGN 8.5bn (USD 23.6m) to NGN 11.5bn (USD 31.7m) (up 36*% in NGN*)
- OLP/Client increased from NGN 36.1 (USD 100) to NGN 44.8 (USD 123) (up 23*%*)
- PAR>30 increased to 0.9%
- The Central Bank of Nigeria approved the opening of an additional 20 branches by ASA Nigeria
- ASA Nigeria awaits the final approval for the merger with ASIEA

Sierra Leone

ASA Sierra Leone continues to expand rapidly with high client and branch growth, with expansion in:

- Number of clients from 16k to 28k (up 67%)
- Number of branches from 20 to 32 (up 60%)
- OLP from SLL 9.26bn (USD 1.2m) to SLL 17.40bn (USD 2.0m) (up 88% *in SLL*)
- OLP/Client from SLL 555K (USD 72) to GHS 625K (USD 73) (up 12.7*% in SLL*)
- PAR>30 increased from 0.2% to 1.1%
- ASA Sierra Leone retains a high-quality loan portfolio and operating costs are at acceptable levels, which puts it on track to realise positive returns in 2019, which would be three years after inception

East Africa

(In USD thousands)	2018	2017	Δ 2017 - 2018	Δ Constant currency
Net profit	3,647	1,008	*262%*	*270%*
Normalized net profit [1]	3,647	1,008	*262%*	*270%*
Cost/income ratio [1]	*64%*	*79%*		
Return on average assets (TTM) [1]	*11.5%*	*5.1%*		
Return on average equity (TTM) [1]	*47.9%*	*16.9%*		
Earnings growth (TTM) [1]	*262%*	*89%*		
OLP [2]	33,040	20,521	*61%*	*63%*
Total assets	38,556	24,760	*56%*	
Client deposits	10,153	5,536	*83%*	
Interest-bearing debt [4]	17,190	11,718	*47%*	
Share capital and reserves	8,687	6,536	*33%*	
Number of clients	242,313	160,699	*51%*	
Number of branches	244	183	*33%*	
Average outstanding loan per client (USD)	137	129	*6%*	
PAR > 30 days	0.4%	1.4%		
Client deposits as % of loan portfolio	31%	27%		

[1] Adjusted for one-off items
[2] Excludes interest receivable and the unamortized loan processing fee
[3] Excludes interest payable

East Africa's net profit was higher than expected with significantly higher return on assets and an improved quality of the loan portfolio with PAR>30 down from 1.4% to 0.4%.

- Net profit up 262% (270% up on a constant currency basis)
- OLP increased by 61% compared with previous period (*63%* on a constant currency basis), due to the continued expansion of operations in all countries across the segment
- Number of clients up 51%
- Number of branches up 33%
- OLP/Client up in USD by 6%
- PAR>30 improved from 1.4% to 0.4%
- Cost/Income ratio improved by 1,570 bps to 64%
- Return on average assets up *640 bps* to 11.5*%*
- Return on average equity up *3100 bps* to 47.9*%*

Kenya

ASA Kenya substantially increased its operations, while improving the quality of the portfolio:

- Number of clients from 47k to 74k (up 58%)
- Number of branches from 50 to 70 (up 40%)
- OLP from KES 0.8bn (USD 7.3m) to KES 1.2bn (USD 12.1m) (up 64% *in KES*)
- OLP/Client slightly increased from KES 16K (USD 158) to KES 17K (USD 165) (up 3*%* in *KES*)
- PAR>30 improved from 1.2% to 0.7%
- Since inception in 2013, ASA Kenya has become one of the top five non-deposit and deposit-taking Kenyan microfinance institutions in a crowded Kenyan microfinance market

Tanzania

ASA Tanzania is performing as expected with high branch, client and OLP growth while improving the quality of the loan portfolio:

- Number of clients up from 56k to 79k (up 42%)
- Number of branches up from 60 to 76 (up 27%)
- OLP up from TZS 17.0 bn (USD 7.6m) to TZS 28.0bn (USD 12.2m) (up 64% in *TZS*)
- OLP/Client up from TZS 310K (USD 138) to TZS 355K (USD 155) (up 15% in *TZS*)
- PAR>30 went down from 0.7% to 0.1%
- ASA Tanzania's operations are very solid and are expected to stay on a high growth path

Uganda

ASA Uganda's growth has been higher than expected in terms of branches, clients and OLP combined with a substantial improvement of the quality of the loan portfolio:

- Number of clients from 51k to 77k (up 51%)
- Number of branches from 57 to 72 (up 26%)
- OLP from UGX 16.3bn (USD 4.5m) to UGX 25.9bn (USD 7.0m) (up 59% in *UGX)*
- OLP/Client from UGX 325K (USD 89) to UGX 340K (USD 91) (up 5% in *UGX*), which are expected to remain lower than in Kenya and Tanzania due to generally lower income levels in Uganda
- PAR>30 improved from 0.9% to 0.1%
- ASA Uganda received its microfinance license from UMRA in 2018

Rwanda

ASA Rwanda successfully increased its operations:

- Number of clients from 8k to 13k (up 67%)
- Number of branches from 16 to 26 (up 63%)
- OLP from RWF 1.0bn (USD 1.2m) to RWF 1.6bn (USD 1.8m) (up 64% in *RWF*)
- OLP/Client from RWF 124K (USD 147) to RWF 122K (USD 138) (down 2*%*)
- PAR>30 went from 0.4% to 0.7%
- The market environment in Rwanda is quite favourable with limited competition
- ASA Rwanda is gradually expanding and is expected to cross break-even in 2019, three years after inception

Regulatory Environment

ASA International operates in a wide range of jurisdictions each with their own regulatory regimes applicable to microfinance institutions. At this time, the Company is active in upgrading its licenses from non-deposit taking MFIs to deposit-taking MFIs or microfinance banks, or merging non-regulated activities into its regulated activities, where possible and if considered appropriate.

Key Events

India

- ASAI India received its highly coveted NBFC-MFI registration by the Reserve Bank of India, which will enable the Company to further capitalise ASAI India and ASA India to attract lower-cost debt funding.

Pakistan

- ASA Pakistan submitted its updated application for transforming its non-deposit taking microfinance company into a microfinance bank, which is now under review by the State Bank of Pakistan.

Sri Lanka

- In August 2018, the government of Sri Lanka announced a debt relief program for microfinance loans of less than the equivalent of approximately USD 650 in drought relief affected districts of Sri Lanka. The direct impact of this measure on Lak Jaya was limited: less than 3,000 out of its approximately 16,000 clients in these districts with outstanding loans of approximately USD 280k. The government committed to repay the principal amount of these loans with the lenders expected to write-off the interest.
- However, political activists have tried to extend the debt relief program to other districts across the country, which substantially eroded the repayment discipline of clients with an associated substantial increase in overdue payments across the country.
- In December 2018, the government of Sri Lanka introduced an interest rate cap of 35% per annum on microfinance loans disbursed by licensed finance companies. It is expected that an interest rate cap may be introduced for licenced MFIs, such as Lak Jaya. If an interest rate cap comes into force, this will have an adverse impact on the profitability of Lak Jaya.

Philippines

- Pagasa Philippines received a finance company license. As a result, there is no longer a requirement to charge VAT on interest income but only the lower GRT (Gross Receipt Tax). As a result, PPFI should be able to realise a 5% higher return on gross interest income.

Myanmar

- In 2019, it is expected that the Central Bank of Myanmar will give ASA Myanmar permission to mobilise voluntary savings from its clients (as opposed to mandatory savings presently).

Nigeria

- ASA Nigeria (i.e. ASHA Microfinance Bank Ltd.) received confirmation by the Central Bank of Nigeria that the application for a nationwide license was approved. The final approval for the merger between ASA Nigeria and ASIEA NGO is still pending.

Uganda

- ASA Microfinance (Uganda) Ltd. (“ASA Uganda”) received its non-deposit taking microfinance institution license from the new microfinance regulatory entity, Uganda Microfinance Regulatory Authority (“UMRA”). The license, to be renewed annually, is required for future branch openings.

Key events after 31 December 2018

- On 3 April 2019, Lak Jaya became a Licensed Microfinance Company, which will allow it to accept deposits from clients. The license was granted subject to certain conditions the company has to fulfil.

Regulatory Capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 2018, the Group and its subsidiaries were in full compliance with minimum regulatory capital requirements.

Asset/Liability and Risk Management

ASA International has strict policies and procedures for the management of its assets and liabilities as well as various non-operational risks to ensure that:

- The average tenor of loans to customers is substantially shorter than the average tenor of debt provided by third party banks and other third-party lenders to the Group and any of its subsidiaries
- Foreign exchange losses are minimized by having all loans to any of the Group's operating subsidiaries denominated or properly hedged in the local operating currency and all loans to any of the Group's subsidiaries denominated in local currency are hedged in US dollars
- Foreign translation losses affecting the Group's balance sheet are minimised by preventing over-capitalisation of any of the Group's subsidiaries by distributing dividends and/or repaying capital as soon as reasonably possible

Nevertheless, the Group will always be exposed to currency movements in both (i) the profit & loss statement, which will affect the translation into USD of local currencies of its local operating subsidiaries and (ii) the balance sheet, due to gradual erosion of capital of each of its operating subsidiaries translated in USD, in case the US dollar strengthens against the currency of any of its operating subsidiaries.

Funding

The funding profile of the Group has not materially changed during 2018:

In USD millions

	31 Dec 16	**31 Dec 17**	**31 Dec 18**
Local Deposits	40.1	53.2	64.0
Loans from Financial Institutions	81.1	200.4	221.2
Microfinance Loan Funds	29.2	27.5	17.8
Loans from Dev. Banks & Foundations	25.0	40.0	40.0
Equity	67.5	83.0	88.4
Total Funding	**242.8**	**404.1**	**431.4**

The Group maintains a favourable maturity profile with the average tenor of all funding from third parties being substantially longer than the average tenor at issuance of loans to customers which ranges from 6-12 months.

The Group and its subsidiaries have existing credit relationships with more than 50 lenders throughout the world, which has provided reliable access to competitively-priced funding for the growth of its loan portfolio.

Impact of foreign exchange rates

As a USD reporting company with operations in twelve different currencies, currency movements can have a major effect on the Group's USD financial performance and reporting.

During the second half of 2018, the US dollar strengthened more than expected, particularly vis-à-vis a number of Asian currencies where the Group has major operations. The effect of this is (i) existing and future local currency earnings translate into less US dollar earnings, and (ii) local currency capital of any of the operating subsidiaries will translate into less US dollar capital.

Countries	2017	2018	Δ 2017 - 2018
Pakistan (PKR)	110.6	139.4	*-26%*
India (INR)	63.8	69.5	*-9%*
Sri Lanka (LKR)	153.5	183.0	*-19%*
The Philippines (PHP)	50.0	52.5	*-5%*
Myanmar (MMK)	1,357.2	1,543.8	*-14%*
Nigeria (NGN)	360.0	364.3	*-1%*
Ghana (GHS)	4.5	4.9	*-9%*
Sierra Leone (SLL)	7,672.5	8,616.8	*-12%*
Kenya (KES)	103.1	101.8	*1%*
Uganda (UGX)	3,635.2	3,715.6	*-2%*
Tanzania (TZS)	2,240.5	2,298.3	*-3%*
Rwanda (RWF)	844.6	883.0	*-5%*

The currency depreciation of, in particular, the PKR, LKR and MM were substantially higher than expected which had an adverse impact on the US dollar net profit growth of these affected subsidiaries.

It also led to a substantial increase in foreign exchange translation losses due to ASA Pakistan's relatively high capital base related to its microfinance bank license application. The total contribution to the foreign exchange loss reserve during 2018 amounted to USD 10.4m of which USD 5.9m related to the depreciation of the PKR.

Impact of implementation of IFRS 9

Figures in USD millions	**Provision for credit loss**	**Provision for credit loss on-book BC portfolio**	**Total provision**	**Retained earnings**
Balance as at 1 January 2018	1.2	0.1	1.3	71.3
Impact for adopting IFRS 9	0.3	0.05	0.35	(0.3)
Adjusted balance as at 1 January 2018	**1.5**	**0.16**	1.66	**71.0**

ASA International implemented IFRS 9 'Financial instruments' on 1 January 2018. For ASA International IFRS 9 changes the classification and impairment of customer receivables. The implementation had no impact on the classification since the loan products of ASA International mainly consist of repayment of principal and interest. The impairment of loans under IFRS 9 changes from the incurred loss model of IAS 39 to an expected loss model. The Company continues to apply a loss rate approach for determining its loan loss provision given the small loan sizes and short-term nature of the loan products. The new element of expected credit losses in the loan loss provision are determined by the increase in default risk by calculating the incremental trend in write-offs during the last two years in order to update the historical loss rate for forward looking expectation. In addition, the

Company considers on each reporting date any significant socio-economic events and natural disasters which are expected to have an impact on the future credit losses for the markets in which it operates.

The impact net of tax of the implementation of IFRS 9 by adding the expected credit losses to the loan loss provisions of the Company amounted to USD 0.3 million and is presented as an adjustment of the opening balances of the loan loss provision, deferred tax and retained earnings.

ASA International has elected to continue the same accounting policy for Hedge Accounting which it previously applied under IAS 39, which is allowed upon implementation of IFRS 9.

ASA INTERNATIONAL GROUP PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

DIRECTORS:	**APPOINTED ON**
Md. Shafiqual Haque Choudhury	28 June 2018
Dirk Brouwer	16 May 2018
Aminur Rashid	28 June 2018
Gavin Laws	28 June 2018
Guy Dawson	16 May 2018
Praful Patel	28 June 2018
Johanna Kemna	28 June 2018

REGISTRATION: ASA International Group plc is a company registered in England & Wales. Registered number: 11361159

COMPANY SECRETARY:
Prism Cosec Limited
Elder House, St Georges Business Park
207 Brooklands Road, Weybridge, Surrey KT13 0TS
United Kingdom

REGISTERED OFFICE:
Elder House, St Georges Business Park
207 Brooklands Road, Weybridge, Surrey KT13 0TS
United Kingdom

OFFICE ADDRESSES:
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Shyamoli, Dhaka-1207, Bangladesh
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Tel: +31 20 846 3554

WEBSITE: www.asa-international.com

EMAIL ADDRESS: info@asa-international.com

AUDITOR:
Ernst & Young
25 Churchill Place
Canary Wharf
London E14 5EY
United Kingdom

ASA INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 USD	2017 * USD
Interest and similar income	4.	141,438,769	107,176,557
Interest and similar expense	5.	(31,906,092)	(21,103,505)
Net interest income		**109,532,677**	**86,073,052**
Other operating income	6.	9,921,946	6,852,815
Total operating income		**119,454,623**	**92,925,867**
Credit loss expense	6.1	(1,569,606)	(41,007)
Net operating income		**117,885,017**	**92,884,860**
Personnel expenses	7.	(37,076,458)	(28,327,649)
Depreciation of property and equipment	15.	(1,422,791)	(942,290)
Other operating expenses	8.	(25,756,355)	(19,009,602)
IPO expenses	8.4	(7,958,972)	-
Exchange rate differences	9.	(989,539)	(1,229,212)
Total operating expenses		**(73,204,115)**	**(49,508,753)**
Profit before tax		**44,680,902**	**43,376,107**
Income tax expense	10.	(18,314,679)	(12,819,778)
Withholding tax expense	10.6	(1,912,675)	(1,252,290)
Profit for the year		**24,453,548**	**29,304,039**
Profit for the year attributable to:			
Equity holders of the parent		23,978,080	29,000,882
Non-controlling interest		475,468	303,157
		24,453,548	**29,304,039**
Other comprehensive income:			
Foreign currency exchange differences on translation of foreign operations		(10,006,995)	(3,658,406)
Movement in hedge accounting reserve	30.2	(120,285)	(19,600)
Others		280,314	77,215
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**(9,846,966)**	**(3,600,791)**
Gain on revaluation of MFX investment	14.	38,786	-
Actuarial gains and losses on defined benefit liabilities		(181,473)	(12,004)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**(142,687)**	**(12,004)**
Total comprehensive income for the year, net of tax		**14,463,895**	**25,691,244**
Total comprehensive income attributable to:			
Equity holders of the parent		13,577,310	25,332,834
Non-controlling interest		886,585	358,410
		14,463,895	**25,691,244**
Earnings per share	31.		
Equity shareholders of the parent for the year:			
Basic earnings per share		0.2	8.0
Diluted earnings per share		0.2	8.0

The notes 1 to 31 form an integral part of these financial statements.

* The comparative figures are for ASAIH consolidated as the Company was incorporated on 14 May 2018. More information can be found in note 1.

ASA INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018	2017 *
		USD	**USD**
ASSETS			
Cash at bank and in hand	11.	72,945,586	93,251,993
Loans and advances to customers	12.	343,127,939	297,780,987
Due from banks	13.	37,625,570	15,284,388
Equity investments at FVOCI	14.	238,786	200,000
Property and equipment	15.	4,505,677	3,882,197
Deferred tax assets	10.2	2,588,335	1,527,394
Other assets	16.	11,989,276	7,389,684
Goodwill	17.	33,423	39,845
TOTAL ASSETS		**473,054,592**	**419,356,488**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	18.	1,310,000	36,273,490
Redeemable preference shares	36	65,500	-
Retained earnings	19.	121,316,849	71,321,318
Foreign currency translation reserve	20.	(36,249,485)	(25,831,373)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**86,442,864**	**81,763,435**
Total equity attributable to non-controlling interest	27.8	2,105,500	1,218,915
TOTAL EQUITY		**88,548,364**	**82,982,350**
LIABILITIES			
Debt issued and other borrowed funds	21.	280,082,198	270,464,195
Due to customers	22.	63,985,973	53,230,815
Retirement benefit liability	7.1	1,469,468	943,302
Current tax liability	10.1	7,263,468	3,841,338
Deferred tax liability	10.3	69,113	60,425
Other liabilities	23.	30,482,598	6,616,146
Provisions	23.1	1,153,410	1,217,917
TOTAL LIABILITIES		**384,506,228**	**336,374,138**
TOTAL EQUITY AND LIABILITIES		**473,054,592**	**419,356,488**

Approved by the Board of Directors on:
Signed on behalf of the Board

The notes 1 to 31 form an integral part of these financial statements.

* The comparative figures are for ASAIH consolidated as the Company was incorporated on 14 May 2018. More information can be found in note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ASA INTERNATIONAL HOLDING *	Notes	Issued capital	Redeemable preference shares	Merger reserve	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Non-controlling interest	Total
		USD	USD	USD	USD	USD	USD	USD	USD
At 1 January 2017		**36,273,490**	**-**	**-**	**50,765,538**	**(22,117,714)**	**77,655**	**2,454,027**	**67,452,996**
Profit for the year		-	-	-	29,000,882	-	-	303,157	**29,304,039**
Other comprehensive income:									
Actuarial gains and losses on defined benefit liabilities		-	-	-	(12,004)	-	-	-	**(12,004)**
Foreign currency translation of assets and liabilities of subsidiaries		-	-	-	-	(3,713,659)	-	55,253	**(3,658,406)**
Other comprehensive income		-	-	-	57,615	-	-	-	**57,615**
Total comprehensive income for the year		**-**	**-**	**-**	**29,046,493**	**(3,713,659)**	**-**	**358,410**	**25,691,244**
Acquisition of non-controlling interest		-	-	-	(155,105)	-	-	(138,367)	**(293,472)**
Disposal of subsidiaries	19.	-	-	-	923,882	-	(77,655)	(1,455,155)	**(608,928)**
Dividend (USD 5,204,953 paid in cash and USD 4,054,537 in specie)		-	-	-	(9,259,490)	-	-	-	**(9,259,490)**
At 31 December 2017		**36,273,490**	**-**	**-**	**71,321,318**	**(25,831,373)**	**-**	**1,218,915**	**82,982,350**
ASA INTERNATIONAL GROUP PLC									
At 1 January 2018		**36,273,490**	**-**	**-**	**71,321,318**	**(25,831,373)**	**-**	**1,218,915**	**82,982,350**
Impact of adopting IFRS 9, net of tax		-	-	-	(263,381)	-	-	-	**(263,381)**
Adjusted opening balance		**36,273,490**	**-**	**-**	**71,057,937**	**25,831,373-**	**-**	**1,218,915**	**82,718,969**
Profit for the year		-	-	-	23,978,080	-	-	475,468	**24,453,548**
Other comprehensive income:									
Actuarial gains and losses on defined benefit liabilities	19.	-	-	-	(181,473)	-	-	-	**(181,473)**
Foreign currency translation of assets and liabilities of subsidiaries		-	-	-	-	(10,418,112)	-	411,117	**(10,006,995)**
Other comprehensive income	19.	-	-	-	198,815	-	-	-	**198,815**
Total comprehensive income for the year		**-**	**-**	**-**	**23,995,422**	**(10,418,112)**	**-**	**886,585**	**14,463,895**
Issue of capital and restructuring of the Group		94,726,510	-	(94,726,510)	-	-	-	-	**-**
Issue of redeemable preference shares	36.	-	65,500	-	-	-	-	-	**65,500**
Dividend from ASAIH to CMI		-	-	-	(8,700,000)	-	-	-	**(8,700,000)**
Capital reduction	18.	(129,690,000)	-	94,726,510	34,963,490	-	-	-	**-**
At 31 December 2018		**1,310,000**	**65,500**	**-**	**121,316,849**	**(36,249,485)**	**-**	**2,105,500**	**88,548,364**

The notes 1 to 31 form an integral part of these financial statements.

* The comparative figures are for ASAIH consolidated as the Company was incorporated on 14 May 2018. More information can be found in note 1.

ASA INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017 *
		USD	**USD**
OPERATING ACTIVITIES			
Profit before tax		44,680,902	43,376,107
Adjustment for movement in:			
Operating assets	24.1	(108,665,094)	(130,755,037)
Operating liabilities	24.2	37,385,314	14,992,404
Non-cash items	24.3	3,912,021	2,410,174
Payment for employee liabilities		(48,288)	(153,890)
Income tax paid		(18,707,525)	(13,563,418)
Net cash flows used in operating activities		**(41,442,670)**	**(83,693,660)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15.	(2,122,452)	(2,408,668)
Proceeds from sale of property, plant and equipment	15.	(282,093)	74,487
Net cash outflow from disposal of subsidiaries	18.	-	(1,208,073)
Purchase of new investments	14.	-	(200,000)
Net cash flow used in investing activities		**(2,404,545)**	**(3,742,254)**
FINANCING ACTIVITIES			
Proceeds from debt issued and other borrowed funds		189,343,204	238,725,930
Payments of debt issued and other borrowed funds		(152,622,543)	(92,642,194)
Dividend paid		(8,700,000)	(5,204,953)
Acquisition of non-controlling interest		-	(293,472)
Net cash flow from financing activities		**28,020,661**	**140,585,311**
Cash and cash equivalents as at 1 January		79,831,522	27,684,957
Net increase in cash and cash equivalents		(15,826,554)	53,149,397
Foreign exchange difference on cash and cash equivalents		(5,899,151)	(1,002,832)
Cash and cash equivalents as at 31 December	24.4	**58,105,817**	**79,831,522**
Operational cash flows from interest			
Interest received		140,190,630	106,412,244
Interest paid		32,102,989	22,045,752

The notes 1 to 31 form an integral part of these financial statements.

* The comparative figures are for ASAIH consolidated as the Company was incorporated on 14 May 2018. More information can be found in note 1.

1. CORPORATE INFORMATION

ASA International Group plc ("ASA International", the "Group" or the "Company") is a publicly listed company which was incorporated by Catalyst Microfinance Investors ("CMI") in England and Wales on 14 May 2018 for the purpose of the initial public offer of ASA International Holding.

CMI was ultimate parent until 13 July 2018, after which shareholding was reduced to 41%. 15% was transferred to Catalyst Continuity and 44% was sold to new shareholders through the London Stock Exchange.

The Group had no activities until it acquired the shares in ASA International Holding and its subsidiaries on 13 July 2018. Subsequently, ASA International Group plc became an international microfinance holding company that owns and operates microfinance institutions (“MFI”) in various countries throughout Asia and Africa. ASA International Group plc was admitted to the Main Market of the London Stock Exchange on 18 July 2018.

ASA International Holding is a private company limited by shares incorporated on the sixth day of April 2007 under the laws of Mauritius, holding a Category 1 Global Business Licence issued by the Financial Services Commission in Mauritius.

ASA International Group plc acquired 100% of the shares in ASA International Holding and all its subsidiaries on 13 July 2018 in exchange for the issue of 100 million shares in ASA International Group plc with a nominal value of GBP 1.00 each. The fair value of the acquired shares amounted to GBP 313 million based on the initial offer price of GBP 3.13 per share. This acquisition was accounted for as a continuation of the existing Group because it was a transaction under common control for which no goodwill was identified.

Investment strategy

ASA International Group plc is an international microfinance holding company with operations in various countries throughout Asia and Africa.

Definitions	**Abbreviation**
A1 Nigeria Consultancy Limited	A1 Nigeria
ASAI Management Services Limited	AMSL
ASA	ASA Bangladesh
ASA Consultancy Limited	ASA Consultancy
ASA Limited	ASA Kenya
ASA Lanka Private Limited	ASA Lanka
ASA Leasing Limited	ASA Leasing
ASA Microfinance (Myanmar) Ltd	ASA Myanmar
ASA Pakistan Limited	ASA Pakistan
ASA Microfinance (Rwanda) Limited	ASA Rwanda
ASA Savings & Loans Limited	ASA S&L
ASA Microfinance (Sierra Leone)	ASA Sierra Leone
ASA Microfinance (Tanzania) Ltd	ASA Tanzania
ASA Microfinance (Uganda) Limited	ASA Uganda
ASA Microfinance Zambia Limited	ASA Zambia
ASA International Holding	ASAIH
ASA International Cambodia Holdings	ASAI Cambodia Holdings
ASAI Coöperatief U.A.	ASAI Coop
ASAI Investments & Management B.V	ASAI I&M

ASA International India Microfinance Limited	ASAI India
ASA International N.V.	ASAI NV
ASA International Group plc	ASAIG
ASHA Microfinance Bank Limited	ASHA Nigeria
Association for Social Improvement and Economic Advancement	ASIEA
Catalyst Microfinance Investors	CMI
C.M.I. Lanka Holding (Private) Limited	CMI Lanka
Catalyst Microfinance Investment Company	CMIC
CMI International Holding	CMII

1. CORPORATE INFORMATION (Continued)

Definitions	Abbreviation
CMI Ventures Ltd	CMIV
Bill & Melinda Gates Foundation	Gates Foundation
Lak Jaya Micro Finance Limited	Lak Jaya
PagASA ng Pinoy Mutual Benefit Association, Inc.	MBA Philippines
Micro Enterprise Trustee Services (Pvt.) Ltd.	METS
Microfinance Institution	MFI
Pag-asa Ng Masang Pinoy Foundation, Inc.	Pag-asa
Pagasa Consultancy Limited	Pagasa Consultancy
Pinoy Consultancy Limited	Pinoy
Pagasa Philippines Finance Corporation	PPFC
Proswift Consultancy Private Limited	Proswift
PT ASA Microfinance	PT ASA Microfinance
PT PAGASA Consultancy	PT PAGASA Consultancy
Sequoia B.V	Sequoia

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of ASA International Group plc have been prepared on a historical cost basis, except for available for sale and derivative instruments, which have been kept at fair value.

As from 13 July 2018 the functional currency of the Company changed from Pound Sterling to United States Dollar ("USD") because of the acquisition of ASA International Holding and its subsidiaries which caused a significant change in its underlying transactions, events and conditions. The Company is an extension of the existing group it acquired which uses USD as its main operational currency. The presentation currency remained USD. All values are rounded to the nearest USD except where otherwise indicated.

The 2018 consolidated results for the Group comprise the results of the ASAIH and its subsidiaries from 1 January 2018 to 13 May 2018 and of the ASAIG and its subsidiaries from 14 May 2018 to 31 December 2018. The comparative figures provided for these results are those of the consolidated ASAIH and its subsidiaries for the year ending 31 December 2017.

The Company applied IAS 39 in the comparative figures and IFRS 9 in the current year accounts.

After the issue of financial statements, the Company's owners or others do not have the power to amend the financial statements.

2.1.1 Statement of compliance

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board ("IASB").

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

2.1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December for each year. The financial statements of subsidiaries are similarly prepared for the year ended 31 December 2018 applying similar accounting policies.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions are eliminated in full.

2. ACCOUNTING POLICIES (Continued)

2.1.2 Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The Company has control over a subsidiary when it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.2.1 Foreign currency translation

The consolidated financial statements are presented in USD, which also is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(1) Transactions and balances - Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'Exchange rate differences' in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(2) Group companies - As at the reporting date, the assets and liabilities of subsidiaries and overseas branches are translated into the Company's presentation currency (USD) at the rate of exchange ruling at the reporting date except investment in subsidiaries and issued capital which are translated at historical rate, and their statement of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year. Currency translation differences have been recorded in the Company's consolidated statement of financial position as foreign currency translation reserve through other comprehensive income.

2. ACCOUNTING POLICIES (Continued)

2.2.2 Financial instruments - initial recognition and subsequent measurement

(1) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

(2) Initial recognition of financial instruments

The Company recognises a financial asset and financial liability in its statement of financial position when and only when, the entity becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable costs of acquisition or issue.

(3) Loans and advances to customers, other loans and receivables, cash and cash equivalents and due from banks

'Loans and advances to customers', ‘Other loans and receivables', 'Cash and cash equivalents' and 'Due from banks' are financial instruments with fixed or determined payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale; they are not, upon initial recognition, designated at fair value through profit or loss; and are not designated as 'Financial investment – available-for-sale’.

After initial measurement, amounts due from banks, loans and advances to customers and other loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in ‘Interest and similar income’ in the statement of profit and loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in ‘Credit loss expense’.

Cash and cash equivalents comprise cash in bank and on hand, and are subsequently measured at amortised cost.

(4) Debt issued and other borrowed funds, other liabilities and due to customers

‘Debt issued and other borrowed funds’, 'Other liabilities' and 'Due to customers' are financial instruments which are not designated at fair value through profit or loss. These instruments are classified as liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings including 'Due to customers' are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

2. ACCOUNTING POLICIES (Continued)

2.2.2 Financial instruments - initial recognition and subsequent measurement (continued)

(5) Forward contracts and hedge accounting

The Company applies hedge accounting for USD loans for which forward contracts have been agreed to mitigate the foreign currency risk exposure of its subsidiaries. The Company documents the relationship between the hedged item and the hedging instrument, the risk management objective and the method that will be used to assess effectiveness of the hedging relationship at inception and at each reporting date. The forward method is applied, whereby the forward points are amortised from 'Other comprehensive income' ("OCI") to interest expenses during the term of the contract. The fair value of the forward contract is recognized on the statement of financial position and the changes in the fair value are reported in OCI.

The foreign currency exchange results on the USD loans are reported as exchange rate results and the same opposite amount is recycled from OCI to the same currency exchange results.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

(6) Investments at FVOCI

Investments at FVOCI financial assets include equity investments and debt securities. Equity investments classified at FVOCI are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, Investments at FVOCI financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the Investments at FVOCI reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the investments at FVOCI reserve to the statement of profit or loss in finance costs.

The Group evaluates whether the ability and intention to sell its investments at FVOCI in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from Investments at FVOCI category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Impairment is only relevant under IAS 39 as Under IFRS 9, there is no impairment for equities under FVOCI.

(7) Definition of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. ACCOUNTING POLICIES (Continued)

2.2.3. Derecognition of financial assets and financial liabilities

(1) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(2) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.2.4 Impairment of financial assets

Loans and advances to customers, Other loans and receivables, and Due from banks

For the amounts carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually (for financial assets that are individually significant), or collectively (for financial assets that are not individually significant). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The objective evidence consists of internal management information on the development of relative size of the loan portfolio at risk as well as significant changes to the economic and legal environment in which the microfinance institutions ("MFIs") operate, including sector interest rates, development in sectors in which many of our borrowers generate their income and changes in legislation.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

2. ACCOUNTING POLICIES (Continued)

2.2.4 Impairment of financial assets (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. Reference is made to paragraph 2.4 which discusses the provision for credit loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, geographical location, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Investments at FVOCI

For Investments at FVOCI, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as Investments at FVOCI, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.2.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2. ACCOUNTING POLICIES (Continued)

2.2.6 Recognition of income and expenses (continued)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Company has concluded that it is principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

(1) Interest and similar income and expense

Interest income and expense are recognised in the statement of comprehensive income based on the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate of a financial instrument including transaction costs, and all other premiums or discounts. For national holidays no interest income is considered, which means that clients are not required to pay instalments.

(2) Dividend income

Revenue is recognised when the Company's right to receive the payment is established.

(3) Other income

Admission fees, processing fees and other income are recognised on accrual basis in the period to which they relate. Government grants are recognized when there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received.

The Company collects fees for Death Risk Fund or Multipurpose Risk Fund in the Philippines, Ghana, Sri Lanka, Kenya, Uganda, Myanmar and Tanzania. These fees cover settlement of the outstanding loan amount and other financial assistance when the borrower dies or is affected by natural calamities. The collected amounts are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds.

2.2.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash in hand, current accounts with various commercial banks and amounts due from banks on demand or term deposits with an original maturity of three months or less. The cash flows from operating activities are presented using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, accruals and deferrals, and items of income or expense associated with investing or financing cash flows.

2.2.8 Property and equipment

Except for land which is measured at fair value, property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

2. ACCOUNTING POLICIES (Continued)

2.2.8 Property and equipment (continued)

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives.

The recommended estimated useful lives are as follows:

1. Furniture & fixtures: 5 years
2. Vehicles: 5 years
3. Office equipment including IT: 3 years
4. Buildings: 50 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the statement of profit or loss and other comprehensive income in the year the asset is derecognised. Land has an indefinite useful life thus is not amortised, but is tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

2.2.9 Taxes

(1) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

(2) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except: (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and (ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and (ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

2. ACCOUNTING POLICIES (Continued)

(*2) Deferred tax (continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.2.10 *Dividend distribution on ordinary shares*

Dividends on ordinary shares will be recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that were approved after the reporting date will be disclosed as an event after the reporting date.

2.2.11 Short-term employee benefits

Short-term benefits typically relate to the payment of salaries, wages and bonuses. The standard requires that these be recorded on an accrual basis, so that at period end, if the employee has provided service to the Company, but has not yet received payment for that service, the Company should record a liability.

2.2.12 Post-employment benefits

2.2.12.1 *Defined benefit plan*

In some subsidiaries of the Company a defined benefit plan exists, which leads to retirement benefit obligations. The defined benefit obligation and the related charge for the year are determined using assumptions required under actuarial valuation techniques. The valuation involves making assumptions about future events. Due to the long-term nature of such obligations these estimates are subject to significant uncertainty. Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans exist in Lak Jaya, ASA Pakistan, ASAI India and PPFCI. The present value of the retirement employee benefits is measured annually using the projected unit credit method as discussed in the relevant accounting standard.

This method of measurement is compliant with IAS 19. Actuarial assumptions are used in this valuation technique. This gratuity liability is stated under Retirement Benefit Liability in the statement of financial position. The expenses of the defined benefit plan are incurred by the employers: Lak Jaya, ASA Pakistan, ASAI India and PPFC. The employees who have completed five years of service in the Company will benefit in accordance with their service years at the time of cessation. At the moment of cessation, the amount must be paid out to the employee within 30 days, as a one-time payment. The liability is presented in the statement of financial position only. No funds are actually held on an account. The assumptions used in the projected unit credit method are the following:

	2018				2017			
	Lak Jaya	**ASA Pakistan**	**ASAI India**	**PPFCI**	**Lak Jaya**	**ASA Pakistan**	**ASAI India**	**PPFCI**
Discount rate	13.1%	13.3%	7.6%	7.6%	13.6%	8.3%	7.9%	4.9%
Salary increment	10.0%	12.3%	9.2%	3.0%	10.0%	7.3%	9.2%	4.0%
Staff turnover	28.0%	26.0%	20.5%	20.0%	27.0%	37.0%	22.0%	5.0%
Retirement age	55 years	60 years	55-60 years	60 years	55 years	60 years	55-60 years	60 years

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding an amount included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of (i) the date of the plan amendment or curtailment, and (ii) the date that the Group recognises related restructuring costs.

2. ACCOUNTING POLICIES (Continued)

2.2.12 Post-employment benefits (Continued)

2.2.12.1 Defined contribution plan (Continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'Operating expenses in the consolidated statement of comprehensive income (i) service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and (ii) net interest expense or income.

2.2.12.2 *Defined contribution plan*

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Similar to accounting for short-term employee benefits, defined contribution employee benefits are expensed as they are paid, with an accrual recorded for any benefits owed, but not yet paid. The expenses of the defined contribution plan are incurred by the employer. The contributions are to be remitted by the entities to the fund on a monthly basis. Employees are allowed to withdraw the accumulated contribution in their accounts from this fund as per the terms and conditions specified in the fund acts.

2.2.13 Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, the Company measures goodwill at cost less any accumulated impairment losses. The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36 Impairment Assets. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.2.14 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. ACCOUNTING POLICIES (Continued)

2.2.14 Impairment of non-financial assets (continued)

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.16 Liability for death and multipurpose risk funds

The Company collects 1-2% of disbursed loan amounts for Death Risk Funds or Multipurpose Risk Funds in certain markets (Philippines, Myanmar, Ghana, Tanzania, Uganda, Kenya and Sri Lanka). These funds cover settlement of the outstanding loan amount and other financial assistance when the borrower dies or is affected by natural calamities. The collected amounts are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds.

At the end of each period, management reassesses the adequacy of the liability by applying the following criteria:

- Estimated number of borrowers' deaths among the total number of borrowers by applying the local mortality rates at the end of the period;
- Mortality rates of 0.70% in Sri Lanka, 0.20% in PPFCI, 0.18% in Myanmar, 0.23% in Ghana, 0.16% in Uganda, 0.26% in Tanzania and 0.35% in Kenya as at 31 December 2018;
- Outstanding loan amount per borrower; and
- Other financial assistance to the family members where applicable.

2. ACCOUNTING POLICIES (Continued)

2.3.1 New and amended standards and interpretation

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with the ASAIH's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new standards of IFRS 9 and IFRS 15 effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. These amendments apply for the first time in 2018. The nature and the impact of each amendment on the interim condensed consolidated financial statements of the Group is described below:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company has applied IFRS 9 as issued in July 2014 initially on 1 January 2018 and has early adopted the amendments to IFRS 9 on the same date. Based on assessments undertaken, the total adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 is USD 0.3 million, representing:

- an increase of USD 0.4 million related to impairment requirements; and

– a decrease of USD 0.1 million to deferred tax impacts.

Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and equity investments.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election was made for the only current equity investment. Applying fair value through OCI for equity investments has no P&L recycling.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. The transition requirements relating to classification of financial assets are discussed below.

2. ACCOUNTING POLICIES (Continued)

2.3.1 New and amended standards and interpretations (continued)

Business model assessment

The Group has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company has considered the contractual terms of the instrument. This included assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company has considered:

– contingent events that would change the amount and timing of cash flows;

– leverage features;

– prepayment and extension terms;

– terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Most of the Group's microfinance loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Impact assessment

The standard affected the classification and measurement of financial assets held at 1 January 2018 as follows:

– Loans and advances to customers and due from banks that are classified as loans and receivables and measured at amortised cost under IAS 39 are still measured at amortised cost under IFRS 9.

– Held-to-maturity investment securities measured at amortised cost under IAS 39 and are still measured at amortised cost under IFRS 9.

– Equity investments are being presented at fair value through OCI. Applying fair value through OCI for equity investments has no P&L recycling.

The Company has concluded that, on the adoption of IFRS 9 at 1 January 2018, these changes have no material impact on the Company's equity.

Impairment–financial assets

Background

The previous 'incurred loss' model under IAS 39 delayed the recognition of credit losses until there was a trigger event which resulted in a mismatch in timing of the recognition of interest income and charge of credit loss of a particular financial instrument. IFRS 9 adopts an expected loss model for impairment of financial assets which provides users of financial statements with more useful information about an entity's expected credit losses on financial instruments.

2. ACCOUNTING POLICIES (Continued)

2.3.1 New and amended standards and interpretations (continued)

Impairment – financial assets (continued)

Background (continued)

The model requires an entity to recognise expected credit losses ("ECL") at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments.

Measurement of expected credit loss- loan loss provision

IFRS 9 does not prescribe particular measurement methods. Also, an entity may use various sources of data that may be internal (entity-specific) and external. For the measurement of ECL, IFRS 9 distinguishes between three impairment stages. All loans need to be allocated to one of these stages. Stage 1 loans are loans where since inception no significant increase in credit risk occurred (12M ECL), while stage 2 loans are those loans where since inception credit risk has significantly increased (lifetime ECL). Stage 3 loans are so-called credit-impaired loans.

Approach taken by the Company

The Company has calculated ECL for its loan portfolios following the below described approach in sections A-C:

A. Calculating ECL for stage 1-2 loans

An entity is generally required to monitor the changes in credit risk in order to allocate the exposure to the correct staging bucket. Given the nature of the Company's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12M ECL) and stage 2 loans (lifetime ECL) for the ECL calculation. The Company has aligned its overdue aging buckets, where overdue loans up to 30 days are classified as stage 1 and loans overdue between 30 to 90 days are classified as stage 2 to monitor the significant increase in credit risk.

For avoiding complexity of calculating separate probability of default and loss given default, the Company uses a 'loss rate approach' for the measurement of ECLs.

Loss rate approach: the Group does not calculate a separate probability of default and a loss given default for each entity, but instead uses a 'loss rate approach'. Using this approach, the entity develops loss rate statistics on the basis of the amount written off over the life of the financial assets. It then must adjust these historical credit loss trends for current conditions and expectations about the future.

Increase in default risk overlay: Entities using the historic loss rate approach (rate of provisioning) would need an overlay of measuring and forecasting the level of forecasted defaults. This overlay is applied by calculating an incremental trend in write-offs in the last two years in order to update the historical loss rate for forward-looking expectation.

B. Assessing the existence of stage 3 loans

At reporting date, the Company has assessed whether or not certain loans, or exposures in certain regions, needed to be considered to be defaulted (stage 3). This could be driven by very specific macroeconomic situations (existing at reporting date) or for example natural disasters. Portfolios which are assessed to be in default as at reporting date have been taken out of the calculation in (A) and provided for specifically based on expected recoverable cash flows, taking into account probability weighted scenarios and time value of money. All loans overdue for more than 90 days is considered as credit impaired.

2. ACCOUNTING POLICIES (Continued)

2.3.1 New and amended standards and interpretations (continued)

C. Incorporate forward-looking information on stage 1-2 loans

Note that in section (A), the Company already incorporates some forward-looking element in the ECL by looking at the write-offs trend in the most recent three-year period.

In addition, the Company considered which macroeconomic factors could have correlation with the level of write-offs (inflation, unemployment, GPD, interest rates, etc). The Company concluded that given the specific nature of their micro-loan portfolios no appropriate correlation could be identified with any of such elements (without undue cost or effort).

However, the Company considered significant socioeconomic events and natural disasters impacting the historical losses and how this compared to the expected impact of these and reasonably expected future events on the current portfolio.

Impact on the Company

ECLs based on historical default data

For determining ECLs as on 1 January 2018, the Company has calculated credit loss based on historical trend of default and collection efficiency since 2011, which period provides relevant, reasonable and supportable information.

Next 12 months ECLs based on annual change of write-off

The Company also considered the average annual changes in write-off over the last three years as an estimation of future expectation of default for the next 12 months.

Stage 3 loans and management overlay

The expected losses for overdue loans of more than 90 days are calculated as the proportionate percentage of loans overdue for more than 90 days compared to loans overdue for more than 180 days. The loss amount for these loans will therefore be the same as full loss for loans overdue for more than 180 days as per the reporting date of 31 December 2018 amounting to USD 0.8 million.

The assessment for other additional stage 3 loans and management overlay for future events in any specific markets as per 31 December 2018 did not reveal any material loans which should be considered as credit impaired.

Total expected credit loss

Based on the above measurement, total expected credit loss under IFRS 9 as on 31 December 2017 for the next 12 months amounts to USD 1.7 million after considering stage 3 loans and management overlay for future events. The provision under IAS 39 as per 31 December 2017 amounted to USD 1.3 million, which is net of collateral.

It should be noted that since most of the loans are within the maturity of 12 months and expected credit loss is measured for 12 months, the Company ignored the effect of time value of money.

Interest income for stage 3 loans should be calculated based on the net impaired amount. Due to the very low amount of stage 3 loans the impact is not material as per 31 December 2018 and 31 December 2017. Management will assess the materiality of loan portfolio in stage 3 and impact on interest income for every reporting date.

Impairment for bank accounts and due from banks

The requirement for impairment of bank accounts and term deposits at banks is assessed by external credit ratings of the related banks. ASA International uses a matrix of S&P showing the default rate per bank based on the credit rating of the bank and a probability of default for one year for bank accounts and for term deposits the tenor of the contract.

2. ACCOUNTING POLICIES (Continued)

2.3.1 New and amended standards and interpretations (continued)

Classification – financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented in OCI for the change which is attributable to changes in the entity's own credit risk and the remaining amount in profit or loss. This is not relevant for the Group.

Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments. However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. The Group concluded that the adoption of these new requirements has no material impact on the Company.

Hedge accounting

When initially applying IFRS 9, the Company may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9. The Company has elected to apply IFRS 9. The Company will also provide the expanded disclosures on hedge accounting introduced by IFRS 9's amendments to IFRS 7 Financial Instruments: Disclosures in the full year 2018 financial statements because the accounting policy election does not provide an exemption from these new disclosure requirements.

ASAIG therefore applies the qualitative approach for prospective testing effectiveness. The critical terms of the hedged items and hedging instruments are identical. The bank has assessed all existing hedge relationships using the criteria defined in IFRS 9 and no hedge relationships were cancelled as a result.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively. However, the Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

The following assessments have been made on the basis of the facts and circumstances that existed at the

date of initial application:

- the determination of the business model within which a financial asset is held; and

- the designation of certain investments in equity instruments not held for trading as at FVOCI.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. ACCOUNTING POLICIES (Continued)

2.3.1 New and amended standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Most of the revenue items of the Company are out-of-scope as these are subject to other standards like IFRS 9. Recognition of revenue for the remaining revenue items, which are in scope for IFRS 15, does not change when the five-step model is applied. Based on the assessment made, implementation of this standard has no material impact on the Company.

2.3.2 Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 specifies how a company will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring leases to recognise assets and liabilities for most leases with exceptions for leases with a term of 12 months or less or if the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group will elect not to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group's corporate headquarters, country head offices and branches (with the exception of the country head office in the Philippines) are leased and these leases are classified as operating leases, which under IFRS 16 will be required to be recognised on the Group's statement of financial position. The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its financial statements. The standard is expected to have an impact on the financial statements. The nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities.

The Group will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Transition to IFRS 16

In summary the impact of IFRS 16 adoption is expected to be, as follows:

Expected impact on the statement of financial position (increase/(decrease)) in

2019: Assets	**USD**
Right-of-use assets	5,182,106
Prepayments	(1,796,466)
Liabilities	
Lease liabilities	3,696,251
IFRS 16 discounting impact	(310,611)
Net impact on equity	-

2. ACCOUNTING POLICIES (Continued)

2.3.2 Standards issued but not yet effective (continued)

The above assessment is still ongoing because not all transition work has been finalised. The actual impact of adopting IFRS 16 on 1 January 2019 may change because the Group needs to revise its accounting processes and these are not yet complete. Further the Company is refining and finalising its models for the calculations for the right of use asset and the lease liability and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2021. The Company is assessing the impact of implementing IFRS 17.

2.4 Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, judgements and estimates are applied in determining the amounts recognised in the financial statements. Significant use of judgements and estimates are as follows:

Provision for credit loss

The Group reviews its non-performing loans at each reporting date to assess the adequacy of the allowance for credit loss as recorded in the statement of comprehensive income. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on certain assumptions such as the financial situation of the borrowers, types of loan, maturity of the loans, ageing of the portfolio, economic factors etc. Actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the business, i.e. micro credit to low income clients, the loan portfolio consists of a very high number of individual customers with a relatively low number of individual outstanding exposures.

These characteristics of the Company's microfinance loan portfolio lead the Company to use a provisioning methodology based on a collective assessment of similar loans. The Company records a provision for credit loss based on a percentage of outstanding loans with percentages increasing as loans are outstanding for a longer period of time. The amount of collateral or security deposits received from the respective borrowers are deducted from the outstanding loan before applying the percentage of provision. The Company's management reviews the percentages applied to calculate the provision on a regular basis and makes adjustments as deemed necessary based on market circumstances.

The percentages applied at 31 December 2018 and 2017 are shown in the table below.

Loan Classification	**Days of Arrears**	**ASA International rate of provisioning 2018**	**ASA International rate of provisioning 2018**
Standard	Current (No past due)	0.22%	0.15%
Watch list	1-30	5%	5%
Substandard	31-90	20%	20%
Substandard	91-180	50%	-
Doubtful	181-365	100%	75%
Loss	Above 365	100%	100%

2. ACCOUNTING POLICIES (Continued)

2.4 Significant accounting judgments and estimates (continued)

The Company determined the loan loss provisioning for standard loans at 0.22% in 2018 on no past due loans for each of the MFIs for the following reasons:

- Portfolio at risk more than 30 days (PAR > 30) remained on comparable levels in all operating entities over the past year. Based on historical write-offs of loans, management has determined the provision rate for standard loans at 0.22%. The loan loss provision was further evaluated in 2018 in combination with the adoption of IFRS 9.

- ASA International has performed a thorough assessment of the actual portfolio at risk in each of the countries it invests in, and assessed a standard of 0.22% as reasonable.

- A small percentage of the loans that are not yet overdue based on ageing but are in fact doubtful loans. Reasons for this are death cases, natural disasters, sickness or job loss, all resulting in the loss of income and inability to repay the loan. The Group assesses a 0.22% provision on this part of the loan portfolio necessary to account for these credit losses.

- Having commenced operations in Asia and Africa since 2008, staff of the MFIs owned and controlled by the Company have gained knowledge and experience of their local operating markets.

In case of regulatory announcements from government bodies regarding incidental circumstances like rescheduling due to the impact of regulatory or political intervention or natural disasters, the loan loss provision will be calculated initially on the basis of normal ageing as explained above. Thereafter the loan loss provision can be adjusted on the basis of probable loss events or subsequent improvement in ageing while considering management judgement.

The provisioning rates for loan classification are determined based on the historical loss rates and an assessment of regulatory requirements and industry standards.

The Company writes off all loans for accounting purposes after 360 days overdue as there is no reasonable expectation of recovery based on historical losses. From an operational perspective overdue loans are still being monitored for recovery up to two years overdue.

The Company also has access to the knowledge and expertise of ASA Bangladesh, the Company's primary microfinance services provider, which has well over 30 years of experience in the microfinance industry. The credit methodologies and operating procedure developed by ASA are applied in the subsidiaries of the Company adjusted to local circumstances, if necessary, and these MFIs have access to the knowledge and data of ASA Bangladesh, including knowledge and experience on the assessment of the actual portfolio at risk.

Business Correspondence and Partnership Models

The portfolios under the Business Correspondence (BC) and Partnership models in ASAI India are recognised on the statement of financial position when the agreed exposure to credit risk on these portfolio's exceeds expected credit risk. The Company performs a sensitivity analysis to estimate the expected credit risk considering various adverse situations in India, probability of occurrence for these situations and three scenarios (optimistic, realistic and pessimistic) for the estimated write-offs for each situation. Based on this analysis the portfolios for MAS, Reliance and IDBI are recognised on the statement of financial position, while the portfolio for IDFC is not recognised on the balance sheet due to a limited credit risk. More information is available in note 12.

Securitization agreements

ASAI India has entered into several securitisation agreements during 2017 and 2018. The loans to customers under the securitisation agreements do not qualify for derecognition as ASAI India provides cash collateral for credit losses and thereby the credit risk is not substantially transferred. Hence, the loans to customers continue to be recognised on the balance sheet of ASAI India and the purchase consideration is presented as a financial liability. Interest income from the customers continues to be recognised as interest income and the related portion of the interest which is transferred to the counterparty is presented as interest expense. The outstanding loan portfolio as per end of 2018 under the securitisation agreements amounts to USD 5.6 million (31 December 2017: USD 2.8 million) and the related liability amounts to USD 6.7 million (31 December 2017: USD 4.0 million). The loan portfolio balance at the start date of the relevant securitisation agreements as per end of 2018 amounts to USD 16.4 million (31 December 2017: USD 4.9 million) and the related liability amounts to USD 16.4 million (31 December 2017: USD 4.9 million).

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has access to resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into reportable segments based on its geographical areas and has five reportable segments, as follows:

- West Africa, which includes Ghana, Nigeria and Sierra Leone.
- East Africa, which includes Kenya, Uganda, Tanzania and Rwanda.
- South Asia, which includes India, Pakistan and Sri Lanka.
- South East Asia, which includes Myanmar and the Philippines.
- Non-operating entities, which includes holding entities and other entities without microfinance activities.

No operating segments have been aggregated to form the above reportable operating segments. The Company primarily provides only one type of service to its microfinance clients being small microfinance loans which are managed under the same ASA Model in all countries. The reportable operating segments have been identified on the basis of organisational overlap like common Board members, regional management structure and cultural and political similarity due to their geographical proximity to each other.

The Executive Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operational profits and losses and is measured consistently with profit or loss in the consolidated financial statements. Transfer prices between operating and non-operating segments are on an arm's length basis in a manner similar to transactions with third parties and are based on the Group's transfer pricing framework.

Revenues and expenses as well as assets and liabilities of those entities that are not assigned to the four reportable operating segments are reported under 'Non-operating entities'. Inter-segment revenues, expenses and balance sheet items are eliminated on consolidation.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2018 and 2017.

3. SEGMENT INFORMATION (continued)

The following tables present operating income and profit information for the Group's operating segments for 2018

As at 31 December 2018	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Eliminations	Consolidated
	USD	USD	USD	USD	USD	USD	USD	USD
External interest and similar income	41,807,381	15,319,762	59,667,830	24,601,423	42,373	141,438,769	-	141,438,769
Inter-segment interest income	-	-	-	-	3,284,234	3,284,234	(3,284,234)	-
External interest expense	(3,341,250)	(1,431,210)	(20,071,838)	(3,849,118)	(3,212,676)	(31,906,092)	-	(31,906,092)
Inter-segment interest expense	(554,784)	(984,924)	(693,415)	(731,498)	(319,613)	(3,284,234)	3,284,234	-
Net interest income	**37,911,347**	**12,903,628**	**38,902,577**	**20,020,807**	**(205,682)**	**109,532,677**	**-**	**109,532,677**
External other operating income	1,878,229	1,625,775	3,060,939	3,355,033	12,698	9,932,674	(10,728)	9,921,946
Inter-segment other operating income	-	-	-	-	70,829,271	70,829,271	(70,829,271)	-
Other inter-segment expense	-	-	(26,764)	(2,287,442)	(3,024,801)	(5,339,008)	5,339,008	-
Total operating income	**39,789,576**	**14,529,403**	**41,936,752**	**21,088,398**	**67,611,486**	**184,955,614**	**(65,500,991)**	**119,454,623**
Credit loss expense	(245,081)	74,034	(1,238,142)	(160,417)	-	(1,569,606)	-	(1,569,606)
Net operating income	**39,544,495**	**14,603,437**	**40,698,610**	**20,927,981**	**67,611,486**	**183,386,008**	**(65,500,991)**	**117,885,017**
Personnel expenses	(8,906,670)	(5,763,385)	(11,765,715)	(8,032,733)	(2,607,955)	(37,076,458)	-	(37,076,458)
Exchange rate differences	(124,350)	(97,465)	(308,675)	(104,404)	(354,645)	(989,539)	-	(989,539)
Other operating expenses	(5,978,950)	(3,530,248)	(6,658,462)	(7,021,361)	(11,959,825)	(35,148,846)	10,728	(35,138,118)
Tax expenses	(7,662,950)	(1,565,391)	(7,092,919)	(1,888,976)	(2,017,118)	(20,227,354)	-	(20,227,354)
Segment profit	**16,871,575**	**3,646,948**	**14,872,839**	**3,880,507**	**50,671,943**	**89,943,811**	**(65,490,263)**	**24,453,548**
Total assets	**89,000,697**	**38,566,366**	**213,639,274**	**95,014,534**	**350,116,485**	**786,337,356**	**(313,282,765)**	**473,054,591**
Total liabilities	**56,755,170**	**29,879,568**	**166,325,691**	**79,661,465**	**142,264,015**	**474,885,909**	**(90,379,681)**	**384,506,228**

Explanation: Segment profit is net profit after tax

3. SEGMENT INFORMATION (continued)

The following tables present operating income and profit information for the Group's operating segments for 2017.

As at 31 December 2017	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Eliminations	Consolidated
	USD	USD	USD	USD	USD	USD	USD	USD
External interest and similar income	31,084,112	8,913,922	46,775,702	20,397,861	4,960	107,176,557	-	107,176,557
Inter-segment interest income	-	-	-	-	3,710,372	3,710,372	(3,710,371)	-
External interest expense	(2,342,667)	(275,259)	(12,927,479)	(2,636,945)	(2,921,155)	(21,103,505)	-	(21,103,505)
Inter-segment interest expense	(670,315)	(1,327,270)	(1,156,839)	(555,943)	(4)	(3,710,371)	3,710,371	-
Net interest income	**28,071,130**	**7,311,393**	**32,691,384**	**17,204,973**	**794,173**	**86,073,053**	**-**	**86,073,052**
External other operating income	1,727,955	914,027	1,123,187	3,053,535	45,199	6,863,903	(11,088)	6,852,815
Inter-segment other operating income	-	-	-	-	14,746,509	14,746,509	(14,746,509)	-
Other inter-segment expense	-	-	(66,251)	(1,912,862)	-	(1,979,113)	1,979,114	-
Total operating income	**29,799,085**	**8,225,420**	**33,748,320**	**18,345,646**	**15,585,881**	**105,704,352**	**(12,778,483)**	**92,925,867**
Credit loss expense	92,214	(169,517)	215,227	158,968	-	296,892	(337,899)	(41,007)
Net operating income	**29,891,299**	**8,055,903**	**33,963,547**	**18,504,614**	**15,585,881**	**106,001,244**	**(13,116,382)**	**92,884,860**
Personnel expenses	(7,788,965)	(4,139,661)	(8,099,878)	(7,213,725)	(1,085,420)	(28,327,649)	-	(28,327,649)
Exchange rate differences	(78,047)	(104,082)	(826,674)	65,579	(285,988)	(1,229,212)	-	(1,229,212)
Other operating expenses	(5,079,486)	(2,260,975)	(4,514,445)	(6,015,015)	(2,093,058)	(19,962,979)	11,088	(19,951,891)
Tax expenses	(5,368,459)	(554,137)	(4,969,969)	(1,706,232)	(1,473,271)	(14,072,068)	-	(14,072,068)
Segment profit	**11,576,342**	**997,048**	**15,552,581**	**3,635,221**	**10,648,144**	**42,409,336**	**(13,105,294)**	**29,304,040**
Total assets	**73,715,921**	**24,749,930**	**213,242,930**	**82,542,942**	**113,821,423**	**508,073,146**	**(88,716,658)**	**419,356,488**
Total liabilities	**48,104,685**	**18,224,587**	**174,139,335**	**66,811,894**	**68,733,638**	**376,014,139**	**(39,640,002)**	**336,374,137**

Explanation: Segment profit is net profit after tax

4. INTEREST AND SIMILAR INCOME

The interest and similar income consist of interest income on microfinance loans to customers, and interest income on bank balances and fixed-term deposits.

	2018	2017
	USD	USD
Interest income on loans and advances to customers	129,533,839	98,999,329
Interest income from clients from on-book BC Model (ASAI India)	3,321,299	3,554,151
Interest income on short-term deposits	2,767,816	1,673,318
Amortisation of loan processing fees	5,777,714	2,942,213
Other interest income	38,101	7,546
	141,438,769	**107,176,557**

5. INTEREST AND SIMILAR EXPENSE

Included in interest and similar expense are accruals for interest payments to customers and other charges from banks.

	Notes	2018	2017
		USD	USD
Interest expenses on loans		(26,478,499)	(18,392,180)
Interest expense on security deposits & others		(3,110,736)	(1,589,852)
Commitment and processing fees		(143,925)	(29,131)
Amortisation forward points of forward contracts	30.2	(2,172,932)	(1,092,342)
		(31,906,092)	**(21,103,505)**

6. OTHER OPERATING INCOME

	Notes	2018	2017
		USD	USD
Member's admission fees		1,472,176	1,257,883
Document fees		709,602	661,555
Proceeds from sale of pass-books		157,959	173,124
Income on Death and Multipurpose Risk Funds		4,123,304	3,126,763
Service fees income from off-book BC Model (ASAI India)	12.	2,503,425	663,113
Distribution fee MBA Philippines		558,150	353,977
Government grants		-	49,872
Other		397,330	566,528
		9,921,946	**6,852,815**

The government grant relates to a total grant agreement of USD 2.0 million with UNCDF for the set-up of a greenfield microfinance institution in Myanmar. Out of this grant agreement, the last portion of USD 49,872 was received in 2017 and the related milestones were achieved.

Other includes several small items that are smaller than USD 100,000 on an individual basis.

6.1 **CREDIT LOSS EXPENSE**

	Notes	2018	2017
		USD	USD
Customer credit loss expense/(recovered)	12.1	(1,233,284)	12,711
Credit loss expensed/(recovered) on on-book BC model	12.	87,608	(228)
Other credit loss expense		(423,930)	(53,490)
		(1,569,606)	**(41,007)**

Other credit loss includes provision against interest receivable from customers and BC portfolio which are off-book and expenses for early settlement of customer loans.

7. PERSONNEL EXPENSES

Personnel expenses include total base salary expenses and employee benefit plans:

	Notes	2018	2017
		USD	USD
Personnel expenses		(33,963,785)	(26,813,660)
Defined contribution plans		(2,483,160)	(1,307,621)
Defined benefit plans	7.2	(629,513)	(206,368)
		(37,076,458)	**(28,327,649)**

7.1 Retirement benefit liability

	Notes	2018	2017
Retirement benefit liability as at beginning of period		943,302	1,074,355
Payments made during the year		(48,288)	(153,890)
Charge for the year	7.2	629,513	206,368
Actuarial gains and losses on defined benefit liabilities (OCI)		181,472	12,004
Disposal of subsidiaries		-	(192,209)
Foreign exchange differences		(236,531)	(3,326)
Retirement benefit liability as at end of the period		**1,469,468**	**943,302**

ASAI India, ASA Pakistan, Lak Jaya and PPFCI are maintaining defined benefit pension plans in the form of gratuity plans at retirement, death, incapacitation and termination of employment for eligible employees. The funds for the plans in ASA Pakistan, PPFCI and Lak Jaya are maintained by the entity itself and no plan assets have been established separately. The funds for the plan of ASAI India are being maintained with Life Insurance Corporation of India and the entity's obligation is determined by actuarial valuation. The assumptions considered for the valuations are disclosed in note 2.2.12.1. There are no other postretirement benefit plans available to the employees of the Group.

The expected contributions to the defined benefit plans for 2019 amount to USD 755,504 (2018: USD 431,497).

7.2 Charge for the year

	2018	2017
	USD	USD
Current service cost for the year	534,800	117,995
Interest cost for the year	96,421	76,594
Impact from change in assumptions (see note 2.2.12)	(1,709)	11,779
	629,513	**206,368**

7.3 Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 and 2017 is shown below.

Assumptions		**Discount rate**		**Future salary increase**	
		1%	**1%**	**1%**	**1%**
Sensitivity level		**increase**	**decrease**	**increase**	**decrease**
		USD	**USD**	**USD**	**USD**
Impact on defined benefit obligation	2018	(185,391)	174,140	199,650	(196,743)
	2017	(92,789)	106,637	107,322	(94,720)

8. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	Notes	2018	2017
		USD	USD
Administrative expenses	8.1	(20,742,860)	(15,865,208)
Professional fees	8.2	(4,045,128)	(2,619,397)
Impairment loss	8.3	(212,511)	(25,252)
Other		(446,155)	(242,673)
International travel		(309,701)	(257,072)
		(25,756,355)	**(19,009,602)**

	2018	2017
	USD	USD
8.1 **Administrative expenses**		
Rent	(4,030,795)	(2,840,772)
Office expenses	(2,517,653)	(2,276,982)
Transport and representation expenses	(5,784,133)	(4,582,657)
Gas, water and electricity	(1,015,096)	(904,278)
Telecommunications and internet expenses	(1,372,590)	(620,841)
VAT/ Output tax/ Service tax	(1,563,191)	(1,237,839)
Bank charges	(738,431)	(512,870)
Other administrative expenses	(3,720,971)	(2,888,969)
	(20,742,860)	**(15,865,208)**

Other administrative expenses include several small items that are smaller than USD 200,000 on an individual basis.

Notes	2018	2017

		Notes	USD	USD
8.2	**Professional fees**			
	Technical assistance fees to ASA (TSP)		(1,266,698)	(1,182,187)
	Legal services fees		(376,286)	(253,799)
	Audit fees	8.2.1	(1,063,714))	(504,034)
	Others		(1,338,430)	(679,377)
			(4,045,128)	**(2,619,397)**
8.2.1	**Audit fees**			
	Fees payable for the audit of the Group's annual accounts		(493,000)	(287,465)
	Audit of the Company's subsidiaries		(434,952)	(214,569)
	Audit related assurance services		(135,762)	-
	Total audit and audit related assurance services fees		**(1,063,714)**	**(502,034)**
	Other assurance services		-	(2,000)
	Non-audit services IPO reporting accountant		(2,878,336)	-
	Total other services		**(2,878,336)**	**(2,000)**

			2018	2017
			USD	**USD**
8.3	**Impairment loss**			
	Impairment of bank balance		(162,833)	-
	Impairment of receivable from related parties		(49,678)	(25,252)
			(212,511)	**(25,252)**

Impairment loss includes impairment of ASAIH's receivable for CMI Ventures, bank balance with GN bank in Ghana.

		Notes	2018	2017
			USD	**USD**
8.4	**IPO expenses**			
	Reporting accountant	8.2.1	(2,878,336)	-
	Other IPO expenses		(5,080,636)	-
			(7,958,972)	-

9. EXPENSES FROM EXCHANGE RATE DIFFERENCES

The Company incurred certain foreign exchange losses on monetary assets denominated in currencies other than the Company's functional currency.

	2018	2017
	USD	USD
Foreign currency losses	(1,965,148)	(2,003,447)
Foreign currency gains	975,609	774,235
	(989,539)	**(1,229,212)**

10. INCOME TAX AND WITHHOLDING TAX EXPENSE

		2018	2017
		USD	USD
Income tax expense			
Current income tax		(19,473,206)	(14,170,024)
Income tax for previous years		(24,614)	1,164,023
Changes in deferred income tax		1,183,141	186,223
		(18,314,679)	**(12,819,778)**
10.1 **Current tax liability**			
Balance as at beginning of period		3,841,338	3,437,066
Tax charge during the year		19,497,820	13,006,001
Tax paid		(15,534,223)	(12,057,395)
Disposal of subsidiaries	-	-	(156,231)
Foreign exchange adjustment		(541,467)	(388,103)
Balance as at end of period		**7,263,468**	**3,841,338**

2018	2017

		USD	USD
10.2	**Deferred tax assets**		
	Balance as at beginning of period	1,527,394	1,354,041
	Charge during the year	1,201,653	223,795
	Disposal of subsidiaries	-	(67,095)
	Foreign exchange adjustment	(140,712)	16,653
	Balance as at end of period	**2,588,335**	**1,527,394**

Deferred tax assets are temporary differences recognised in accordance with local tax regulations and with reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

		2018	2017
10.3	**Deferred tax liability**	**USD**	**USD**
	Balance as at beginning of period	60,425	32,884
	Charge during the year	18,512	37,572
	Foreign exchange adjustment	(9,824)	(10,031)
	Balance as at end of period	**69,113**	**60,425**

Deferred tax relates to:	Deferred tax assets	Deferred tax liabilities	Income statement	Deferred tax assets	Deferred tax liabilities	Income statement
	2018	**2018**	**2018**	**2017**	**2017**	**2017**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Provisions of LLP	295,393	-	(57,086)	407,408	54,929	(329,162)
Provision for retirement liabilities	385,089	-	69,842	315,247	-	37,177
Revaluation of cash flows hedge	(427,188)	-	(456,209)	29,021	-	(39,428)
Provision on FX loss	1,953,618	-	1,314,988	638,630	-	607,020
Other temporary differences	381,423	69,113	311,606	137,088	5,496	(89,384)
	2,588,335	**69,113**	**1,183,141**	**1,527,394**	**60,425**	**186,223**

		2018	2017
10.4	**Reconciliation of the total tax charge**		

	USD	USD
Accounting result before tax	**44,680,902**	**43,376,107**
Income tax expense at nominal rate of consolidated entities	(15,495,906)	(13,864,008)
Over/ (under) provision for income tax previous years	(24,614)	1,164,023
Non-allowable expenses	(1,676,384)	1,332,077
Deferred tax not recognised on losses	(472,554)	-
Exempt income	450,610	(1,260,851)
Other permanent differences	(1,095,832)	(191,019)
Total income tax expense for the period	**(18,314,680)**	**(12,819,778)**
Weighted average nominal rate of consolidated entities	35%	32%
Consolidated effective tax rate	41%	30%

10.5 **Income tax per region**

	2018	2017
	USD	USD
Corporate income tax- West Africa	(7,662,950)	(5,368,459)
Corporate income tax- East Africa	(1,565,391)	(554,137)
Corporate income tax- South Asia	(7,093,449)	(4,969,969)
Corporate income tax-South East Asia	(1,855,268)	(1,663,307)
Corporate income tax- Non operating entities	(137,621)	(263,906)
Total income tax per region	**(18,314,679)**	**(12,819,778)**

10.6 **Withholding tax expense**

	2018	2017
	USD	USD
Withholding tax on interest income, dividend, royalties and service fees	(1,912,675)	(1,252,290)
Total withholding tax expense	**(1,912,675)**	**(1,252,290)**

Interest income, dividends, royalties and service fees are subject to withholding tax in certain jurisdictions. The applicable withholding tax rates vary per country and per type of income.

11. CASH AT BANK AND IN HAND

	2018	2017
	USD	USD
Cash at bank	72,769,662	93,189,797
Cash in hand	175,924	62,196
	72,945,586	**93,251,993**

An amount of USD 14,839,769 (2017: USD 13,420,47) of cash at bank in the Philippines is restricted as per Securities and Exchange Commission ("SEC") regulations as it relates to Loan Collateral Build Up ("LCBU", the collection of security collateral from clients of a lending company). LCBU is placed into a segregated account.

12 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are net of provision for credit loss.

	Notes	2018	2017
		USD	USD
Loan portfolio		336,452,085	281,495,211
Provision for credit loss	12.1	(1,757,343)	(1,210,439)
Interest receivable on loans to customers		3,255,362	2,192,373
Provision for overdue interest receivable on loans from customers		(79,522)	(37,079)
Unamortised processing fee		(1,842,914)	(2,495,034)
Loan portfolio on-book BC portfolio (ASAI India)		7,158,849	17,946,610
Provision for credit loss on-book BC portfolio (ASAI India)		(58,578)	(110,655)
Net loan portfolio		**343,127,939**	**297,780,987**

Interest receivable on loans to customers is realisable in line with the loan repayment schedules.

During 2016 and 2017 ASAI India started to operate as Business Correspondent ("BC") for three BC Partners and one Partner: Reliance Capital, IDBI, MAS and IDFC bank (the "BC model"). ASAI India operates as agent in a pass-through arrangement, whereby ASAI India selects borrowers based on the selection criteria of the BC Partners. After approval of the selected borrowers, the BC Partners disburse the loans through ASAI India and ASAI India collects the interest and repayments from the borrowers on behalf of the BC Partners. In exchange for these services, ASAI India receives service fees and processing fees.

The loans to borrowers of IDFC and related funding are not recognised on the balance sheet since ASAI India has a limited liability for the non-performing loans under this agreement. The loans to borrowers and related funding for the other three BC Partners are recognised on the balance sheet similar its own loan portfolio and funding thereof. The service fees for the IDFC portfolio are reported under "Other operating income" in note 6. Interest income and interest expense for the other three loan portfolios are presented in line with its own portfolio.

Under the agreements with the BC Partners, ASAI India is liable for payment of non-performing loans, which is regarded as a financial guarantee. This liability for IDFC is reported under "Other liabilities" in note 23. This liability for the other three BC Partners is deducted from the related loan portfolio. This liability is based on ASA India loan loss provision policy as explained in note 2.4 taking into account any limits in the liability towards the BC Partners, because it is the best estimate for the expected outflow of cash at reporting date. The related expense is reported under credit loss expenses in note 6.1.

ASAI India provided security deposits to the BC partners as collateral for the financial guarantees provided. These security deposits are reported under "Due from banks" in note 13. Other receivables and payables related to the BC model are reported under "Other assets" and "Other liabilities". More information is available in note 2.4.

The outstanding loans to borrowers under the BC model which are not recognised on the balance sheet at the year ended at 31 December 2018 amounted to USD 36.6 million (year ended at 31 December 2017: USD 15.3 million).

12. LOANS AND ADVANCES TO CUSTOMERS (continued)

12.1 Provision for credit loss

	Notes	2018	2017
		USD	USD
Balance as at beginning of the year		1,210,439	2,042,250
Impact of adopting IFRS 9		339,136	
Adjusted balance as at beginning of the year		**1,549,575**	**2,042,250**
Credit loss expense	6.1	1,233,284	(12,711)
Disposal of subsidiaries		-	(346,485)
Exchange rate differences		(194,076)	(16,226)
Write-off of loans		(831,440)	(456,389)
Provision for credit loss at end of the year		**1,757,343**	**1,210,439**

12.2 Provision for credit loss on-book BC portfolio

	Notes	2018	2017
		USD	USD
Balance as at beginning of the year		110,655	117,837
Impact of adopting IFRS 9		51,903	
Adjusted balance as at beginning of the year		**162,558**	**117,837**
Credit loss expense	6.1	(87,608)	(228)
Exchange rate differences		(16,372)	(6,954)
Provision for credit loss at end of the year		**58,578**	**110,655**

13. DUE FROM BANKS

	Notes	2018	2017
		USD	USD
Due from banks		17,487,649	15,284,388
Escrow bank account at Citi Bank	=A351	20,137,921	-
		37,625,570	**15,284,388**

13.1 Escrow bank account at Citi Bank

In certain countries in which the Group operates, non-resident capital gains tax ("NRCGT") regimes have recently been enacted which may give rise to an NRCGT liability if there is a change of control (as defined by relevant local tax authorities) of more than 50% of the underlying ownership of a subsidiary of the Company resident in that country as measured over a rolling three-year period (a "COC"). In each case, the liability is payable by the local subsidiary. A COC of certain of the Group's subsidiaries resulting from the offering to certain institutional and professional investors in view of the admission of the Company to the London Stock Exchange in 2018 (the "Global Offer"), or thereafter, may trigger NRCGT liabilities in certain jurisdictions for the affected subsidiaries. In connection with the potential NRCGT liability, CMI, being the selling shareholder at the time of the listing of the Company on 13 July 2018, agreed upon admission to place USD 20 million (the "Escrow Amount") of its net proceeds from the sale of shares in the Global Offer in an escrow account for the sole benefit of the Company (the "Escrow Account"). The Escrow Amount may be applied to fund NRCTG liabilities in accordance with the escrow deed dated 29 June 2018 between, inter alia, CMI and the Company. The Escrow Account is established in the name of the Company and is therefore presented as part of "Due from banks". The beneficial ownership of these funds, including any interest accrued thereon and less any expenses, rests with CMI because the Company will need to return all remaining funds to CMI in accordance with the terms of the escrow deed. Therefore, the same amount is presented as a liability to CMI under "Other liabilities".

14. EQUITY INVESTMENTS AT FVOCI

	Notes	2018	2017
		USD	USD
MFX Solutions, LLC	19.	238,786	200,000
		238,786	**200,000**

The Company purchased 153,315 shares of MFX Solutions, LLC USA on 7 April 2017. This represents 1% of the total number of issued shares of 15,331,330. The purchase price per share was USD 1.3045. The investment has been classified as equity investment and valued at fair value. The fair value has been classified as level 2. The Company opts to report the changes in fair value through OCI.

15. **PROPERTY AND EQUIPMENT**

Property and equipment consist of land and buildings, office furniture, equipment and software. Depreciation policies are described in detail in the accounting policies. The movements are as follows.

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Furniture & fixtures	**Vehicles**	**Office equipment including IT**	**Buildings**	**Total**	**Furniture & fixtures**	**Vehicles**	**Office equipment including IT**	**Buildings**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Cost at the beginning of the year	1,219,109	328,740	5,156,120	894,077	7,598,046	1,114,761	433,772	3,411,248	1,639,760	6,599,541
Accumulated depreciation at the beginning of the year	(790,567)	(215,350)	(2,653,336)	(56,596)	(3,715,849)	(739,933)	(211,133)	(2,241,257)	(108,677)	(3,301,000)
Carrying value at the beginning of the year	**428,542**	**113,390**	**2,502,784**	**837,481**	**3,882,197**	**374,828**	**222,639**	**1,169,991**	**1,531,083**	**3,298,541**
Additions during the year at cost	383,434	48,947	1,604,116	85,955	2,122,452	311,541	-	2,059,475	4,241	2,375,257
Deconsolidation due to transfer of CMII incl. Samic	-	-	-	-	-	(113,220)	(82,195)	(181,340)	(743,513)	(1,120,268)
Foreign currency adjustment	(99,904)	(32,836)	(464,270)	(45,373)	(642,383)	(50,720)	(16,676)	(175,430)	(6,411)	(249,237)
Disposal during the year	-	(9,875)	9,755	-	(120)	(43,253)	(6,161)	42,167	-	(7,247)
Depreciation and impairment during the year	(209,830)	(59,577)	(1,132,321)	(21,063)	(1,422,791)	(179,700)	(58,609)	(685,525)	(18,456)	(942,290)
Deconsolidation due to transfer of CMII incl. Samic	-	-	-	-	-	39,842	36,868	44,658	70,412	191,780
Adjustment of depreciation for disposals	12,941	12,485	256,787	-	282,213	54,692	8,558	150,870	5	214,125
Foreign currency adjustment	62,109	24,911	194,395	2,694	284,109	34,532	8,966	77,918	120	121,536
Carrying value at the end of the year	**577,292**	**97,445**	**2,971,246**	**859,694**	**4,505,677**	**428,542**	**113,390**	**2,502,784**	**837,481**	**3,882,197**
Cost at the end of the year	1,502,639	334,976	6,305,721	934,659	9,077,995	1,219,109	328,740	5,156,120	894,077	7,598,046
Accumulated depreciation at the end of the year	(925,347)	(237,531)	(3,334,475)	(74,965)	(4,572,318)	(790,567)	(215,350)	(2,653,336)	(56,596)	(3,715,849)
Carrying value at the end of the year	**577,292**	**97,445**	**2,971,246**	**859,694**	**4,505,677**	**428,542**	**113,390**	**2,502,784**	**837,481**	**3,882,197**

16. OTHER ASSETS

The other assets comprise of the following:

	Notes	2018 USD	2017 USD
Receivables from related parties	16.1	466,711	315,654
Prepayments		3,340,703	2,955,148
Employee advances		1,322,684	1,201,566
Advance income tax		1,865,955	605,328
Security deposit		92,417	84,469
Fair value of forward contracts	30.2	2,312,647	781,779
Receivables under on-book and off-book BC model (ASAI India)	12.	703,564	420,136
Other		1,349,509	675,668
Interest receivable on due from banks		535,086	349,936
		11,989,276	**7,389,684**

Prepayments and employee advances are in line with housing contracts, funding agreements and employee receivables. Advance income tax will be set off against current tax payable after completion of the tax assessment. The fair value hierarchy of forward contracts is considered as level 2.

16.1 Receivables from related parties

	2018 USD	2017 USD
Receivable from CMI by ASAI NV	238,344	15,692
Receivable from ASA by ASAIH	3,231	58,822
Receivable from Sequoia by ASAIH	57,679	-
Receivable from MBA by ASAIH	71,144	-
Receivable from ASAICH by ASAIH	-	87,053
Receivable from CMIIH by ASAIH	96,313	154,087
	466,711	**315,654**

The receivables from related parties are short term in nature and do not accrue interest.

17. GOODWILL

Goodwill arose from the acquisition of Lak Jaya by CMI Lanka in 2008.

	2018 USD	2017 USD
Balance at 1 January	39,845	125,109
Disposal of subsidiaries	-	(84,421)
Foreign exchange adjustment during the year	(6,422)	(843)
Balance at 31 December	**33,423**	**39,845**

For the year 2018, an impairment assessment on the remaining goodwill concluded that goodwill remains unchanged. The main factors considered for this assessment are (i) expected growth in profitability (ii) good quality of the loan portfolio and (iii) improvement in the regulatory status of Lak Jaya, the subsidiary of CMI Lanka. Goodwill decreased by USD 84,421 in 2017, due to the transfer of CMII incl. Samic to CMI.

18. ISSUED CAPITAL

	2018	2017
	USD	USD
ASA International Group plc 100m shares of GBP 0.01 each	1,310,000	-
ASAIH 3,627,349 Ordinary shares of USD 10 each	-	36,273,490
	1,310,000	**36,273,490**

Movements in issued capital

Capital at the beginning of the period	36,273,490	36,273,490
Issue of capital	94,726,510	-
Capital reduction	(129,690,000)	-
Capital at the end of the year	**1,310,000**	**36,273,490**

19. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	Notes	2018 USD	2017 USD
Balance beginning of the year		71,321,318	50,765,538
Impact of adopting IFRS 9, net of tax		(263,381)	-
Adjusted balance beginning of the year		**71,057,937**	**50,765,538**
Actuarial gains and losses on defined benefit liabilities		(181,473)	(12,004)
Deconsolidation due to transfer of CMII incl. Samic		-	923,882
Loss on repurchase of 1.46% stake in ASAI India from IDFC		-	(155,105)
Movement in hedge accounting reserve	30.2	(120,285)	(19,600)
Gain on revaluation of MFX investment		38,786	-
Other comprehensive income		280,314	77,215
Dividend paid		(8,700,000)	(9,259,490)
Capital reduction		34,963,490	-
Result for the year		23,978,080	29,000,882
Balance end of the year		**121,316,849**	**71,321,318**
Profit for the year			
Attributable to equity holders of the parent		23,978,080	29,000,882
Non-controlling interest		475,468	303,157
		24,453,548	**29,304,039**

Part of retained earnings relates to NGOs which are consolidated in these financial statements. The retained earnings of these NGOs cannot be distributed to their respective members. Retained earnings relating to NGOs amounted to USD 14,746,610 at 31 December 2018 (2017: USD 10,768,293).

ASA S&L, ASAI India and ASHA Nigeria have statutory requirements to add a percentage of the net profits to a legal reserve. Therefor part of retained earnings cannot be distributed to shareholders. Retained earnings relating to these legal reserves amounted to USD 9,872,828 in December 2018 (2017: USD 2,072,617).

20. FOREIGN CURRENCY TRANSLATION RESERVE

The translation of the Company's subsidiaries and overseas branches from local currency into the Company's presentation currency (USD) results in the following currency translation differences:

-	2018	2017
	USD	USD
Balance at 1 January	(25,831,373)	(22,117,714)
Translation of assets and liabilities of subsidiaries to USD	(10,418,112)	(3,713,659)
Balance at 31 December	**(36,249,485)**	**(25,831,373)**

21. DEBT ISSUED AND OTHER BORROWED FUNDS

	Notes	2018	2017
		USD	USD
Debt issued and other borrowed funds by Group subsidiaries		219,303,331	200,400,638
Loan from Bill & Melinda Gates Foundation (ASAIH)	21.1	20,000,000	20,000,000
Participation agreements Blue Orchard-managed funds (ASAIH)	21.2	3,500,000	9,500,000
Loan from Symbiotics-managed funds (ASAIH)	21.3	5,000,000	8,000,000
Loan from Oikocredit (ASAIH)	21.4	7,333,333	5,000,001
Loan from Incofin CVBA (ASAIH)	21.5	2,000,000	5,000,000
Loan from OPIC (ASAIH)	21.6	20,000,000	20,000,000
Interest payable on third party loans		2,945,534	2,563,556
		280,082,198	**270,464,195**

21.1 Loan from Bill & Melinda Gates Foundation (ASAIH)

ASA International Holding entered into a USD 20 million subordinated loan agreement with the Bill & Melinda Gates Foundation ("Gates Foundation") on 29 November 2007 (the “Gates Foundation Loan”). The term of the Gates Foundation Loan has been extended to the earlier of a) the date CMI distributes the IPO or sale proceeds to its investors and is wound up, or b) 31 December 2019. The Gates Foundation Loan shall be solely used by the Company to make local currency loans to its MFIs in certain qualified countries, which are majority owned or controlled by the Company ("Local Loans"). All funds under the Gates Foundation Loan are received from the Gates Foundation by the Company in a segregated account. Upon approval by the Gates Foundation of the disbursement of a Local Loan by ASA International to any of its subsidiaries, the relevant amount will be transferred from the segregated account to the pooling account established for purposes of such country. The funds will then be transferred from the pooling account to the account of the relevant company. The MFIs shall pay to the Company a market conform interest on the Local Loans. The Company shall pay interest at the rate of 2% per annum to the Gates Foundation for any loan proceeds that are disbursed from the segregated account to the pooling account. The foreign currency risk of the local currency loans is shared between the Gates Foundation and the Company whereby the Gates Foundation’s share in the foreign currency risk increases as the returns generated by CMI fall below agreed levels. However, if the Internal Rate of Return (IRR) of ASAI at maturity exceeds 10%, any currency losses will be fully borne by ASAI. As of 31 December 2011, USD 20 million was disbursed from the same total facility, which was applied by ASA International towards its subsidiaries.

21.2 Participation agreements Blue Orchard-managed funds (ASAIH)

ASAI entered into three participation agreements with MIFA - a fund managed by BlueOrchard ("MIFA") - pursuant where to ASAI sold and assigned the interest in its shareholder loans to ASA Pakistan for a total amount of USD 10 million (“Participation Agreements”). All instalments and interest under the shareholder loans are paid by ASA Pakistan to ASAI and from ASAI to MIFA, whereby ASAI is only acting as a pass-through. In case of default under the Participation Agreements, which shall not have been remedied within 30 calendar days after the occurrence thereof and ASAI not having met the payment obligation towards MIFA (in respect of the underlying payments on the shareholder loans by ASA Pakistan) MIFA shall have the right to deliver a Put Event Notice. In case of such Put Event Notice the principal amount outstanding under the shareholder loans together with any accrued and unpaid interest shall be due and payable to MIFA. The interest rate is LIBOR USD 12 million plus 4.5%. Repayments amounted to USD 6 million in 2018 and will be USD 3.5 million in 2020.

21.3 Loan from Symbiotics-managed funds (ASAIH)

ASAI entered into loan agreements with four investment funds managed by Symbiotics SA on 12 November 2015 for a total amount of USD 8 million (the "Symbiotics loans"). Interest on the Symbiotics loans amounts to 6% per annum. The term of each of the Symbiotics loans is three years. ASAI repaid the loans in 2018. ASAI took new loans of USD 5 million under new agreements on November 2018 having maturity of three years. The interest rate is 6.4% per annum.

21.4 **Loan from Oikocredit (ASAIH)**

ASAI entered into an agreement with Oikocredit on 24 July 2015 for a direct loan amount of USD 7.5 million and a credit line of USD 2.5 million (the "Oikocredit loans"). Interest on the loans is six-month LIBOR or 3.5% whichever is lower plus a margin of 3% for the direct loan and 2,5% for the credit line. The term of the Oikocredit loans is five years. As of 31 December 2018, the outstanding balance was USD 3.3 million. On 12 July 2018, ASAI entered into a new agreement with Oikocredit for a credit line of USD 7.5 million out of which USD 4 million was drawn as of 31 December 2018. Interest amounts to six month LIBOR or 3.5% whichever is lower plus a margin of 3.5%. The term of this credit line is five years.

21.5 **Loan from Incofin CVBA (ASAIH)**

ASAI entered into an agreement with IIV-Mikrofinancefonds LLC - an investment fund managed by Incofin CVBA on 1 June 2016 for a loan amount of USD 5 million. Interest amounts to 6.5% fixed per annum. The term of this loan is three years. In 2018, ASAI repaid USD 3 million of the outstanding principal.

21.6 **Loan from OPIC (ASAIH)**

ASAI entered into an agreement with OPIC on 7 March 2016 for a loan amount of USD 20 million, of which USD 5 million was drawn as at 19 December 2016, USD 5 million was drawn on 3 July 2017 and another USD 10 million was drawn on 16 November 2017. Interest amounts to the US Treasury Constant Maturity Yield plus 4.25% per annum. The term of this loan is five years.

22. DUE TO CUSTOMERS

Clients of the Company's subsidiaries contribute to a "security deposit fund". These deposits can be withdrawn partly by clients but not in full amount unless the client has fully repaid the outstanding loan balance.

	2018	2017
	USD	USD
Clients security deposits	52,183,131	41,114,768
Clients voluntary savings	11,761,164	12,063,735
Interest payable on deposits and savings	41,678	52,312
	63,985,973	**53,230,815**

Clients can withdraw their deposits in excess of the respective loan balances. The rate of interest on deposits is subject to 8% in Ghana and 7% in Nigeria (customer's savings). In ASA Myanmar the voluntary savings are 10% and compulsory savings are 15%.

23. OTHER LIABILITIES

Other liabilities are as follows:	Notes	2018	2017
		USD	USD
Security deposits		1,217,904	1,032,823
Other deposits		588,139	760,395
Deferred income		274,163	361,791
Accrued expenses		1,046,589	735,894
Accrued audit fees		846,975	433,754
Taxes payable, other than corporate income tax		2,146,451	1,453,899
Amount due to employees		1,295,157	1,106,198
Amount due to related parties		1,327,927	148,696
Liability to CMI regarding Escrow Account at Citi Bank	13.	20,137,921	-
Liabilities under on-book and off-book BC model	12.	701,830	74,792
Fair value of forward contracts	30.2	-	111,484
Other liabilities		899,542	396,420
		30,482,598	**6,616,146**

Security deposits mainly relate to deposits taken from employees as a form of security. Other deposits relate to various smaller deposits in different countries. Deferred income mainly relates to liability for Death and Multipurpose Risk Funds which are described in note 2.6. Other liabilities include various smaller accruals and provisions for various entities in the Company. The fair value of forward contracts has been classified as level 2.

23.1 **PROVISIONS**

The movement in provisions during 2018 and 2017 is as follows:

	Provision for VAT (PPFCI)	Provision for financial guarantees under off-book BC model (ASAI India)	Provision for WWF (ASA Pakistan)	Provision for service tax (ASAI India)	Total
	USD	USD	USD	USD	USD
At 1 January 2017	**1,225,806**	**132,870**	**648,384**	**248,708**	**2,255,768**
Arising during the year	1,688,874	4,237	-	581,038	**2,274,149**
Utilised	(2,027,023)	-	-	(506,633)	**(2,533,656)**
Release	-	(141,720)	(644,848)	-	**(786,568)**
FX difference	(11,768)	5,757	(3,536)	17,771	**8,224**
At 31 December 2017	**875,889**	**1,144**	**-**	**340,884**	**1,217,917**
At 1 January 2018	**875,889**	**1,144**	**-**	**340,884**	**1,217,917**
Arising during the year	-	6,525	-	-	**6,525**
FX difference	(42,751)	(204)	-	(28,077)	**(71,032)**
At 31 December 2018	**833,138**	**7,465**	**-**	**312,807**	**1,153,410**

24. ADDITIONAL CASH FLOW INFORMATION

		2018	2017
		USD	USD
24.1	**Changes in operating assets**		
	Loans and advances to customers	(81,716,287)	(117,589,512)
	Movement in due from banks	(23,689,982)	(9,094,374)
	Movement in restricted cash	(1,419,298)	(2,068,325)
	Other assets excluding income tax advances	(1,839,527)	(2,002,826)
		(108,665,094)	**(130,755,037)**

		2018	2017
		USD	USD
24.2	**Changes in operating liabilities**		
	Due to customers	13,512,337	15,347,921
	Other liabilities	23,872,977	(355,517)
		37,385,314	**14,992,404**

		2018	2017
		USD	USD
24.3	**Non-cash items included in the statement of comprehensive income**		
	Depreciation of property and equipment	1,422,791	942,290
	Customer credit loss expense	1,569,606	41,007
	Write-off of loans	831,440	456,389
	Fair value of forward contracts	(1,530,868)	(465,092)
	Defined benefit liability	629,513	206,368
	Foreign exchange result	989,539	1,229,212
		3,912,021	**2,410,174**

		2018	2017
24.4	**Reconciliation of cash and cash equivalents**		
	Cash and cash equivalents	58,105,817	79,831,522
	Restricted cash for Loan Collateral Build Up ("LCBU") in PPFCI	14,839,769	13,420,471
	Cash at bank and in hand	**72,945,586**	**93,251,993**

25. RISK MANAGEMENT

25.1 General

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to certain risk limits and other controls as described in the paragraphs below. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is, amongst others, exposed to operational risk, financial risk, legal and compliance risk, and strategic risks.

The independent risk control process does not include business risks such as changes in demand, technology and industry. These changes are monitored through the Company's strategic planning process.

25.2 Risk Management Structure

The Company's risk management principles allow it to balance its risk and reward effectively by aligning its risk appetite with its business strategy. The Company's risk management framework is based on its three lines of defence model, which has been adopted at both the Company level and at each of the Company's microfinance institutions. The Company's objectives in using the three lines of defence model include: identifying risk areas and minimising loss; protecting its clients by minimising financial risk; protecting the interests of its shareholders and investors; preserving its branches, data, records and physical assets; maintaining its business and operational structure; enforcing a standard operational procedure for managing risk; and providing guidelines in line with internationally accepted risk management principles. The first line of defence is the team, person or department that is responsible for executing particular tasks/activities, as well as for mitigating any related risks. The second line of defence is comprised of management of the respective departments and personnel that oversee the first line of defence and provide expertise in risk management to help develop strategies, policies and procedures to mitigate risks and implement risk control measures. The third line of defence is the Internal Audit department, which evaluates and improves the effectiveness of the risk management, control and governance processes through independent verification of risk control measures. The Internal Audit department is based in the country head office of each of the Company's microfinance institutions and audits each branch twice a year.

The Company's risk management philosophy is to promote a comprehensive risk management strategy to maintain a sustainable financial institution. This strategy is achieved by adapting an integrated approach to risk management where clear communication and consensus establish the foundation of the Company's risk management philosophy. To ensure that the Company's philosophy is implemented across its various departments, there is a clear segregation of duties between operational and risk management functions in the country head office of each of the Company's microfinance institutions as well as at the Company level.

The Company's risk culture is based on its values, beliefs, knowledge, attitudes and understanding of risk across its various countries. The Company assesses its risk culture by identifying and evaluating its quantifiable and nonquantifiable risks. The Company's risk management principles allow it to effectively balance its risk and reward by aligning its risk appetite with its business strategy.

The Group's key risk management areas are operational risk, financial risk, legal and compliance risk and strategic risk. More information is available in page 79 under section "Risk Management Overview".

25. RISK MANAGEMENT (Continued)

Risk category	Definition	Risks	Description
Operational	The risk of loss resulting from inadequate or failed internal processes, human behaviour and systems from external events	*Growth risk*	All risk and challenges associated in the Group's operational expansion
		Fraud and integrity	Fraud and misappropriation
		Information and technology	Maintenance of effective technology and security of systems
		Human resources	Likelihood of negative results due to a failure within its human resource department
		Transaction risk	Human or system errors with in the Group's daily product delivery and services
		Social and environmental risk	Global and regional economic conditions and natural disasters
		Risks related to the disclosure of confidentialor sensitive information	Loss or theft of confidential or sensitive information
Financial	The Group experiences Financial risks such as credit risk, liquidity risk, exchange rate/currency risk and interest rate. The Group encounters impacts on the Group's earnings.	*Credit risk*	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations
		Interest rate risk	Risk that the Group's profitability or result of operations will be affected by fluctuations in interest rates
		Liquidity risk	Risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances
		Exchange rate/currency risk	Possibility of financial loss to the Group arising from adverse movements in foreign exchange rates
Legal (regulatory) and Compliance	Financial and other losses the Group may suffer as a Result of regulatory changes or failure to comply with applicable laws and regulations.	*Regulatory: changes in local regulations and including political risks*	Anticipating and responding to changes in laws or regulations and political changes
		Legal and compliance	Compliance with applicable laws and regulations
		Interest rate caps	Anticipating and responding to change limits on (i) the amount of interest or fees charged to customers, or (ii) our net interest margin
		Foreign ownership	Risks associated with foreign ownership or shareholder concentration restrictions
		Legal uncertainty	Anticipating and responding to lack of legal certainty in some jurisdictions. Risk inherent to investing in emerging markets, including nationalisation, expropriation or confiscatory taxation, and political instability
Strategic	Current or prospective risk to earnings and capital arising from changes in the	*Competition risk*	
		Reputational risk	Risk to earnings or capital arising from negative public opinion

25.3 Operational Risk

Operational risks can be substantial where small amounts of cash are distributed to, and collected from, a large group of clients through extensive branch networks. Examples of certain operational risks include fraud or misappropriation, and other operational and managerial errors and/or omissions as well as information technology risk, human resources risk, and social and environmental risk. The Company requires its subsidiaries and associates to develop and implement prudent systems to substantially mitigate operational risk, including proper control measures, sufficient and qualified management staff, and proactive corporate governance. By means of proactive measures and frequent monitoring, which is part of the standardised operational procedures adopted by all MFIs, risks can be identified and controlled at an early stage.

25. RISK MANAGEMENT (Continued)

25.3 Operational Risk (continued)

Information and technology risk

Information and technology risk are not uncommon in microfinance institutions. The Group regularly analyses risks that arise from password hacking or sharing, changes in its data and varying roles of its users. To mitigate its potential information and technology risks, the Group ensures that its staff have appropriate technical support and computer skills. Furthermore, the Group has implemented disaster management strategies and ensures that it has data security policies in place.

Human resource risk

Human resource risk is the likelihood that an organisation would experience negative results due to a failure within its human resource department. This may occur due to lack of proper recruitment techniques or training or low staff retention rates. The Group evaluates its human resource risk by observing the availability of skilled staff within its compensation bands as well as compliance and regulatory issues that impact staff, including visas or work employment permits needed for its expatriate staff and the impact of its health and safety policies.

Social and environmental risk

Social and environmental risk may be caused by the Group itself, by its clients or because of natural disasters. The Group monitors and evaluates its social and environmental risk by assessing each microfinance institution's natural environment, each target client's business sector and the number of clients involved in businesses that may lead to harmful impacts on the environment. The Group generates reports on any social and environmental policy violations and the number of client and staff complaints it receives and resolves. Furthermore, the Group evaluates the number of branches located in zones or areas prone to natural disasters and keeps track of the proportion of loans classified as more than 30 days overdue within those zones or areas.

The Group requires its microfinance institutions to develop and implement prudent systems to substantially mitigate operational risk, including proper control measures, sufficient and qualified management staff, and proactive corporate governance. By means of proactive measures and frequent monitoring, which is part of the standardised operational procedures adopted by all the Group's microfinance institutions, risks can be identified and controlled at an early stage.

Proven microfinance methodology

The microfinance model followed by the Company is based on several core principles: (i) standardised loan products (ii) basic voluntary deposit services, (iii) effective and rigid procedures for cost-effective delivery of microcredit and limited deposit services, and (iv) zero-tolerance on the late repayment of loan instalments. Each of the microfinance operating entities owned and/or controlled by the Company, have adopted and implemented an internal operational manual. The operational manuals set forth the principles and guidelines for managing the microfinance portfolios in the various countries. It contains detailed procedures regarding the credit methodologies and operating procedures.

These procedures that are largely similar for all MFIs lending to microentrepreneurs, have the following features

including but not limited to:

- Lending predominantly to low-income, female micro-entrepreneurs.
- Group selection without joint liability.
- Loans granted exclusively for income generating activities.
- Full repayment via instalments before eligibility for new loan.
- No incentive or bonus payments for operating staff.
- Frequent client interactions through weekly collections.
- Ongoing assessment of client needs, benefits and satisfaction.
- Repeat loan cycles with set limits.
- Low ticket size.
- Standardised credit approval lending procedures, and standardised internal monitoring and audit procedure.

25. RISK MANAGEMENT (Continued)

25.3 Operational Risk (continued)

The principles and procedures described above are based on the credit methodologies and operating procedures that are part of the ASA Model of microfinance.

General risk mitigation

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to avoid excessive concentrations of risk, the Company is focused on maintaining a diversified loan portfolio, by means of operating in different geographic areas (also within each country). Identified concentrations of credit risks are controlled and managed locally according to the operational procedures above. The Company does not, in principle, use collateral nor guarantees, to reduce its credit risks (apart from the client security deposit where permitted).

25.4 Financial Risk

25.4.1 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by adhering strictly to the operating procedures set forth in the operational manual which includes setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical concentrations, and by monitoring exposures in relation to such limits.

Maximum exposure to credit risk

The maximum credit exposure is equal to the carrying amounts of the financial instruments on the Company's statement of financial position. As mentioned above, the Company reduces its concentration risk by ensuring a widely diverse portfolio, distributed amongst various countries and continents. At present the Company invests in West Africa, East Africa, South Asia and South East Asia.

	2018	2017
	USD	USD
Cash and cash equivalents (excluding cash in hand)	72,769,662	93,189,797
Loans and advances to customers	343,127,939	297,780,987
Client security deposits	(52,183,131)	(41,114,768)
Off-book BC model portfolio	1,833,638	1,526,928
Due from banks	37,625,570	15,284,388
Other assets	6,782,618	3,829,208
Maximum credit exposure	**409,956,296**	**370,496,540**

Clients security deposits are cash collateral and are presented as part of Due from customers in the statement of financial position. These security deposits are considered as collateral for the loans to customers and therefore reduce the credit risk on these loans.

25. RISK MANAGEMENT (Continued)

25.4 Financial Risk (continued)

25.4.1 Credit Risk (continued)

Geographic distribution of maximum credit exposure in 2018.

	Cash and cash equivalent (excluding cash in hand)	Loans and advances to clients	Client security deposits	Due from banks	Other assets	Off-book BC model portfolio	Total
	USD	USD	USD	USD	USD	USD	USD
West Africa	7,358,975	72,043,296	(25,337,046)	6,561,479	510,146	-	61,136,850
East Africa	4,454,621	32,572,233	(9,677,475)	134,567	123,216	-	27,607,162
South Asia	17,553,913	175,493,547	(31,589)	10,791,603	4,356,971	1,833,638	209,998,083
South East Asia	27,864,926	63,018,863	(17,137,021)	-	1,367,935	-	75,114,703
Non-operating entities	15,537,227	-	-	20,137,921	424,350	-	36,099,498
Maximum credit exposure	**72,769,662**	**343,127,939**	**(52,183,131)**	**37,625,570**	**6,782,618**	**1,833,638**	**409,956,296**

Geographic distribution of maximum credit exposure in 2017.

	Cash and cash equivalent (excluding cash in hand)	Loans and advances to clients	Client security deposits	Due from banks	Other assets	Off-book BC model portfolio	Total
	USD	USD	USD	USD	USD	USD	USD
West Africa	13,880,191	56,993,994	(20,437,520)	152,795	375,217	-	50,964,677
East Africa	1,896,014	20,089,435	(5,235,477)	1,840,551	74,837	-	18,665,360
South Asia	26,923,688	167,357,686	(37,917)	13,291,042	2,089,664	1,526,928	211,151,091
South East Asia	26,256,542	53,339,872	(15,403,854)	-	1,055,095	-	65,247,655
Non-operating entities	24,233,362	-	-	-	234,395	-	24,467,757
Maximum credit exposure	**93,189,797**	**297,780,987**	**(41,114,768)**	**15,284,388**	**3,829,208**	**1,526,928**	**370,496,540**

The Company provides direct lending to customers through the MFIs (owned and controlled by it). In addition, the Company accepts savings in the countries where it has a deposit taking licence.

Credit risk from lending in 2018

				Total direct lending/IFRS 9 stages						
				Stage 1		Stage 2	Stage 3			
	Due from banks*	**Total direct lending**	**Total lending**	**Neither passed due nor impaired**	**<30 overdue**	**30<90**	**90<180**	**>180**	**Provision**	**% provision of portfolio**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
West Africa	6,561,479	72,074,785	78,636,264	71,515,044	149,877	227,469	84,992	97,403	235,030	0.33%
East Africa	134,567	33,163,918	33,298,485	32,998,402	19,532	25,097	35,241	85,646	123,439	0.37%
South Asia	10,791,603	176,011,261	186,802,864	174,243,657	370,103	393,364	454,509	549,627	1,214,107	0.69%
South East Asia	-	62,360,970	62,360,970	62,010,429	50,568	96,674	100,372	102,927	243,345	0.39%
Non-operating entities	20,137,921	-	83,845,314	-	-	-	-	-	-	0.00%
Total	**37,625,570**	**343,610,934**	**444,943,897**	**340,767,532**	**590,080**	**742,604**	**675,114**	**835,603**	**1,815,921**	**0.53%**

** Due from banks are neither passed due nor impaired*

Credit risk from lending in 2017

				Total direct lending/IFRS 9 stages					
				Stage 1		Stage 2	Stage 3		
	Due from banks*	Total direct lending	Total lending	Neither passed due nor impaired	<30 overdue	30<180	>180	Provision	% provision of portfolio
	USD	USD	USD	USD	USD	USD	USD	USD	USD
West Africa	152,795	58,174,384	58,327,179	58,053,229	14,285	46,588	60,282	115,089	0.20%
East Africa	1,840,551	20,591,456	22,432,007	20,336,659	13,357	54,990	186,450	222,666	1.08%
South Asia	13,291,042	167,443,848	180,734,890	165,729,900	225,485	1,246,352	242,111	912,990	0.55%
South East Asia	-	53,232,133	53,232,133	53,128,153	9,240	56,099	38,641	70,349	0.13%
Total	15,284,388	299,441,821	314,726,209	297,247,941	262,367	1,404,029	527,484	1,321,094	0.44%

* Due from banks are neither passed due nor impaired

25.4.2 Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The main credit obligations of the Company include the subordinated USD 20 million loan from the Gates Foundation which is due for repayment at the earlier of a) the date CMI distributes the IPO or sale proceeds to its investors and is wound up, or b) 31 December 2019. In addition, the Company drew from various sources a combined total of USD 9.5 million from two debt funds managed by Blue Orchard, USD 8 million loan in total by Symbiotics-managed funds, USD 5 million from Oikocredit, USD 5 million from Incofin and USD 20 million from OPIC. Most subsidiaries of ASAI are now able to attract third party funding and various local currency and USD loans are in place.

Liquidity management is evaluated at the microfinance institution level and on a consolidated Group basis. Each of the Group's microfinance institutions are required to meet the financial obligations of its internal and external stakeholders. Failure to manage liquidity risks may cause the Group to lose business, miss opportunities for growth, or experience legal or reputational consequences. To mitigate its liquidity management risk, the Group has established liquidity management policies, published in its operation manual, finance manual and its treasury manual.

The Company is confident it will be able to meet the payment obligations under the aforementioned loans for various reasons, including but not limited to:

- The main class of assets are loans to customers. Due to the nature of the microfinance business the Company is engaged in these loans to customers have short-term maturities, hence the Company is in a position to generate a constant stream of cash inflows. The Company is in the position to accumulate sufficient funds to cover its obligations, although this may entail limitations on new loan disbursements.

- As at 31 December 2018 the Company had a cash balance of USD 72,945,586 (2017: USD 93,251,993).

- The Company and its subsidiaries are in discussions with various debt funders at Holding level and in the local markets about additional loan facilities. Overall debt funders are positive to fund the Company's operations.

- The Company is able to fund its operations and budgeted growth of its loan portfolio from new loan facilities supplied by third parties, security collateral and/or savings provided by its clients, and internally generated cash flows.

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or to settled.

Liabilities **FY 2018**	On demand	<3 months	3-12 months	**Sub-total 1-12 months**	1-5 years	Over 5 years	**Sub-total >12 months**	No fixed maturity	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Due to customers	3,979,255	39,434,811	20,530,229	**63,944,295**	-	-	**-**	-	**63,944,295**
Debt and other borrowed funds	11,854,386	19,565,099	131,560,819	**162,980,304**	111,089,237	3,596,976	**114,686,213**	2,415,681	**280,082,198**
Interest payable on client deposits	41,678	-	-	**41,678**	-	-	**-**	-	**41,678**
Security deposits	-	-	1,112,448	**1,112,448**	-	-	**-**	105,456	**1,217,904**
Other deposits	-	48,986	537,127	**586,113**	1,013	-	**1,013**	1,013	**588,139**
Deferred income	-	-	145,142	**145,142**	129,021	-	**129,021**	-	**274,163**
Accrued expenses	159,880	12,421	874,288	**1,046,589**	-	-	**-**	-	**1,046,589**
Accrued audit fees	-	33,386	813,281	**846,667**	-	308	**308**	-	**846,975**
Amount due to employees	359,142	30,839	905,176	**1,295,157**	-	-	**-**	-	**1,295,157**
Escrow liability to CMI	-	-	-	**-**	-	-	**-**	20,137,921	**20,137,921**
Amount due to related parties	1,327,927	-		**1,327,927**	-	-	**-**	-	**1,327,927**
Liabilities under BC model	-	701,830	-	**701,830**	-	-	**-**	-	**701,830**
Other liabilities	253,896	57,061	588,585	**899,542**	-	-	**-**	-	**899,542**
Provisions	-	-	1,153,410	**1,153,410**	-	-	**-**	-	**1,153,410**
Total liabilities	**17,976,164**	**59,884,433**	**158,220,505**	**236,081,102**	**111,219,271**	**3,597,284**	**114,816,555**	**22,660,071**	**373,557,728**

FY 2017	On demand	<3 months	3-12 months	**Sub-total 1-12 months**	1-5 years	Over 5 years	**Sub-total >12 months**	No fixed maturity	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Due to customers	18,070,548	8,370,696	26,744,217	**53,185,461**	45,354		**45,354**	-	**53,230,815**
Debt and other borrowed funds	643,269	20,285,020	108,222,197	**129,150,486**	140,847,757	465,952	**141,313,709**	-	**270,464,195**
Security deposits	445,647	218,657	222,721	**887,025**	130,422	15,376	**145,798**	-	**1,032,823**
Other deposits	328,099	160,982	163,974	**653,055**	96,021	11,320	**107,341**	-	**760,396**
Deferred income	156,107	76,594	78,018	**310,719**	51,072	-	**51,072**	-	**361,791**
Accrued expenses	317,527	155,795	169,645	**642,967**	92,927	-	**92,927**	-	**735,894**
Accrued audit fees	187,158	91,829	99,993	**378,980**	54,773	-	**54,773**	-	**433,753**
Amount due to employees	477,307	234,191	238,544	**950,042**	139,688	16,468	**156,156**	-	**1,106,198**
Amount due to related parties	64,160	31,480	34,279	**129,919**	18,777	-	**18,777**	-	**148,696**
Liabilities under BC model	32,272	15,834	17,242	**65,348**	9,445	-	**9,445**	-	**74,793**
Fair value of forward contracts	48,104	23,602	25,700	**97,406**	14,078	-	**14,078**	-	**111,484**
Other liabilities	29,981	284,642	76,715	**391,338**	-	-	**-**	5,080	**396,418**
Provisions	341,378	242	264	**341,884**	144	-	**144**	-	**342,028**
Total liabilities	**21,141,557**	**29,949,564**	**136,093,509**	**187,184,630**	**141,500,458**	**509,116**	**142,009,574**	**5,080**	**329,199,284**

25. RISK MANAGEMENT (Continued)

25.4 Financial Risk (continued)

25.4.2 Liquidity Risk (continued)

Changes in liabilities arising from financing activities in 2018.

FY 2018	1 January 2018	Cash flows	Foreign exchange movement	Disposal of subsidiaries	31 December 2018
	USD	USD	USD	USD	USD
Debt issued and borrowed funds	270,464,195	36,720,662	(27,102,659)	-	280,082,198
Total liabilities from financing activities	**270,464,195**	**36,720,662**	**(27,102,659)**	**-**	**280,082,198**

Changes in liabilities arising from financing activities in 2017.

FY 2017	1 January 2017	Cash flows	Foreign exchange movement	Disposal of subsidiaries	31 December 2017
	USD	USD	USD	USD	USD
Debt issued and borrowed funds	136,710,227	146,083,736	(1,638,980)	(10,690,788)	270,464,195
Total liabilities from financing activities	**136,710,227**	**146,083,736**	**(1,638,980)**	**(10,690,788)**	**270,464,195**

25.4.3 Interest Rate/Risk

Interest rate risk is the risk that profitability is affected by fluctuations in interest rates. The greatest interest rate risk the Company experiences occurs when the cost of funds increases faster than the Company can or is willing to adjust its lending rates. The Company's strategy in evaluating and managing its interest rate risk is to consider any risk at the pre-investment stage, to conduct a cost of funds analysis and to consider interest rates in particular, where there is a limit on the amount of interest it may charge, such as in India and Myanmar.

The credit methodology of the MFIs determines that loans to microfinance clients have short-term maturities of less than one year and at fixed interest rates. Third party loans to MFIs, sourced from both local and international financial institutions, mostly have relative short-terms between one and three years. 24% of the consolidated debt has variable interest rates. Depending on the extent of the exposure and hedging possibilities with regard to availability of hedging instrument and related pricing, the Company might actively hedge its positions to safeguard the Company's profits and to reduce the volatility of interest rates by using forwards, futures and interest rate swaps. The very short tenor of the loans provided to microfinance dampens the effect of interest rate fluctuations. Management considers that the impact of changes in interest rates has no material impact.

25.4.4 Exchange rate/Currency Risk

Currency risk is the possibility of financial loss to the Company arising from adverse movements in foreign exchange rates. Currency risk is a substantial risk for the Company, as most loans to MFIs and borrowers are in local currency in countries where currencies depreciation against the USD is often considered less predictable. At present the Company manages currency risk mainly through natural hedging, i.e. by matching the MFI's local currency assets consisting of the MFI's loan portfolio with local currency liabilities, i.e. by attracting debt fund denominated in local currency. The Company's risk policy allows the Group treasurer the possibility of hedging with instruments such as swaps and forward contracts if and when appropriate. In order to mitigate the foreign exchange risk on USD loans, ASA Pakistan, PPFCI, ASA Myanmar, ASA Kenya and ASA Tanzania entered into forward agreements during 2017 and 2018. The Company applies hedge accounting to the USD loans and related forward contracts. Reference is made to notes 2.2.2 (5) and 30.2.

25. RISK MANAGEMENT (Continued)

25.4 Financial Risk (continued)

25.4.4 Exchange rate/Currency Risk (continued)

While the Company faces significant translation exposure on its equity investments in local MFIs (as the functional currency of the Company is USD), the policy is not to hedge equity investments since the currency translation gain and loss on the latter do not affect the net profit of the Company.

In summary, the Company takes a number of measures to manage its foreign currency exposure:

- Investments are only made in countries that show a reasonable level of macroeconomic stability. A detailed macroeconomic and socio-political assessment is carried out before the Company decides to invest in a certain country.

- The Company endeavours to procure its MFIs secure local currency loans (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

Simulation: Foreign currency translation reserve

	FX translation reserve Actual	**FX translation reserve after -10% rate**	**Movement**	**FX translation reserve Actual**	**FX translation reserve after -10% rate**	**Movement**
	2018	**2018**	**2018**	**2017**	**2017**	**2017**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
West Africa	(18,592,807)	(21,374,561)	(2,781,754)	(17,234,539)	(19,432,705)	(2,198,166)
East Africa	(735,727)	(1,549,483)	(813,756)	(610,870)	(1,205,075)	(594,205)
South Asia	(14,301,552)	(19,430,480)	(5,128,928)	(6,698,571)	(10,236,063)	(3,537,492)
South East Asia	(2,677,591)	(4,073,321)	(1,395,731)	(1,398,232)	(2,817,487)	(1,419,255)
Non-operating entities	58,192	40,955	(17,237)	110,375	101,421	(9,418)
Total	**(36,249,485)**	**(46,386,890)**	**(10,137,406)**	**(25,831,837)**	**(33,589,909)**	**(7,758,536)**

Analysis of the actual exchange rate fluctuations against the USD for the period 2010-2018 shows different trends for the seven main currencies. The annual fluctuations are between 0% and 39%, but most moved within -5%. For the simulation of foreign currency effects the Company has therefore assumed a maximum 10% movement year on year in these currencies as compared to USD.

The following overview shows the actual foreign currency exchange results by country for 2018 as well as the simulation of the impact of a 10% downward movement of the FX rates on the foreign exchange results.

As at 31 December 2018 a 10% downward movement of FX rates against the USD has a negative impact on the foreign currency exchange result of USD (905,812) (2017: USD (1,429,056)). The lower impact on the result of the Company results from the new forward contracts in 2018 to mitigate this risk.

Simulation: Foreign exchange profit and loss

	Foreign exchange profit and loss actual	Foreign exchange profit and loss after -10% rate	Movement	Foreign exchange profit and loss actual	Foreign exchange profit and loss after -10% rate	Movement
	2018	2018	2018	2017	2017	2017
	USD	USD	USD	USD	USD	USD
West Africa	(125,288)	(385,695)	(260,407)	(89,271)	(304,088)	(214,817)
East Africa	(97,465)	(454,469)	(357,004)	(104,082)	(364,543)	(260,461)
South Asia	(309,015)	(321,224)	(12,209)	(826,715)	(865,374)	(38,659)
South East Asia	(104,404)	(264,719)	(160,315)	65,579	(344,284)	(409,863)
Non-operating entities	(353,367)	(469,244)	(115,877)	(274,751)	(779,979)	(505,256)
Total	**(989,539)**	**(1,895,351)**	**(905,812)**	**(1,229,240)**	**(2,658,268)**	**(1,429,056)**

25.5 Legal and Compliance Risk

Legal and compliance risks in the countries that the subsidiaries or MFIs are active in will be mitigated through continuous monitoring of regulatory and legal environment, through inter alia tier-one law firms and the local corporate secretaries. In most countries the relevant microfinance subsidiary also maintains direct relationships with the regulator, including central banks. In addition, the Company believes it is, through its local and international network, well positioned to identify any relevant changes in the law that will have a material impact on any of the businesses it invests in. A number of investments in the MFIs are made by ASAI NV in the Netherlands. The Netherlands has entered into an extensive network of Bilateral Investment Treaties that offer compensation in case any of such investments are nationalised or expropriated by a country in which an investment is made. Currently the investments in the Philippines, Sri Lanka, Uganda, Kenya and Ghana are owned by ASAI NV, an indirectly owned but wholly controlled subsidiary of the Company.

Product transparency is also key to the Group’s strategy in mitigating its legal and compliance risk. Because the education and knowledge levels of the Group’s target clients are low, the Group aims to be transparent in its products and prices.

The Group established a Legal and Compliance department headed by the General Counsel. The General Counsel assigns and supervises all legal matters involving the Group. The General Counsel and Head of Compliance establish and maintain an operationally independent Compliance Function at the corporate level led by the Group. Whilst the General Counsel bears overall responsibility for the Compliance Function, the General Counsel has delegated day-to-day responsibility for managing the Compliance Function to the Compliance Officer. The Compliance Officer is responsible for overseeing and implementing the Group compliance framework, including the Group compliance policy (the Compliance Policy). The Compliance Policy sets out the principles and standards for compliance and management of compliance risks in the Group. The Group seeks to reduce compliance risks taking into account the nature, scale and complexity of the business and ensures the policies are in alignment with the Group strategy and its core values. The Compliance Officer was appointed in 2018.

25.6 Strategic Risk

Strategic risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the environment. The Group evaluates its strategic risk by analysing its cost reduction and growth, its liquidity management and its competition and reputational risk.

Competition and reputational risk are frequent in the microfinance industry. The Group defines reputational risk as the risk to earnings or capital arising from negative public opinion. The Group believes that reputational risk may impact its ability to sell products and services or may limit its access to capital or cash funds. To mitigate any competition or reputational risk, the Group evaluates the introduction of highly subsidised competitors, movements in average borrowing rates, and information sharing with different agencies.

25. CONTINGENT LIABILITIES AND COMMITMENTS

The Company agreed certain commitments to BC Partners under the BC model in ASAI India. Reference is made to note 12. Similar commitments were agreed with Reliance, IDBI and MAS Financial Services Ltd in India, and in addition ASAI India issued demand promissory notes and Proswift issued a comfort letter to MAS. The Company has not entered into any other irrevocable commitments and contingent liabilities except for 2018 was USD 5,527,569 and for 2017 USD 1,526,928.

The Company has operational lease commitments. Reference is made to note 27.1.

27. RELATED PARTY DISCLOSURES

27.1 Key management personnel

When the Company was founded, it was provided access to ASA NGO Bangladesh's know-how (including operation manuals), IT platform and personnel under the Memorandum of Understanding between ASA International and ASA NGO Bangladesh, which was signed on 3 October 2007 ("MOU"). Over the last decade, the Group has developed its own know-how, as well as its proprietary AMBS system and no longer relies on the provisions of the MOU that give it access to ASA NGO Bangladesh's know-how and IT platform. It has also developed a deep pool of experienced personnel, but under the MoU can, from time to time, draw upon the qualified and experienced human resource pool at ASA NGO Bangladesh on a temporary, secondment basis.

In 2017 ASAI Management Services Ltd ("AMSL") was incorporated by the Company in Bangladesh and from 1 April 2018 all activities for the Company by ASA NGO in Dhaka, which were previously charged by ASA NGO to the Company as Technical Assistance fees, have been transferred to AMSL. These activities include the employment of former ASA NGO staff working in the Group head office in Dhaka and Dhaka office rent. AMSL will invoice these activities to the Company. The Dhaka office is managed by a team of seasoned microfinance experts who have previously held senior positions in ASA NGO Bangladesh, and have many years of expertise in managing and supporting microfinance institutions across Asia and Africa. In addition to supervising the performance of the Group's local microfinance institutions, executive management in Dhaka is primarily responsible for finance and accounts, risk management, audit, IT, human resource management, and corporate secretarial functions for the Group. The Amsterdam office, which hosts executive management (including the Chief Executive Officer), provides specialised accounting, finance, legal, corporate and compliance functions along with investment, treasury, (international) tax and funding, as well as the management of business development projects.

Under the MoU, ASA NGO Bangladesh also granted ASAIH a royalty-free licence to use the name "ASA" in all markets other than Bangladesh and agreed to make office space available to the Company in ASA NGO Bangladesh's Dhaka headquarters on a cost plus margin basis.

Remuneration directors

During 2018, the Directors of the Company received total compensation of USD 579,011 (ASAIH 2017: USD 75,000).

Total remuneration to key management personnel of the Company

Total remuneration takes the form of short-term employee benefits. In 2018, total remuneration amounted to USD

1,593,784. (ASAIH 2017: USD 1,133,06).

The remuneration for the Non-Executive Chairman Mr. Shafiqual Haque Choudhury and Executive Director and CEO Mr. Dirk Brouwer has not been charged to the ASAIH since inception, as this was paid out of the management fees paid by CMI to its investment manager CMIC unil 13 July 2018. As from 13 July 2018 these Directors receive remuneration from the Company.

No retirement benefits are accruing to Directors under defined benefit schemes. The aggregate of emoluments and amounts receivable under incentive schemes of the highest paid Director was USD 200,563.

27. RELATED PARTY DISCLOSURES (Continued)

27.2 Reporting dates of subsidiaries

All of the Company's subsidiaries have reporting dates on 31 December, with the exception of ASAI India, Proswift, Pinoy, Pagasa Consultancy and ASA Myanmar (where the market standard reporting date is 31 March). ASAI India, Proswift, Pinoy, Pagasa Consultancy and ASA Myanmar have provided financial statements for consolidation purposes for the year ended 31 December.

27.3Subsidiaries

	Country of Incorporation	2018 Ownership	2017 Ownership
ASAIH Subsidiaries:			
ASA Consultancy	Ghana	100%	100%
ASAI India	India	72.60%	66%
Pagasa Consultancy	India	99.99%	99.99%
Pinoy	India	100%	99.99%
ASAI Cambodia Holdings	Mauritius	0.00%	0.00%
Proswift Consultancy:	India	99.99%	100%
ASAI India	India	17.40%	22.06%
Pag-asa	The Philippines	N/A*	N/A*
PT PAGASA Consultancy	Indonesia	99.99%	99.99%
A1 Nigeria	Nigeria	100%	100%
ASHA Nigeria	Nigeria	99.99%	99.99%
ASI EA	Nigeria	N/A**	N/A**
ASA Pakistan	Pakistan	99.99%	99.99%
ASA Tanzania	Tanzania	99.99%	99.99%
ASA Myanmar	Myanmar	99.99%	99.99%
ASA Zambia	Zambia	99.99%	99.99%
ASA Rwanda	Rwanda	99.99%	99.99%
ASA Sierra Leone	Sierra Leone	99.99%	99.99%
ASAI Coop	The Netherlands	0%	50%
ASAI NV Subsidiaries:	The Netherlands	N/A	100%
PPFC	The Philippines	100%	100%
ASA Leasing	Sri Lanka	100%	100%
ASA S&L	Ghana	100%	100%
ASA Lanka	Sri Lanka	100%	100%
ASA Kenya	Kenya	100%	100%
ASA Uganda	Uganda	99.25%	100%
ASAB Lanka	Sri Lanka	0%	100%
AMSL	Bangladesh	95%	0%
ASAI I &M	The Netherlands	100%	0%
CMI Lanka***	Sri Lanka	100%	100%
Subsidiary: Lak Jaya	Sri Lanka	97.14%	97%

** CMI officials/representatives control the governing body and the Board.*

*** ASAI controls the governing body and the Board (through its officials/representatives).*

**** This refers to the beneficial ownership only. The legal ownership is held by CMI.*

27.4 Transfer of economic ownership

(a) As part of the required restructuring before listing of the Company, the Company acquired the shares in ASAIH and its subsidiaries on 13 July 2018 from CMI and Catalyst Continuity Ltd. in exchange for the issue of GBP 100 million of its own shares with a nominal value of GBP 1.00 each. The fair value of the acquired shares amounted to GBP 313 million based on the initial offer price of GBP 3.13 since this was the date of pricing of the Company's shares.

The Company had no activities until it acquired the shares in ASAIH and its subsidiaries. Subsequently it became an international microfinance holding company that owns and operates microfinance institutions in various countries throughout Asia and Africa. The Company was admitted to the Main Market of the London Stock Exchange with a with a premium listing on 18 July 2018.

27. RELATED PARTY DISCLOSURES (Continued)

27.4 Transfer of economic ownership (continued)

(b) The shares in ASA International NV ("ASAI NV"), a 100% subsidiary of ASAIH and shareholder of a number of the MFIs within the Group, has been transferred from ASAIH to the Company as part of an internal reorganisation on 28 December 2018. ASAIH and ASAI NV are since then sister companies, both owned 100% by the Company. The Company has executed a reduction of the nominal value of its shares from GBP 1.00 to GBP 0.01 per share which was approved by court on 18 December 2018.

(c) In 2009 CMI transferred its economic interests in the shares of CMI Lanka and PPFCI to ASAI NV. The legal transfer of the shares of CMI Lanka has not yet been executed. The purchase price for the CMI Lanka shares and the PPFC shares was paid by ASAI NV in December 2010.

(d) On 13 July 2018, the Company acquired 100% of the shares of ASA International Holding and its subsidiaries. Pursuant to this transaction all shares in the share capital of ASAI International Holding were distributed to the Company in exchange for the issue of 100 million shares in ASA International Group plc with a nominal value of GBP 1.00 each. The fair value of the acquired shares amounted to GBP 313 million based on the initial offer price of GBP 3.13 per share. This acquisition was accounted for using continuation of the existing Group book value because it was a transaction under common control for which no goodwill was identified.

Below is an analysis of assets and liabilities as per 13 July 2018 over which control was gained by the Company due to the acquisition of ASA International Holding and its subsidiaries as described under (d) above.

Acquisition of ASA International Holding	**USD**
Loans and advances to customers	313,530,993
Other financial instruments	200,000
Investment in subsidiaries and loans	1,100,000
Property and equipment	3,911,080
Intangible assets	171,148
Deferred tax assets	1,426,429
Other assets	11,274,470
Goodwill	38,632
Due from banks	17,319,961
Cash in hand and at bank	83,814,420
Total assets	**432,787,133**
Debt issued and other borrowed funds	278,899,463
Due to customers	56,383,005
Retirement benefit liability	1,230,153
Current tax liability	4,024,387
Deferred tax liability	105,607
Other liabilities	15,981,665
Total liabilities	**356,624,280**
Total identifiable net assets at fair value	**76,162,853**
Non-controlling interest	1,387,880
Net asset value of consolidation	**74,774,973**
Difference with statutory equity of ASAIH	967,787
Statutory equity of ASAIH	75,195,066

(e) On 31 October 2018, ASA Group plc agreed to acquire 100% interests in the shares of ASAI NV from ASA International Holding plc for a purchase price of USD 45,489,315. Pursuant to the agreement all shares in the issued capital of ASAI NV were distributed to ASA International Group plc (being 16,976,307 shares of EUR 1 each). The acquisition of the shares in ASAI NV is a transaction under common control. As such, in the standalone account of ASAIG, the initial recognition and measurement will be at the fair value of the consideration which is the purchase price of USD 45.5 million. This purchase price was based on the consolidated equity value of ASAI NV of USD 45.5 million as per the effective date of the transaction being 31 October 2018. The subsequent measurement will be at cost.

27. RELATED PARTY DISCLOSURES (Continued)

27.5 Relationship Agreement

Relationship agreement with the Controlling Shareholder Group

The Company, CMI, Catalyst Continuity Ltd and Mr. Dirk Brouwer and Mr. Md. Shafiqual Haque Choudhury (CMI, Catalyst Continuity Ltd and Mr. Dirk Brouwer and Mr. Md. Shafiqual Haque Choudhury jointly the "Controlling Shareholders") have entered into a relationship agreement (the "Relationship Agreement"), the principal purpose of which is to ensure that the Company will be able, at all times, to carry out its business independently of the members of the Controlling Shareholder Group and their respective associates and that all transactions and relationships between the Company and the Controlling Shareholder Group are at arm's length and on a normal commercial basis.

For so long as the Company has a controlling shareholder, the Articles allow for the election of any independent Director to be approved by separate resolutions of (i) the shareholders' and (ii) the shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent Director which (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (b) may be passed by a vote of the shareholders voting as a single class. Furthermore, in the event that the Company wishes the Financial Conduct Authority of the United Kingdom ("FCA") to cancel the listing of the shares on the premium segment of the official list maintained by the FCA or transfer the shares to the standard listing segment of the official list of the FCA, the Company must obtain at a general meeting the prior approval of (y) a majority of not less than 75% of the votes attaching to the shares voted on the resolution and (z) a majority of the votes attaching to the shares voted on the resolution excluding any shares voted by a controlling shareholder.

In all other circumstances, each of the selling shareholder and Continuity has, and will have, the same voting rights attached to the shares as all other shareholders.

27.6 Other related parties

A list of related parties with which ASA International has transactions is presented below. The transactions in 2018 and 2017 and the balances per the end of the year 2018 and 2017 with related parties can be observed in notes 5, 8, 16 and 23. Related party transactions take place at arm's length conditions.

Name of related party	**Relationship**
CMI	Major shareholder (41%)
Sequoia	Service provider to the Company
ASA NGO Bangladesh	Service provider to the Company
MBA Philippines	Business partner
IDFC	Minority shareholder in ASAI India
ASAICH and CMIIH	Subsidiaries of CMI
CMIMC	Holding company of founders CMI
CMIC	Investment manager of CMI

In consideration for the know-how and other services acquired under the MOU, in addition to reimbursement of costs and expenses, ASA was given the option right to purchase 5% of the outstanding capital stock of ASAIH (calculated on a fully diluted basis) at an exercise price which is equal to the issue price for every issue of capital stock to CMI. This option was exercised at 13 July 2018. In 2017 ASAI Management Services Ltd ("AMSL") was incorporated by ASAI NV in Bangladesh and from 1 April 2018 all activities for the Group by ASA NGO in Dhaka, which were previously charged by ASA NGO to ASAIH as Technical Assistance fees, have been transferred to AMSL. These activities include the employment of former ASA NGO staff working in the Group head office in Dhaka and Dhaka office rent. AMSL invoiced these activities to ASAIH.

27. RELATED PARTY DISCLOSURES (Continued)

27.6 Other related parties (continued)

		Income from related parties	Expenses to related parties	Amount owed by related parties	Amount owed to related parties
CMI	2018	28,979	-	241,575	21,018,520
	2017	-	-	15,692	16,258
CMIC	2018	-	34,408	-	138,178
	2017	-	-	-	25,422
Sequoia	2018	-	91,792	57,679	40,524
	2017	-	277,427	-	107,016
ASA Bangladesh	2018	-	1,266,698	-	118,164
	2017	-	1,182,187	58,822	-
MBA Philippines	2018	328,155	-	71,143	79,061
	2017	353,977	-	-	163,655
ASAICH	2018	-	-	-	-
	2017	-	-	87,053	-
CMIMC	2018	-	-	-	75,158
	2017	-	-	-	-
CMIIH	2018	4,685	-	96,313	-
	2017	4,893	-	154,087	-
IDFC	2018	2,503,425	-	627,544	570,597
	2017	663,113	-	151,427	282,160

27.7 Non-controlling Interest

The Company reports non-controlling interest ("NCI") in its subsidiaries ASAI India and Lak Jaya. The NCI in ASAI India, having its principal place of business in India, amounts to 11.7%. In March 2017 this NCI was reduced to 9.99% as per RBI guidelines. Cash consideration of USD 293,572 was paid to non-controlling shareholders. The carrying value of the additional interest was USD 138,367. A loss of USD 155,105 was recognised in retained earnings. The profit allocated to this NCI amounts to USD 463,895 in 2018. The accumulated amount of this NCI amounts to USD 1,976,897. ASAI India did not pay any dividend in 2018. The NCI in Lak Jaya, having its principal place of business in Sri Lanka, amounts to 2.86%. The profit allocated to this NCI amounts to USD 11,753 in 2018. The accumulated amount of this NCI amounts to USD 126,409. Lak Jaya declared a dividend of USD 87,248 in 2018.

27. RELATED PARTY DISCLOSURES (Continued)

27.7 Non-controlling Interest (continued)

The summarised financial information of Lak Jaya and ASAI India as at 31 December 2018 is as follows:

	2018		2017	
	Lak Jaya	ASAI India	Lak Jaya	ASAI India
	USD	USD	USD	USD
Current assets	11,844,201	117,446,342	10,161,855	112,460,864
Non-current assets	227,396	1,025,899	223,945	740,159
Current liabilities	7,481,988	98,116,861	5,281,774	102,270,624
Non-current liabilities	169,720	574,546	153,769	161,593
Operating income	3,673,369	13,968,981	3,444,823	8,191,523
Profit	404,647	4,641,733	836,493	2,794,012

28.1 SUBSEQUENT EVENTS DISCLOSURE

On 3 April 2019, Lak Jaya became a Licensed Microfinance Company, which will allow it to accept deposits from clients. The license was granted subject to certain conditions the company has to fulfil.

28.2 OPERATING LEASE COMMITMENTS

The Group has entered into operating leases for office buildings including branch offices. These leases have terms of between 12 months and eight years. Future minimum rentals payable under non-cancellable operating leases as at

31 December are as follows:

	2018	2017
Within one year	314,760	662,505
After one year but not more than five years	2,375,524	1,439,628
More than five years	118,673	38,787
	2,808,957	**2,140,920**

28.3 PENDING LITIGATIONS AND CLAIMS

ASA Pakistan

On 9 June 2017 a notice was issued by the income tax department to ASA Pakistan demanding an amount of [PKR 51.7 million] (USD [371,000]) towards the estimated advance tax for the quarter ending June 2017. ASA Pakistan replied to the demand stating that it had already paid the June 2017 advance tax and at the time of payment the accounts had been finalised and audited and the income tax liability was known. Accordingly, ASA Pakistan contended that the advance tax had been paid in full and no further amount was due to be paid. However, the department made an attempt to recover the demand of advance tax pursuant to which ASA Pakistan filed a petition in the High Court of Pakistan at Karachi which suspended the operation of recovery notice. The matter is still pending before the Courts. and no provision has been created.

ASAI India

Service Tax Authorities raised a claim on upfront interest that was charged to borrowers during the 2008-2011 period. ASAI India filed an appeal before the Appellate tribunal against the said claim of INR 2.48 Cr. (USD 357,000). The Appellate Tribunal has granted a Stay Order on the claim.

Demand was raised by IT authorities after disallowance of some expenditures such as misappropriation of funds, gratuity etc. for the AYs 2011-2012 and 2012-2013. Disallowance amount for AY 2011-2012 is Rs.1.26 Cr and for AY 2012-2013 is Rs.49 L (in total USD 188,345). Matters are pending before CIT (Appeals) and no provision has been created.

29. CAPITAL MANAGEMENT

The Company is a public limited company, incorporated in England and Wales with the registered number 11361159 and with its registered office situated at Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge KT13 0TS, United Kingdom. The Company listed its shares on the premium listing segment of the London Stock Exchange on 18 July 2018. The Group is not subject to externally imposed capital requirements and has no restrictions on the issue and re-purchase of ordinary shares.

30.1 FINANCIAL INSTRUMENTS

Table below shows the classification of financial instruments, as well as the fair value of those instruments not carried at fair value.

	Carrying values		**Fair values**	
	2018	**2017**	**2018**	**2017**
	USD	**USD**	**USD**	**USD**
ASSETS				
Available for sale	238,786	200,000	238,786	200,000
Financial assets at fair value through profit or loss	2,312,647	781,779	2,312,647	781,779
			-	-
Loans and receivables				
Loans and advances to customers	343,127,939	297,780,987	343,127,939	297,780,987
Due from banks	37,625,570	15,284,388	37,625,570	15,284,388
Other assets	4,469,971	3,047,429	4,469,971	3,047,429
Cash and cash equivalents	72,945,586	93,251,993	72,945,586	93,251,993
LIABILITIES AND EQUITY				
Financial liabilities measured at amortised cost				
Debt issued and borrowed funds	280,082,198	270,464,195	280,082,198	270,464,195
Due to customers	63,985,973	53,230,815	63,985,973	53,230,815
Financial liabilities at fair value through profit and loss	-	111,484	-	111,484
Other liabilities	28,061,984	4,688,972	28,061,984	4,688,972

- The carrying amounts of cash and cash equivalents, due from banks and due to customers approximate the fair value due to the very short-term maturities of these items.

-Loans and advances to customers are carried at amortised cost net of loan loss provisioning. Furthermore, the term of the loans to the microfinance borrowers is short (six to twelve months). Due to these circumstances, the carrying amount approximates fair value.

- Regarding the "Debt issued and other borrowed funds", this amount reflects the loans from third parties on holding level as well as the loans provided by third parties directly to the subsidiaries of ASA International.

The nominal value of the Gates Foundation Loan approximates the fair value because the loan has specific requirements of the Gates Foundation that the coupon of 2% is the most appropriate interest rate to be asked for this loan. The other loans are short term and held at amortized cost, therefore the carrying amount is the best approximation of the fair value.

30.2 HEDGE ACCOUNTING

The Company applies hedge accounting to USD loans provided to subsidiaries reporting in foreign currencies and the related forward contracts. The foreign currency risk exposure of the USD loans and the potential negative impact on net result of the subsidiaries are being mitigated by way of these forward contracts. Any positive impact is therefore also limited. ASA International has only entered into non-deliverable forward contracts. Management considers the hedges as cash flow hedges. The formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge are documented in the individual files and memos for every forward contract. The Company applies the qualitative approach for prospective testing effectiveness because the critical terms of the hedged items and hedging instruments are identical. The Company applies a rollover hedge strategy when no forward instruments are available at reasonable pricing for the full term of the hedged item. In those cases, the Company accepts a rollover risk. Retrospective effectiveness is measured by comparing the change in the fair value of the actual derivative designated as the hedging instrument and the change in the fair value of a hypothetical derivative representing the hedged item. The Company assessed it had no ineffectiveness during 2018 in relation to the foreign currency hedges.

Reference is made to note 2.2.2 (5) for the accounting treatment and note 25.4.5 for the strategy for currency exchange risk. Below we provide additional information on the hedged items and hedging instruments as per 31 December 2018.

As at 31 December 2018	**Total**
	USD
Fair value of forward contracts	(2,312,647)
Notional amount hedged USD loans	43,625,002
Period in which the cash flows are expected to occur:	-
cash flows in 2019	39,125,002
cash flows in 2020	3,500,000
cash flows in 2021	1,000,000
Total cash flows	**43,625,002**
Expected period to enter into the determination of profit or loss:	
amortisation of forward points in 2019	1,571,564
amortisation of forward points in 2020	161,622
amortisation of forward points in 2021	5,270
Total amortisation of forward points	**1,738,456**
Amounts recognised in OCI during the period:	
for amortisation of forward points	2,172,931
for changes in fair value of the forward contracts	6,843,323
for recycling of FX result of USD loans	(9,136,539)
Total amounts recognised in OCI during the period	**(120,285)**

30.2 HEDGE ACCOUNTING (Continued)

As at 31 December 2017	Total
	USD
Fair value of forward contracts	(670,295)
Notional amount hedged USD loans	40,166,668
Period in which the cash flows are expected to occur:	-
cash flows in 2018	36,166,668
cash flows in 2019	3,000,000
cash flows in 2020	1,000,000
Total cash flows	**40,166,668**
Expected period to enter into the determination of profit or loss:	
amortisation of forward points in 2018	1,406,619
amortisation of forward points in 2019	324,471
amortisation of forward points in 2020	42,371
Total amortisation of forward points	**1,773,461**
Amounts recognised in OCI during the period:	
for amortisation of forward points	1,092,476
for changes in fair value of the forward contracts	(108,759)
for recycling of FX result of USD loans	(1,003,317)
Total amounts recognised in OCI during the period	**(19,600)**

30.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. Loans and advances to customers are based on the same expected repayment behaviour as used for estimating the EIR. Debt issued and other borrowed funds reflect the contractual repayments.

As at 31 December 2018	Within 12 months	After 12 months	Total
	USD	USD	USD
Assets			
Cash and cash equivalents	71,545,650	1,399,936	72,945,586
Loans and advances to customers	284,408,528	58,719,411	343,127,939
Due from banks	35,497,788	2,127,782	37,625,570
Equity investment FVOCI	-	238,786	238,786
Property and equipment	753,850	3,751,827	4,505,677
Deferred tax assets	676,696	1,911,639	2,588,335
Other assets	11,729,618	259,658	11,989,276
Goodwill	-	33,423	33,423
Total assets	**404,612,130**	**68,442,462**	**473,054,592**

Liabilities			
Debt issued and other borrowed funds	162,980,304	117,101,894	280,082,198
Due to customers	63,985,973	-	63,985,973
Retirement benefit liability	568,025	901,443	1,469,468
Current tax liability	4,220,685	3,042,783	7,263,468
Deferred tax liability	54,997	14,116	69,113
Other liabilities	26,649,503	3,833,095	30,482,598
Provisions	1,153,410	-	1,153,410
Total liabilities	**259,612,897**	**124,893,331**	**384,506,228**
Net	**144,999,233**	**(56,450,869)**	**88,548,364**

30.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2017	**Within 12 months**	**After 12 months**	**Total**
	USD	**USD**	**USD**
Assets			
Cash and cash equivalents	89,054,611	4,197,382	93,251,993
Loans and advances to customers	273,142,025	24,638,962	297,780,987
Due from banks	11,466,744	3,817,644	15,284,388
Available for sale investment	-	200,000	200,000
Property and equipment	1,508,317.00	2,373,880	3,882,197
Deferred tax assets	757,864	769,530	1,527,394
Other assets	3,448,784	3,940,900	7,389,684
Goodwill	-	39,845	39,845
Total assets	**379,378,345**	**39,978,143**	**419,356,488**
Liabilities			
Debt issued and other borrowed funds	129,150,487	141,313,708	270,464,195
Due to customers	53,185,461	45,354	53,230,815
Retirement benefit liability	503,716	439,586	943,302
Current tax liability	3,841,338	-	3,841,338
Deferred tax liability	60,425	-	60,425
Other liabilities	5,152,963	1,463,182	6,616,145
Provisions	1,217,917	-	1,217,917
Total liabilities	**193,112,307**	**143,261,830**	**336,374,137**
Net	**186,266,038**	**(103,283,687)**	**82,982,351**

31. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

There are no share options which will have a dilutive effect on EPS. Therefore, the Company does not have dilutive potential ordinary shares and diluted earnings per share calculation is not applicable.

The following table shows the income and share data used in the basic and diluted EPS calculations:

	2018	2017
	USD	USD
Net profit attributable to ordinary equity holders of the parent	23,978,080	29,000,882
Weighted average number of ordinary shares for basic earnings per share	100,000,000	3,627,349
Earnings per share		
Equity shareholders of the parent for the year:		
Basic earnings per share	0.2	8.0
Diluted earnings per share	0.2	8.0

The Company has applied the number of shares issued by ASAIH for 2017 as ASAIG was not yet incorporated.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of financial statements which would require the restatement of EPS.

ASA INTERNATIONAL GROUP PLC

STATUTORY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018

	Notes	Period from 14 May 2018 to 31 December 2018
		USD
Dividend income		2,000,000
Net revenue		**2,000,000**
Personnel expenses	32.	(538,046)
Professional fees	32.1	(772,166)
Administrative expenses	32.2	(60,200)
Exchange rate differences		(3,776)
Total operating expenses		**(1,374,188)**
Profit before tax		**625,812**
Profit / Total comprehensive profit for the period, net of tax		**625,812**

The notes from 32 to 39 form an integral part of these financial statements.

ASA INTERNATIONAL GROUP PLC

STATUTORY STATEMENT OF FINANCIAL POSITION

	Notes	31-12-2018
		USD
ASSETS		
Due from banks	13.1	20,137,921
Investment in subsidiaries	33.	120,684,381
Other assets	34.	2,111,984
TOTAL ASSETS		**142,934,286**
EQUITY AND LIABILITIES		
EQUITY		
Issued capital	35.	1,310,000
Redeemable preference shares	36	65,500
Retained earnings	37	74,510,879
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**75,886,379**
LIABILITIES		
Other liabilities	38.	67,047,907
TOTAL LIABILITIES		**67,047,907**
TOTAL EQUITY AND LIABILITIES		**142,934,286**

The notes from 32 to 39 form an integral part of these financial statements.

ASA INTERNATIONAL GROUP PLC

STATUTORY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018

	Notes	**Issued capital**	**Redeemable preference shares**	**Retained earnings**	**Merger reserve**	**Total**
		USD	**USD**	**USD**	**USD**	**USD**
At 1 January 2018		**1**	**-**	**-**	**-**	**1**
Profit for the period		**-**	**-**	625,812	**-**	**625,812**
Total comprehensive loss for the period		**1**	**-**	**625,812**	**-**	**625,813**
Issue of capital		130,999,999	**-**	**-**	(55,804,933)	**75,195,066**
Issue of redeemable preference shares	36.	-	65,500	-	-	**65,500**
Capital reduction		(129,690,000)	**-**	73,885,067	55,804,933	**-**
At 31 December 2018		**1,310,000**	**65,500**	**74,510,879**	**-**	**75,886,379**

The notes from 32 to 39 form an integral part of these financial statements.

ASA INTERNATIONAL GROUP PLC

STATUTORY STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018

	Notes	Period from 14 May 2018 to 31 December
		USD
OPERATING ACTIVITIES		
Profit before tax		625,812
Adjustment for movement in:		
Operating assets	39.	(22,184,405)
Operating liabilities	39.	21,554,817
Non-cash items	39.	3,776
Income tax paid		
Net cash flows used in operating activities		**-**
Net increase in cash and cash equivalents		-
Cash and cash equivalents at 14 May		-
Cash and cash equivalents as at 31 December		**-**

The notes 32 to 39 form an integral part of these financial statements.

Separate financial statements

The accounting policies applied in the statutory financial statements are similar to those used in the consolidated financial statements except for investments in subsidiaries. Investments in subsidiaries are accounted in separate financial statements, using the cost method.

At each reporting date it is determined whether there is objective evidence that the investment in the subsidiaries is impaired. If there is such evidence, a calculation will be made for the impairment amount as the difference between the recoverable amount of the subsidiaries and it's carrying value.

32. TOTAL OTHER OPERATING EXPENSES

Total operating expenses include the following items:

		Period from 14 May 2018 to 31 December 2018
		USD
Personnel expenses		(538,046)
Professional fees	32.1	(772,166)
Administrative expenses	32.2	(60,200)
		(1,370,412)

		Period from 14 May 2018 to 31 December 2018
		USD
32.1	**Professional fees**	
	Audit service fee	(443,000)
	Other professional fees	(329,166)
		(772,166)

		Period from 14 May 2018 to 31 December 2018
		USD
32.2	**Administrative expenses**	
	Other administrative expenses	(60,200)
		(60,200)

33. INVESTMENTS IN SUBSIDIARIES

	31-12-2018
	USD
Investments in subsidiaries	
ASA International Holding	75,195,066
ASA International NV	45,489,315
	120,684,381

Name of Company	Country	Nature of Business	2018 Ownership
ASA International Holding	Mauritius	MFI Holding Company	100%
ASA International NV	Netherlands	MFI Holding Company	100%

34. OTHER ASSETS

The other assets comprised the following:

	31-12-2018
	USD
Other receivables	2,065,500
Advances and prepayments	46,484
	2,111,984

35. ISSUED CAPITAL

100 million ordinary shares of GBP 1.00 each and after capital reduction of GBP 0.01 each.

	31-12-2018
	USD
Movements in issued capital	
Capital at the beginning of the period	1
Issuance of capital	130,999,999
Capital reduction	(129,690,000)
Capital at the end of the period	**1,310,000**

36. REDEEMABLE PREFERENCE SHARES

50,000 Redeemable preference shares of GBP 1.00 each.

	31-12-2018
	USD
Movements in redeemable preference shares	
Amount at the beginning of the year	-
Issuance of redeemable preference shares	65,500
Balance at the end of the year	**65,500**

The redeemable preference shares were issued to CMI on 15 May 2018 to ensure sufficient paid up share capital to apply for a trading certificate. The issue was on an "undertaking to pay" basis which provided that CMI would pay for these shares on 15 May 2023 or, if sooner, upon a written demand by the Company. These shares hold no voting rights and do not carry rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. The redeemable preference shares will be redeemed and cancelled after filing of the 2018 audited financial statements of the Company after which CMI will be discharged of its obligation to pay for them.

37. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	31-12-2018
	USD
Balance at the beginning of the period	-
Capital reduction	73,885,067
Result for the period	625,812
Balance at the end of the period	**74,510,879**
Profit for the year	
Attributable to equity holders of the parent	625,812
	(120,684,381)

38. OTHER LIABILITIES

		31-12-2018
		USD
Other liabilities are as follows:		
Accrued audit fees		443,000
Accrued cost		41,929
Escrow liability to CMI	13.	20,137,921
Purchase price for ASAI NV to ASAIH	27.4	45,489,315
Other payables intercompany		935,742
		67,047,907

39. ADDITIONAL CASH FLOW INFORMATION

	2018
	USD
Changes in operating assets	
Due from banks	(20,137,921)
Other assets	(2,046,484)
	(22,184,405)
Changes in operating liabilities	
Other liabilities	21,554,817
	21,554,817
Changes in non-cash items	
Foreign exchange result	3,776
	3,776