Press release

ASA International Group plc reports FY 2021 results

Amsterdam, The Netherlands, 26 April 2022 - ASA International Group plc, ('ASA International', the 'Company' or the 'Group'), one of the world's largest international microfinance institutions, today announces its full year unaudited results for the year ended 31 December 2021.

Key performance indicators

(UNAUDITED) (Amounts in USD millions)	FY2021	FY2020	FY 2019	YoY % Change	YoY % Change (constant currency)
Number of clients (m)	2.4	2.4	2.5	*0%*	
Number of branches	2,044	1,965	1,895	*4%*	
Profit before tax	25.7	2.6	54.3	*897%*	*890%*
Net profit(1)	6.4	-1.4	34.5	*556%*	*523%*
OLP(2)	403.7	415.3	467.4	*-3%*	*3%*
Gross OLP	430.7	445.3	471.4	*-3%*	*3%*
PAR > 30 days(3)	*5.2%*	*13.1%*	*1.5%*		

(1) Net profit was reduced due to a conservative approach of not recognising a deferred tax asset for the tax losses carried forward by ASA India and the IFRS requirement for the provision of deferred taxes on future dividend payments by some of the Company's operating subsidiaries.
(2) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, excludes interest receivable, unamortized loan processing fees, and deducts modification losses and ECL provisions from Gross OLP.
(3) PAR>30 is the percentage of on-book OLP that has one or more instalment of repayment of principal past due for more than 30 days and less than 365 days, divided by the Gross OLP.

FY 2021 highlights

- The Company's operational and financial performance significantly improved with pre-tax profit increasing from USD 2.6 million in FY 2020 to USD 25.7 million in FY 2021.
- The recovery from the pandemic was led by strong operational and financial performance of ASA Savings & Loans in Ghana, ASA Pakistan and ASA Tanzania, which delivered substantial OLP growth, PAR>30 of less than 0.5%, and substantially increased profitability.
- Pagasa Philippines, ASA Nigeria and ASA Kenya also made significant positive contributions to the Group's net profitability.
- Due to the increased credit risk of the loan portfolio in 2021 caused by the adverse impact of Covid on the Group's clients' businesses, the Group charged USD 37.5 million (FY 2020: USD 27.2m) for expected credit losses ('ECL') into the Income Statement, of which USD 25.8 million was due to India.
- Following the end of the lockdowns in India, Sri Lanka, the Philippines, Myanmar and Uganda, the Group granted certain clients a temporary moratorium of the payment of one or more

loan instalments (which, in effect, extended the related loans for the moratorium period), which peaked at USD 48.3 million in June 2021 with 237K clients, mainly in India, benefiting from the moratorium, and reduced to USD 28.7 million by year-end 2021.
- PAR>30 decreased from 13.1% to 5.2% (after the restructuring of loans outstanding of approximately 38% of clients in India) by the end of December 2021.
- At 31 December 2021, the Group had approximately USD 91 million of unrestricted cash and cash equivalents, with a funding pipeline reaching approximately USD 192 million.
- The Group successfully raised USD 191 million in fresh debt to fund its operations in 2021.

Outlook

Whilst the impact of the Covid pandemic on the Group's operating subsidiaries remains unpredictable, it is expected that, the Group's operating and financial performance should substantially improve in 2022, based on the positive developments during the second half of 2021 and first quarter of 2022. This is assuming that the impact of expected food, commodities and energy inflation and related forex movements will not have a major adverse impact on the Group.

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

"We currently expect that the operating environment will further improve in most of our operating countries in the current financial year.
There has been an improvement of the situation in India, where the regulator introduced radical changes to the regulation of the Indian microfinance sector effective 1 April 2022. These changes are a positive development for the Company as it enables ASA India to price its loans based on the risk profile thereof and create a level playing field for NBFC-MFIs and banks active in the microfinance sector. The improvement in India has been partially offset by the continued challenging operating environment in Myanmar due to Covid and the military takeover, and in Sri Lanka which is currently suffering from an economic crisis."

CHIEF EXECUTIVE OFFICER'S REVIEW

Business review 2021

Due to the continuing impact of Covid in many of our operating countries in 2021, the operating environment remained challenging. We continued to focus on providing a safe working environment for all our staff and enable them to stay close to our clients during these difficult times. The pandemic continued to have significant implications for our staff and clients with the death of two of our 13,047 staff and 685 of our clients due to Covid in 2021. I express my gratitude to all of our colleagues in our head offices and in the field in all our countries for their commitment, hard work and for always keeping their focus on supporting our clients in these difficult operating circumstances.

Financial performance

I am particularly pleased that all but two of our major operating subsidiaries recovered to or exceeded pre-Covid operating and financial performance in 2021. Despite the ongoing challenges we face in

India and Myanmar, the performance of most of our other operating countries, including, particularly, Ghana, Pakistan and Tanzania, was excellent in terms of portfolio quality, growth and profitability. Most of our clients in these countries faced significantly less disruption to their businesses compared to 2020. ASA Nigeria and Pagasa Philippines also substantially improved their operating performance in 2021.

The Group maintains a diversified risk profile with operations across thirteen markets in Asia and Africa. As the impact of Covid on our clients substantially varies per country, the Company benefits from this relatively high level of diversification.

As a result of the improved operating performance in 2021 and despite a substantial USD 37.5m expense for expected credit losses (‘ECL’) which was primarily caused by the ongoing challenges we faced in India, the Group realised pre-tax profits of USD 25.7 million, which was substantially better than the USD 2.6 million generated in 2020.

Net income amounted to USD 6.4 million, which was adversely affected by the deferred tax provision on future dividend payments by some of the Company's operating subsidiaries in the current year. This resulted in a decrease of net income by USD 2.3 million. Furthermore, the Company took a conservative approach to the tax losses carried forward of ASA India, for which no deferred tax asset was recognised. This reduced net income by USD 5.6 million.

Due to the combination of significant write-offs and reduced loan disbursements in India, the Group’s net OLP decreased by 3% to USD 404 million with the number of clients stable at 2.4 million. In 2021, we opened 79 branches (+4%), the number of clients per branch decreased by 4% to 1,165 and the Average Gross OLP per Client decreased by 3% to USD 181. The Group’s operating subsidiaries, excluding India, collectively have been able to reduce PAR>30 to 1.7%. Ghana, Pakistan and Tanzania led the recovery with substantial OLP growth and high portfolio quality, with PAR>30 at less than 0.5%.

India

Given the challenging environment in India, ASA India reduced the disbursements of new loans and prioritised the recovery of existing loans. Reduced loan disbursements and significant write-offs caused OLP to go down by 34%. ASA India benefited from the Reserve Bank of India (‘RBI’) approved moratoriums, which were offered to many of its clients in September 2021, following the major adverse impact on our clients’ businesses as a result of the widespread Delta variant. This, combined with significant write-offs in the year improved PAR>30 from 31.9% to 19.7%. As a result of the adverse impact of the Delta variant, ASA India maintained a very cautious business profile with (i) selective disbursements of fresh loans, (ii) a strong focus on the recovery of overdue loans, and (iii) strict cost control. Since the beginning of 2022, we already have seen the positive benefits of this strategy with loan repayments of overdue loans steadily increasing. In addition, the RBI announced new regulation for all participants in the microfinance sector in India, effective 1 April 2022. The Group’s assessment is that this is a positive development for ASA India as it creates a level playing field in the microfinance sector. The key changes include (i) the removal of the interest rate cap and margin cap, (ii) lenders will be restricted to provide microfinance loans to clients up to a maximum of 50% of the client’s household income, and (iii) restrictions for banks which provide microfinance loans to use client savings as security collateral.

Digital Financial Services

In 2021, we made substantial progress in designing and developing a digital financial services ('DFS') platform for the Group. The objectives for building this DFS platform are as follows:

- Enable our existing microfinance clients to online transact and communicate by means of a proprietary application (the 'ASA App') designed for use by a client through their smart phone.
- The main function of the ASA App will be for clients to (i) receive loans, (ii) pay loan instalments, (iii) communicate with their designated loan officer, group leader and other group members, (iv) deposit funds into an interest-earning ASA deposit account, (v) make payments to third parties, such as, for instance, utility bills, school fees, etc, (vi) purchase goods for their specific business activity.
- Enable the broader public to deposit funds through our ASA App, complemented by our newly acquired Temenos Core Banking System ('CBS'), at competitive rates compared to any of our local banking peers.
- Since April 2021, the Group appointed a team of experienced DFS advisors, app and wireframe developers, a DFS development firm and an expert supplier market place ('SMP') development firm.
- Concurrently, the Group recruited, in support of our existing IT department with 60 staff based in Dhaka, a strong team of senior managers with substantial experience in (a) implementing and integrating DFS, CBS, SMP and other external payment gateways with the ASA App and (b) establishing a robust client support and fulfilment function, which conforms with the Group's existing business processes and meets our clients' needs.

The Group already started with the implementation project of (i) DFS, CBS and SMP in Ghana and (ii) CBS in Pakistan. The aim is to start the proof of concept of DFS by the first quarter of 2023, followed by full implementation in Ghana.

Competitive environment

The competitive landscape has not changed much across the Group. Our strongest competitors are in India, the Philippines, Nigeria, Tanzania and Uganda. In most other markets, we face less competition from traditional microfinance institutions. Up until now, we have not noticed significant competition from pure digital lenders.

Funding

The Group successfully raised USD 191m in fresh debt to fund its operations in 2021 and remains well capitalised with USD 91 million of unrestricted cash (including fixed deposits) as of 31 December 2021. Also, the Group has a strong funding pipeline of USD 192 million fresh loans, with over 58% having agreed terms and can be accessed in the short to medium term as of 31 March 2022. This reaffirms the confidence lenders have in the strength of the Group's business model and management's ongoing efforts to successfully steer the Group through the Covid pandemic.

ECL provision

In FY 2021 the Company assessed its year-end provision for expected credit losses at USD 27.5 million for its OLP, including the off-book BC portfolio and interest receivables. This is similar to the ECL provision made in 2020. Despite a majority of the Covid affected portfolio being written off in 2021 (USD 32.9 million vs USD 3.6 million in 2020), the Company maintained a significant provision mainly due to the increased credit risk profile across the portfolio due to the adverse impact of Covid on the businesses of clients, particularly in India. The USD 27.5 million ECL provision on OLP and interest receivables is concentrated in India (66%), the Philippines (7%) and Myanmar (8%), with the remainder spread more evenly across the other countries as percentage of each countries outstanding loan portfolio or as aggregate amount. Following the removal or relaxation of restrictions in most countries, collections have gradually improved with most countries now at pre-Covid levels of collections. The assessment for the ECL provisions includes uncertainty in the selected assumptions due to the lack of reliable historical data on the Covid pandemic's impact on loan recovery. As such, the resulting outcome of losses on the loan portfolio may be materially different. Further details on the ECL calculation are provided in note 2.5.2 of the Full Year Financial Report.

Dividend

The Board has decided not to declare a dividend for the year 2021 due to the ongoing impact of Covid-19 on the Group's financial performance during 2021. The Company will keep its dividend policy under review until next year.

Changes to the Board of Directors post 31 December 2021

On 25 April 2022, the Board appointed Karin Kersten to the Board and her election will therefore be proposed (together with that of the other Directors) at the Annual General Meeting to be held on 22 June 2022. As the Executive Director Corporate Development, Ms Kersten supports the Company in rolling out its strategy for the coming years. She joined the management of the Group as Corporate Development Director on 1 October 2021. Praful Patel will retire at the end of this year's AGM. We would like to thank Mr Patel for his outstanding contribution to the Company since 2008.

Webcast

Management will be hosting an audio webcast and conference call, with Q&A today at 14:00 (BST).

To access the audio webcast and download the 2021 FY results presentation, please go to the Investor section of the Company's website: Investors | Asa (asa-international.com). or use the following link: https://webcasting.brrmedia.co.uk/broadcast/624c6725e1d0d456b32a2daf

The presentation can be downloaded before the start of the webcast.
In order to ask questions, analysts and investors are invited to submit questions via the webcast.

2021 Statutory accounts

The financial information in this document do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). A copy of the accounts for the year ended 31 December 2020 was delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified but made reference to a material uncertainty in respect of going concern and did not contain statements under section 498 (2) or 498 (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2021 is not yet complete. The Directors expect the auditors' report to be unqualified and to make reference to a material uncertainty in respect of going concern due to the impact of COVID-19 and expect not to contain a statement under section 498 (2) or (3) of the Act. These accounts will be finalised on the basis of the financial information presented by the Directors in these preliminary results and will be delivered to the Registrar of Companies following the Company's annual general meeting.

Full Year Annual Report and Accounts

On 29 April 2022, the Company will publish the Annual Report and Accounts for the 12 months period ended 31 December 2021 on Investors | Asa (asa-international.com).

Annual General Meeting

The Annual General Meeting will be held on 22 June 2022.

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GROUP FINANCIAL PERFORMANCE

(UNAUDITED) **(Amounts in USD thousands)**	**FY2021**	**FY2020**	**FY 2019**	**YoY** **% Change**	**YoY % Change** **(constant currency)**
Profit before tax	25,705	2,578	54,336	*897%*	*890%*
Net profit	6,358	-1,395	34,497	*556%*	*523%*
Cost/income ratio	*77%*	*98%*	*60%*		
Return on average assets (TTM)[1]	*1.1%*	*-0.2%*	*6.7%*		
Return on average equity (TTM)[1]	*6.0%*	*-1.3%*	*34.5%*		
Earnings growth (TTM)[1]	*556%*	*-104%*	*6%*		
OLP	403,738	415,304	467,429	*-3%*	*3%*
Gross OLP	430,698	445,257	471,420	*-3%*	*3%*
Total assets	562,554	579,260	559,958	*-3%*	
Client deposits [2]	87,812	80,174	78,080	*10%*	
Interest-bearing debt [2]	314,413	337,632	317,810	*-7%*	
Share capital and reserves	103,443	107,073	111,169	*-3%*	
Number of clients	2,380,690	2,380,685	2,534,015	*0%*	
Number of branches	2,044	1,965	1,895	*4%*	
Average Gross OLP per client (USD)	181	187	186	*-3%*	*3%*
PAR > 30 days	*5.2%*	*13.1%*	*1.5%*		
Client deposits as % of loan portfolio	*22%*	*19%*	*17%*		

[1] TTM refers to trailing twelve months.
[2] Excludes interest payable.

Regional performance

South Asia

(UNAUDITED) (Amounts in USD thousands)	FY2021	FY2020	FY 2019	YoY % Change	YoY % Change (constant currency)
Profit before tax	-8,229	-5,537	20,020	*-49%*	*-49%*
Net profit	-12,393	-4,360	14,098	*-184%*	*-189%*
Cost/income ratio	*154%*	*134%*	*50%*		
Return on average assets (TTM)	*-5.5%*	*-1.7%*	*6.1%*		
Return on average equity (TTM)	*-27.3%*	*-7.8%*	*26.6%*		
Earnings growth (TTM)	*-184%*	*-131%*	*-5%*		
OLP	182,329	217,843	254,361	*-16%*	*-11%*
Gross OLP	201,405	238,738	256,578	*-16%*	*-11%*
Total assets	198,393	253,360	252,034	*-22%*	
Client deposits	2,464	2,610	2,082	*-6%*	
Interest-bearing debt	146,522	183,756	177,257	*-20%*	
Share capital and reserves	37,506	53,232	58,703	*-30%*	
Number of clients	1,106,469	1,185,656	1,234,638	*-7%*	
Number of branches	778	758	751	*3%*	
Average Gross OLP per client (USD)	182	201	208	*-10%*	*-4%*
PAR > 30 days	*9.6%*	*21.3%*	*2.0%*		
Client deposits as % of loan portfolio	*1%*	*1%*	*1%*		

- Pakistan continued to grow its OLP while maintaining a strong portfolio quality since the end of 2020.
- Due to the second wave of infections of Covid-19 and associated lockdowns, operations were substantially disrupted in India and Sri Lanka.
- A shrinking OLP along with increased provisions for expected credit losses in India as well as currency depreciation in Pakistan and Sri Lanka (PKR down 11% and LKR down 9% YoY against USD) led to South Asia's USD net loss widening to USD 12.4 million.

India

ASA India shrank its operations over the past 12 months:

- Number of clients down from 714k to 541k (down 24% YoY)
- Number of branches down from 400 to 387 (down 3% YoY)
- OLP declined from INR 7.3bn (USD 101m) to INR 4.5bn (USD 61m) (down 38% YoY *in INR*)
- Off-book portfolio declined from INR 3.4bn (USD 46.4m) to INR 2.7bn (USD 35.7m) (down 22% *in INR*). This now includes INR 133.9m (USD 1.8m) of the portfolio transferred under a direct assignment ('DA') agreement to State Bank of India
- Gross OLP/Client down from INR 17K to INR 16K (down 7% YoY *in INR*)
- PAR>30 decreased from 31.9% to 19.7%USD 22.9m monthly average of moratoriums granted to 126k monthly average of clients whose loans were restructured in line with RBI guidelines

*See note 13.1 to the consolidated financial statements for details on the off-book portfolio.

Pakistan

ASA Pakistan grew its operations over the past 12 months:

- Number of clients increased from 416k to 512k (up 23% YoY)
- Number of branches up from 292 to 325 (up 11% YoY)
- OLP up from PKR 10.0bn (USD 62.5m) to PKR 13.8bn (USD 77.7m) (up 38% in *PKR*)
- Gross OLP/Client up from PKR 24.8K (USD 155) to PKR 27.3K (USD 154) (up 10% YoY in *PKR)*
- PAR>30 decreased from 4.0% to 0.2%
- No moratoriums granted to clients

Sri Lanka

Lak Jaya continued to feel the negative impact of Covid over the past 12 months:

- Number of clients down from 56k to 53k (down 5% YoY)
- Number of branches remained at 66
- OLP increased from LKR 1.56n (USD 8.4m) to LKR 1.57bn (USD 7.7m) (up 1% YoY in *LKR*)
- Gross OLP/Client up from LKR 30.2K (USD 163) to LKR 32.0K (USD 158) (up 6% YoY in *LKR*)
- PAR>30 decreased from 7.6% to 6.0%
- USD 58k monthly average of moratoriums granted to 4k monthly average of clients

South East Asia

(UNAUDITED) (Amounts in USD thousands)	FY2021	FY2020	FY 2019	YoY % Change	YoY % Change (constant currency)
Profit before tax	34	-4,348	7,511	*101%*	*81%*
Net profit	-339	-3,366	5,349	*90%*	*69%*
Cost/income ratio	*97%*	*135%*	*74%*		
Return on average assets (TTM)	*-0.3%*	*-2.7%*	*4.8%*		
Return on average equity (TTM)	*-1.8%*	*-16.1%*	*29.1%*		
Earnings growth (TTM)	*90%*	*-163%*	*38%*		
OLP	62,328	74,214	84,205	*-16%*	*-4%*
Gross OLP	66,784	80,832	84,886	*-17%*	*-5%*
Total assets	105,872	119,152	125,750	*-11%*	
Client deposits	20,956	24,000	22,995	*-13%*	
Interest-bearing debt	60,392	66,412	72,419	*-9%*	
Share capital and reserves	16,827	20,259	21,453	*-17%*	
Number of clients	400,021	428,645	491,813	*-7%*	
Number of branches	420	415	405	*1%*	
Average Gross OLP per client (USD)	167	189	173	*-11%*	*1.5%*
PAR > 30 days	*2.1%*	*4.1%*	*1.0%*		
Client deposits as % of loan portfolio	*34%*	*32%*	*27%*		

- Pagasa Philippines improved its collection efficiency and returned towards growth of its OLP.
- In Myanmar, client and OLP growth stalled due in large part to disruptions brought on by civil unrest and Covid.

The Philippines

Pagasa Philippines operations grew over the last 12 months despite the impact from Covid:

- Number of clients down from 299k to 289k (down 4% YoY)
- Number of branches up from 322 to 324 (up 1% YoY)
- OLP up from PHP 2.2bn (USD 45.3m) to PHP 2.3bn (USD 44.6m) (up 5% YoY in *PHP*)
- Gross OLP/Client increased from PHP 8.1K (USD 168) to PHP 8.2K (USD 161) (up 2% YoY in *PHP)*
- PAR>30 decreased from 6.4% to 2.5%
- USD 3k monthly average of moratoriums granted to 136 monthly average of clients

Myanmar

ASA Myanmar saw a decline in clients and OLP over the trailing 12 months:

- Number of clients down from 129k to 111k (down 14% YoY)
- Number of branches increased from 93 to 96 (up 3% YoY)
- OLP down from to MMK 38.4bn (USD 28.9m) to MMK 31.5bn (USD 17.7m) (down 18% YoY *in MMK*)
- Gross OLP/Client up from MMK 316K (USD 237) to MMK 324K (USD 182) (up 3% YoY *in MMK*)
- PAR>30 increased from 0.5% to 1.1%
- USD 834k monthly average of moratoriums granted to 41k monthly average of clients

West Africa

(UNAUDITED) (Amounts in USD thousands)	FY2021	FY2020	FY 2019	YoY % Change	YoY % Change (constant currency)
Profit before tax	35,583	19,268	23,113	*85%*	*89%*
Net profit	25,019	13,443	15,935	*86%*	*90%*
Cost/income ratio	*37%*	*49%*	*45%*		
Return on average assets (TTM)	*20.6%*	*13.2%*	*17.3%*		
Return on average equity (TTM)	*45.4%*	*31.1%*	*45.7%*		
Earnings growth (TTM)	*86%*	*-16%*	*-6%*		
OLP	94,201	77,835	77,200	*21%*	*29%*
Gross OLP	95,879	79,499	78,078	*21%*	*28%*
Total assets	134,719	107,748	95,240	*25%*	
Client deposits	46,548	39,788	38,195	*17%*	
Interest-bearing debt	7,100	10,255	11,919	*-31%*	
Share capital and reserves	61,222	49,033	37,452	*25%*	
Number of clients	457,302	447,122	459,022	*2%*	
Number of branches	440	433	423	*2%*	
Average Gross OLP per client (USD)	210	178	170	*18%*	*25%*
PAR > 30 days	*2.6%*	*2.7%*	*1.5%*		
Client deposits as % of loan portfolio	*49%*	*51%*	*49%*		

- West Africa's operational and financial performance continued to improve despite the market environment still being challenging due to Covid.
- A depreciation of NGN (7% down against USD in FY 2021) and SLL (12% down against USD in FY 2021) impacted profitability and OLP growth in USD terms.

Ghana

ASA Savings & Loans operations improved with OLP above pre-Covid levels with excellent portfolio quality:

- Number of clients up from 158.0k to 158.4k (up 0.3% YoY)
- Number of branches up from 129 to 133 (up 3% YoY)
- OLP up from GHS 248.3m (USD 42.3m) to GHS 301.7m (USD 48.9m) (up 22% YoY in *GHS*)
- Gross OLP/Client up from GHS 1.6k (USD 269) to GHS 1.9k (USD 310) (up 21% YoY in *GHS*)
- PAR>30 decreased from 0.4% to 0.3%
- No moratoriums granted to clients

Nigeria

ASA Nigeria saw an improvement of operations with OLP also above pre-Covid levels in NGN:

- Number of clients up from 253k to 254k (up 0.3% YoY)
- Number of branches maintained at 263
- OLP up from NGN 12.0bn (USD 31.2m) to NGN 15.9bn (USD 38.5m) (up 32% YoY *in NGN*)
- Gross OLP/Client up from NGN 50k (USD 129) to NGN 65k (USD 157) (up 31% YoY *in NGN*)
- PAR>30 decreased from 5.5% to 4.6%
- No moratoriums granted to clients

Sierra Leone

ASA Sierra Leone continued to successfully expand with client, branch and OLP growth:

- Number of clients up from 36k to 45k (up 24% YoY)
- Number of branches up from 41 to 44 (up 7% YoY)
- OLP up from SLL 43.6bn (USD 4.3m) to SLL 76.1bn (USD 6.7m) (up 75% YoY *in SLL*)
- Gross OLP/Client up from SLL 1.2m (USD 123) to SLL 1.7m (USD 154) (up 39% YoY *in SLL*)
- PAR>30 increased from 4.4% to 7.5%
- No moratoriums granted to clients

East Africa

(UNAUDITED) (Amounts in USD thousands)	FY2021	FY2020	FY 2019	YoY % Change	YoY % Change (constant currency)
Profit before tax	6,605	1,652	8,785	*300%*	*297%*
Net profit	4,631	1,069	6,160	*333%*	*326%*
Cost/income ratio	*75%*	*90%*	*62%*		
Return on average assets (TTM)	*6.5%*	*1.8%*	*12.6%*		
Return on average equity (TTM)	*25.5%*	*6.7%*	*51.0%*		
Earnings growth (TTM)	*333%*	*-83%*	*69%*		
OLP	64,881	45,413	51,664	*43%*	*43%*
Gross OLP	66,629	46,188	51,878	*44%*	*44%*
Total assets	83,602	59,802	59,356	*40%*	
Client deposits	17,843	13,776	14,808	*30%*	
Interest-bearing debt	41,201	26,292	25,835	*57%*	
Share capital and reserves	19,973	16,313	15,476	*22%*	
Number of clients	416,898	319,262	348,542	*31%*	
Number of branches	406	359	316	*13%*	
Average Gross OLP per client (USD)	160	145	149	*10%*	*10%*
PAR > 30 days	*1.3%*	*13.2%*	*0.6%*		
Client deposits as % of loan portfolio	*28%*	*30%*	*29%*		

- East Africa saw an improvement in operational performance and profitability due to continued growth in Tanzania and improvements in the operating environment in Kenya, Uganda and Rwanda.

Kenya

ASA Kenya expanded its operations over the 12 months period:

- Number of clients up from 92k to 119k (up 29% YoY) and above pre-Covid levels
- Number of branches up from 100 to 112 (up 12% YoY)
- OLP up from KES 1.4bn (USD 12.7m) to KES 1.8bn (USD 16.1m) (up 32% YoY in KES)
- Gross OLP/Client up from KES 15K (USD 142) to KES 16K (USD 140) (up 2% YoY in KES)
- PAR>30 decreased from 21.9% to 1.1%
- No moratoriums granted to clients

Uganda

ASA Uganda saw a growth in operations over the last 12 months:

- Number of clients up from 81k to 92k (up 13% YoY)
- Number of branches up from 98 to 103 (up 5% YoY)
- OLP up from UGX 29.3bn (USD 8.0m) to UGX 31.8bn (USD 9.0m) (up 9% YoY in *UGX)*
- Gross OLP/Client up from UGX 366K (USD 100) to UGX 378K (USD 107) (up 3% YoY in UGX)
- PAR>30 decreased from 29.1% to 3.8%
- No moratoriums granted to clients

Tanzania

ASA Tanzania managed to significantly expand its operations over the last 12 months:

- Number of clients up from 121k to 174k (up 43% YoY)
- Number of branches up from 121 to 143 (up 18% YoY)
- OLP up from TZS 49.6bn (USD 21.4m) to TZS 79.0bn (USD 34.3m) (up 59% YoY in TZS)
- Gross OLP/Client up from TZS 413k (USD 178) to TZS 460k (USD 200) (up 11% YoY in TZS)
- PAR>30 decreased from 2.5% to 0.5%
- No moratoriums granted to clients

Rwanda

ASA Rwanda saw an increase in OLP despite having fewer clients over the last 12 months:

- Number of clients declined from 19k to 18k (down 6% YoY)
- Number of branches maintained at 30
- OLP up from RWF 2.9bn (USD 2.9m) to RWF 3.4bn (USD 3.3m) (up 19% YoY in *RWF*)
- Gross OLP/Client up from RWF 151K (USD 153) to RWF 193K (USD 187) (up 28% YoY in RWF)
- PAR>30 decreased from 10.1% to 4.5%
- No moratoriums granted to clients

Zambia

ASA Zambia managed to expand its operations:

- Number of clients increased from 5k to reach 15k
- Number of branches increased from 10 to 18
- OLP up from ZMW 7.9m (USD 372k) to ZMW 36.4m (USD 2m)
- Gross OLP/Client up from ZMW 1.6k (USD 76) to ZMW 2.5k (USD 151)
- PAR>30 declined to 0.3%
- No moratoriums granted to clients

Regulatory environment

The Company operates in a wide range of jurisdictions, each with their own regulatory regimes applicable to microfinance institutions.

Key events 2022

India

- On 14 March 2022, the RBI announced the new regulation for the microfinance sector in India, applicable to all banks, NBFC-MFIs and other participants in the microfinance sector. The Group's preliminary assessment is that this is a positive development for ASA India as it creates a level playing field in the microfinance sector. The key changes include the removal of the interest rate cap and margin cap, loans shall be collateral-free (also for banks providing microfinance loans), and lenders will be restricted to provide microfinance loans to clients up to a maximum of 50% of the client's household income.
- As of 1 April 2022, ASA India offers an average interest rate of 24.5%, ranging from 23% to 27%, subject to the assessed risk of the loan.

Pakistan

- The State Bank of Pakistan completed the inspection of ASA Pakistan in 2021. ASA Pakistan is now awaiting the microfinance bank license.

Sri Lanka

- In Sri Lanka measures have been taken including restricting loan sizes in order to prevent clients from over-borrowing due to the current economic crisis.

Myanmar

- Disruptions and civil unrest in Myanmar following the military's takeover of the Government in February 2021 with nationwide protests and any related governmental measures continue to impact the operations.

Tanzania

- ASA Tanzania is preparing the application for a deposit-taking licence to be submitted to the central bank in 2022.

Kenya

- ASA Kenya is preparing the application for a deposit-taking licence to be submitted to the central bank in 2022.

Regulatory capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 2021, 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 minimised by having all loans to any of the Group's operating subsidiaries denominated or duly 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 remain exposed to currency movements in both (i) the profit and loss statement, which will be affected by the translation of profits in local currencies into USD, and (ii) the balance sheet, due to the erosion of capital of each of its operating subsidiaries in local currency when 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 FY 2021:

In USD millions

	31 Dec 21	**31 Dec 20**	**31 Dec 19**
Local deposits	87.8	80.2	78.1
Loans from financial institutions	249.8	274.1	260.6
Microfinance loan funds	36.5	23.5	27.2
Loans from dev. banks & foundations	28.1	40.0	30.0
Equity	103.4	107.1	111.2
Total funding	**505.7**	**524.9**	**507.1**

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 for the bulk of the loans.

The Group and its subsidiaries have existing credit relationships with more than 60 lenders throughout the world, which has provided reliable access to competitively priced funding for the growth of its loan portfolio.

On 14 April 2022, the Company drew an additional USD 4.0 million from the existing facility agreement signed in November 2021 with Symbiotics, a leading impact platform for impact investing managed funds.

During 2021, a number of loan covenants, particularly related to portfolio quality, were breached across the Group. As of 31 December 2021, the balance for credit lines with breached covenants that did not have waivers amounted to USD 111.0 million out of which waivers for USD 36.7 million have been subsequently received. The majority of the waivers which are pending relate to our India operations where a majority of our lenders are local institutions, who usually provide waivers after the end of the statutory accounting period (31 March 2022).

Based on the received waivers, ongoing discussions, prior experience, and new funding commitments received, the Group has a high degree of confidence that all the required waivers will be obtained. It should be noted that none of the lenders have initiated any accelerated calls to any of the Group's outstanding obligations during 2020 and 2021.

The Company has also received temporary waivers, no-action and/or comfort letters from some of its major lenders for the remainder of 2022 due to expected portfolio quality covenant breaches (primarily PAR>30). The impact of these potential covenant breaches was further assessed in the evaluation of the Company's going concern as disclosed in note 2.1.1 of the full year financial report, where the Directors have concluded that there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

Impact of foreign exchange rates

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

The effect of this is that generally (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	**FY 2021**	**FY 2020**	**FY 2019**	***Δ FY 2020 - FY 2021***
India (INR)	74.4	73.0	71.3	(2%)
Pakistan (PKR)	177.5	160.3	154.8	(11%)
Sri Lanka (LKR)	202.9	185.3	181.4	(9%)
The Philippines (PHP)	51.1	48.0	50.7	(6%)
Myanmar (MMK)	1778.5	1330.7	1487.0	(34%)
Ghana (GHS)	6.2	5.9	5.7	(5%)
Nigeria (NGN)	411.5	384.6	362.5	(7%)

Sierra Leone (SLL)	11289.0	10107.0	9782.7	(12%)
Kenya (KES)	113.2	109.0	101.4	(4%)
Uganda (UGX)	3546.2	3647.7	3665.4	3%
Tanzania (TZS)	2303.7	2317.2	2298.0	1%
Rwanda (RWF)	1031.8	986.4	943.2	(5%)
Zambia (ZMW)	16.7	21.1	14.1	21%

During FY 2021, the US Dollar particularly strengthened against PKR +11%, MMK +34% and SLL +12%. This had an additional negative impact on the USD earnings contribution of these subsidiaries to the Group and also contributed to an increase in foreign exchange translation losses. The total contribution to the foreign exchange translation loss reserve during FY 2021 amounted to USD 11.0m of which USD 3.8m related to the depreciation of the PKR, USD 2.9m related to the depreciation of the MMK, and USD 1.4m to depreciation of the NGN. This compared to a total contribution to the foreign exchange translation reserve of USD 2.0m in 2020.

Forward-looking statement and disclaimers

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, issue, subscribe for, sell or otherwise dispose of any securities, nor any solicitation of any offer to purchase, otherwise acquire, issue, subscribe for, sell, or otherwise dispose of any securities. The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		USD'000	**USD'000**
Interest income calculated using Effective Interest Rate ('EIR')	4.1.	175,732	131,339
Other interest and similar income	4.2.	14,035	10,747
Interest and similar income		**189,767**	**142,086**
Interest and similar expense	5.	(42,439)	(40,445)
Net interest income		**147,328**	**101,641**
Other operating income	6.	10,518	10,460
Total operating income		**157,846**	**112,101**
Credit loss expense	7.	(37,509)	(27,250)
Net operating income		**120,337**	**84,851**
Personnel expenses	8.	(56,813)	(51,608)
Depreciation on property and equipment	16.	(1,985)	(1,782)
Depreciation on right-of-use assets	17.	(4,398)	(4,428)
Other operating expenses	9.	(29,904)	(24,961)
Exchange rate differences	10.	(1,532)	506
Total operating expenses		**(94,632)**	**(82,273)**
Profit before tax		**25,705**	**2,578**
Income tax expense	11.	(15,594)	(3,518)
Withholding tax expense	11.7.	(3,753)	(455)
Profit/(loss) for the period		**6,358**	**(1,395)**
Profit/(loss) for the period attributable to:			
Equity holders of the parent		8,787	(720)
Non-controlling interest		(2,429)	(675)
		6,358	**(1,395)**
Other comprehensive income:			
Foreign currency exchange differences on translation of foreign operations		(11,583)	(2,130)
Movement in hedge accounting reserve	23.	1,381	322
Others		(365)	(3)
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		**(10,567)**	**(1,811)**
(Loss)/gain on revaluation of MFX investment	15.	(1)	6
Actuarial gains and (losses) on defined benefit liabilities	8.1.	698	(896)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**697**	**(890)**
Total comprehensive (loss) for the period, net of tax		**(3,512)**	**(4,096)**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		(1,096)	(3,338)
Non-controlling interest		(2,416)	(758)
		(3,512)	**(4,096)**
Earnings per share	39.	**USD**	**USD**
Equity shareholders of the parent for the period:			
Basic earnings per share		0.09	(0.01)
Diluted earnings per share		0.09	(0.01)

UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021	2020
		USD'000	**USD'000**
ASSETS			
Cash at bank and in hand	12.	87,951	90,165
Loans and advances to customers	13.	373,242	380,122
Due from banks	14.	65,259	73,279
Equity investments at Fair Value through Other Comprehensive Income ('FVOCI')	15.	237	238
Property and equipment	16.	4,085	4,617
Right-of-use assets	17.	5,031	5,195
Deferred tax assets	11.2.	13,362	11,303
Other assets	18.	8,939	13,600
Derivative assets	19.	3,966	708
Goodwill and intangible assets	20.	482	33
TOTAL ASSETS		**562,554**	**579,260**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	21.	1,310	1,310
Retained earnings	22.	155,405	147,291
Other reserves	23.	995	(718)
Foreign currency translation reserve	24.	(54,132)	(43,091)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**103,578**	**104,792**
Total equity attributable to non-controlling interest	31.6.	(135)	2,281
TOTAL EQUITY		**103,443**	**107,073**
LIABILITIES			
Debt issued and other borrowed funds	25.	318,674	342,186
Due to customers	26.	87,812	80,174
Retirement benefit liability	8.1.	5,391	5,446
Current tax liability	11.1.	6,265	2,502
Deferred tax liability	11.3.	2,296	-
Lease liability	17.	3,459	3,629
Derivative liabilities	19.	602	2,147
Other liabilities	27.	32,937	33,855
Provisions	28.	1,675	2,248
TOTAL LIABILITIES		**459,111**	**472,187**
TOTAL EQUITY AND LIABILITIES		**562,554**	**579,260**

UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Issued capital	Retained earnings	Other reserves	Foreign currency translation reserve	Non-controlling interest	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2020	**1,310**	**148,011**	**(147)**	**(41,044)**	**3,039**	**111,169**
(Loss) for the year	-	(720)		-	(675)	**(1,395)**
Other comprehensive income:						
Actuarial gains and losses on defined benefit liabilities	-	-	(896)	-	-	**(896)**
Foreign currency translation of assets and liabilities of subsidiaries	-	-	-	(2,047)	(83)	**(2,130)**
Movement in hedge accounting reserve	-	-	322	-	-	**322**
Other comprehensive income (net of tax)	-	-	3	-	-	**3**
Total comprehensive (loss)/ income for the period	**-**	**(720)**	**(571)**	**(2,047)**	**(758)**	**(4,096)**
Dividend	-	-	-	-	-	**-**
At 31 December 2020	**1,310**	**147,291**	**(718)**	**(43,091)**	**2,281**	**107,073**
At 1 January 2021	**1,310**	**147,291**	**(718)**	**(43,091)**	**2,281**	**107,073**
Profit for the year	-	8,787		-	(2,429)	**6,358**
Other comprehensive income:						
Actuarial gains and losses on defined benefit liabilities	-		698	-	-	**698**
Foreign currency translation of assets and liabilities of subsidiaries	-		-	(11,596)	13	**(11,583)**
Movement in hedge accounting reserve	-		1,381	-	-	**1,381**
Disposal of ASA Consulatancy limited and ASA Cambodia Holdings	-	(673)	-	555	-	**(118)**
Other comprehensive income (net of tax)	-		(366)	-	-	**(366)**
Total comprehensive (loss)/ income for the period	**-**	**8,114**	**1,713**	**(11,041)**	**(2,416)**	**(3,630)**
Dividend	-	-	-	-	-	-
At 31 December 2021	**1,310**	**155,405**	**995**	**(54,132)**	**(135)**	**103,443**

UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		USD'000	USD'000
OPERATING ACTIVITIES			
Profit before tax		25,705	2,578
Adjustment for movement in:			
Operating assets	29.1.	(88,777)	(42,513)
Operating liabilities	29.2.	13,004	10,443
Non-cash items	29.3.	76,843	38,202
Income tax paid		(14,260)	(16,871)
Net cash flows used in operating activities		**12,515**	**(8,161)**
INVESTING ACTIVITIES			
Purchase of property and equipment	16.	(1,713)	(981)
Proceeds from sale of property, plant and equipment		652	31
Purchase of intangible assets		(452)	-
Net cash outflow from disposal of subsidiaries		(673)	-
Net cash flow used in investing activities		**(2,186)**	**(950)**
FINANCING ACTIVITIES			
Proceeds from debt issued and other borrowed funds		181,053	171,749
Payments of debt issued and other borrowed funds		(188,787)	(151,524)
Payment of principal portion of lease liabilities		(4,680)	(4,389)
Net cash flow from financing activities		**(12,414)**	**15,836**
Cash and cash equivalents at 1 January		71,733	65,545
Net increase in cash and cash equivalents		(2,085)	6,725
Foreign exchange difference on cash and cash equivalents		(3,239)	(537)
Cash and cash equivalents as at 31 December	29.4.	**66,409**	**71,733**
Operational cash flows from interest			
Interest received		193,848	131,341
Interest paid		42,146	39,944

1. CORPORATE INFORMATION

ASA International Group plc ('ASA International', 'Group') 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. 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.

Investment strategy

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

Abbreviation list

Definitions	Abbreviation
A1 Nigeria Consultancy Limited	A1 Nigeria
ASA Consultancy Limited	ASA Consultancy
ASA International Cambodia Holdings	ASAI Cambodia Holdings
ASA International Group plc	ASAIG
ASA International Holding	ASAIH
ASA International India Microfinance Limited	ASA India
ASA International Microfinance Limited (formerly 'ASA Limited')	ASA Kenya
ASA International N.V.	ASAI NV
ASA Leasing Limited	ASA Leasing
ASA Lanka Private Limited	ASA Lanka
ASA Microfinance (Myanmar) Ltd	ASA Myanmar
ASA Microfinance (Rwanda) Limited	ASA Rwanda
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 NGO-MFI registered in Bangladesh	ASA NGO Bangladesh
ASA Pakistan Limited	ASA Pakistan
ASA Savings & Loans Limited	ASA S&L
ASAI Investments & Management B.V	ASAI I&M
ASAI Management Services Limited	AMSL
ASHA Microfinance Bank Limited	ASHA MFB
Association for Social Improvement and Economic Advancement	ASIEA
C.M.I. Lanka Holding (Private) Limited	CMI Lanka
Catalyst Continuity Limited	Catalyst Continuity
Catalyst Microfinance Investment Company	CMIC
Catalyst Microfinance Investors	CMI
CMI International Holding	CMIIH
Lak Jaya Micro Finance Limited	Lak Jaya
Pagasa ng Masang Pinoy Microfinance, Inc	Pagasa
PagASA ng Pinoy Mutual Benefit Association, Inc.	MBA Philippines
Pagasa Consultancy Limited	Pagasa Consultancy
Pagasa Philippines Finance Corporation	PPFC
Pagasa Philippines Finance Corporation and Pagasa ng Masang Pinoy Microfinance, Inc	Pagasa Philippines
Pinoy Consultancy Limited	Pinoy
Proswift Consultancy Private Limited	Proswift
PT PAGASA Consultancy	PT PAGASA Consultancy
Microfinance Institution	MFI
Reserve Bank of India	RBI
State Bank of India	SBI
Sequoia B.V.	Sequoia

2. ACCOUNTING POLICIES
2.1 General

The consolidated financial statements of ASA International Group plc have been prepared on a historical cost basis, except for derivative and equity instruments, which have been kept at fair value. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD'000), except when otherwise indicated.

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

2.1.1 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis. It should be noted that in the 2020 Annual Report and Accounts, approved on 31 May 2021, the Directors concluded that the potential impact of the Covid pandemic and the uncertainty over possible mitigating actions represented a material uncertainty that may have cast significant doubt over the Group's ability to continue as a going concern. In assessing going concern covering 13 months from the date of the approval of the annual consolidated financial statements and given the financial impact of the spread of Covid, which continues to impact on certain markets of the Group, management has analysed the Group's financial position and updated its budget and projections for the period up to the end of May 2023 (the 'Assessment Period'). The conclusion of this assessment remains consistent with that of the prior year; the Directors have concluded that there is a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

The Group has updated its detailed financial model for its budget and projections (the 'Projections') in line with current market conditions. Management used the actual numbers up to December 2021 and updated the operating projections for the Assessment Period. These Projections are based on a detailed set of key operating and financial assumptions, including the minimum required cash balances, capital and debt funding plan per operating country, post-pandemic economic conditions of the countries, and management's estimation of increased credit and funding risks in addition to a conservative view of reduced demand for new microfinance loans where applicable.

The Group is well capitalised and has USD 91 million of unrestricted cash (including fixed deposits) as of 31 December 2021. Also, the Group has a strong funding pipeline of USD 192 million, with over 58% having agreed terms and which can be accessed in the short to medium term at the time of approval of the annual consolidated financial statements. This continues to reaffirm the confidence lenders have in the strength of the Group's business model and management's ongoing strategies to steer the Group through the current Covid pandemic. It should be noted that the majority of this additional funding contains loan covenants and there is a risk of covenant breaches in certain stress scenarios, consistent with the risks detailed in the remainder of the going concern assessment. The Group is confident it will generate positive cash flows and will be able to fully fund the projected loan portfolio until May 2023.

The Group does not expect an increase in credit loss expenses during the assessment period as, in most of the entities, collections are back to the high 90% range and the proportion of loans with outstanding payments greater than 30 days (portfolio at risk greater than 30 days, or 'PAR>30') have generally stabilised. However, India remains an outlier as collections are still not at the pre-Covid levels while around 30% of existing customers have their loans restructured until June 2022. Myanmar also continues to struggle due to the ongoing political crisis which is creating operational and liquidity challenges for the entity. Management is closely following up on the developments in both these entities.

Due to the above challenges, the Group expects further breaches of loan covenants during the going concern period. These covenants would mainly relate to arrears levels (portfolio at risk greater than 30 days, or 'PAR>30'), risk coverage ratios, the cost to income ratio, and write-off ratios on account of higher expected credit loss provisions required due to the impact of Covid. These breaches have not historically resulted in the immediate repayment request from lenders and are further evidenced by the supportive attitude of lenders in the last two years where the Group has been continuously able to raise new funds from the lenders. As of 31 December 2021, the balance for credit lines with breached covenants that did not have waivers amounted to USD 111 million, out of which waivers for USD 36.7 million have been subsequently received. Other lenders have confirmed that they are willing to provide waivers, but will only do so in case of actual breaches and subject to formal internal credit committee approvals. However, the majority of these waivers are pending for the India operation where a majority of the lenders are local and normally only provide waivers after the statutory accounting period (31 March 2022).

Based on the received waivers, ongoing discussions, prior experience, and new funding commitments received, the Group has a high degree of confidence that all the required waivers will be obtained. It should be noted that none of the lenders have ever initiated any sudden debt calls, also not during the Covid pandemic.

In the event the waivers are not provided by the funders, there may be cases where covenant breaches are considered as events of default under the loan agreements which could lead to the debt being called due and potentially significant liquidity challenges. It should also be noted that whilst the Group has a strong cash position, there are still certain restrictions on intra-Group cash movements and there is a risk that restrictions can continue well into 2022 by local governments in response to the economic pressures imposed by the Covid pandemic. However, based on recent discussions, management expects that a period would be provided by the funders for rectifying the breach of covenants before calling a default under the loan agreements.

2. ACCOUNTING POLICIES

2.1.1 Basis of preparation (continued)

As of 31 December 2021, the total outstanding debt at the holding level (ASA International Holding and ASAI International NV combined) is USD 70 million, which is part of the USD 314 million consolidated debt for the Group. Most of the covenants under these loan agreements are based on consolidated Group results. Waivers have been obtained by the Group in respect of expected covenant breaches on all loans to the holding companies from international funders up to December 2021, but these waivers do not cover all of the going concern period. As stated above, international funders have been supportive of the Group and the microfinance sector in general during this pandemic. In the absence of waivers, breach of covenants that are not rectified within the time specified in the respective agreements, as applicable, would cause an event of default under the loan agreements.

In terms of mitigations, the Group is shrinking its exposure in certain countries by focusing on the collection of existing loans and curtailing disbursements. This serves to increase the available cash in the business although the timing of collections through this method could be delayed due to potential future lockdown measures or other governmental interventions across the Group's territories. This is not a preferred action but can be utilised to create liquidity in any country's operation when unexpected repayments are requested by lenders. Further, the holding entities within the Group did not provide parent guarantees to funders of the operating entities, which protects the Group against cross defaults.

Whilst the Projections are formed from management's best estimation of the potential impact on the Group of the current pandemic, it is acknowledged that there remains significant uncertainty as to how the Covid pandemic will continue to affect borrowers, businesses and lenders across its operating countries. Although most of the staff in Asian operating countries, along with a good number of clients, have received Covid vaccinations, intake has been poor in Africa due to a lack of general trust in the vaccines. It is expected that the process to vaccinate a major part of the population will continue well into 2022.

Management and the Board of Directors extensively challenged the Projections and their underlying assumptions including the above considerations and factors. They also considered the remaining uncertainties around possible new lockdown periods, higher write-offs, and the risk of not obtaining waivers for prospective covenant breaches. They also considered that since the beginning of 2022 all operating countries have completely lifted Covid lockdowns, which has allowed the field operations to re-open their branches, with collections and new disbursements gradually returning to customary levels.

The Directors have also assessed the probable impact of any subsidiary failing to maintain its required regulatory ratios. As stated above, the Group did not provide parent guarantees to funders of the operating entities and hence, in case of dissolution, the Group's risk is limited to its initial investment.

On 31 December 2021, the Group considers its present financial exposure to climate-related risk to be low and accordingly has made limited reference to the impacts of climate-related risk in the notes to the financial statements. Thorough consideration has been given in particular to the possible financial impacts of climate-related risks on ECL provisions (note 2.5.2E). Where forward-looking information is relied on in preparing the financial statements, the Group has given due consideration, where appropriate and quantifiable, to potential future impacts of climate-related risk, but recognises that governmental and societal responses to climate change risks are still developing and thus their ultimate impacts on the Group are inherently uncertain and cannot be fully known.

Management has also considered the global economic crisis, sparked by the geopolitical situation in Eastern Europe, and the risks associated with the inflation of fuel, food and other prices across the countries where the Group operates. These risks have the potential to put pressure on the Group's clients' ability to repay their loans in the future, although the Group has a long history of working through such crises and has experienced limited losses in the past as a result. As a microfinance lender, the Group has seen that the loans provided to clients as an important factor for clients to continue their businesses and their livelihoods as it provides resources and access to capital to the financially underserved. Therefore, the Group has a high degree of confidence that the additional risks posed by rising inflation will not increase arrears materially.

There is a risk that further restrictions on the movement of people may lead to a decline in the business activities of the Group's borrowers and the Group's ability to collect on its loans which could lead to increased credit losses on the loan portfolio and cause the Group to breach covenants on its borrowings. Unless the majority of the covenant breach waivers are obtained, the debt may be called due which could materially impact the ability of the Group to meet its debt obligations. Although the Group has a history of negotiating covenant waivers and recovering from natural disasters and debt relief programmes, across particular locations, as evidenced by the lenders' support to the Group in the last two years, the nature of the pandemic makes it difficult to assess its likely scale of debt covenant breaches and whether the waivers necessary to avoid the immediate repayment of debt will be forthcoming. As a result, the Directors have concluded that this represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

Nevertheless, having assessed the Projections, downtrend analysis and mitigations described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 13 months from the date of approval of these consolidated financial statements, and through to 31 May 2023. For these reasons, they continue to adopt a going concern basis for the preparation of the consolidated financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

2. ACCOUNTING POLICIES (continued)

2.1.2 Statement of compliance

The Group and Parent Company financial statements are prepared in accordance with UK adopted international accounting standards ('IAS' or 'IFRS').

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.

In preparing these financial statements, the Group has given consideration to the recommendations laid out by the Task Force on Climate-related Financial Disclosures ('TCFD'). The relevant assessment of the climate-related risks outlined in the Group's Annual Report has been incorporated into judgements associated with recognition, measurement, presentation and disclosure, where so permitted by UK adopted International Accounting Standards.

2.1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December for each year presented. The financial statements of subsidiaries are similarly prepared for the year ended 31 December 2021 applying similar accounting policies. All intra-Group balances, transactions, income and expenses and profits and losses resulting from intercompany transactions are eliminated in full. 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 (if any) in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate. The Group disposed ASA Leasing Ltd and ASA Consultancy Limited, two non-operating entities, in 2021. This did not have any significant impact over Group results.

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 acquiree. 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 is also 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.

Transactions and balances – Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange 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.

Group companies – As at the reporting date, the assets and liabilities of subsidiaries are translated into the Group'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 statements 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 Group's consolidated statement of financial position as foreign currency translation reserve through other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.2.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets – initial recognition and subsequent measurement

(1) Date of recognition

Purchases or sales of financial assets that require the 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 and measurement

The Group recognises a financial asset in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, and measured at fair value. Subsequently they are measured at amortised cost, fair value through Other Comprehensive Income ('OCI'), and Fair Value Through Profit or Loss ('FVTPL'). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

(3) Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (loans and advances to customers, other loans and receivables, cash at bank and in hand and due from banks);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL (derivatives).

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes Loans and advances to customers, Other loans and receivables, Cash and cash equivalents and due from banks.

Financial assets designated at fair value through OCI without recycling (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Investments at FVOCI are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the investments at FVOCI reserve. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment. Derivatives are initially recognised at FVTPL. However, as the Group applies cash flow hedge accounting the impact is later moved to FVOCI.

Derecognition

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

When the Group 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 Group's continuing involvement in the asset (see notes 2.5.6 to 2.5.8). 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 Group could be required to repay.

2. ACCOUNTING POLICIES (continued)

2.2.2 Financial instruments (continued)
b) Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses ('ECLs') on Loans and advances to customers, Related party receivables, Cash at bank and Due from banks.

Loans and advances to customers

Given the nature of the Group's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12-month ECL) and stage 2 loans (lifetime ECL) for the ECL calculation. For disclosure purposes, normally stage 1 loans are defined as loans overdue between 1-30 days. Stage 2 loans are overdue loans between 31-90 days. Similar to 2020, in 2021, in response to the challenges raised by Covid, the Group provided payment deferral periods to a proportion of its borrowers which resulted in delays in scheduled payments and increased arrears levels arising from collection difficulties. Payment deferral periods varied from country to country, and sometimes within country, and were implemented due to local governmental decisions and the decisions of local management to support the borrower population. In order to factor in this information, the Group introduced a 'last payment date' datapoint into the Significant Increase in Credit Risk ('SICR') and ECL calculations. The objective of such is to identify how many days the client has not paid any single instalment irrespective of whether he or she was under payment moratorium or not. See note 2.5.2A for more details. To avoid the complexity of calculating separate probability of default and loss given default, the Group uses a 'loss rate approach' for the measurement of ECLs. The 'loss rates' are a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to economic environment.

The Group considers significant increase in credit risk when contractual payments are 31 days past due. In addition, loans and advances are treated as credit impaired (stage 3) when contractual payments are greater than 90 days past due. These thresholds have been determined based on the historical trend and industry practice where the Group operates.

Write-off

The Group uses judgement to determine bad loans which are written off. Based on management experience in the local market and the microfinance industry practice, loans over 365 days past due are bracketed as bad, unless there are specific circumstances that lead local management to believe that there is a reasonable expectation of recovery. The write-offs occur mainly two times in a year (June and December). However, management (Group and/or subsidiary) can write-off loans earlier if loans are deemed unrecoverable or delay write-offs in case of national calamity or any regulatory reasons subject to Board approval. From an operational perspective, all written-off loans are monitored for recovery up to two years overdue.

Cash at bank, Due from banks and Related party

For Due from banks and Related party receivables, the Group used the S&P matrix for default rates based on the most recent publicly made available credit ratings of each counterparty. In the S&P matrix for default rates, there is no specified default rates for each of our external counterparties. Thus, ASAI applied the default rate for all financial institutions. Then, the Group calculated the adjusted Probability of Default ('PD')/default rates by accommodating management estimates. However, for non-credit rated external counterparties, the PD/default rate is determined by choosing the riskier one between the mid-point of credit ratings of banks the Group has business with and a similar level rated entity. Management collects the credit ratings of the banks where the funds are deposited and related parties (where applicable) on a half-yearly basis and calculates the ECL on such items using the default rate identified as above. The Group considers credit risk to have significantly increased when the credit ratings of the bank and the related parties have been downgraded, which in turn increases the probability of default. The Group considers that the closure of a counterparty bank, dissolution of a related party or a significant liquidity crisis, or any objective evidence of impairment such as bankruptcy to be indicators for stage 3.

2.2.3 Financial liabilities – initial recognition and subsequent measurement

(1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include Debt issued and other borrowed funds, Due to customers, Lease liabilities, Other liabilities and Derivative financial instruments.

(2) Subsequent measurement
For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost (Debt issued and other borrowed funds, Due to customers and Lease liabilities); and
- Financial liabilities at FVTPL (Derivative instruments).

Financial liabilities at amortised cost

Debt issued and other borrowed funds, Other liabilities and Due to customers are classified as liabilities where the substance of the contractual arrangement results in the Group 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 borrowed funds including Due to customers are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by considering 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. Financial liabilities – initial recognition and subsequent measurement (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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, to realise the assets and settle the liabilities simultaneously.

2.2.4 Derivative instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and cross-currency interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of every reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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 cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group uses forward currency contracts and cross-currency interest rate swaps agreements as hedges of its exposure to foreign currency risk and interest rate risk in forecast transactions and firm commitments.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element and cross-currency basis risk is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve. The forward points and foreign exchange basis spreads are amortised throughout the contract tenure and reclassified out of OCI into P&L as interest expenses.

2.2.5 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duties. The Group has concluded that it is principal in all of its revenue arrangements except for loans under BC model where the Group works as an agent.

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 profit or loss and other 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 Group 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. Interest income is presented net of modification loss (note 2.5.3).

The Group recognises interest income on the stage 3 loans on the net loan balance.

(2) Dividend income
Revenue is recognised when the Group's right to receive the payment is established.

(3) Amortisation of loan processing fees
Revenue from amortisation of loan processing fees is recognised on an accrual basis in the period to which it relates. The loan processing fee charged to clients is allocated to the total loan period and recognised accordingly.

(4) Other income
Other income includes group members' admission fees, document fees, sale of passbook, income on death and multipurpose risk funds and service fee from off–book loans under the BC model.

2. ACCOUNTING POLICIES (continued)

2.2.5 Recognition of income and expenses (continued)

(4) Other income (continued)

Group members' admission fees, document fees and sale of passbook fees are recognised on receipt as the then admission and sale constitutes as satisfactory performance obligation.

The Group collects fees for the death risk fund or multipurpose risk fund in the Philippines, Sri Lanka, Kenya, Uganda and Tanzania. These fees cover settlement of the outstanding loan amount and other financial assistance if a borrower dies or is affected by natural calamities. The collections are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds. The judgement used to recognise the liability is disclosed in note 2.5.5.

Service fees from off–book loans under the BC model are recognised on the basis of receipt as the amount is received only after completion of the service.

2.2.6 Cash and cash equivalents and Cash at bank and in hand

Cash and cash equivalents as referred to in the statement of cash flows comprises unrestricted 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 the 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.

Cash in hand and in bank as referred to the statement of financial position comprises cash and cash equivalents and restricted cash relating to Loan Collateral Build Up ('LCBU') in the Philippines and against security deposits from clients in Tanzania.

2.2.7 Property and equipment

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 depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

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 estimated useful lives are as follows:

Furniture and fixtures:	5 years
Vehicles:	5 years
Office equipment including IT:	3 years
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.

2.2.8 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 in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(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.

2. ACCOUNTING POLICIES (continued)

2.2.8 Taxes (continued)

(2) Deferred tax (continued)

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 set-off: (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. 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.

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the Group has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time.

The Group has started to recognise deferred tax on undistributed dividends from 2021. Reference is made to note 2.5.10 and note 11.7.

2.2.9 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 Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that were approved after the reporting date will be disclosed as an event after the reporting date.

2.2.10 Short-term employee benefits

Short-term benefits typically relate to the payment of salaries and wages. These benefits are recorded on an accrual basis, so that at period end, if the employee has provided service to the Group, but has not yet received payment for that service, the unpaid amount is recorded as liability.

2.2.11 Post-employment benefits

2.2.11.1 Defined benefit plan

The Group maintains a defined benefit plan in some subsidiaries 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. These benefits are unfunded.

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.

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. Reference is made to note 2.5.4.

2.2.11.2 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. ACCOUNTING POLICIES (continued)

2.2.12 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 Group measures goodwill at cost less any accumulated impairment losses. The Group tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generating unit ('CGU') (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.

2.2.13 Intangible assets

The Group has adopted a strategy to enrich the offering to its clients with product diversification and by adding Digital Financial Services ('DFS'). The DFS will be offered to its clients through a smartphone app, where clients will be able to apply online for loans and other financial services like a current account and a savings or deposit account. They will be able to see their loan and account information and make payments including paying bills. The DFS app will also include additional functions and services such as digital group meetings and a chat function. As part of the DFS, ASAI is also developing a Supplier Market Place app ('SMP') where clients can purchase goods for their shops. SMP will be a separate app, but is part of the DFS model to retain and attract loan and savings clients and generate payment transactions that will generate commissions.

For the introduction of current accounts and savings and deposit accounts and other digital services to our clients, ASAI needs to add a Core Banking System ('CBS') to its IT infrastructure. The Group made upfront payments to buy core banking software licences. The licence for the software is granted for ten years.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual software project are recognised as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that the asset will be available for use.
- Its intention to complete and its ability to use it or sell it.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset and use or sell it.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to intangible assets is as follows:

	Initial licence and set up costs	**Development costs**
Useful life	Finite (5-10 years)	Finite (5-10 years)
Amortisation starts	After installation of use	After installation for use
Amortisation method used	Amortised on a straight line basis over the period of licence	Amortised on a straight line basis over the period of expected usage
Internally generated or acquired	Acquired	Internally generated

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. Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories. 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. For Right Of Use Assets ('ROU') the fair value is determined based on estimated rental payments using the Incremental Borrowing Rate ('IBR') used for each country where such ROU exists. If there is a significant change in discount rates, the fair value is reviewed to see if there is impairment. The sensitivity analysis on account of IBR changes is shown in note 17.

2. ACCOUNTING POLICIES (continued)

2.2.15 Liability for death and multipurpose risk funds

The Group collects 1-2% of disbursed loan amounts for death risk funds or multipurpose risk funds in certain markets (the Philippines, Myanmar, 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. Reference is made to note 2.5.5 on the key judgement used.

2.2.16 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ('DCF') model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

2.2.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2.2.14 Impairment of non-financial assets.

Lease liabilities

(1) Initial measurement
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less (if any) lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. There are no obligatory extension clauses in the rental agreements. Although some lease contracts comprise the optional extension clauses, these are not included on initial recognition because it is not always reasonably certain that the Group will take the option. In calculating the present value of lease payments, ASA International uses the incremental borrowing rate at the lease commencement date due to the reason that the interest rate of implicit in the lease is not available. The incremental borrowing rate is calculated using a reference rate (derived as country-specific risk-free rate) and adjusting it with company-specific financing spread and integrating lease specific factors. Refer to note 2.5.9 on accounting estimates and assumptions used to determine the IBR rates.

(2) Subsequent measurement
After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments which also impacts similarly the right-of-use assets.

2. ACCOUNTING POLICIES (continued)

2.2.18 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.

2.3. New standards, interpretations and amendments adopted by the Group

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4

The amendments provide temporary reliefs which address the financial reporting effects when an Interbank Offered Rate ('IBOR') is replaced with an alternative nearly Risk-Free interest Rate ('RFR'). The amendments include the following practical expedients:
- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable. Reference is made to note 30.5.

2.3.2 Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendments to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received any Covid-related rent concessions in 2021, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

2.4. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2.4.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts ('IFRS 17'), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts ('IFRS 4') that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach).
• A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is assessing the impact of implementing IFRS 17.

ACCOUNTING POLICIES (continued)

2.4. Standards issued but not yet effective (continued)

2.4.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right-to-defer settlement:

- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

2.4.3 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

2.4.4. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2.4.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.4.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2.4.7 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2. ACCOUNTING POLICIES (continued)

2.4. Standards issued but not yet effective (continued)

2.4.8 Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

2.4.9 Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 – Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.5 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:

2.5.1 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease. Any period covered by an option to extend the lease is not considered unless it is compulsory to be exercised.

2.5.2 Allowance for Expected Credit Loss ('ECL') on loans and advances

The Group calculates the allowance for ECL in a three-step process as described below under A to D. The Group reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statements. 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. The actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the industry in which the Group operates, i.e. micro credit to low-income clients, the loan portfolio consists of a very high number of individual customers with low-value exposures. These characteristics lead the Group to use a provisioning methodology based on a collective assessment of similar loans. The Group's policy for calculating the allowance for ECL is described below:

A) Determination of loan staging

The Group monitors the changes in credit risk in order to allocate the exposure to the correct staging bucket. Given the nature of the Group's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12-month ECL) and stage 2 loans (lifetime ECL) for calculating the ECL provision with the exception of the application of the management overlay detailed below. In 2021, the Group provided one-year moratorium to approximately 30% of the clients in India, who were offered to benefit from the one-time debt restructuring scheme established by the Reserve Bank of India ('RBI'). In addition, multiple periodical moratoriums were provided to clients in Myanmar and Sri Lanka as those entities faced multiple national and/or local lockdowns on account of Covid. This resulted in clients' overdue days remaining static (and not increasing due to a lack of payment) and the time since the last payment was made increasing. Although the client is on an agreed payment deferral the credit risk increases, albeit not at a rate equivalent to arrears levels increasing. As a result, in addition to the loans that are in arrears by more than 30 days and less than 91 days, loans which are in arrears by less than 31 days but more than 31 days passed since their last payment, are classified as stage 2.

<table>
<tr><th></th><th></th><th colspan="5">Bucket based on last payment days</th></tr>
<tr><th rowspan="6">Bucket based on overdue age</th><th></th><th>Within 7 days</th><th>8-30 days</th><th>31-90 days</th><th>91-180 days</th><th>>180 days</th></tr>
<tr><td>Current</td><td colspan="2" rowspan="2">Stage 1</td><td colspan="3" rowspan="2">Stage 2</td></tr>
<tr><td>1-30 days</td></tr>
<tr><td>31-90 days</td><td colspan="5">Stage 2</td></tr>
<tr><td>91-180 days</td><td colspan="5" rowspan="2">Stage 3</td></tr>
<tr><td>>180 days</td></tr>
</table>

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgements and estimates (continued)

2.5.2 Allowance for Expected Credit Loss ('ECL') on loans and advances (continued)

B) Calculating ECL for stage 1-2 loans
To avoid the complexity of calculating the separate probabilities of default and loss-given default, the Group uses a 'loss rate approach' for the measurement of ECLs under IFRS 9. Using this approach, the Group developed loss-rate statistics on the basis of the amounts written off over the last five years. The historical loss rates include the impact of security deposits held by the Group, which is adjusted with overdue amounts before loans are written off. ECL recorded purely based on historical loss comes to USD 3.2 million (2020: USD 731K). The Group made considerable write-offs in 2021 as most of the old loans impacted by Covid have crossed to being overdue by more than 365 days, which is the threshold for write-offs. This resulted in a higher write-off in 2021, which in turn increased the ECL as per historical loss. Doubling the historical loss rate would add USD 3.2 million to the ECL.

The forward-looking element in the ECL is built by looking at the write-offs trend in the most recent three-year period and applying the rate over to the total outstanding loan portfolio. ECL as per the forward-looking element comes to USD 7.2 million (2020: USD 1.0 million). Similar to historical loss, the increased write-offs for 2021 have also increased the forward-looking loss.

Changing the write-off trend to two years, rather than three years for the forward-looking assessment, would add USD 3.9 million to the ECL.

C) Calculating ECL for stage 3 loans
The Group considers a loan to be credit impaired when it is overdue for more than 90 days. The ECL applied to net stage 3 loans (after adjusting the security deposit) is at a rate below:

ECL for stage 3 loans

	Loss %	
Overdue age	**2021**	**2020**
91-180 days	50%	80%
181-365 days	70%	100%
Over 365 days	100%	100%

The loss rate for 2021 has been updated based on the last three years' actual write-offs for each of these buckets. However, for the India operation, management considered a higher loss rate (80% for the loans bucketed between 91-180 days and 100% for loans over 180 days overdue) in view of operating challenges faced in country on account of the Covid pandemic.

Based on the above, ECL for stage 3 loans comes to USD 11.6 million (2020: USD 5.6 million). It should be noted that the additional risk arising in stage 3 is further captured in the management overlay, discussed below. If the Group used the 2020 rates, ECL for stage 3 loans would have been USD 12.4 million. An alternative assessment of stage 3 provisions would be to apply a 100% loss rate across the entire stage 3 population (net of security deposit), being all loans more than 90 days past due. This would increase the ECL on the stage 3 population to USD 13.0 million.

D) Management overlay
Due to the impact on our clients of government and regulatory actions related to Covid, such as lockdowns and moratoriums, the Group incorporated an additional management overlay. Given the unavailability of reliable information as to the impact of the Covid pandemic on borrowers and the recoverability of loans that have been subject to payment moratoriums, there is significant uncertainty in the selection of the assumptions as to the expected credit loss calculation. The management overlay is calculated using the assumptions described below. The output is then compared to the ECL arising out of the modelled provision in points B and C above. Any additional ECL resulting from the matrix calculation is recorded as part of the management overlay. This additional exercise was taken for India, Myanmar and Sri Lanka where the Group provided moratoriums in 2021. The overlay encompasses the below components:

Step 1: The OLP as of December 2021 has been segregated based on the number of overdue days for each country to analyse the risk exposure for each bracket. Note that there is some judgement in whether loans are written off when they are over 365 days past due, although this is generally the practice across the Group, and where loans have not been written off, they are provided for in accordance with the matrix below. The buckets are further segregated based on the last payment date of each individual loan so that any impact of moratoriums on the overdue calculation can be factored into the expected credit loss calculation.

Step 2: The Group's management then assessed the risks associated with the loan portfolio under different overdue and last payment brackets independently and provided their estimates for expected write-off percentages for each part of the portfolio in the matrix. The longer the overdue/last payment brackets, the higher the credit risk exposure. In addition to historical defaults already considered in the modelled ECL, management considered previous calamities and the related write-offs, current field experience of loan officers and operational supervisors who have frequent contact with the clients during this pandemic. The management at a Group and local level applied expert judgement in defining the expectations of losses in each of the positions in the overdue/last payment matrix. The loss rates have been reviewed and revised in the current year based on a detailed historical analysis of losses arising from loans in different overdue buckets. These were then used to establish and check the reasonableness of the matrix percentages applied and update them, where applicable.

2. ACCOUNTING POLICIES (continued)

2.5.2 Allowance for Expected Credit Loss ('ECL') on loans and advances (continued)

The matrix can be visualised as below:

		Bucket based on last payment days					
Bucket based on overdue age		Within 7 days	8-30 days	31-90 days	91-180 days	>180 days	>365 days
	Current	1.1%	6.1%	16.1%	31.1%	51.1%	76.1%
	1-30 days	6.1%	11.1%	21.1%	36.1%	56.1%	81.1%
	31-90 days	16.1%	21.1%	31.1%	46.1%	66.1%	91.1%
	91-180 days	31.1%	36.1%	46.1%	61.1%	81.1%	100.0%
	>180 days	51.1%	56.1%	66.1%	81.1%	100.0%	100.0%
	>365 days	76.1%	81.1%	91.1%	100.0%	100.0%	100.0%

Step 3: In addition to that, management also provided a mark-up adjustment over the estimated write-off percentage considering the future risk for each market. While analysing this expected credit risk mark-up, customers' future expected payment behaviour and the performance of competitors have been considered therein. All the individual country assessments were then discussed between local management and Group senior management where the assessments were further discussed, challenged and agreed. Management have increased the mark-up adjustment for India to capture the additional risk for the significant amount of restructured loans balance as of 31 December 2021.

The total ECL recorded from the management overlay calculation described here is USD 2.1 million. This is a significant reduction when compared to 31 December 2020 (USD 16.8 million) due to the larger proportion of the portfolio moving into greater than 90 days past due buckets as moratoriums have come to an end. This causes higher balances in stage 3 to be provided for in the assessment for stage 3 described in C) above, with little impact from applying the management overlay matrix described here – as additional ECL is only recorded where the management overlay matrix returns a provision in excess of the ECL calculated in steps B) and C) above. This is particularly evident in the India loan portfolio where a greater proportion of the portfolio (USD 24.1 million) is now transferred to in stage 3 during the year, hence the resulting reduction in the specific management overlay (USD 9.5 million), as the ECL is being already recorded pre-management overlay.

E) Impact of climate change
The Group has identified the ECL provision as one of the main areas in which it could be exposed to the financial impacts of climate change risk, as a number of the Group's operating areas are prone to natural disasters such as typhoons, flash floods or droughts. The Group's expected credit loss model captures the expected impact of these risks through the historical loss data that feeds the model, which includes where such natural disasters have occurred. In addition, management monitors the situation in each of its operating territories post the balance sheet date for any factors that should be considered in its year-end ECL calculations. The Group's loans are short-term and so the impact of such events over the life of the loans would naturally be limited. However, given the evolving risks associated with climate change, management will continue to monitor whether adjustments to its ECL models are required for future periods.

F) Business Correspondence ('BC') portfolio, Direct Assignment ('DA') portfolio and Securitisation portfolio of ASA India
A similar assessment has been performed for the off-book Business Correspondence ('BC') portfolio of ASA India (see note 13 for details on the BC portfolio). The off-book BC portfolio is subject to a maximum provision of 5% of OLP, which is the maximum credit risk exposure for ASA India as per the agreement with IDFC First Bank. ECL for off-book BC portfolio comes to USD 1.7 million.

The portion of the DA portfolio of ASA India which is on book has also been treated the same as a regular portfolio. No provision for the off-book portion of the DA portfolio was made because, as per the agreement with the State Bank of India, ASAI has no credit risk on this part of the DA portfolio.

The Securitisation portfolio of ASA India has been assessed in line with ASA India's own portfolio.

G) ECL on interest receivable
A similar assessment (notes 2.5.2.B to 2.5.2.E) was conducted for the interest receivable from customers to determine the expected credit loss on the interest outstanding as of 31 December 2021. ECL for interest receivable comes to USD 1.7 million.

Based on the above assessment, the total provision for expected credit losses for loans and advances to customers can be summarised as follows:

	2021			2020		
Particulars	**Own portfolio USD'000**	**Off-book portfolio USD'000**	**Interest receivable USD'000**	**Own portfolio USD'000**	**Off-book portfolio USD'000**	**Interest receivable USD'000**
ECL as per historical default rate	3,204	339	148	731	28	26
Forward considerations	7,184	793	309	1,042	13	24
ECL under stage 3 loans	11,574	543	37	5,559	158	839
Management overlay	2,136	-	1,202	16,839	2,049	182
	24,098	**1,675**	**1,696**	**24,171**	**2,248**	**1,071**

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgements and estimates (continued)

2.5.2 Allowance for Expected Credit Loss ('ECL') in loans and advances (continued)

	2021			2020		
Allocated to:	Gross outstanding USD'000	ECL USD'000	Coverage	Gross outstanding USD'000	ECL USD'000	Coverage
Own portfolio (notes 13.1 and 13.3)	393,298	24,098	6%	396,605	24,171	6%
Off-book BC portfolio (note 13.1 and note 28)	33,583	1,675	5%	44,982	2,248	5%
Interest receivable (notes 13.1 and 13.3)	10,700	1,696	16%	14,688	1,071	7%
	437,581	**27,469**	**6%**	**456,275**	**27,490**	**6%**

ECL coverage for interest is much higher than OLP as more than 45% of the interest receivable belongs to India (where a higher provision rate has been applied).

2.5.3 Modification of loans

The Group provided moratoriums to its clients in India, Myanmar and Sri Lanka (see note 30.4.1) in 2021. The main objective of these payment holidays was to provide clients a temporary relief due to disruption of their livelihood on account of Covid. Extending only the loan term is not considered as a substantial modification and therefore does not result in derecognition and the original effective interest rate is retained. The temporary catch-up adjustment or modification gain/loss is then calculated as the difference between the carrying amount of the loans and the discounted value of the modified cash flows at the original effective interest rate. The modification gain/loss is an adjustment to the carrying value of the loans and advances to customers and interest income.

2.5.4 Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff turnover and retirement age. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions used in December 2021 and December 2020 are as follows:

Assumptions – defined benefit plan

	2021					2020				
	Lak Jaya	ASA Pakistan	ASA India	ASA Nigeria	Pagasa Philippines	Lak Jaya	ASA Pakistan	ASA India	ASA Nigeria	Pagasa Philippines
Discount rate	11.2%	11.8%	7.2%	13.5%	5.1%	6.7%	9.8%	6.8%	8.0%	3.9%
Salary increment	10.0%	10.8%	9.5%	12.0%	4.0%	10.0%	8.8%	9.5%	7.5%	3.0%
Staff turnover	13.0%	15.9%	25.5%	5.0%	47.0%	16.6%	23.4%	21.2%	5.0%	54.0%
Retirement age	60 years	60 years	60-62 years	60 years	60 years	60 years	60 years	55-62 years	60 years	60 years

The parameter most subject to change is the discount rate. Management engages third-party actuaries to conduct the valuation. The defined benefit costs have been disclosed in note 8.2. The sensitivity analysis of the plan on account of any change in discount rate and salary increment is disclosed in note 8.3. Sensitivity analysis for changes in the other two assumptions were not done as the effect is determined immaterial.

2.5.5 Liability for death and multipurpose risk funds

At the end of each period, management uses significant assumptions to reassess the adequacy of the liability provided. These include estimating the number of borrower deaths among the total number of borrowers by applying the local mortality rates at the end of the period, outstanding loan amount per borrower and other financial assistance to the family where applicable. The mortality rate is based on historical mortality rates of the borrower for last three years for the specific countries. As of December 2021, the rates were 0.30% in Sri Lanka, 0.20% in Uganda, 0.25% in Tanzania and 0.21% in Kenya. The liability is disclosed under note 27. No sensitivity analysis is done as the amount is not material.

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgements and estimates (continued)

2.5.6 Business Correspondence and partnership models

The portfolios under the Business Correspondence and partnership models in ASA India ('BC model') are recognised on the statement of financial position when the agreed exposure to credit risk on these portfolios exceeds the expected credit risk of items similar in nature. The Group 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. The overall credit risk on loans managed by ASA India is analysed below 5%. Based on this analysis, the portfolios for MAS, Reliance and IDBI are recognised on the statement of financial position as the agreed exposure is higher than 5%, while the portfolio for IDFC First Bank is not recognised on the balance sheet due to the fact that the agreed exposure is below the expected credit risk. More information is available in note 13.

2.5.7 Securitisation agreements

ASA India has entered into a new securitisation agreement in 2021. The loans to customers under the securitisation agreements do not qualify for derecognition as ASA 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 ASA India under loans and advances to customers and the purchase consideration is presented under borrowings.

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 2021 under the securitisation agreements amounts to USD 747K (31 December 2020: USD 320K) and the related liability amounts to USD 1.2 million (31 December 2020: USD 325K). The loan portfolio is disclosed under Gross loan portfolio in note 13 'Loans and advances to customers' and the liability is disclosed under Debt issued and other borrowed funds by operating subsidiaries in note 25 'Debt issued and other borrowed funds'. The total pool principal balance at the start date of the relevant securitisation agreement amounts to USD 3.5 million (31 December 2020: USD 3.5 million) and the related liability amounts to USD 3.5 million (31 December 2020: USD 3.5 million). The cash collateral provided under these agreements amounts to USD 278K (31 December 2020: USD 305K) and is disclosed under note 14 'Due from banks'.

2.5.8 Direct Assignment

ASA India entered into two Direct Assignment agreements ('DA') with State Bank of India ('SBI') in 2019 and 2020, through which the entity has sold a pool of customers' loans amounting to USD 16.5 million against a purchase consideration of USD 14 million. The balance (15%) is kept as minimum retention as per guidelines issued by Reserve Bank of India ('RBI'). Based on the agreement, the 85% loans are derecognised on the books on the grounds that the entity transferred substantially all the risks and rewards of ownership of financial assets. 15% remained on book. Further information is available in note 13.

2.5.9 Leases – estimating the Incremental Borrowing Rate ('IBR')

The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

IFRS 16 describes the accounting for an individual lease and a discount rate that should be determined on a lease-by-lease basis. However, as a practical expedient, an entity may apply IFRS 16 to a portfolio of leases with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying a portfolio approach instead of a lease-by-lease basis would not differ materially from applying this standard to the individual leases within that portfolio. If accounting for a portfolio, an entity shall use estimates and assumptions that reflect the size and composition of the portfolio.

The Group applied a discount rate per country based on leases with similar characteristics applying a portfolio approach instead of a lease-by-lease approach which had no material impact for the Group. The starting point for estimating the reference rate is the local risk-free rate. The Group developed an approach to determine IBR that is closely aligned with the definitions and requirements prescribed in IFRS 16. In this approach the Group first determined the country risk-free rate and adjusted that with the Group-specific financing spread and lease-specific adjustments to consider IBR rates.

The Group used country sovereign rates to determine the risk-free rate. If no sovereign risk-free rate is available, a build-up approach is applied that adjusts the USD-based United States Treasury bond for (i) the country risk premium, to capture country-specific risk, and (ii) the long-term inflation differential, to capture any currency risk.

The Group-specific financing spread is determined based on (i) the Group-specific perspective/credit rating, (ii) the credit rating of the legal entities (lessees) of ASA International, and (iii) the market interest rates/yields on industry-specific bonds.

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgements and estimates (continued)

2.5.9 Leases – estimating the Incremental Borrowing Rate ('IBR') (continued)

The lease-specific adjustment depends on the type/nature of asset, and relates to the fact that a secured bond will have a lower yield compared to an unsecured bond. However, the yield difference varies based on the type/nature of the asset that is used as collateral. The IBR used for different entities in 2021 is as follows:

Country	Lease	Credit	Approach	IBR at different lease duration (year)			
	Currency	Rating	reference rate				
Tenure of lease				1	2-4	5-6	7-9
Ghana	GHS	BBB	local	18.4%	19.3%	19.9%	20.3%
Nigeria	NGN	BBB	local	0.9%	2.8%	4.6%	5.8%
Sierra Leone	SLL	BB+	build-up	22.0%	23.2%	24.2%	24.8%
Kenya	KES	BB-	local	9.6%	10.9%	11.9%	12.6%
Rwanda	RWF	B+	build-up	12.0%	12.6%	13.4%	14.0%
Tanzania	TZS	BBB-	build-up	6.0%	6.6%	7.0%	7.4%
Uganda	UGX	BB-	build-up	8.0%	9.5%	10.0%	10.3%
Zambia	ZMW	BB-	local	35.0%	35.6%	36.1%	36.3%
Bangladesh	BDT	BBB-	build-up	6.0%	6.5%	7.1%	7.6%
India	INR	BB	local	4.5%	5.2%	5.9%	6.5%
Pakistan	PKR	BBB	build-up	11.7%	11.7%	12.0%	12.3%
Sri Lanka	LKR	BB	local	6.4%	6.6%	7.3%	7.9%
Myanmar	MMK	BBB-	build-up	11.9%	13.3%	14.6%	15.5%
Philippines	PHP	BBB-	local	2.0%	2.3%	2.7%	2.9%

2.5.10 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As of 31 December 2021, unused tax losses of USD 10.7 million were not recognised to calculate the deferred tax asset in ASA International Group plc as currently it is not known when the entity will generate taxable profits. The Group has concluded that the entity in question does not have a taxable temporary difference and at the moment future taxable profit for it cannot be readily ascertained. In addition deferred tax was not recognised on 2021 business losses amounting to USD 23 million in India as the Group concluded that due to uncertain profitability of the operation future taxable profit cannot be readily ascertained. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by USD 7.8 million.

As of 31 December 2021, the Group has undistributed profits in its subsidiaries amounting to USD 63.7 million. The Group recognised a deferred tax liability amounting to USD 2.3 million (see note 11.3) on USD 27.3 million of undistributed profits on the assessment that these will be distributed in the foreseeable future. No deferred tax liability was recognised on the balance USD 36.4 million due to regulatory uncertainty on when those can be distributed. If the Group recognises a deferred tax liability on these profits, profit and equity would decrease by USD 3.9 million.

2.5.11 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For property and equipment, the fair value less costs of disposal calculation is based on available data from similar assets or observable market prices less incremental costs of disposing of the asset. For ROU the fair value is determined based on estimated rental payments using incremental borrowing rates used for each country where such ROU exists. If there is a significant change in discount rates, the fair value is reviewed to see if there is impairment.

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, Rwanda and Zambia.
- 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 2021 or 2020.

3. SEGMENT INFORMATION (continued)

The following table presents operating income and profit information for the Group's operating segments for the year ended 31 December 2021.

As at 31 December 2021	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Adjustments and eliminations	Consolidated
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
External interest and similar income	61,472	32,742	62,092	33,452	9	189,767	-	189,767
Inter-segment interest income	-	-	-	-	2,846	2,846	(2,846)	-
External interest expense	(3,891)	(5,603)	(22,453)	(6,049)	(4,443)	(42,439)	-	(42,439)
Inter-segment interest expense	(227)	(521)	(231)	(389)	(1,477)	(2,845)	2,845	-
Net interest income	**57,354**	**26,618**	**39,408**	**27,014**	**(3,065)**	**147,329**	**(1)**	**147,328**
External other operating income	702	2,874	2,929	3,954	59	10,518	-	10,518
Inter-segment other operating income [1]	-	-	-	-	29,577	29,577	(29,577)	-
Other inter-segment expense	220	(1,663)	(206)	(2,173)	(3,373)	(7,195)	7,195	-
Total operating income	**58,276**	**27,829**	**42,131**	**28,795**	**23,198**	**180,229**	**(22,383)**	**157,846**
Credit loss expense	(1,655)	(2,327)	(27,622)	(5,891)	(14)	(37,509)	-	(37,509)
Net operating income	**56,621**	**25,502**	**14,509**	**22,904**	**23,184**	**142,720**	**(22,383)**	**120,337**
Personnel expenses	(13,630)	(11,999)	(14,810)	(11,172)	(5,202)	(56,813)	-	(56,813)
Exchange rate differences	(142)	151	(331)	(562)	(648)	(1,532)	-	(1,532)
Depreciation of property and equipment	(327)	(458)	(638)	(346)	(620)	(2,389)	404	(1,985)
Amortisation of right-of-use assets	(808)	(1,033)	(1,307)	(1,167)	(83)	(4,398)	-	(4,398)
Other operating expenses	(6,131)	(5,558)	(5,652)	(9,623)	(2,940)	(29,904)	-	(29,904)
Tax expenses	(10,564)	(1,974)	(4,164)	(373)	(2,272)	(19,347)	-	(19,347)
Segment profit	**25,019**	**4,631**	**(12,393)**	**(339)**	**11,419**	**28,337**	**(21,979)**	**6,358**
Total assets	**134,719**	**83,602**	**198,393**	**105,872**	**396,864**	**919,450**	**(356,896)**	**562,554**
Total liabilities	**73,497**	**63,629**	**160,887**	**89,045**	**149,502**	**536,560**	**(77,449)**	**459,111**

Explanation: Segment profit is net profit after tax

3. *Inter-segment operating income includes intercompany dividends, management fees and share in results of the subsidiaries.*

3. SEGMENT INFORMATION (continued)

The following table presents operating income and profit information for the Group's operating segments for the year ended 31 December 2020.

As at 31 December 2020	West Africa	East Africa	South Asia	South East Asia	Non-operating entities	Total segments	Adjustments and eliminations	Consolidated
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
External interest and similar income	42,295	21,710	53,294	24,770	17	142,086	-	142,086
Inter-segment interest income	-	-	-	-	1,857	1,857	(1,857)	-
External interest expense	(4,058)	(3,987)	(22,177)	(5,699)	(4,524)	(40,445)	-	(40,445)
Inter-segment interest expense	(170)	(384)	(382)	(779)	(142)	(1,857)	1,857	-
Net interest income	**38,067**	**17,339**	**30,735**	**18,292**	**(2,792)**	**101,641**	**-**	**101,641**
External other operating income	1,653	1,525	4,651	2,528	103	10,460	-	10,460
Inter-segment other operating income[1]	-	-	-	-	32,059	32,059	(32,059)	-
Other inter-segment expense	(864)	(1,004)	(127)	(478)	(3,651)	(6,124)	6,124	-
Total operating income	**38,856**	**17,860**	**35,259**	**20,342**	**25,719**	**138,036**	**(25,935)**	**112,101**
Credit loss expense	(1,233)	(860)	(19,427)	(5,680)	(50)	(27,250)	-	(27,250)
Net operating income	**37,623**	**17,000**	**15,832**	**14,662**	**25,669**	**110,786**	**(25,935)**	**84,851**
Personnel expenses	(12,130)	(9,764)	(14,641)	(10,349)	(4,724)	(51,608)	-	(51,608)
Exchange rate differences	(89)	24	(192)	842	(79)	506	-	506
Depreciation of property and equipment	(391)	(335)	(526)	(347)	(1,568)	(3,167)	1,385	(1,782)
Amortisation of right-of-use assets	(870)	(900)	(1,315)	(1,114)	(229)	(4,428)	-	(4,428)
Other operating expenses	(4,876)	(4,371)	(4,696)	(8,041)	(2,977)	(24,961)	-	(24,961)
Tax expenses	(5,824)	(585)	1,178	981	277	(3,973)	-	(3,973)
Segment profit	**13,443**	**1,069**	**(4,360)**	**(3,366)**	**16,369**	**23,155**	**(24,550)**	**(1,395)**
Total assets	**107,748**	**59,802**	**253,360**	**119,152**	**387,488**	**927,550**	**(348,290)**	**579,260**
Total liabilities	**58,715**	**43,489**	**200,128**	**98,893**	**144,622**	**545,847**	**(73,660)**	**472,187**

4. INTEREST AND SIMILAR INCOME

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

	Notes	2021	2020
		USD'000	USD'000
Interest income calculated using EIR	4.1.	175,732	131,339
Other interest and similar income	4.2.	14,035	10,747
		189,767	**142,086**

	2021	2020
	USD'000	USD'000
4.1. **Interest income calculated using EIR**		
Interest income on loans and advances to customers	175,732	131,324
Interest income from clients from on-book BC model (ASA India)	-	15
	175,732	**131,339**

In the notes to the financial statements for the year ended 31 December 2020 the modification loss for the year was reported as USD 3.5 million. This disclosure did not include the modification loss arising on loans that had completed before the end of the financial year, as required by International Financial Reporting Standard 9: Financial Instruments, although this omission had no impact on the consolidated statement of profit or loss and other comprehensive income. In accordance with International Accounting Standard 8: Changes in Accounting Policies, Changes in Estimates and Errors, these accounts must disclose the restated prior year amount. This restated amount is USD 15.5 million, to correct the previously reported USD 3.5 million. In 2021 the modification loss amounted to USD 2.1 million, including USD 670K relating to loans outstanding at the year ended 31 December 2021 (and so impacting the income statement) and USD 1.19 million relating to loans concluded in the year. Interest income has increased compared to 2020 primarily due to the difference in the modification loss recorded, increase in loan disbursements across the period (2021: USD 944 million, 2020: 680 million) and charging interest on overdue balance of loans.

	2021	2020
	USD'000	USD'000
4.2. **Other interest and similar income**		
Interest income on short-term deposits	4,579	3,703
Amortisation of loan processing fees	8,898	5,874
Other interest income	558	1,170
	14,035	**10,747**

5. INTEREST AND SIMILAR EXPENSE

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

	Notes	2021	2020
		USD'000	USD'000
Interest expense on loans		(33,508)	(32,656)
Interest expense on security deposits and others		(4,631)	(4,100)
Interest expense on lease liability		(301)	(276)
Commitment and processing fees		(266)	(266)
Amortisation of forward points of forward contracts and currency basis spread of swap contracts	37.	(3,733)	(3,147)
		(42,439)	**(40,445)**

6. OTHER OPERATING INCOME

	2021	2020
	USD'000	USD'000
Member's admission fees	1,881	1,200
Document fees	856	554
Proceeds from sale of pass-books	159	144
Income from death and multipurpose risk funds	3,867	3,329
Service fees income from off-book BC model (ASA India)	2,503	4,166
Distribution fee MBA Philippines	846	603
Other	406	464
	10,518	**10,460**

Other includes a number of small items that are smaller than USD 150K on an individual basis.

7. EXPECTED CREDIT LOSS EXPENSE

	Notes	2021	2020
		USD'000	USD'000
ECL on loans and advances to customers	13.2.	(28,227)	(23,411)
Expected credit loss recovered/(expensed) on on-book BC model		-	10
Impairment on bank and intercompany balances	7.1.	(109)	149
ECL on interest receivable		(6,441)	(1,131)
Other expected credit loss expense		(2,732)	(2,867)
		(37,509)	**(27,250)**

The key assumptions applied for the expected credit loss provision and related expense are explained in note 2.5.2. Other expected cr edit loss includes ECL for BC model portfolio which are off-book and loan and interest exemptions for settlement of customer loans in case of death or disability.

	2021	2020
	USD'000	USD'000
7.1. Impairment on bank and intercompany balances		
Impairment of bank balance	(52)	303
Impairment of due from bank	(51)	(48)
Impairment of receivable from related parties	(6)	(106)
	(109)	**149**

The loss is determined based on management assessment of cash and receivables.

8. PERSONNEL EXPENSES

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

	Notes	2021	2020
		USD'000	USD'000
Personnel expenses		(51,287)	(46,531)
Defined contribution plans		(3,951)	(3,385)
Defined benefit plans	8.2.	(1,575)	(1,692)
		(56,813)	**(51,608)**

	Notes	2021	2020
		USD'000	USD'000
8.1. Retirement benefit liability			
Retirement benefit liability as at beginning of period		5,446	3,373
Payments made during the period		(592)	(413)
Charge for the period	8.2.	1,575	1,692
Actuarial gains and losses on defined benefit liabilities (OCI)		(698)	896
Foreign exchange differences		(340)	(102)
Retirement benefit liability as at end of the period		**5,391**	**5,446**

ASA India, ASA Pakistan, Lak Jaya, Pagasa Philippines, ASA Nigeria and AMSL 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 p lans in ASA Pakistan, Pagasa Philippines, Lak Jaya, ASA Nigeria and AMSL are maintained by the entity itself and no plan assets have been established separately. The funds for the plan of ASA India are being maintained with Life Insurance Corporation of India and the entity's obligation is determined by actuarial valuation. There are no other post-retirement benefit plans available to the employees of the Group.

	2021	2020
	USD'000	USD'000
8.2. Charge for the period		
Current service cost for the period	(1,156)	(1,282)
Interest cost for the period	(419)	(349)
Impact from change in assumptions (see note 2.5.5)	-	(61)
	(1,575)	**(1,692)**

8.3. Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 and 31 December 2020 is shown below.

Assumptions		**Discount rate**		**Future salary increases**	
Sensitivity level	**Year**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
		USD'000	USD'000	USD'000	USD'000
Impact on defined benefit obligation	2021	(501)	1,384	1389	(513)
	2020	(714)	1,330	1,316	(722)

9. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	Notes	2021 USD'000	2020 USD'000
Administrative expenses	9.1.	(25,095)	(20,668)
Professional fees	9.2.	(2,707)	(1,957)
Audit fees	9.3.	(1,406)	(1,365)
International travel		(327)	(298)
Other		(369)	(673)
		(29,904)	**(24,961)**

9.1. Administrative expenses

	2021 USD'000	2020 USD'000
Office expenses	(3,557)	(2,814)
Transport and representation expenses	(9,405)	(7,079)
Gas, water and electricity	(1,079)	(1,120)
Telecommunications and internet expenses	(2,865)	(2,285)
VAT/Output tax/Service tax	(3,414)	(1,907)
Bank charges	(1,747)	(1,353)
Other administrative expenses	(3,028)	(4,110)
	(25,095)	**(20,668)**

Office and transport expenses increased compared to last year primarily due to significantly fewer lockdowns in operating countries than 2020 and an increase in branch and staff numbers.

Other administrative expenses include several small items that are smaller than USD 150K on an individual basis.

9.2. Professional fees

	2021 USD'000	2020 USD'000
Legal services fees	(378)	(397)
Other professional fees	(2,329)	(1,560)
	(2,707)	**(1,957)**

Other professional fees include fees for various consultants on tax, IT, accounting and, actuary valuation services.

9.3. Fees payable to the Group's auditors is analysed as below:

	2021 USD'000	2020 USD'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	(940)	(884)
Audit of the accounts of subsidiaries	(269)	(246)
Audit related assurance services	(194)	(225)
Total audit and audit related assurance services	(1,403)	(1,335)
Other assurance services	(3)	(10)
	(1,406)	**(1,365)**

10. EXCHANGE RATE DIFFERENCES

The Company incurred certain foreign exchange losses on monetary assets denominated in currencies other than the Company’s fu nctional currency.

	2021 USD'000	2020 USD'000
Foreign currency losses	(7,530)	(3,952)
Foreign currency gains	5,998	(4,458
	(1,532)	**506**

11. INCOME TAX AND WITHHOLDING TAX EXPENSE

	2021	2020
	USD'000	USD'000
Income tax expense		
Current income tax	(18,844)	(11,009)
Income tax for previous period	477	(28)
Changes in deferred income tax	2,773	7,519
	(15,594)	**(3,518)**

	2021	2020
	USD'000	USD'000
11.1. **Current tax liability**		
Balance as at beginning of period	2,502	6,416
Tax charge:		
Current period	18,844	11,009
Previous period	(477)	28
Tax paid	(14,085)	(14,784)
Foreign exchange adjustment	(519)	(167)
Balance as at end of period	**6,265**	**2,502**

	2021	2020
	USD'000	USD'000
11.2. **Deferred tax assets**		
Balance as at beginning of period	11,303	3,865
Change during the period	2,488	7,515
Foreign exchange adjustment	(429)	(77)
Balance as at end of period	**13,362**	**11,303**

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.

	2021	2020
	USD'000	USD'000
11.3. **Deferred tax liability**		
Balance as at beginning of period	-	76
Change during the period	2,296	(74)
Foreign exchange adjustment	-	(2)
Balance as at end of period	**2,296**	**-**

11.4. Deferred tax relates to:

	2021			2020		
Deferred tax relates to:	Deferred tax assets	Deferred tax liabilities	Income statement	Deferred tax assets	Deferred tax liabilities	Income statement
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Allowance for ECL	6,205	-	1,365	4,881	-	4,069
Provision for retirement liabilities	1,505	-	(95)	1,634	-	497
Provision on FX loss	-	(97)	200	-	(482)	(1,785)
Unused tax losses	3,244	-	1,803	1,469	-	1,176
Other temporary differences	1,682	310	254	1,253	654	2,080
IFRS 16 lease	-	(213)	(40)	-	(172)	(234)
Undistributed profit of subsidiary	-	2,296	(2,296)	-	-	-
Modification loss	812	-	(715)	1,695	-	1,715
Other comprehensive income/revaluation of cash flow hedge	(86)	-	(284)	371	-	71
	13,362	**2,296**	**192**	**11,303**	**-**	**7,589**

11. INCOME TAX AND WITHHOLDING TAX EXPENSE (continued)

11.5. Reconciliation of the total tax charge

	2021	2020
	USD'000	USD'000
Accounting result before tax	**25,705**	**2,578**
Income tax expense at nominal rate of consolidated entities	(9,565)	(2,142)
Over/(under) provision for income tax previous year	477	(28)
Net allowable/(non-allowable) expenses	(271)	223
Deferred tax recognised/(not recognised) on losses	(6,191)	(624)
Exempt income	185	116
Tax impact on elimination	(11)	(372)
Other permanent differences	(218)	(691)
Total income tax expense for the period	**(15,594)**	**(3,518)**
Weighted average nominal rate of consolidated entities	37%	83%
Consolidated effective tax rate	61%	136%

11.6. Income tax per region

	2021	2020
	USD'000	USD'000
Corporate income tax – West Africa	(10,564)	(5,824)
Corporate income tax – South Asia	(4,164)	1,177
Corporate income tax – East Africa	(1,974)	(585)
Corporate income tax – South East Asia	(344)	1,025
Corporate income tax – Non-operating entities	1,452	689
Total income tax per region	**(15,594)**	**(3,518)**

11.7. Withholding tax expense

	2021	2020
	USD'000	USD'000
Withholding tax on interest income, dividend, royalties and service fees	(1,457)	(455)
Deferred tax on undistributed dividend	(2,296)	-
Total withholding tax expense	**(3,753)**	**(455)**

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.

12. CASH AT BANK AND IN HAND

	2021	2020
	USD'000	USD'000
Cash at bank	87,684	90,012
Cash in hand	267	153
	87,951	**90,165**

An amount of USD 21.5 million (2020: USD 18.4 million) of cash at bank is restricted and cannot be readily available. Out of this, USD 16.3 million (2020: USD 18.4 million) 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. In Tanzania, USD 5.2 million (2020: nil) is restricted and kept in a separate account as per the Bank of Tanzania requirement for non-deposit-taking microfinance institutions as it relates to security deposits from the clients.

13. LOANS AND ADVANCES TO CUSTOMERS

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

	Notes	2021	2020
		USD'000	USD'000
Gross loan portfolio	13.1.	393,298	396,605
Interest receivable on loans to customers		10,700	14,688
Allowance for expected credit loss	13.2.	(25,794)	(25,242)
Unamortised processing fee		(3,775)	(2,396)
Net impact of modification loss		(1,187)	(3,533)
Net loan portfolio		**373,242**	**380,122**

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

13.1. Gross loan portfolio as of 31 December 2021 is USD 393.3 million (31 December 2020: 396.6 million).

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

ASA India operates a Business Correspondent and partnership model with IDFC First Bank. ASA India operates as agent in a pass-through arrangement, whereby ASA India selects borrowers based on the selection criteria of the BC Partner. After approval of the selected borrowers, the BC Partners disburse the loans through ASA India and ASA India collects the interest and repayments from the borrowers on behalf of the BC Partners. In exchange for these services, ASA India receives service fees and processing fees.

The loans to borrowers of IDFC First Bank and related funding are not recognised on the balance sheet since ASA India has a limited liability for the non-performing loans under this agreement. The service fees for the IDFC portfolio are reported under ‘Other operating income’ in note 6.

Under the agreements with the BC Partners, ASA India is liable for payment of non-performing loans, which is regarded as a financial guarantee. This liability for IDFC First Bank is reported under ‘Provisions’ in note 28. This liability is based on the Group’s ECL policy as explained in note 2.5.2 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 the reporting date. The related expense is reported under credit loss expenses in note 7.

ASA 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 15. Other receivables and payables related to the BC model are reported under ‘Other assets’ and ‘Other liabilities’. More information is available in note 2.5.

ASA India has entered into a Direct Assignment (‘DA’) agreement with the State Bank of India (‘SBI’). Under the agreement, the entity transferred a pool of its loans to customers amounting to USD 16.5 million to the SBI against a purchase consideration of USD 14 million, which is 85% of the loan portfolio. 15% is retained by ASA India as the Minimum Retention Rate (‘MRR’) as per the guidance of RBI. ASA India will continue to collect the instalments from all the borrowers and transfer the amount to the SBI where the SBI will retain collections from 85% of the clients and adjust that with the purchase consideration (borrowings) and repay collections from 15% of the customers to ASA India. The 85% of the pool is hence not recognised in the books of ASA India as the company transferred all significant risks and rewards of such loans to the SBI.

The outstanding loans to borrowers under the BC model and DA model which are not recognised on the balance sheet at 31 December 2021 amounted to USD 35.6 million and USD 1.8 million respectively (2020: USD 45.0 million and USD 3.7 million).

The loan portfolio is after the impact of the modification of financial assets as explained in note 2.5.3.

The following table explains the movement of gross loan portfolio between the stages:

13.2. **Allowance for expected credit loss**

	Notes	2021	2020
		USD'000	USD'000
Balance as at beginning of the period		(25,242)	(4,227)
ECL on loans and advances	7.	(28,227)	(23,410)
ECL on interest receivable		(6,441)	(1,131)
Write-off of loans and interest		32,770	3,526
Exchange rate differences		1,346	-
Balance at end of the period		**(25,794)**	**(25,242)**

The key assumptions applied for the expected credit loss provision are explained in note 2.5.2.

The Group provided significant moratorium in 2020 on account of Covid. A large number of loans impacted by the pandemic moved over 365 days in 2021 and were subsequently written off as per Group policy.

The provision for expected credit losses is high due to the increased credit risk profile across the portfolio arising out of the local lockdowns, political instability and economic hardship due to the Covid pandemic in couple of operating entities. This has led to increased arrears and an increased credit risk associated with the length of time. Management have estimated the impact of these factors through a management overlay, the mechanics of which are described in note 2.5.2. Management considered this to be a reasonable best estimate given the available evidence of the impact of these factors on the recoverability of the loans outstanding.

13.3. The breakdown of the allowance for expected credit loss is as follows:

	2021	2020
	USD'000	USD'000
ECL on loans and advances	(24,098)	(24,171)
ECL on interest receivable	(1,696)	(1,071)
	(25,794)	**(25,242)**

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

13.4. The following tables explain the movement of gross OLP and interest receivable and related provisions in stages.

	Stage 1		Stage 2		Stage 3		Total	
	USD'000		USD'000		USD'000		USD'000	
	Gross OLP	ECL	Gross OLP	ECL	Gross OLP	ECL	Gross OLP	ECL
At 1 January 2021	**319,122**	**(1,901)**	**52,202**	**(8,258)**	**25,281**	**(14,012)**	**396,605**	**(24,171)**
New assets originated	944,097	-	-	-	-	-	**944,097**	**-**
Assets realised	(832,248)	-	(39,701)	-	(22,788)	-	**(894,737)**	**-**
ECL charges		(5,577)		1,333		(23,983)		**(28,227)**
Transfers:							**-**	**-**
Stage 1 to Stage 2	(12,975)	77	12,975	(77)	-	-	**-**	**-**
Stage 2 to Stage 1	431	(68)	(431)	68	-	-	**-**	**-**
Stage 1 to Stage 3	(32,714)	195	-	-	32,714	(195)	**-**	**-**
Stage 2 to Stage 3	-	-	(6,447)	1,020	6,447	(1,020)	**-**	**-**
Stage 3 to Stage 1	11	(6)	-	-	(11)	6	**-**	**-**
Stage 3 to Stage 2	-	-	52	(29)	(52)	29	**-**	**-**
Write off	-	-	-	-	(26,954)	26,954	**(26,954)**	**26,954**
Fx impact	(23,768)	385	(1,469)	314	(476)	647	**(25,713)**	**1,346**
At 31 December 2021	**361,956**	**(6,895)**	**17,181**	**(5,629)**	**14,161**	**(11,574)**	**393,298**	**(24,098)**

	Stage 1		Stage 2		Stage 3		Total	
	USD'000		USD'000		USD'000		USD'000	
	Gross OLP	ECL	Gross OLP	ECL	Gross OLP	ECL	Gross OLP	ECL
At 1 January 2020	**408,391**	**(916)**	**4,208**	**(1,224)**	**2,922**	**(1,851)**	**415,521**	**(3,991)**
New assets originated	680,772	-	-	-	-	-	**680,772**	**-**
Assets realised	(686,973)	-	(2,925)	-	(2,484)	-	**(692,382)**	**-**
ECL charges	-	(1,358)	-	(6,797)	-	(15,245)	**-**	**(23,400)**
Transfers:							**-**	**-**
Stage 1 to Stage 2	(51,176)	244	51,176	(244)	-	-	**-**	**-**
Stage 2 to Stage 1	12	1	(12)	(1)	-	-	**-**	**-**
Stage 1 to Stage 3	(26,972)	128	-	-	26,972	(128)	**-**	**-**
Stage 2 to Stage 3	-	-	(1,735)	8	1,735	(8)	**-**	**-**
Write off	-	-	-	-	(3,219)	3,219	**(3,219)**	**3,219**
Fx impact	(4,932)	-	1,490	-	(645)	-	**(4,087)**	**-**
At 31 December 2020	**319,122**	**(1,901)**	**52,202**	**(8,258)**	**25,281**	**(14,013)**	**396,605**	**(24,171)**

	Stage 1		Stage 2		Stage 3		Total	
	USD'000		USD'000		USD'000		USD'000	
	Interest receivable	ECL	Interest receivable	ECL	Interest receivable	ECL	Interest receivable	ECL
	USD'000		USD'000		USD'000		USD'000	
At 1 January 2021	**10,128**	**(60)** -	**3,377**	**(355)**	**1,183**	**(656)**	**14,688**	**(1,071)**
Interest revenue for the year	151,521		15,436		8,775		**175,732**	**-**
Realised during the year	(148,617)		(15,768)		(9,519)		**(173,904)**	**-**
ECL charges		(117)		(1,331)		(4,993)	-	**(6,441)**
Transfer:								
Stage 1 to Stage 2	(2,028)	12	2,028	(12)			-	-
Stage 1 to Stage 3	(3,518)	21		-	3,518	(21)	-	-
Stage 2 to Stage 1	51	-	(51)	-			-	-
Stage 2 to Stage 3	-	-	(1,949)	205	1,949	(205)	-	-
Stage 3 to Stage 1	3	-	-	-	(3)	-	-	-
Stage 3 to Stage 2			17	(2)	(17)	2	-	-
Write off					(5,816)	5,816	**(5,816)**	**5,816**
At 31 December 2021	**7,540**	**(144)**	**3,090**	**(1,495)**	**70**	**(57)**	**10,700**	**(1,696)**

	Stage 1		Stage 2		Stage 3		Total	
	USD'000		USD'000		USD'000		USD'000	
	Interest receivable	ECL	Interest receivable	ECL	Interest receivable	ECL	Interest receivable	ECL
At 1 January 2020	**3,810**	**(213)** -	**48**	**(14)**	**32**	**(20)**	3,890	**(247)**
Interest revenue for the year	117,655	-	9,123	-	4,561	-	**131,339**	**-**
Realised during the year	(105,408)	-	(9,098)	-	(5,728)	-	**(120,234)**	**-**
ECL charges		(179)		(173)		(779)	**-**	**(1,131)**
Transfer:							**-**	**-**
Stage 1 to Stage 2	(3,376)	189	3,376	(189)	-		**-**	**-**
Stage 1 to Stage 3	(2,553)	143	-		2,553	(143)	**-**	**-**
Stage 2 to Stage 3	-		(72)	21	72	(21)	**-**	**-**
Write off	-		-		(307)	307	**(307)**	**307**
At 31 December 2020	10,128	**(60)**	**3,377**	**(355)**	**1,183**	**(656)**	**14,688**	**(1,071)**

14. DUE FROM BANKS

	Notes	2021	2020
		USD'000	USD'000
Due from banks		44,794	52,814
Escrow bank account at Citibank	14.1.	20,465	20,465
		65,259	**73,279**

14.1. Escrow bank account at Citibank

In certain countries in which the Group operates, Non-Resident Capital Gains Tax ('NRCGT') regimes have been enacted in recent years which may give rise to an NRCGT liability if there is a change of control ('COC') (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. 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 Group 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 Group on 13 July 2018, agreed upon admission to place USD 20 million 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'.

15. EQUITY INVESTMENTS AT FVOCI

	2021	2020
	USD'000	USD'000
MFX Solutions, LLC		
Balance at the beginning of the period	238	232
(Loss)/gain on revaluation	(1)	6
Balance at the end of the period	**237**	**238**

The Group 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 Group opts to report the changes in fair value through OCI.

16. PROPERTY AND EQUIPMENT

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

	2021	2021	2021	2021	2021	2020	2020	2020	2020	2020
	Furniture and fixtures	Vehicles	Office equipment including IT	Buildings	Total	Furniture and fixtures	Vehicles	Office equipment including IT	Buildings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost at the beginning of the period	1,999	400	8,621	1,306	12,326	1,867	371	8,042	1,149	11,429
Accumulated depreciation at the beginning of the period	(1,366)	(298)	(5,908)	(137)	(7,709)	(1,123)	(250)	(4,623)	(102)	(6,098)
Carrying value at the beginning of the period	**633**	**102**	**2,713**	**1,169**	**4,617**	**744**	**121**	**3,419**	**1,047**	**5,331**
Additions during the period at cost	168	6	1,539	-	1,713	160	33	697	91	981
Foreign currency adjustment	(107)	(21)	(467)	(77)	(672)	(14)	(6)	(99)	66	(53)
Disposal during the period	(377)	(65)	(210)	-	(652)	(14)	2	(19)	-	(31)
Depreciation during the period	(254)	(39)	(1,667)	(25)	(1,985)	(251)	(50)	(1,453)	(28)	(1,782)
Adjustment of depreciation for disposals	370	61	186	(4)	613	6	-	129	-	135
Foreign currency differences	84	24	334	9	451	2	2	39	(7)	36
Carrying value at the end of the period	**517**	**68**	**2,428**	**1,072**	**4,085**	**633**	**102**	**2,713**	**1,169**	**4,617**
Cost at the end of the period	1,683	320	9,483	1,229	12,715	1,999	400	8,621	1,306	12,326
Accumulated depreciation at the end of the period	(1,166)	(252)	(7,055)	(157)	(8,630)	(1,366)	(298)	(5,908)	(137)	(7,709)
Carrying value at the end of the period	**517**	**68**	**2,428**	**1,072**	**4,085**	**633**	**102**	**2,713**	**1,169**	**4,617**

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

	2021	2020
	USD'000	USD'000
Right-of-use assets at the beginning of the period	5,195	5,882
Additions during the period	4,265	3,588
Amortisation during the period	(4,398)	(4,428)
Exchange rate differences	(31)	153
Right-of-use assets at the end of the period	**5,031**	**5,195**

	2021	2020
	USD'000	USD'000
Lease liability at the beginning of the period	3,629	3,981
Interest expense of lease liability	301	276
Additions of lease liabilities during the period	4,265	3,588
Payment of lease liabilities	(4,680)	(4,389)
Exchange rate differences	(56)	173
Lease liability at the end of the period	**3,459**	**3,629**

The Group recognises leased office premises under right-of-use assets.

Between January and December 2021, the Group entered into 984 new contracts and renewal contracts. This excludes the new/renewal contracts of Ghana, Nigeria and Tanzania as they have fully prepaid contracts and are not impacted by IBRs. A sensitivity analysis of a 50% increase in the IBR rates for those contracts gives a total impact in the net asset of negative USD 31K and in net profit of negative USD 31K, which is insignificant.

18. OTHER ASSETS

The other assets comprise of the following:

	Notes	2021	2020
		USD'000	USD'000
Receivables from related parties	18.1.	70	397
Prepayments		2,157	2,227
Employee advances		1,856	2,214
Advance income tax		2,150	3,432
Security deposit		236	137
Receivables under off-book BC model (ASA India)	18.2.	762	2,187
Insurance claim receivable		260	577
Interest receivable on due from banks		457	550
Receivable against DA		15	307
Other receivables	18.3.	976	1,572
		8,939	**13,600**

Prepayments and employee advances are in line with security against housing contracts, funding agreements and employee receivables.

Advance income tax will be set off against current tax payable after completion of the tax assessment.

18.1. Receivables from related parties

	2021	2020
	USD'000	USD'000
Sequoia BV	53	52
MBA Philippines	5	225
ASAI Cambodia Holdings	-	108
Catalyst Investment Management services	12	6
CMI International Holding	-	6
	70	**397**

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

18.2. Receivable under off-book BC model is presented net of impairment. Gross amount receivable under off-book BC model is USD 2.08 million (2020: 2.19 million).

18.3. Other receivables include various advances in relation to employees' insurance, receivable from VAT and service tax authorities etc.

Individually, none of the advances are over USD 150K.

19. DERIVATIVES

	2021 USD'000	2020 USD'000
Forward contracts	3,143	-
Swap agreements	823	708
Derivative assets total	3,966	708
Forward contracts	(602)	(2,147)
Swap agreements	-	-
Derivative liabilities total	(602)	**(2,147)**
Total derivatives at fair value	**3,364**	**(1,439)**

19.1. The Group is holding the following foreign exchange forward contracts:

As of 31 December 2021	Maturity				
	<30 days USD'000	1-3 months USD'000	3-12 months USD'000	>12 months USD'000	Total USD'000
Pakistan					
Notional amount (in USD)	2,900	11,999	29,213	-	44,112
Average forward rate (USD/PKR)	171	168	180	-	173
Carrying amount (in USD)	104	838	2,201	-	3,143
Myanmar					
Notional amount (in USD)	1,000	2,000	-	-	3,000
Average forward rate (USD/KYAT)	1,947	1,942	-	-	1,945
Carrying amount (in USD)	(77)	56	-	-	(21)
Tanzania					
Notional amount (in USD)	500	800	-	-	1,300
Average forward rate (USD/TZS)	2,346	2,541	-	-	2,444
Carrying amount (in USD)	(5)	(76)	-	-	(81)
Sierra Leone					
Notional amount (in USD)	-	-	2,000	-	2,000
Average forward rate (USD/SLL)	-	-	13,396	-	13,396
Carrying amount (in USD)	-	-	(117)	-	(117)
Zambia					
Notional amount (in USD)	-	-	-	750	750
Average forward rate (USD/ZMW)	-	-	-	32	32
Carrying amount (in USD)	-	-	-	(383)	(383)

As of 31 December 2020	Maturity				
	<30 days USD'000	1-3 months USD'000	3-12 months USD'000	>12 months USD'000	Total USD'000
Pakistan					
Notional amount (in USD)	-	4,000	22,800	-	26,800
Average forward rate (USD/PKR)	-	168	174	-	171
Carrying amount (in USD)	-	(166)	(787)	-	(953)
Myanmar					
Notional amount (in USD)	1,000	-	800	3,000	4,800
Average forward rate (USD/KYAT)	1,630	-	1,808	1,944	1,794
Carrying amount (in USD)	(215)	-	(238)	(620)	(1,073)
Tanzania					
Notional amount (in USD)	-	4,000	-	-	4,000
Average forward rate (USD/TZS)	-	2,372	-	-	2,372
Carrying amount (in USD)	-	(70)	-	-	(70)
Sierra Leone					
Notional amount (in USD)	-	-	-	2,000	2,000
Average forward rate (USD/SLL)	-	-	-	13,396	13,396
Carrying amount (in USD)	-	-	-	(51)	(51)

Please see notes 36 and 37 for more information.

19.2. The Group also holds the below swap contracts:

		2021 USD'000	2020 USD'000
Cross-currency interest rate swap	Notional value	16,104	16,482
	Carrying value	823	708

At 31 December 2021, the Group had three cross-currency interest rate swap agreements in place.

A swap agreement with a notional amount of USD 3 million was entered on 25 July 2019 by ASA India whereby ASA India pays a fixed rate of interest of 11.8% in Indian Rupee (INR) and receives interest at a variable rate equal to six-month USD LIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six-month USD LIBOR +4.3% USD loan.
A swap agreement with a notional amount of EUR 10 million on 9 December 2019 by the same whereby ASA India pays a fixed rate of interest of 12.55% in Indian Rupee and receives interest at a variable rate equal to six-month EURIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six-month EURIBOR +4.3% EUR loan.
A swap agreement with a notional amount of USD 1 million was entered on 7 July 2021 by ASA Sierra Leone whereby ASA Sierra Leone pays a fixed rate of interest of 19.09% in SLL and receives interest at a fixed rate of 8% in USD notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its 8% USD loan.
The applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows, using future exchange rates and discounting them with the appropriate interest rate curves. These derivative contracts are classified as Level 2 financial instruments.

20. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Intangible assets	Total
	USD'000	USD'000	USD'000
Cost			
At 1 January 2020	**34**	-	34
Additions	-	-	-
Fx movement	(1)	-	(1)
At 31 December 2020	**33**	**-**	**33**
Additions	-	452	452
Fx movement	(3)	-	(3)
At 31 December 2021	**30**	**452**	**482**

Goodwill arose from the acquisition of Lak Jaya by CMI Lanka in 2008.
For the year 2021, 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) quality of the loan portfolio; and (iii) regulatory status of Lak Jaya, the subsidiary of CMI Lanka.
The intangible asset includes initial investments on a new project to develop a Digital Financial Services ('DFS') platform. A pilot is expected to take place in Ghana before year-end 2022 and, if successful and upon Central Bank approval, this will be followed by the launch of a range of digital financial and other services to support the growth of small businesses. These DFS will add a digital channel to the existing branch model. The DFS will be offered to its clients through a smartphone app, where clients will be able to apply online for loans and other financial services like a current account and a savings or deposit account. As part of the DFS, ASAI is also developing a Supplier Marketplace app ('SMP') where clients can purchase goods for their shops. SMP will be a separate app but is part of the DFS model to retain and attract loan and savings clients and generate payment transactions that generate commissions.
For the introduction of current accounts and savings and deposit accounts and other digital services to our clients, ASAI needs to add a Core Banking System ('CBS') to its IT infrastructure. ASAI has obtained a ten-year licence to the Temenos Financial Inclusion suite, which is an off-the-shelf CBS system.

21. ISSUED CAPITAL

	2021	2020
	USD'000	USD'000
ASA International Group plc 100 million shares of GBP 0.01 each	1,310	1,310
	1,310	**1,310**

No movements in issued capital during 2020 and 2021.

22. RETAINED EARNINGS

Total retained earnings are calculated as follows:	2021	2020
	USD'000	USD'000
Balance at the beginning of the period	147,291	148,011
Disposal of ASA Consultancy Limited and ASA Cambodia Holdings	(673)	-
Result for the period	8,787	(720)
Balance at the end of the period	**155,405**	**147,291**
Profit for the period		
Attributable to equity holders of the parent	8,787	(720)
Non-controlling interest	(2,429)	(675)
	6,358	**(1,395)**

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 1.7 million at 31 December 2021 (2020: USD 1.5 million).
ASA S&L, ASA India, ASHA Nigeria and ASAI NV have statutory requirements to add a percentage of the net profits to a legal reserve. Therefore, part of retained earnings cannot be distributed to shareholders. Retained earnings relating to these legal reserves amounted to USD 18.1 million in December 2021 (2020: USD 13.0 million).
No dividend is declared in 2021.

23. OTHER RESERVES

Total other reserves are calculated as follows:	Notes	2021	2020
		USD'000	USD'000
Balance at the beginning of the period		(718)	(147)
Actuarial gains and losses on defined benefit liabilities	8.1.	698	(896)
Movement in hedge accounting reserve		1,381	322
(Loss)/gain on revaluation of MFX investment	15.	(1)	6
Others		(365)	(3)
Balance at the end of the period		**995**	**(718)**

24. 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:

	2021	2020
	USD'000	USD'000
Balance at the beginning of the period	(43,091)	(41,044)
Translation of assets and liabilities of subsidiaries to USD	(11,596)	(2,047)
Disposal of ASA Consultancy and ASA Cambodia Holdings	555	-
Balance at the end of the period	**(54,132)**	**(43,091)**

25. DEBT ISSUED AND OTHER BORROWED FUNDS

	Notes	2021	2020
		USD'000	USD'000
Debt issued and other borrowed funds by operating subsidiaries	25.1.	244,788	269,132
Loan from Symbiotics-managed funds (ASAIH/ASAI NV)	25.2.	29,000	20,000
Loan from Oikocredit (ASAIH)	25.3.	7,500	3,500
Loan from OPIC (ASAIH)	25.4.	5,000	20,000
Loan from BIO (ASAIH)	25.5.	10,000	10,000
Loan from OeEB (ASAIH)	25.6.	13,125	10,000
Loan from Citi (ASAI NV)	25.7.	5,000	5,000
Interest payable on third-party loans		4,261	4,554
		318,674	**342,186**

25.1. Breakdown of borrowings by operating subsidiaries are shown below:

	2021	2020
	USD'000	USD'000
ASA India	94,911	139,109
PPFC	45,042	50,340
ASA Pakistan	47,844	36,037
ASA Tanzania	23,815	8,232
ASA Kenya	8,580	7,786
ASA S&L	2,929	4,619
ASA Myanmar	11,977	11,697
ASA Uganda	4,380	3,354
Lak Jaya	2,767	4,310
ASA Nigeria	-	2,782
Others	2,543	866
	244,788	**269,132**

Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in contracts. Out of total loans of USD 314 million, USD 131 million had breached loan covenants as at year end. The Group was able to receive waivers from most of the lenders. As of 31 December, the balance for credit lines with breached covenants and which does not have waivers amounts to USD 111 million, out of which waivers have been subsequently received for USD 36.7 million. Due to these breaches of covenant clauses, the lenders are contractually entitled to request for immediate repayment of the outstanding loan amounts. The outstanding balance is presented as on demand as at 31 December 2021.

The lenders have not requested any early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management is in the process of renegotiating to get waivers for the remaining balance.

25.2. **Loan from Symbiotics-managed funds (ASAIH/ASAI NV)**

ASAIH entered into loan agreements with three investment funds managed by Symbiotics SA in November 2018 for a total amount of USD 5 million (the 'Symbiotics loans'). ASAIH took a new loan of USD 5 million on July 2019 at 6.25%. In October 2019, ASAI NV entered into a loan agreement with one investment fund managed by Symbiotics SA for a total amount of USD 4.5 million at 6.15%. In March 2020, ASAI NV received an additional USD 5.5 million at 6.15%. In November 2021, ASAI NV received an additional USD 10 million at six-month LIBOR +4.75% per annum. All the loans will be repaid within three years of disbursement.

25.3. **Loan from Oikocredit (ASAIH)**

On 12 July 2018, ASAIH entered into a new agreement with Oikocredit for a credit line of USD 7.5 million which has been fully drawn as of December 2019. The term of this credit line is five years. Interest on the loan 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.

25.4. **Loan from OPIC (ASAIH)**

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

25. DEBT ISSUED AND OTHER BORROWED FUNDS (continued)

25.5. Loan from BIO (ASAIH)

ASAIH entered into a USD 10 million subordinated loan agreement with Belgian Investment Company for Developing Countries SA/NV ('BIO') in December 2019. The term of this loan is seven years. Interest amounts to LIBOR +5.9% per annum.

25.6. Loan from OeEB (ASAIH)

ASAIH entered into a USD 15 million loan agreement with Oesterreichische Entwicklungsbank Ag ('OeEB') in March 2020 of which USD 10 million is drawn up to June 2020. The loan is repayable in eight equal instalments and the term of this loan is five years. Interest amounts to LIBOR +3.5% per annum. ASAI NV is also a co-borrower of the loan.

25.7. Loan from Citi (ASAI NV)

ASAI NV entered into a USD 10 million loan agreement with CITIBANK, N.A., JERSEY BRANCH ('Citi') on October 2020. The term of this loan is 30 months. Interest amounts to LIBOR +4.55% per annum. ASAIH is also a co-borrower of the loan. USD 5 million has been drawn until December 21.

26. 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 the full amount unless the client has fully repaid the outstanding loan balance.

	2021	2020
	USD'000	USD'000
Clients' security deposits	73,518	68,103
Clients' voluntary savings	14,294	12,071
	87,812	**80,174**

Clients can deposit voluntary savings where the subsidiary has a licence to do so. The rate of interest on client security deposits and client voluntary savings amount to 8% in Ghana and 7% in Nigeria. In ASA Myanmar the interest rate on voluntary savings is 10% and for compulsory savings 14%. ASA Rwanda provides 6% interest on voluntary savings.

27. OTHER LIABILITIES

Other liabilities are as follows:

	Notes	2021	2020
		USD'000	USD'000
Security deposits		2,630	2,366
Other deposits		418	518
Liability for death and multipurpose risk funds		211	354
Accrued expenses		921	1,362
Accrued audit fees		1,192	928
Taxes payable, other than corporate income tax		2,830	1,465
Amount due to employees		1,111	1,354
Amount due to related parties	27.1.	102	518
Liability to CMI regarding Escrow Account at Citibank	14.1.	20,465	20,465
Liabilities under off-book BC model (ASA India)		364	1,638
Liabilities under off-book DA model (ASA India)		133	502
Industrial training fund		191	221
Other liabilities	27.2.	2,369	2,164
		32,937	**33,855**

Security deposits mainly relate to deposits taken from employees as a form of security. Other deposits relate to various smaller deposits in different countries.

27.1. Amount due to related parties

	2021	2020
	USD'000	USD'000
CMI	-	1
Sequoia BV	24	60
MBA Philippines	78	457
	102	**518**

27.2. Other liabilities include various smaller accruals and provisions for various entities in the Company. Individually none of the payables are over USD 150K.

28. PROVISIONS

	2021 USD'000	2020 USD'000
Provision for financial guarantees under off-book BC model (ASA India)	1,675	2,248
	1,675	**2,248**

Provision for financial guarantees includes expected credit loss provision against the off-book BC portfolio in India. The maximum credit loss under financial guarantee is 5% of OLP. For details on the Group's ECL policy see note 2.5.2. As at 31 December 2021, stage 3 loans under this portfolio amount to USD 9.8 million (2020: USD 3.0 million).

29. ADDITIONAL CASH FLOW INFORMATION

29.1. Changes in operating assets

	2021 USD'000	2020 USD'000
Loans and advances to customers	(89,112)	(2,374)
Movement in due from banks	5,500	(36,587)
Movement in restricted cash	(4,168)	1,551
Movement in right-of-use assets	(4,265)	(3,588)
Other assets excluding income tax advances	3,268	(1,515)
	(88,777)	**(42,513)**

29.2. Changes in operating liabilities

	2021 USD'000	2020 USD'000
Due to customers	13,024	2,768
Other liabilities	(2,925)	2,469
Retirement benefit	(592)	(413)
Movement in lease liability	4,265	3,588
Movement in provisions	(768)	2,031
	13,004	**10,443**

29.3. Non-cash items

	2021 USD'000	2020 USD'000
Depreciation on:		
- Property and equipment	1,985	1,782
- Right-of-use assets	4,398	4,428
Interest expense on lease liability	301	276
Credit loss expense	37,509	27,250
Write-off of portfolio	32,965	3,342
Fair value movement of forward contracts	(3,422)	(62)
Charge against defined benefit plan	1,575	1,692
Foreign exchange result	1,532	(506)
	76,843	**38,202**

29.4. Reconciliation of cash and cash equivalents

	2021 USD'000	2020 USD'000
Cash and cash equivalents as per cash flow statement	66,409	71,733
Restricted cash in PPFC and ASA Tanzania	21,542	18,432
Cash at bank and in hand as per balance sheet	**87,951**	**90,165**

30. RISK MANAGEMENT
30.1 General

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is, amongst others, exposed to business risk, operational risk, IT risk, finance risk, and legal and compliance risk.

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

30.2 Risk management structure

The Group's risk management principles allow it to balance its risk and reward effectively by aligning its risk appetite with its business strategy. The Group's risk management framework is based on its three lines of defence model, which has been adopted at both the Group level and at each of the subsidiaries. The Group'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 Group's microfinance institutions and audits each branch twice a year.

The Group'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 Group's risk management philosophy. To ensure that the Group'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 Group's microfinance institutions as well as at the Group level.

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

The Group evaluates its risk appetite on a quarterly basis. The Group first identifies and reports its risk appetite at the microfinance institution level, where a financial target is established and a risk appetite statement is produced by each microfinance institution and submitted for consideration to senior management at the Group's corporate headquarters. At the Group's corporate headquarters, each microfinance institution's risk appetite report is evaluated, and the Group establishes an overall risk appetite that is later implemented across its countries.

The Covid crisis has caused numerous challenges for the Group that include difficulties in disbursements, collection of reimbursements and meeting with clients face-to-face, and reorganising internal systems and flow of work. The Group offered rescheduling of loans in most of the markets during the national lockdowns. Communication and interaction with clients changed dramatically during the pandemic. This resulted in an increase in credit loss provisions and ultimately significant loans were written off (refer to note 13.2).

As it was hard to make regular site visits for due diligence and monitoring, the Group started to use various ways of communication with field offices and clients such as Skype, Zoom, WhatsApp or Viber, and adjusted certain procedures and requirements to match the current situation, for example substituting physical documents with electronic documents when it is practical and allowed. Adequate credit loss provisions are made to cater for the increased bad loans.

The Group's key risk management areas are business risk, operational risk, IT risk, finance risk, and legal and compliance risk.

30. RISK MANAGEMENT (Continued)

Risk category	Definition	Risks	Description
Business risk	Business risk is an organization's exposure to factors that will lower its profit or lead it to fail. Anything that threatens a company's ability to achieve its financial and operational goals is considered a business risk.	Growth risk	Risks and challenges associated with the Group's operational expansion.
		Competition risk	Risk that Group might face for not responding to the competitive environment or failing to meet customer needs.
		Reputation risk	Risk to earnings or capital arising from negative public opinion.
		Climate Related risk	Risk related to potential negative impact of climate change on the organization.
		Health & Environmental risk	Risk arising from the threat of natural disasters and viral diseases.
Operational risk	Operational risk refers to uncertainties a company faces when it attempts to do its day-to-day business activities. It can result from breakdowns in internal procedures, people and systems.	Transaction risk	Human or system errors within the Group's daily product delivery and services.
		Human Resource risk	Likelihood of negative results due to a failure within its human resource department.
		Fraud and Integrity risk	Risk of incidents of fraud and misappropriation by staff or client.
IT risk	Information technology risk is any threat to business data, critical systems and business processes due to IT failure. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organization.	IT business continuity	This risk refers to loss of data in case of a catastrophic event.
		System vulnerability	This risk refers to the vulnerability of our IT system to different type of cyber-attacks.
		Network availability	Risk of inadequate internet connectivity for running real time branch operations.
		IT support	Risk of delay in resolving IT related issues which may negatively impact the operations.
		System access control	Risk of misuse of system access.
		IT fraud risk	Risk of fraud due to control gap in IT system and processes.
		Data migration risk	Risk of loss of data during the time of data migration.
Finance risk	The Group experiences financial risks such as credit risk, liquidity risk, exchange rate/currency risk and interest rate risk which can adversely impact the earnings of the company.	Credit risk	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations.
		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 risk	Possibility of financial loss to the Group arising from adverse movements in foreign exchange rates.
		Interest rate risk	Risk arising from the possibility of change in the value of assets and liabilities because of changes in market interest rates.
Legal & Compliance risk	Financial and other losses the Group may suffer as a result of regulatory changes or failure to comply with applicable laws and regulation.	Local regulation	Risk of non-compliance to local regulation.
		Change of policy	Risk of negative impact arising from change in policies by regulatory authorities.
		Product transparency	Risk of negative public opinion for not ensuring product transparency.

30. RISK MANAGEMENT (continued)

30.3 Risk mitigation

Business risk

The Group manages its business risks by adopting various mitigation strategies at the Group level as well as at the subsidiary level. While setting growth targets, the Group remains prudent as uncontrolled growth may lead to increased overdue. Sites for new branches are selected after a thorough assessment as per the operational manual.

When it comes to competition, the Group continuously monitors client satisfaction and focuses on tailoring its products according to client needs. In order to safeguard its reputational risk, the Group ensures that staff meet the highest standards in terms of client protection principle and business transparency.

Risk of climate change is thoroughly assessed by the Group. The Group has started the process of collecting its carbon emission data to determine the major emission sectors, so a carbon management plan can be put in place to reduce emissions. During the year the Group's operations were adversely impacted by the Covid pandemic; however, it was mitigated by proactively amending operational procedures in order to adapt to changing conditions.

Operational risk

Transaction risk is mitigated by strictly following operational procedures and ensuring thorough monitoring by supervisors. Human resource risk is mitigated by attracting, retaining and developing staff by providing competitive remuneration structures and long-term career opportunities, and by investing in training and development of all staff. The Company 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 employment permits needed for its expatriate staff.

IT risk

The rise of the knowledge economy and the digital revolution has led to organisations becoming increasingly dependent on information, information processing and especially IT. IT business continuity is ensured by the Group by maintaining secure data centres with disaster recovery sites either on premises or on cloud. System vulnerability is regularly assessed and it is ensured that virus guards, firewalls and other security measures are up to date. Adequate internet connectivity is provided at all the branches to ensure smooth running of operations; redundant internet connectivity is provided at head office level. IT issues are addressed through the JIRA issue management software based on priority. A strong password policy is in place to prevent unauthorised system access and awareness is spread regarding the prohibition of password sharing.

Finance risk

Regarding credit risk, the Group adheres strictly to the operating procedures of the ASA Model, which includes setting limits on the amount of risk it is willing to accept for each individual borrower, taking a security deposit where it is customary and allowed under the current licence, preventing over-borrowing and preventing excessive geographic concentration. The Group continuously monitors changes in the portfolio and will take immediate action when changes occur.

As for liquidity risk, the Company is diversified across thirteen countries, remains well funded and continues to have good access to a wide range of funding sources both at local and holding level. The Company maintains solid relationships with its debt providers who continued to show strong interest to fund its operations both locally and at the holding level.

The Group manages its currency risk through natural hedging, i.e. by matching the relevant microfinance subsidiary's local currency assets with local currency liabilities, and by obtaining funding denominated in local currency. For USD funding to the subsidiaries the Company will continue to ensure that close to 100% of its currency exposure is hedged.

The Group's strategy in evaluating and managing its interest rate risk is to conduct a cost of funds analysis and to monitor interest rates in those countries where there is a limit on the amount of interest it may charge.

Legal and compliance risk

New changes are proactively discussed with regulators; new requirements (such as minimum capital requirements) are timely implemented; and the Company's ASA Model and digital strategy is proactively discussed with different authorities in order to be well understood when new regulations are being proposed and drafted. The Group closely monitors the political developments in countries like India and Myanmar.

30. RISK MANAGEMENT (continued)
30.3 Risk mitigation

Proven microfinance methodology

The microfinance model followed by the Group 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 deposit of loan instalments for loan officers. Each of the microfinance operating entities owned and/or controlled by the Group 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. They contain detailed procedures regarding the credit methodologies and operating procedures.

These procedures, that are largely similar for all MFIs lending to micro-entrepreneurs, 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 procedures.

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 Group 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 Group does not, in principle, use collateral or guarantees, to reduce its credit risks (apart from the client security deposit where permitted).

30. RISK MANAGEMENT (continued)
30.4 Financial risks

30.4.1 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group 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 Group's statement of financial position except off-book BC portfolio where the risk is determined as per contract with BC partners. As mentioned above, the Group reduces its concentration risk by ensuring a widely diverse portfolio, distributed amongst various countries and continents. At present the Group invests in West Africa, East Africa, South Asia and South East Asia.

Maximum exposure to credit risk

	2021	2020
	USD'000	USD'000
Cash and cash equivalents (excluding cash in hand)	87,684	90,012
Loans and advances to customers	373,242	380,122
Customer security deposit	(73,518)	(68,103)
Off-book portfolio (BC model) [1]	1,675	2,248
Due from banks	65,259	73,279
Other assets	8,598	8,649
Maximum credit exposure	**462,940**	**486,207**

[1] Credit risk on off-book BC model portfolio is restricted to 5% of the outstanding portfolio

Customer 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.

There are no significant concentrations of credit risk through exposures to individual customers, specific industry/sectors. On an entity level, ASA India holds 20% of the Group's credit exposure in 2021 (2020: 34%). Management regularly monitors the concentration risk and manages loan distribution if required.

Geographic distribution of maximum credit exposure as at 31 December 2021.

	Cash and cash equivalents (excluding cash in hand)	Loans and advances to customers	Customer security deposit	Due from banks	Other assets	Off-book portfolio (BC model)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	19,584	95,507	(34,731)	15,262	891	-	96,513
East Africa	13,167	64,188	(17,012)	2,500	341	-	63,184
South Asia	7,970	150,364	(2,464)	23,032	6,070	1,675	186,647
South East Asia	31,753	63,183	(19,311)	4,000	988	-	80,613
Non-operating entities	15,210	-	-	20,465	308	-	35,983
Maximum credit exposure	**87,684**	**373,242**	**(73,518)**	**65,259**	**8,598**	**1,675**	**462,940**

30. RISK MANAGEMENT (continued)
30.4 Financial risk (continued)

30.4.1 Credit risk (continued)

Geographic distribution of maximum credit exposure as at 31 December 2020.

	Cash and cash equivalents (excluding cash in hand)	Loans and advances to customers	Customer security deposit	Due from banks	Other assets	Off-book portfolio (BC model)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	7,617	78,767	(29,546)	16,590	995	-	74,423
East Africa	8,955	45,056	(12,998)	2,486	258	-	43,757
South Asia	24,453	180,701	(2,610)	30,738	5,409	2,248	240,939
South East Asia	32,805	75,598	(22,949)	3,000	1,506	-	89,960
Non-operating entities	16,182	-	-	20,465	481	-	37,128
Maximum credit exposure	**90,012**	**380,122**	**(68,103)**	**73,279**	**8,649**	**2,248**	**486,207**

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

Credit risk from lending as at 31 December 2021

				Total direct lending/IFRS 9 stages		
	Due from banks [1]	Gross loans and advances to customer	Total lending	Stage 1	Stage 2	Stage 3
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	15,262	95,879	111,141	92,675	1,400	1,805
East Africa	2,500	66,630	69,130	64,937	206	1,486
South Asia	23,032	164,005	187,037	142,015	12,014	9,977
South East Asia	4,000	66,784	70,785	62,329	3,561	893
Non-operating entities	20,465	-	20,465	-	-	-
Total	**65,259**	**393,298**	**458,558**	**361,956**	**17,181**	**14,161**
ECL provision	-	(24,098)	(24,098)	(6,895)	(5,629)	(11,574)
Coverage ratio [2]		**6.1%**	**5.3%**	1.9%	32.8%	81.7%

[1] Due from banks are neither past due nor credit impaired.

[2] Coverage ratio is calculated as the total ECL provision divided by the underlying assets' gross carrying amount.

30. RISK MANAGEMENT (continued)
30.4 Financial risk (continued)

30.4.1 Credit risk (continued)

Credit risk from lending as at 31 December 2020

	Due from banks [1]	Gross loans and advances to customer	Total lending	Total direct lending/IFRS 9 stages: Stage 1	Stage 2	Stage 3
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
West Africa	16,590	79,499	96,089	76,888	620	1,991
East Africa	2,485	46,189	48,674	40,057	2,476	3,656
South Asia	30,738	190,086	220,824	149,086	23,931	17,069
South East Asia	3,000	80,831	83,831	53,091	25,175	2,565
Non-operating entities	20,465	-	20,465	-	-	-
Total	**73,278**	**396,605**	**469,883**	**319,122**	**52,202**	**25,281**
ECL provision	**-**	**24,172**	**24,172**	1,901	8,258	14,013
Coverage ratio [2]		**6.1%**	**5.1%**	0.6%	15.8%	55.4%

[1] Due from banks are neither past due nor credit impaired.

[2] Coverage ratio is calculated as the total ECL provision divided by the underlying assets' gross carrying amount.

Overview of modified loans

In 2021, the Group provided one-year moratoriums to approximately 30% of the clients in India, who were offered to benefit from the one-time debt restructuring scheme established by the Reserve Bank of India ('RBI'). In addition, multiple periodical moratoriums were provided to clients in Myanmar and Sri Lanka as those entities faced multiple national and/or local lockdowns on account of Covid. Also, the Group provided additional moratoriums in multiple branches in Myanmar where business has been disrupted due to political instability since the army took over control of the government in February 2022, which resulted in sporadic violence between the army and the opposition.

The modification itself was not deemed to be an indicator of Significant Increase in Credit Risk ('SICR').

The outstanding balance of modified loans at 31 December 2021 is presented below:

	USD'000			
Entity	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
India	19,650	10,401	6,494	36,545
Myanmar	7,812	2,788	165	10,765
Sri Lanka	922	128	544	1,594
	28,384	**13,317**	**7,203**	**48,904**

2020

	USD'000			
Entity	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
India	48,407	17,639	10,955	77,001
Myanmar	7,502	14,612	224	22,338
Sri Lanka	2,916	543	585	4,044
Philippines	2,533	10,697	2,425	15,655
Nigeria	69	215	1,542	1,826
Pakistan	5,203	524	1,821	7,548
Kenya	132	557	2,288	2,977
Uganda	101	1,662	714	2,477
Tanzania	150	67	434	651
Rwanda	15	111	165	291
	67,028	**46,627**	**21,153**	**134,808**

30. RISK MANAGEMENT (continued)
30.4 Financial risk (continued)

30.4.1 Credit risk (continued)

Overview of modified loans (continued)

The table below shows the total Stage 2 and 3 assets that were modified with the related modification loss suffered by the Group.

2021

	USD'000	
Particulars	Stage 2	Stage 3
Gross amortised cost	13,318	7,208
Net modification loss	(239)	(31)
Amortised cost after modification loss	**13,079**	**7,177**

2020

	USD'000	
Particulars	Stage 2	Stage 3
Gross amortised cost	46,627	21,153
Net modification loss	(1,188)	(327)
Amortised cost after modification loss	**45,439**	**20,826**

30.4.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. 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 their 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 Group 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 2021, the Company had an unrestricted cash balance (including short-term deposits) of USD 91 million (2020: USD 101 million).

- 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.

30. RISK MANAGEMENT (continued)

30.4 Financial risk (continued)

The table below shows undiscounted cash flow analysis of liabilities according to when they are expected to be recovered or to be settled.

Liabilities FY2021 in USD'000	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**
Debt issued and other borrowed funds	75,608	51,782	84,207	**211,597**	107,077	-	**107,077**	-	**318,674**
Due to customers	13,153	33,984	40,526	**87,663**	149	-	**149**	-	**87,812**
Lease liability	-	17	433	**450**	2,924	85	**3,009**	-	**3,459**
Derivative liabilities	-	102	117	**219**	383	-	**383**	-	**602**
Other liabilities	835	4,710	3,328	**8,873**	596	-	**596**	23,468	**32,937**
Provisions	-	384	752	**1,136**	539	-	**539**	-	**1,675**
	89,596	**90,979**	**129,363**	**309,938**	**111,668**	**85**	**111,753**	**23,468**	**445,159**

Liabilities FY2020 in USD'000	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**
Debt issued and other borrowed funds	32,496	26,347	125,928	**184,771**	142,143	15,272	**157,415**	-	**342,186**
Due to customers	10,891	35,447	33,610	**79,948**	226	-	**226**	-	**80,174**
Lease liability	-	28	424	**452**	2,659	518	**3,177**	-	**3,629**
Derivative liabilities	-	451	1,025	**1,476**	671	-	**671**	-	**2,147**
Other liabilities	588	6,376	2,862	**9,826**	635	-	**635**	23,394	**33,855**
Provisions	-	-	2,248	**2,248**	-	-	**-**	-	**2,248**
	43,975	**68,649**	**166,097**	**278,721**	**146,334**	**15,790**	**162,124**	**23,394**	**464,239**

30. RISK MANAGEMENT (continued)
30.4 Financial risk (continued)

30.4.2 Liquidity risk (continued)

The table below shows undiscounted cash flow analysis of assets according to when they are expected to be recovered or to be settled.

Assets FY2021 in USD'000	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
Cash at bank and in hand	62,443	3,667	21,841	**87,951**	-	-	**-**	-	**87,951**
Loans and advances to customers	15,649	120,107	227,639	**363,395**	9,847	-	**9,847**	-	**373,242**
Due from banks	-	27,066	7,228	**34,294**	10,499	-	**10,499**	20,466	**65,259**
Equity investments at FVOCI	-	-	-	**-**	-	-	**-**	237	**237**
Derivative assets	-	955	2,358	**3,313**	653	-	**653**	-	**3,966**
Other assets	-	1,613	4,843	**6,456**	2,483	-	**2,483**	-	**8,939**
	78,092	**153,408**	**263,909**	**495,409**	**23,482**	**-**	**23,482**	**20,703**	**539,594**

Assets FY2020 in USD'000	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
Cash at bank and in hand	68,763	2,771	18,631	**90,165**	-	-	**-**	-	**90,165**
Loans and advances to customers	29,388	51,589	266,069	**347,046**	33,076	-	**33,076**	-	**380,122**
Due from banks	-	44,753	5,843	**50,596**	2,218	-	**2,218**	20,465	**73,279**
Equity investments at FVOCI	-	-	-	**-**	-	-	**-**	238	**238**
Derivative assets	-	-	-	**-**	708	-	**708**	-	**708**
Other assets	-	2,647	7,633	**10,280**	3,125	-	**3,125**	195	**13,600**
	98,151	**101,760**	**298,176**	**498,087**	**39,127**	**-**	**39,127**	**20,898**	**558,112**

Changes in liabilities arising from financing activities:

FY2021	1 January 2021	Cash flows	Non-cash movement	Foreign exchange movement	31 December 2021
	USD'000	USD'000	USD'000	USD'000	USD'000
Debt issued and borrowed funds	342,186	(7,734)	-	(15,778)	318,674
Lease liabilities	3,629	(4,680)	4,566	(56)	3,459
Total liabilities from financing activities	**345,815**	**(12,414)**	**4,566**	**(15,834)**	**322,133**

FY2020	1 January 2020	Cash flows	Non-cash movement	Foreign exchange movement	31 December 2020
	USD'000	USD'000	USD'000	USD'000	USD'000
Debt issued and borrowed funds	322,837	20,225	-	(876)	342,186
Lease liabilities	3,981	(4,389)	3,864	173	3,629
Total liabilities from financing activities	**326,818**	**15,836**	**3,864**	**(703)**	**345,815**

30. RISK MANAGEMENT (continued)

30.4 Financial risk (continued)

30.4.3 Foreign exchange rate risk

Currency risk is the possibility of financial loss to the Group arising from adverse movements in foreign exchange rates. Currency risk is a substantial risk for the Group, as most loans to MFIs and borrowers are in local currency in countries where currency depreciation against the USD is often considered less predictable. At present the Group 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. The Group'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 foreign currency loans, ASA India, ASA Pakistan, ASA Myanmar, ASA Sierra Leone and ASA Tanzania have entered into hedging agreements. The Group applies hedge accounting to the foreign currency loans and related hedge contracts. Reference is made to note 37.

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

In summary, the Group 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 Group decides to invest in a certain country.

- The Group endeavours to procure its MFIs to 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
	2021	2021	2021	2020	2020	2020
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	(26,017)	(31,553)	(5,536)	(22,987)	(27,440)	(4,453)
East Africa	(1,485)	(3,317)	(1,832)	(1,477)	(2,967)	(1,490)
South Asia	(22,814)	(26,288)	(3,477)	(18,402)	(23,979)	(5,110)
South East Asia	(3,453)	(4,977)	(1,524)	138	(1,745)	(1,882)
Non-operating entities	(365)	(391)	(25)	(361)	89	(17)
Total	**(54,134)**	**(66,526)**	**(12,394)**	**(43,089)**	**(56,042)**	**(12,952)**

Analysis of the actual exchange rate fluctuations against the USD for the period 2021 shows different trends for all the operating currencies. The annual exchange rate fluctuations are between 27% and -25%, but most moved within 3% to -10%. 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 2021 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 2021 a 10% downward movement of FX rates against the USD has a negative impact on the foreign currency exchange result of USD 0.6 million (2020: USD 0.8 million). The lower impact on the result of the Company results from the decrease in short-term intercompany USD loans which cannot be hedged.

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
	2021	2021	2021	2020	2020	2020
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	(142)	8	150	(94)	(212)	(117)
East Africa	151	225	73	24	(604)	(628)
South Asia	(331)	(342)	(11)	(192)	(204)	(12)
South East Asia	(562)	(436)	126	842	797	(45)
Non-operating entities	(648)	(1,618)	(969)	(74)	(114)	(40)
Total	**(1,532)**	**(2,163)**	**(631)**	**506**	**(337)**	**(842)**

30. RISK MANAGEMENT (continued)
30.4 Financial risk (continued)

30.4.4 Interest rate risk

Interest rate risk is the risk that profitability is affected by fluctuations in interest rates. The greatest interest rate risk the Group experiences occurs when the cost of funds increases faster than the Group can or is willing to adjust its lending rates. The Group'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. 30% (2020: 27%) of the consolidated debt has variable interest rates. Depending on the extent of the exposure and hedging possibilities with regard to availability of hedging instruments and related pricing, the Group might actively hedge its positions to safeguard the Group'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. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

			2021		2020	
	Increase in basis points	**Decrease in basis points**	Effect on profit before tax		Effect on profit before tax	
			USD'000	**USD'000**	**USD'000**	**USD'000**
USD	+100	-100	622	(798)	397	(425)
PKR	+100	-100	72	(72)	127	(127)
INR	+100	-100	62	(62)	159	(159)

30.5 Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ('IBORs') with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. In March 2021, the ICE Benchmark Administration (the administrator of LIBOR), in conjunction with the UK's Financial Conduct Authority ('FCA') announced that it will stop publishing the following LIBOR settings based on submissions from panel banks, after 31 December 2021: all GBP, EUR, CHF and JPY LIBOR settings and the one-week and two-month USD LIBOR settings. All remaining USD LIBOR settings (i.e. the overnight and the one, three, six and twelve-month settings) will cease to be published based on panel bank submissions after 30 June 2023. As of 31 December 2021, the Group has loans amounting to USD 38.125 million which are based on USD six-month LIBOR and will mature after 2023. The Group is in discussion with the lenders for amending contracts of those affected loans.

The treasury and risk department has started the process to monitor and manage the Group's transition to alternative rates. The department evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The department reports to the Company's Board of Directors and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

Derivatives

The Group holds forward and cross-currency interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to either Euribor or LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association's master agreements. On 23 October 2020, the International Swaps and Derivatives Association ('ISDA') published its IBOR fall-back protocol and supplements, which are designed to address transition for those derivative contracts still outstanding on the permanent cessation of an IBOR. The ISDA fall-back spread adjustments became fixed on 5 March 2021. The Group currently plans to adhere to the protocol and to monitor whether its counterparties will also adhere.

The Group's current hedge contracts will mature before the publication cession date.

30. RISK MANAGEMENT (continued)

30.5 Managing interest rate benchmark reform and associated risks (continued)

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2021. The Group's hedged items and hedging instruments continue to be indexed to Euribor or LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual. The calculation methodology of Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allows market participants to continue to use Euribor for both existing and new contracts and the Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future.

In terms of the Group's LIBOR cash flow hedging relationships, all the contracts will mature before the anticipated cessation date of June 2023. In terms of non-hedged loans, the Group has loans linked to USD LIBOR which will mature after the cessation date. The Group is in the process of amending contracts of those affected loans.

30.6 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 the regulatory and legal environment, through inter alia, tier-one law firms and the local corporate secretaries and compliance officers in certain countries. In most countries the relevant microfinance subsidiary also maintains direct relationships with the regulator, including central banks. In addition, the Group 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 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 Group.

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, Deputy General Counsel and Group Compliance Manager 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 Group Compliance Manager who performs the compliance duties independently. The Group Compliance Manager 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.

30.7 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.

31. COMMITMENTS

The Group agreed certain commitments to BC Partners under the BC model in ASA India. Reference is made to note 13. As per the current model, ASA India holds 5% risk on the portfolio managed on behalf of IDFC. As of 31 December 2021, the risk of the Group on such BC portfolio stands at USD 1.7 million (2020: USD 2.2 million).

The Group entered into an agreement with Temenos Headquarters S.A, a Geneva-based IT company, on 29 December 2021 to procure its T24 software for the Group. T24 is a core banking software used by many international banks and finance companies around the world. The software will be initially piloted in the Group's Pakistan and Ghana entities and upon successful implementation will be rolled out to other entities. The initial purchase price of the licence is USD 2 million, which can cater 4 million client accounts. The licence is for ten years.

The Group also entered into a contract on 14 October 2021 with CSHARK Ltd, an IT company based in Poland, to develop an Android-based digital financial module for its clients. The initial cost of the application is estimated at USD 1.6 million.

There are no other contingent liabilities at the balance sheet date except for the pending litigation claims disclosed in note 34.

32. RELATED PARTY DISCLOSURES
32.1 Key management personnel

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 (including the Chief Financial Officer), risk management, audit, IT, human resource management, and corporate secretarial functions for the Group. All key management personnel stationed in Dhaka are on the payroll of ASAI NV.

The Amsterdam office comprises key management personnel who provide support on treasury, investor relations, legal, specialised accounting support and the management of business development projects. They are on the payroll of ASAI NV.

The seasoned CEOs that are deployed in the countries are part of key management personnel. They are paid by their respective entities.

The Group CEO (based in Amsterdam) and Executive Director Operations (based in Dhaka) are members of the Board and are paid by ASA International Group plc.

Remuneration of Directors

In 2021, the Directors of the Group received total compensation of USD 1.05 million (2020: USD 1.2 million).

Total remuneration to key management personnel of the Group

	2021	2020
	USD'000	USD'000
Short-term employee benefits	2,110	2,018
Post-employment pension and medical benefits	-	-
Termination benefits	-	-
Share-based payment transaction	-	-
	2,110	**2,018**

Total remuneration takes the form of short-term employee benefits for ASAI. In 2021, total remuneration paid to key management personnel of the Group amounted to USD 2.1 million (2020: USD 2.0 million).

No post-employment pension and medical benefits are accruing to Directors under defined benefit schemes. The aggregate of emoluments of the highest paid Director was USD 425K (2020: USD 425K).

32.2 Reporting dates of subsidiaries

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

32. RELATED PARTY DISCLOSURES(continued)
32.3 Subsidiaries

	Country of incorporation	2021 ownership	2020 ownership
ASAIH subsidiaries:			
ASA Consultancy	Ghana	N/A[1]	100%
ASA India	India	90.02%	74.70%
Pagasa Consultancy	India	99.99%	99.99%
Pinoy	India	99.99%	99.99%
Proswift Consultancy	India	N/A	99.99%
ASA India	India	N/A	15.31%[2]
Pagasa	The Philippines	N/A[3]	N/A[3]
PT PAGASA Consultancy	Indonesia	99.00%	99.00%
A1 Nigeria	Nigeria	100%	100%
ASHA MFB	Nigeria	99.99%	99.99%
ASIEA	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 NV subsidiaries:	The Netherlands	N/A	N/A
PPFC	The Philippines	100%	100%
ASA Leasing	Sri Lanka	N/A[4]	100%
ASA S&L	Ghana	100%	100%
CMI Lanka	Sri Lanka	100%	99.99%[5]
Lak Jaya	Sri Lanka	97.14%	97.14%
ASA Lanka	Sri Lanka	100%	100%
ASA Kenya	Kenya	100%[6]	100%[6]
ASA Uganda	Uganda	99.99%	99.99%
AMSL	Bangladesh	95%	95%
ASAI I&M	The Netherlands	100%	100%

1 ASA Consultancy limited was liquidated on
2 Calcutta High Court approved the merger of ASA India and Proswift on 19 December 2020. Final confirmation was received in March 2021.
3 ASAI officials/representatives control the governing body and the Board.
4 ASA Leasing was dissolved in September 2021.
5 This refers to the beneficial ownership only. The legal ownership is held by CMI.
6 ASAIH holds 0.5% of the shares.

32.4 Relationship agreement

Relationship agreement with the Controlling Shareholder Group

The Company, its founders and Catalyst Continuity (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. The Relationship Agreement contains undertakings from each of the members of the Controlling Shareholder Group that (i) transactions and relationships with it and its associates will be conducted at arm’s length and on normal commercial terms, (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, and (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. The Relationship Agreement also sets forth the conditions for appointment of Non-Executive Directors by Controlling Shareholders.

For so long as the Company has a controlling shareholder, the UK Listing Rules require the election of any independent Director to be approved by majority votes of both (i) the shareholders as a whole and (ii) the shareholders excluding any controlling shareholder.

32. RELATED PARTY DISCLOSURES (continued)

32.5 Other related parties

A list of related parties with which ASA International has transactions is presented below. The transactions in 2021 and 2020 and the balances per the end of the year 2021 and 2020 with related parties can be observed in the notes below. Related party transactions take place at arm's length conditions.

Name of related party	Relationship
CMI	Major shareholder (30.4%)
Sequoia	Service provider to the Company
ASA NGO Bangladesh	Service provider to the Company
MBA Philippines	Business partner
IDFC	Minority shareholder in ASA India
ASAICH and CMIIH	Subsidiaries of CMI
CMIMC	Holding company of founders CMI
CMIC	Investment manager of CMI
CMIH	Subsidiary of CMI
ASA Social Services	Service provider to the Parent
CIMS BV	Service provider to the Parent

		Income from related parties USD'000	Expenses to related parties USD'000	Amount owed by related parties USD'000	Amount owed to related parties USD'000
CMI	31 December 2021	-	-	-	20,465
	31 December 2020	-	-	-	20,466
Sequoia	31 December 2021	185	129	53	24
	31 December 2020	158	71	52	60
MBA Philippines	31 December 2021	846	-	5	78
	31 December 2020	603	-	225	457
ASAICH	31 December 2021	-	-	-	-
	31 December 2020	-	-	108	-
IDFC	31 December 2021	2,503	-	2,350	630
	31 December 2020	4,166	-	2,187	1,638
CIMS BV	31 December 2021	-	-	12	-
	31 December 2020	-	-	6	-
CMIIH	31 December 2021	-	-	-	-
	31 December 2020	-	-	6	-

32. RELATED PARTY DISCLOSURES (continued)

32.6 Non-controlling interest

The Company reports non-controlling interest ('NCI') in its subsidiaries ASA India and Lak Jaya. The NCI in ASA India, having its principal place of business in India, amounts to 9.98%. ASA India did not pay any dividend in 2021. The NCI in Lak Jaya, having its principal place of business in Sri Lanka, amounts to 2.86%. Lak Jaya did not declare any dividend in 2021.

The summarised financial information of Lak Jaya and ASA India as at 31 December 2021 is as follows:

	31 December 2021		31 December 2020	
	Lak Jaya	ASA India	Lak Jaya	ASA India
	USD'000	USD'000	USD'000	USD'000
Current assets	9,834	92,360	11,275	163,656
Non-current assets	465	6,381	607	6,133
Current liabilities	6,862	98,913	7,722	145,586
Non-current liabilities	421	2,386	467	2,435
Net operating income	2,367	(11,715)	1,718	2,072
Net loss	(392)	(22,289)	(805)	(6,520)
Non-controlling interest	86	(221)	106	2,175

The following table summarises financial information for each subsidiary that has material non-controlling interest to the Group. The voting rights are similar to NCI's shareholding percentage in India but in the case of Lak Jaya the Group holds 91.3% of the voting rights. The amounts disclosed for each subsidiary are before inter-company eliminations:

	31 December 2021		31 December 2020	
	Lak Jaya	ASA India	Lak Jaya	ASA India
Total no. of shares	10,704,955	195,950	10,704,955	195,950
Shares held by ASAI Group	10,398,950	176,369	10,398,950	176,369
Shares held by NCI	306,005	19,581	306,005	19,581
NCI %	2.86%	9.98%	2.86%	9.99%

	31 December 2021		31 December 2020	
	Lak Jaya	ASA India	Lak Jaya	ASA India
	USD'000	USD'000	USD'000	USD'000
Summarised statement of financial position:				
Net assets	3,016	(2,556)	3,694	21,768
Net assets attributable to NCI	86	(221)	106	2,175
Summarised statement of profit or loss and other comprehensive income:				
Net operating income	2,367	(11,715)	1,718	2,072
Net loss after tax	(392)	(22,289)	(805)	(6,520)
Loss allocated to NCI	(11)	(2,429)	(23)	(652)
Dividend paid to NCI	-	-	-	-
Summarised statement of cash flow:				
Cash flow from operation activities	378	24,145	177	3,624
Cash flow from investing activities	(15)	(45)	(3)	(77)
Cash flow from financing activities	252	(38,141)	(225)	(9,535)
Net cash flow attributable to NCI	18	(1,401)	(1)	(598)

Reference to note 32.3, the remaining shares in Pagasa Consultancy, Pinoy, A1 Nigeria, ASHA Nigeria, ASA Pakistan, ASA Tanzania, PPFC, ASA Uganda, CMI Lanka and AMSL are held either by employees nominated by the Group or by ASAI I&M, CMI or CMII. Hence those are not treated as non-controlling shares.

33. SUBSEQUENT EVENTS DISCLOSURE

Most of the loan agreements are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in the contracts. Out of total loans of USD 314 million, USD 131 million had breached loan covenants as at year end. The Group was able to receive waivers from most of the lenders. As of 31 December 2021, the balance for credit lines with breached covenants without waivers is USD 111 million, which are fully drawn. The Group has received waivers amounting to USD 36.7 million after the balance sheet date. The Group is in discussions with the lenders for waivers on the remaining balance and expects those waivers will be in place in the second quarter of 2022.

On 14 March 2022, the RBI announced new regulation for the microfinance sector in India, applicable to all banks, NBFC-MFIs and other participants in the microfinance sector. The Group's preliminary assessment is that this is a positive development for ASA India as it creates a level playing field in the microfinance sector. The key changes include the removal of the interest rate cap and margin cap, loans shall be collateral-free (also for banks providing microfinance loans), and lenders will be restricted to provide microfinance loans to clients up to a maximum of 50% of the client's household income. The new regulations are effective from 1 April 2022.

The geopolitical situation in Eastern Europe represents a non-adjusting post-balance sheet event. The resulting global economic and political crisis and rising inflation across certain territories in which the Group operates have the potential to put pressure on the Group's clients' ability to repay their loans in the future which could increase arrears levels and write-offs. At the current time, it is not possible to estimate the impact of this post-balance sheet event.

The Group is monitoring the political and economic crisis in Sri Lanka and its impact on employees, clients and business operations. This situation may lead to worsening performance of the Group's subsidiary in Sri Lanka, but the impact is not currently possible to estimate.

The Company expects the operating environment to remain challenging in certain markets. Although the disruption caused by Covid has reduced over time, any new waves of infection can still have a material impact on the financial performance of the Group in 2022 in terms of overdue and write-offs on the loan portfolio, the disbursement of new loans, and the profitability of the Group. We expect that in some markets the overdue will remain temporarily high.

mAt the current time, it is not possible to estimate the financial impact on the Group of the abovementioned post-balance sheet events. The Group has performed several scenario forecasts to establish its going concern assessment and these are detailed in note 2.1. These matters have been treated as post-balance sheet non-adjusting events.

34. CONTINGENT LIABILITIES

ASA India

A demand was raised by income tax authorities after the disallowance of some expenditures such as the misappropriation of funds, gratuity etc. for the assessment years ('AY') 2012-2013. The disallowance amount for AY 2011-2012 is USD 177K and for AY 2012-2013 is USD 69K. The matters are pending before the Commissioner of Taxes (Appeals) and no provision has been created.

A demand has been raised by the income tax authorities for USD 1.1 million for the AY 2012-13 in December 2019 which has been challenged before the concerned assessing officer. ASA India has also applied for a stay order of the demand. No provision is created for such demand as management concludes that the merit of such demand is low.

Lak Jaya

A demand was raised by the Department of Inland Revenue ('IRD') for 2016-2017 and 2017-2018 amounting to USD 332K and USD 412K respectively by disallowing certain expenses. The Company has filed an appeal and submitted necessary documentation. The matter is pending to the commissioner of IRD. No provision is taken in the financial statements against such demand as management concludes that the merit of such demand is low.

ASA Pakistan

A demand was raised by Federal Board of Revenue in Pakistan for USD 390K by disallowing certain expenses against return of AY 2015-16.The management filed an appeal to the Commissioner FBR against such order and a stay order was granted. No provision was created for such demand as management concludes that the merit of the demand is low.

35. 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.

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 2021, the Group and its subsidiaries were in full compliance with minimum regulatory capital requirements.

36 FINANCIAL INSTRUMENTS

The 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	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	USD'000	USD'000	USD'000	USD'000
ASSETS				
Equity investments at FVOCI	237	238	237	238
Derivative assets	3,966	708	3,966	708
Loans and advances to customers	373,242	380,122	373,242	380,122
Due from banks	65,259	73,279	65,259	73,279
Other assets	4,357	7,057	4,357	7,057
Cash at bank and in hand	87,951	90,165	87,951	90,165
LIABILITIES AND EQUITY				
Financial liabilities measured at amortised cost				
Debt issued and borrowed funds	318,674	342,186	318,674	342,186
Due to customers	87,812	80,174	87,812	80,174
Derivative liabilities	602	2,147	602	2,147
Other liabilities	32,937	33,855	32,937	33,855

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

- Loans and advances to customers are carried at amortised cost net of ECL. Furthermore, the terms of the loans to the microfinance borrowers are 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 loans are held at amortised cost. The carrying amount is the best approximation of the fair value.

37. HEDGE ACCOUNTING

Forward contracts

The Group applies hedge accounting to USD and Euro loans provided to subsidiaries reporting in foreign currencies and the related forward contracts. The foreign currency risk exposure of the USD and Euro 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.

Swaps

At 31 December 2021, the Group had three cross-currency interest rate swap agreements in place.

A swap with a notional amount of USD 3 million was entered on 25 July 2019 by ASAI India whereby ASA India pays a fixed rate of interest of 11.8% in Indian Rupee ('INR') and receives interest at a variable rate equal to six-month LIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six-month LIBOR +4.3% USD loan.

Another swap with a notional amount of EUR 10 million on 9 December 2019 by the same, whereby ASA India pays a fixed rate of interest of 12.55% in INR and receives interest at a variable rate equal to six-month EURIBOR +4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its six-month Euribor +4.3% Euro loan.

A swap agreement with a notional amount of USD 1 million was entered on 7 July 2021 by ASA Sierra Leone whereby ASA Sierra Leone pays a fixed rate of interest of 19.09% in SLL and receives interest at a fixed rate of 8% in USD notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its 8% USD loan.

37 HEDGE ACCOUNTING (continued)

The Group 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.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the forward contracts and swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap and forward contracts are identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument.
- Differences in the timing of the cash flows of the hedged items and the hedging instruments.

The Group assessed it had no ineffectiveness during 2021 in relation to the foreign currency hedges.

Reference is made to note 30.4.3 for the strategy for currency exchange risk. Additional information on the hedged items and hedging instruments as per 31 December 2021 is provided below:

As at 31 December 2021	ASA Pakistan	ASA Sierra Leone	ASA Myanmar	ASA Tanzania	ASA India	ASA Zambia	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Fair value of derivative assets	3,143	170	-	-	653	-	3,966
Fair value of derivative liabilities	-	117	21	81	-	383	602
Notional amount hedged foreign currency loans	44,112	3,190	3,000	1,300	14,913	750	67,265
Period in which the cash flows are expected to occur:							
cash flows in 2022	44,112	2,081	2,000	1,300	14,913	-	64,406
cash flows in 2023	-	81	1,000	-	-	750	1,831
cash flows in 2024	-	1,028	-	-	-	-	1,028
Total cash flows	**44,112**	**3,190**	**3,000**	**1,300**	**14,913**	**750**	**67,265**
Expected period to enter into the determination of profit or loss:							
amortisation of forward points in 2022	1,493	308	115	11	28	240	2,195
amortisation of forward points in 2023	-	49	8	-	-	88	145
amortisation of forward points in 2024	-	17	-	-	-	-	17
Total amortisation of forward points	**1,493**	**374**	**123**	**11**	**28**	**328**	**2,357**
Amounts recognised in OCI during the period:							
for amortisation of forward points/currency basis spread	2,707	350	352	161	31	132	3,733
for adjustment of net interest on swap	-	27	-	-	1,047	-	1,074
for changes in fair value of the forward contracts/swaps	2,502	41	662	(152)	(1,131)	(371)	1,551
for recycling of FX result of foreign currency loans	(4,531)	(322)	(1,009)	7	663	215	(4,977)
Total amounts recognised in OCI during the period	**678**	**96**	**5**	**16**	**610**	**(24)**	**1,381**

37. HEDGE ACCOUNTING (continued)

As at 31 December 2020	ASA Pakistan	ASA Sierra Leone	ASA Myanmar	ASA Tanzania	ASA India	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Fair value of derivative assets	-	-	-	-	708	708
Fair value of derivative liabilities	953	51	1,073	70	-	2,147
Notional amount hedged foreign currency loans	26,800	2,000	4,800	4,000	16,482	54,082
Period in which the cash flows are expected to occur:						
cash flows in 2021	26,800	-	1,800	4,000	609	33,209
cash flows in 2022	-	2,000	2,000	-	15,872	19,872
cash flows in 2023	-	-	1,000	-	-	1,000
Total cash flows	**26,800**	**2,000**	**4,800**	**4,000**	**16,481**	**54,081**
Expected period to enter into the determination of profit or loss:						
amortisation of forward points in 2021	955	335	414	41	32	1,777
amortisation of forward points in 2022	-	289	153	-	29	471
amortisation of forward points in 2023	-	-	11	-	-	11
Total amortisation of forward points	**955**	**624**	**578**	**41**	**61**	**2,259**
Amounts recognised in OCI during the period:						
for amortisation of forward points/currency basis spread	2,209	44	734	129	31	3,147
for adjustment of net interest on swap	-	-	-	-	994	994
for changes in fair value of the forward contracts/swaps	(1,061)	(51)	(1,412)	(149)	283	(2,390)
for recycling of FX result of foreign currency loans	(862)	(17)	870	(38)	(1,382)	(1,429)
Total amounts recognised in OCI during the period	**286**	**(24)**	**192**	**(58)**	**(74)**	**322**

	Changes in fair value of hedging instruments		
As at 31 December 2021	Effective portion: Recognised in OCI	Hedge ineffectiveness: Recognised in income statement	Total
	USD'000	USD'000	USD'000
Cash flow hedge			
Forward contracts	691	-	691
Cross-currency interest rate swaps	690	-	690
	1,381	**-**	**1,381**

Changes in fair value of hedging instruments

As at 31 December 2020	Effective portion: recognised in OCI	Hedge ineffectiveness: recognised in income statement	Total
	USD'000	USD'000	USD'000
Cash flow hedge			
Forward contracts	396	-	396
Cross-currency interest rate swaps	(74)	-	(74)
	322	**-**	**322**

38. 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 borrowe d funds reflect the contractual repayments except for debts where no waivers have been received against breached covenants. Those borrowings are presented on demand.

As at 31 December 2021	Within 12 months	After 12 months	Total
	USD'000	USD'000	USD'000
Assets			
Cash at bank and in hand	87,951	-	87,951
Loans and advances to customers	363,395	9,847	373,242
Due from banks	34,294	30,965	65,259
Equity investment at FVOCI	-	237	237
Property and equipment	-	4,085	4,085
Right-of-use assets	1,013	4,018	5,031
Deferred tax assets	-	13,362	13,262
Derivative assets	3,313	653	3,966
Other assets	6,456	2,483	8,939
Goodwill and intangible assets	-	482	482
Total assets	**496,422**	**66,132**	**562,554**
Liabilities			
Debt issued and other borrowed funds	211,597	107,077	318,674
Due to customers	87,663	149	87,812
Retirement benefit liability	7	5,384	5,391
Current tax liability	6,265	-	6,265
Deferred tax liability	-	2,296	2,296
Lease liability	450	3,009	3,459
Derivative liabilities	219	383	602
Other liabilities	8,873	24,064	32,937
Provisions	1,136	539	1,675
Total liabilities	**316,210**	**142,901**	**459,111**
Net	**180,212**	**(76,769)**	**103,443**

As at 31 December 2020	Within 12 months	After 12 months	Total
	USD'000	USD'000	USD'000
Assets			
Cash at bank and in hand	90,165	-	90,165
Loans and advances to customers	347,046	33,076	380,122
Due from banks	50,596	22,683	73,279
Equity investment at FVOCI	-	238	238
Property and equipment	-	4,617	4,617
Right-of-use assets	1,145	4,050	5,195
Deferred tax assets	-	11,303	11,303
Derivative assets	-	708	708
Other assets	10,280	3,320	13,600
Goodwill and intangible assets	-	33	33
Total assets	**499,232**	**80,028**	**579,260**
Liabilities			
Debt issued and other borrowed funds	184,771	157,415	342,186
Due to customers	79,948	226	80,174
Retirement benefit liability	89	5,357	5,446
Current tax liability	2,502	-	2,502
Lease liability	452	3,177	3,629
Derivative liabilities	1,476	671	2,147
Other liabilities	9,826	24,029	33,855
Provisions	2,248	-	2,248
Total liabilities	**281,312**	**190,875**	**472,187**
Net	**217,920**	**(110,847)**	**107,073**

39. 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 a 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:

	2021	2020
	USD'000	USD'000
Net profit attributable to ordinary equity holders of the parent	8,787	(720)
Weighted average number of ordinary shares for basic earnings per share	100,000,000	100,000,000
Earnings per share	**USD**	**USD**
Equity shareholders of the parent for the year:		
Basic earnings per share	0.09	(0.01)
Diluted earnings per share	0.09	(0.01)

The Company has applied the number of shares issued by ASA International Group plc as at 31 December 2021 and 31 December 202 0. 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. No dividend is declared for the year 2021 (2020: nil).

The following table shows the dividend per share:

Dividend per share	n/a	n/a

UNAUDITED PRELIMINARY STATUTORY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2021

	Notes	2021 USD'000	2020 USD'000
Interest and similar income		(29)	2
Dividend income		3,529	1,000
Net revenue		**3,500**	**1,002**
Personnel expenses	40.	(1,045)	(1,177)
Professional fees	40.1.	(1,661)	(1,404)
Administrative expenses		(533)	(1,236)
Exchange rate differences		10	(5)
Total operating expenses		**(3,229)**	**(3,822)**
Profit before tax		**271**	**(2,820)**
Profit/total comprehensive profit for the period, net of tax		**271**	**(2,820)**

UNAUDITED PRELIMINARY STATUTORY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021	2020
		USD'000	USD'000
ASSETS			
Cash at bank and in hand		383	359
Due from banks	14.1.	20,465	20,465
Investment in subsidiaries	41.	120,684	120,684
Other assets	42.	765	274
TOTAL ASSETS		**142,297**	**141,782**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	43.	1,310	1,310
Retained earnings	44.	92,779	92,508
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**94,089**	**93,818**
LIABILITIES			
Other liabilities	45.	48,208	47,964
TOTAL LIABILITIES		**48,208**	**47,964**
TOTAL EQUITY AND LIABILITIES		**142,297**	**141,782**

UNAUDITED PRELIMINARY STATUTORY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2021

	Issued capital	Retained earnings	Total
	USD'000	**USD'000**	**USD'000**
At 1 January 2020	**1,310**	**95,328**	**96,638**
(Loss) for the period	-	(2,820)	(2,820)
Total comprehensive loss for the period	**1,310**	**92,508**	**93,818**
Dividend	-	-	-
At 31 December 2020	**1,310**	**92,508**	**93,818**
At 1 January 2021	**1,310**	**92,508**	**93,818**
Profit for the period	-	271	**271**
Total comprehensive loss for the period	**1,310**	**92,779**	**94,089**
Dividend		-	-
At 31 December 2021	**1,310**	**94,098**	**94,089**

UNAUDITED PRELIMINARY STATUTORY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2021

	Notes	2021	2020
		USD'000	**USD'000**
OPERATING ACTIVITIES			
Profit before tax		271	(2,820)
Adjustment for movement in:			
Operating assets	46.	(491)	(180)
Operating liabilities	46.	744	1,514
Net cash flows used in operating activities		**524**	**(1,486)**
FINANCING ACTIVITIES			
Loan (repaid)/received		(500)	500
Net cash flows used in financing activities		**(500)**	**500**
Net increase in cash and cash equivalents		24	(986)
Cash and cash equivalents at the beginning of the period		359	1,345
Cash and cash equivalents as at 31 December		**383**	**359**

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 for 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 its carrying value.

40. TOTAL OTHER OPERATING EXPENSES

	Notes	2021	2020
Total operating expenses include the following items:		USD'000	USD'000
Personnel expenses		(1,045)	(1,177)
Professional fees	40.1.	(1,661)	(1,404)
Administrative expenses		(533)	(1,236)
		(3,239)	**(3,817)**

40.1. Professional fees

	2021	2020
	USD'000	USD'000
Audit service fee	(1,006)	(976)
Other professional fees	(655)	(428)
	(1,661)	**(1,404)**

40.2. Administrative expenses

	2021	2020
	USD'000	USD'000
Other administrative expenses	(533)	(1,236)
	(533)	**(1,236)**

41. INVESTMENTS IN SUBSIDIARIES

	2021	2020
	USD'000	USD'000
Investments in subsidiaries		
ASA International Holding	75,195	75,195
ASA International NV	45,489	45,489
	120,684	**120,684**

Name of company	Country	Nature of business	2021 Ownership	2020 Ownership
ASA International Holding	Mauritius	MFI Holding Company	100%	100%
ASA International NV	Netherlands	MFI Holding Company	100%	100%

42. OTHER ASSETS

	2021	2020
	USD'000	USD'000
The other assets comprised the following:		
Other receivables	482	244
Advances and prepayments	283	30
	765	**274**

43. ISSUED CAPITAL

100 million ordinary shares of GBP 1.00 each and after capital reduction of GBP 0.01 each. No movement occurred during 2021 and 2020.

44. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	2021	2020
	USD'000	USD'000
Balance at the beginning of the period	92,508	95,328
Dividend	-	-
Result for the period	271	(2,820)
Balance at the end of the period	**92,779**	**92,508**
Profit for the period		
Attributable to equity holders of the parent	**271**	**(2,820)**

45. OTHER LIABILITIES

	Notes	2021	2020
		USD'000	USD'000
Short-term liabilities			
Accrued audit fees		557	542
Accrued cost		288	199
Other intercompany payables		3,692	3,052
		4,537	**3,793**
Long-term liabilities			
Intercompany loan		-	500
Escrow liability to CMI	14.1.	20,465	20,465
Purchase price for ASAI NV to ASAIH		23,206	23,206
		43,671	**44,171**
		48,208	**47,964**

46. ADDITIONAL CASH FLOW INFORMATION

	2021	2020
	USD'000	USD'000
Changes in operating assets		
Due from banks	-	(33)
Other assets	(491)	(147)
	(491)	**(180)**
Changes in operating liabilities		
Other liabilities	744	1,514
	744	**1,514**
Changes in non-cash items		
Foreign exchange result	-	-
	-	**-**

47. 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.

As at 31 December 2021	Within 12 months	After 12 months	Total
	USD'000	USD'000	USD'000
Assets			
Cash at bank and in hand	383	-	383
Due from banks	-	20,465	20,465
Investment in subsidiaries	-	120,684	120,684
Other assets	765	-	765
	1,148	**141,149**	**142,297**
Liabilities			
Other liabilities	**4,537**	**43,671**	**48,208**
Net	**(3,389)**	**97,478**	**94,089**

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 31 December 2020	**Within 12 months**	**After 12 months**	**Total**
	USD'000	**USD'000**	**USD'000**
Assets			
Cash at bank and in hand	359	-	359
Due from banks	-	20,465	20,465
Investment in subsidiaries	-	120,684	120,684
Other assets	274	-	274
	633	**141,149**	**141,782**
Liabilities			
Other liabilities	**3,793**	**44,171**	**47,964**
Net	**(3,160)**	**96,978**	**93,818**