Press Release

ASA International Group plc reports FY 2022 results

Amsterdam, The Netherlands, 18 April 2023 - ASA International Group plc ('ASA International', the 'Company' or the 'Group'), one of the world's largest international microfinance institutions, today announces its unaudited results for the year ended 31 December 2022.

Key performance indicators

(UNAUDITED) **(Amounts in USD millions)**	**FY2022**	**FY2021**	**FY 2020**	**YoY % Change**	**YoY % Change (constant currency)**
Number of clients (m)	2.3	2.4	2.4	*-3%*	
Number of branches	2,028	2,044	1,965	*-1%*	
Profit before tax	46.3	25.7	2.6	*+80%*	*+117%*
Net profit	17.9	6.4	-1.4	*+181%*	*+269%*
OLP(1)	351.2	403.7	415.3	*-13%*	*+5%*
Gross OLP	367.5	430.7	445.3	*-15%*	*+3%*
PAR > 30 days(2)	*5.9%*	*5.2%*	*13.1%*		

(1) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, excludes interest receivable, unamortised loan processing fees, and deducts modification losses and ECL reserves from Gross OLP.

(2) 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 2022 highlights

- The Company's operational and financial results continued to improve compared to 2021 with profit before tax increasing to USD 46.3 million in FY 2022 from USD 25.7 million in FY 2021.
- Net profit stood at USD 17.9 million for FY 2022, compared to USD 6.4 million in FY 2021.
- The improvement was led by the strong operational and financial performance of Pakistan, the Philippines, Ghana and Tanzania microfinance institutions ('MFI's), which delivered significant OLP growth and increased profitability in constant currency terms.
- Nigeria, Kenya, and Uganda also made significant positive contributions to the Group's net profitability.
- As portfolio quality improved or stabilised across most markets, the Company significantly reduced expected credit losses ('ECL') charged to the Income Statement to USD 0.6 million (FY 2021: USD 37.5 million). Reserves for expected credit losses on OLP in the Balance Sheet, including the off-book BC portfolio in India and interest receivables, reduced from USD 27.5 million in FY 2021 to USD 16.9 million in FY 2022.
- PAR>30 for the Group's operating subsidiaries increased to 5.9% in 2022 from 5.2% in 2021, partially due to the decrease in portfolio quality in India, combined with a shrinking OLP in USD terms in some of our

other major better performing countries due to substantial currency devaluation. PAR>30 for the Group excluding India is 3%.

- ASA India's collection efficiency continued to improve, reaching 87% in December 2022. As of 31 December 2022, ASA India had collected USD 3.7 million from a total of USD 22.9 million in written-off loans since 2020.
- The Group derecognised deferred tax assets amounting to USD 8 million related to deductible temporary differences and past losses for mainly India and Myanmar, in adherence to IFRS guidelines. This resulted in a substantial increase in tax expenses and a high effective tax rate for FY 2022.
- The Group's cash and cash equivalents reduced from approximately USD 91 million as of 31 December 2021 to approximately USD 55 million as of 31 December 2022, following large debt settlements primarily in India. The Company maintains a healthy cash position and has a significant funding pipeline.

Outlook

Whilst inflation and the related foreign exchange ('FX') movements will continue to impact the Group's operating subsidiaries' financial performance in USD terms, based on the positive developments throughout 2022, the Company expects the operating environment for its clients to continue to improve in most of its operating markets.

As most of the Group's operating subsidiaries have returned to growth and increased profitability, and subject to improved performance in India and reduced currency devaluation in most of our operating countries, the Company is confident of continued progress during 2023.

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

"We are pleased that all but three of our operating subsidiaries reached or exceeded pre-covid operating and financial performance on a constant currency basis in 2022. The performance of most of our major operating subsidiaries, particularly Pakistan, the Philippines, Ghana and Tanzania, was excellent in terms of portfolio quality, growth and profitability. Though as expected, and against the backdrop of global market volatility, FX movements have significantly impacted the Group OLP and financial performance in USD terms, most of our clients and their businesses in these countries have again proved their resilience despite operating in an environment with high inflation.

As a result of the improved operating performance in 2022, profit before tax and net profit of the Group for 2022 is substantially better than what was achieved in 2021. The Group's profit before tax increased to USD 46.3 million in FY 2022 from USD 25.7 million in FY 2021, and the Group's net profit increased to USD 17.9 million in FY 2022 from USD 6.4 million in FY 2021.

Based on the positive developments throughout 2022 and despite the challenging operating environment in some of our operating subsidiaries, overall, we expect higher demand for our loans in 2023. This should lead to continued progress as we continue to invest in the future with our digital strategy."

CHIEF EXECUTIVE OFFICER'S REVIEW

Business review 2022

The improvement in the operating environment in most of our markets saw demand for our loan products increase as clients experienced an upturn in business activity. Against the backdrop of the macroeconomic challenges faced in our operating markets due to the global impact of food, commodities and energy inflation, the high demand from clients contributed to the growth of our operations.

Excluding India, Myanmar and Sri Lanka, the Group added 112 additional branches and increased number of clients from 1.7 million to 1.9 million in 2022. On a constant currency basis, OLP, excluding India, Myanmar and Sri Lanka, grew to USD 360 million in 2022 from USD 282 million in 2021. The growth in OLP was combined with improved portfolio quality in these markets with PAR>30 at 3% as of December 2022 in all markets excluding India.

To limit financial losses and, simultaneously, maintain sufficient capital in India and Myanmar, the Group decided to downsize the operations in these two countries for now.

In India, the Company maintained its strategy to reduce disbursements and focus on the recovery of existing and overdue loans, which resulted in OLP shrinking by USD 61 million in 2022. We do expect that the major change of the regulatory environment in India, including the removal of the margin and interest rate cap, should translate into a positive effect on the future profitability of our operations in India.

In Myanmar, the operating environment remained challenging following the military takeover of government in February 2021. This resulted in our inability to operate in a few regions where the levels of civil unrest remained high. We do not expect the operating environment to substantially improve until a governmental settlement is reached.

In Sri Lanka, one of our smallest markets, the economic and political crisis faced in 2022 resulted in disruptions to our operations. However, we expect a gradual improvement of business and the operating environment in 2023 which should allow our operations to start gradually reaching new clients.

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 difficult operating circumstances.

Financial performance

As a result of the improved operating performance in FY 2022, and the significantly reduced expected credit losses charged to the Income Statement from USD 37.5 million in FY 2021 to USD 0.6 million in FY 2022, the Group realised net profits of USD 17.9 million, which was a substantial improvement over the USD 6.4 million achieved in FY 2021. I am pleased that all but three of our major operating subsidiaries exceeded pre-covid operating and financial performance on a constant currency basis in 2022. The performance of most of our operating countries, particularly Pakistan, the Philippines, Ghana and Tanzania, was excellent in terms of portfolio quality, growth and profitability.

The Group maintains a diversified risk profile with operations across thirteen markets in Asia and Africa. As the impact of global market volatility, inflation and adverse FX movements in our operating markets substantially varies per country, the Company benefits from this relatively high level of diversification.

Expected credit losses

The Company reduced its reserves in the Balance Sheet for expected credit losses from USD 27.5 million in FY 2021 to USD 16.9 million in FY 2022, for its OLP, including the off-book BC portfolio and interest receivables. Following an additional write-off of the outstanding Covid affected portfolio (USD 10.8 million in FY 2022 vs USD 32.9 million in FY 2021), the Company maintained significant reserves, primarily due to the overdue loans in India and Myanmar.

The USD 16.9 million ECL reserves on OLP is concentrated in India (57%) and Myanmar (20%), with the remainder spread across the other countries as a percentage of each country's outstanding loan portfolio or as an aggregate amount. Further details on the ECL calculation, including the selected assumptions, are provided in note 2.5.3 to the consolidated financial statements.

Digital financial services

In anticipation of a rapidly digitising world, also in the segment of our low-income clients, the Group made progress with the implementation of its digital strategy to have a more attractive and competitive client proposition. Our digital strategy entails the implementation of the newly acquired core banking system, our digital financial services platform ('DFS App'), and our route to embedded finance with the so-called Supplier Market Place ('SMP'). Along with the digitalisation of our client relationship, we will make progress in further digitising our employee processes as well.

The implementation of the core banking system (T24) in Pakistan as the first country in the Group continues as planned and is targeted to go live in the second half of 2023.

The SMP app is currently being rolled out in Ghana. The first clients are onboarded and placing their online orders. The DFS app, in combination with the new core banking system (T24) in Ghana, will go live after the Pakistan implementation.

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.

Dividend

After careful consideration, the Board has decided not to declare a dividend in 2023 on the 2022 results. However, the Company looks to return to its pre-Covid dividend policy in 2024 on the 2023 results, assuming the operating and financial performance continues to improve and flows of dividends from major operating subsidiaries return to normal.

Changes to the Board of Directors post 31 December 2022

On 24 February 2023, the Board has approved the following succession plan. Mr. Brouwer will remain as CEO until the Annual General Meeting ('AGM') on Thursday 15 June 2023, at which point Ms. Karin Kersten, currently Executive Director, Corporate Development, will be appointed CEO. Ms. Kersten joined ASA International from ABN AMRO Bank in October 2021 and became an Executive Director in April 2022. In the Board's view she is very well qualified to lead the Group going forward.

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 2022 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://stream.brrmedia.co.uk/broadcast/641c56bd2168855f70e653c7
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.

2022 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 2021 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 2022 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 expected portfolio quality covenant breaches in India and lack of waivers or no-action letters that cover the entire going concern period under assessment, 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 24 April 2023, the Company will publish the Annual Report and Accounts for the 12 months period ended 31 December 2022 on Investors | Asa (asa-international.com).

Annual General Meeting

The Annual General Meeting will be held on 15 June 2023.

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GROUP FINANCIAL PERFORMANCE

(UNAUDITED) **(Amounts in USD thousands)**	**FY2022**	**FY2021**	**FY 2020**	**YoY % Change**	**YoY % Change (constant currency)**
Profit before tax	46,281	25,705	2,578	*+80%*	*+117%*
Net profit	17,887	6,358	-1,395	*+181%*	*+269%*
Cost/income ratio	*68%*	*77%*	*98%*		
Return on average assets (TTM)[1]	*3.4%*	*1.1%*	*-0.2%*		
Return on average equity (TTM)[1]	*18.5%*	*6.0%*	*-1.3%*		
Earnings growth (TTM)[1]	*181%*	*556%*	*-104%*		
OLP	351,151	403,738	415,304	*-13%*	*+5%*
Gross OLP	367,535	430,698	445,257	*-15%*	*+3%*
Total assets	489,752	562,554	579,260	*-13%*	
Client deposits [2]	84,111	87,812	80,174	*-4%*	
Interest-bearing debt [2]	257,466	314,413	337,632	*-18%*	
Share capital and reserves	89,661	103,443	107,073	*-13%*	
Number of clients	2,299,558	2,380,690	2,380,685	*-3%*	
Number of branches	2,028	2,044	1,965	*-1%*	
Average Gross OLP per client (USD)	160	181	187	*-12%*	*+6%*
PAR > 30 days	*5.9%*	*5.2%*	*13.1%*		
Client deposits as % of loan portfolio	*24%*	*22%*	*19%*		

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

Regional performance

South Asia

(UNAUDITED) (Amounts in USD thousands)	FY2022	FY2021	FY 2020	YoY % Change	YoY % Change (constant currency)
Profit before tax	12,395	-8,229	-5,537	*+251%*	*+273%*
Net profit	3,103	-12,393	-4,360	*+125%*	*+128%*
Cost/income ratio	*64%*	*154%*	*134%*		
Return on average assets (TTM)	*1.9%*	*-5.5%*	*-1.7%*		
Return on average equity (TTM)	*8.8%*	*-27.3%*	*-7.8%*		
Earnings growth (TTM)	*125%*	*-184%*	*-131%*		
OLP	118,590	182,329	217,843	*-35%*	*-19%*
Gross OLP	128,460	201,405	238,738	*-36%*	*-21%*
Total assets	133,894	198,393	253,360	*-33%*	
Client deposits	1,345	2,464	2,610	*-45%*	
Interest-bearing debt	85,878	146,522	183,756	*-41%*	
Share capital and reserves	33,393	37,506	53,232	*-11%*	
Number of clients	935,091	1,106,469	1,185,656	*-15%*	
Number of branches	670	778	758	*-14%*	
Average Gross OLP per client (USD)	137	182	201	*-25%*	*-7%*
PAR > 30 days	*11.1%*	*9.6%*	*21.3%*		
Client deposits as % of loan portfolio	*1%*	*1%*	*1%*		

- Pakistan continued to maintain a strong portfolio quality throughout 2022.
- A shrinking OLP in India and significant currency depreciation in Pakistan and Sri Lanka (PKR down 28% and LKR down 81% YoY against USD) contributed to overall OLP reduction in 2022.
- South Asia recovered from a net loss of USD 12.4 million in 2021 and posted a net profit of USD 3.1 million in 2022.

Pakistan

ASA Pakistan grew its operations over the past 12 months:

- Number of clients increased from 512k to 606k (up 18% YoY).
- Number of branches up from 325 to 345 (up 6% YoY).
- OLP up from PKR 13.8bn (USD 77.7m) to PKR 17.9bn (USD 79.1m) (up 30% in *PKR*).
- Gross OLP/Client up from PKR 27.3K (USD 154) to PKR 29.8k (USD 131) (up 9% YoY in *PKR).*
- PAR>30 increased from 0.2% to 0.7%.

India

ASA India intentionally shrank its operations over the past 12 months, as it focused on recovery of overdue loans:

- Number of clients down from 541k to 284k (down 47% YoY).

- Number of branches down from 387 to 261 (down 33% YoY).
- OLP declined from INR 4.5bn (USD 61m) to INR 1.2bn (USD 14m) (down 74% YoY *in INR*).
- Off-book portfolio declined from INR 2.7bn (USD 35.7m) to INR 1.8bn (USD 21.5m) (down 33% *in INR*).
- Gross OLP/Client down from INR 16K (USD 211) to INR 13K (USD 158) (down 17% YoY *in INR*).
- PAR>30 increased from 19.7% to 49.0%, although PAR>30 amount decreased from INR 1.1bn (USD 15.1m) to INR 903.4m (USD 10.9m).

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

Sri Lanka

Lak Jaya shrank its operations over the past 12 months as a result of the political and economic crisis in Sri Lanka:

- Number of clients down from 53k to 45k (down 15% YoY).
- Number of branches decreased from 66 to 64 (down 3%).
- OLP decreased from LKR 1.6bn (USD 7.7m) to LKR 1.4bn (USD 3.8m) (down 11*%* YoY in *LKR*).
- Gross OLP/Client up from LKR 32.0K (USD 158) to 32.4k (USD 89) (up 1*%* YoY in *LKR*).
- PAR>30 increased from 6.0% to 8.5%.

South East Asia

(UNAUDITED) (Amounts in USD thousands)	FY2022	FY2021	FY 2020	YoY % Change	YoY % Change (constant currency)
Profit before tax	4,217	34	-4,348	*+12173%*	*+13660%*
Net profit	1,910	-339	-3,366	*+663%*	*+713%*
Cost/income ratio	*82%*	*97%*	*135%*		
Return on average assets (TTM)	*1.8%*	*-0.3%*	*-2.7%*		
Return on average equity (TTM)	*12.0%*	*-1.8%*	*-16.1%*		
Earnings growth (TTM)	*663%*	*90%*	*-163%*		
OLP	63,316	62,328	74,214	*+2%*	*+13%*
Gross OLP	66,955	66,784	80,832	*+0.3%*	*+12%*
Total assets	102,917	105,872	119,152	*-3%*	
Client deposits	22,069	20,956	24,000	*+5%*	
Interest-bearing debt	58,416	60,392	66,412	*-3%*	
Share capital and reserves	14,980	16,827	20,259	*-11%*	
Number of clients	424,076	400,021	428,645	*+6%*	
Number of branches	441	420	415	*+5%*	
Average Gross OLP per client (USD)	158	167	189	*-5%*	*+5%*
PAR > 30 days	*6.5%*	*2.1%*	*4.1%*		
Client deposits as % of loan portfolio	*35%*	*34%*	*32%*		

- South East Asia saw return to operational growth and profitability led by improvement of operations in the Philippines.

The Philippines

Pagasa Philippines operations grew over the last 12 months:

- Number of clients up from 289k to 325k (up 13% YoY).
- Number of branches up from 324 to 345 (up 6% YoY).
- OLP up from PHP 2.3bn (USD 44.6m) to PHP 2.8bn (USD 49.6m) (up 21% YoY in *PHP*).
- Gross OLP/Client increased from PHP 8.2K (USD 161) to PHP 8.6k (USD 153) (up 4*%* YoY in *PHP).*
- PAR>30 decreased from 2.5% to 1.7%.

Myanmar

ASA Myanmar saw a decline in clients and OLP over the last 12 months as a result of the political situation and the related civil unrest halting operations in certain regions:

- Number of clients down from 111k to 99k (down 11% YoY).
- Number of branches remained at 96.
- OLP down from MMK 31.5bn (USD 17.7m) to MMK 28.9bn (USD 13.8m) (down 8% YoY *in MMK*).
- Gross OLP/Client up from MMK 324k (USD 182) to MMK 362k (USD 172) (up 12*%* YoY *in MMK*).
- PAR>30 increased from 1.1% to 20.4%.

West Africa

(UNAUDITED) (Amounts in USD thousands)	FY2022	FY2021	FY 2020	YoY % Change	YoY % Change (constant currency)
Profit before tax	27,799	35,583	19,268	*-22%*	*-2%*
Net profit	19,215	25,019	13,443	*-23%*	*-4%*
Cost/income ratio	*43%*	*37%*	*49%*		
Return on average assets (TTM)	*15.8%*	*20.6%*	*13.2%*		
Return on average equity (TTM)	*33.2%*	*45.4%*	*31.1%*		
Earnings growth (TTM)	*-23%*	*86%*	*-16%*		
OLP	82,380	94,201	77,835	*-13%*	*+22%*
Gross OLP	84,853	95,879	79,499	*-12%*	*+23%*
Total assets	108,395	134,719	107,748	*-20%*	
Client deposits	39,544	46,548	39,788	*-15%*	
Interest-bearing debt	4,326	7,100	10,255	*-39%*	
Share capital and reserves	54,591	61,222	49,033	*-11%*	
Number of clients	433,897	457,302	447,122	*-5%*	
Number of branches	446	440	433	*+1%*	
Average Gross OLP per client (USD)	196	210	178	*-7%*	*+30%*
PAR > 30 days	*4.2%*	*2.6%*	*2.7%*		
Client deposits as % of loan portfolio	*48%*	*49%*	*51%*		

- West Africa saw a deterioration in operational performance and profitability in USD terms due to the depreciation of GHS (65% down against USD in FY 2022) and SLL (68% down against USD in FY 2022). In constant currency, West Africa demonstrated an improvement in operational performance.

Ghana

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

- Number of clients up from 158k to 177k (up 12% YoY).
- Number of branches up from 133 to 137 (up 3% YoY).
- OLP up from GHS 301.7m (USD 48.9m) to GHS 416.3m (USD 40.8m) (up 38% YoY in *GHS*).
- Gross OLP/Client up from GHS 1.9k (USD 310) to GHS 2.4K (USD 231) (up 24% YoY in *GHS*).
- PAR>30 increased from 0.3% to 0.6%.

Nigeria

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

- Number of clients down from 254k to 220K (down 13% YoY).
- Number of branches maintained at 263.
- OLP up from NGN 15.9bn (USD 38.5m) to NGN 16.7bn (USD 37.3m) (up 5% YoY *in NGN*).
- Gross OLP/Client up from NGN 65k (USD 157) to NGN 80k (USD 179) (up 24% YoY *in NGN*).
- PAR>30 increased from 4.6% to 7.1%.

Sierra Leone

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

- Number of clients down from 45k to 37k (down 18% YoY).
- Number of branches up from 44 to 46 (up 5% YoY).
- OLP up from SLL 76.1bn (USD 6.7m) to SLL 80.7bn (USD 4.3m) (up 6% YoY *in SLL*).
- Gross OLP/Client up from SLL 1.7m (USD 154) to SLL 2.3m (USD 123) (up 34*%* YoY *in SLL*).
- PAR>30 increased from 7.5% to 10.7%.

East Africa

(UNAUDITED) (Amounts in USD thousands)	FY2022	FY2021	FY 2020	YoY % Change	YoY % Change (constant currency)
Profit before tax	11,241	6,605	1,652	*+70%*	*+75%*
Net profit	6,913	4,631	1,069	*+49%*	*+54%*
Cost/income ratio	*68%*	*75%*	*90%*		
Return on average assets (TTM)	*7.0%*	*6.5%*	*1.8%*		
Return on average equity (TTM)	*29.8%*	*25.5%*	*6.7%*		
Earnings growth (TTM)	*49%*	*333%*	*-83%*		
OLP	86,865	64,881	45,413	*+34%*	*+39%*
Gross OLP	87,267	66,629	46,188	*+31%*	*+36%*
Total assets	113,791	83,602	59,802	*+36%*	
Client deposits	21,153	17,843	13,776	*+19%*	
Interest-bearing debt	59,871	41,201	26,292	*+45%*	
Share capital and reserves	26,445	19,973	16,313	*+32%*	
Number of clients	506,494	416,898	319,262	*+21%*	
Number of branches	471	406	359	*+16%*	
Average Gross OLP per client (USD)	172	160	145	*+8%*	*+12%*
PAR > 30 days	*0.9%*	*1.3%*	*13.2%*		
Client deposits as % of loan portfolio	*24%*	*28%*	*30%*		

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

Tanzania

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

- Number of clients up from 174k to 217k (up 25% YoY).
- Number of branches up from 143 to 180 (up 26% YoY).
- OLP up from TZS 79.0bn (USD 34.3m) to TZS 119.5bn (USD 51.2m) (up 51% YoY in *TZS*).
- Gross OLP/Client up from TZS 460k (USD 200) to TZS 553k (USD 237) (up 20% YoY in *TZS*).
- PAR>30 decreased from 0.5% to 0.4%.

Kenya

ASA Kenya expanded its operations over the 12 months period:

- Number of clients up from 119k to 141k (up 19% YoY).
- Number of branches up from 112 to 124 (up 11% YoY).
- OLP up from KES 1.8bn (USD 16.1m) to KES 2.1bn (USD 16.9m) (up 14% YoY in *KES*).
- Gross OLP/Client down from KES 16K (USD 140) to KES 15K (USD 120) (down 6% YoY in *KES*).
- PAR>30 decreased from 1.1% to 0.8%.

Uganda

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

- Number of clients up from 92k to 107k (up 16% YoY).
- Number of branches up from 103 to 110 (up 7% YoY).
- OLP up from UGX 31.8bn (USD 9.0m) to UGX 43.0bn (USD 11.6m) (up 35% YoY in *UGX).*
- Gross OLP/Client up from UGX 378k (USD 107) to UGX 405k (USD 109) (up 7% YoY in *UGX*).
- PAR>30 decreased from 3.8% to 0.9%.

Rwanda

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

- Number of clients up from 18k to 21k (up 17% YoY).
- Number of branches maintained at 30.
- OLP up from RWF 3.4bn (USD 3.3m) to RWF 4.6bn (USD 4.3m) (up 34% YoY in *RWF*).
- Gross OLP/Client up from RWF 193k (USD 187) to RWF 220k (USD 207) (up 14% YoY in *RWF*).
- PAR>30 slightly increased from 4.5% to 4.6%.

Zambia

ASA Zambia managed to expand its operations:

- Number of clients increased from 15k to 21k (up 43% YoY).
- Number of branches increased from 18 to 27 (up 50% YoY).
- OLP up from ZMW 36.4m (USD 2.2m) to ZMW 51.7m (USD 2.9m) (up 42% YoY in ZMW).
- Gross OLP/Client remained ZMW 2.5k (USD 139).
- PAR>30 increased from 0.3% to 5.0%.

Regulatory environment

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

Key events 2022

Pakistan

- ASA Pakistan received the Microfinance Banking ('MFB') licence from the State Bank of Pakistan ('SBP') on 24 May 2022 and is expected to receive a formal certificate of commencement any time.
- ASA Pakistan approved the dividend declared in 2022, and it has applied to the SBP for approval of the remittance. The approval is still pending.

India

- Following the Reserve Bank of India ('RBI') announcement on 14 March 2022, new regulation is in place for the microfinance sector in India, applicable to all banks, NBFC-MFIs and other participants in the microfinance sector. The key changes include the removal of the interest rate cap and margin cap which allowed the Company to raise the client rate, 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 a result of these changes, ASA India increased interest rates on new loans from 1 April 2022.

Sri Lanka

- The interest cap of 35% in Sri Lanka was removed by the Central Bank of Sri Lanka on 10 June 2022.

Myanmar

- Throughout 2022, the Central Bank of Myanmar prohibited or limited the servicing of foreign loans due to controls on foreign reserves.
- The Central Bank of Myanmar issued a circular dated 13 July 2022 suspending interest and principal repayments on foreign loans and directed companies to restructure the same. Subsequently, a new circular was issued on 16 August 2022 permitting certain transactions with approval from the Foreign Currency Supervision Committee.

Ghana

- The application for Digital Financial Services submitted in 2021 was still pending in 2022. In Q1 2023, the Bank of Ghana approved the application for Digital Financial Services.

Nigeria

- In 2022, the Central Bank delayed the approval of payment of dividends declared in the past. The 2021 dividend was approved in March 2023. The dividend declared in 2022 is still pending for approval.

Kenya

- In 2022, the Digital Credit Providers Act took effect, which prohibits credit-only MFIs to take collateral. MFIs are required to apply for a Digital Credit Providers licence, Microfinance Bank licence or any other suitable licence.
- ASA Kenya submitted a pro forma application for Digital Credit Providers licence to ensure it is compliant with the law, but is desirous to acquire a deposit taking license in the near future.

Regulatory capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 2022, 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. In 2022, the Group has established an Asset-Liability Committee ('ALCO'), and the Terms of Reference of the ALCO has been approved by the Board. The ALCO will continuously manage the Group's assets and liabilities 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. All loans from the Group to any of its subsidiaries denominated in local currency are also 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 hedging capital.

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, where 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 2022:

In USD millions

	31 Dec 22	**31 Dec 21**	**31 Dec 20**
Local deposits	84.1	87.8	80.2
Loans from financial institutions	216.6	249.8	274.1
Microfinance loan funds	21.5	36.5	23.5
Loans from dev. banks & foundations	19.4	28.1	40.0
Equity	89.7	103.4	107.1
Total funding	**431.3**	**505.6**	**524.9**

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 six to twelve months for the most of the loans.

Cash and cash equivalents reduced to approximately USD 55 million as of 31 December 2022 following large debt settlements, primarily in India. The Group maintains a healthy cash position. The Group managed to raise approximately USD 157 million in new debt funding in 2022. In line with market developments, funding costs have increased by approximately 100 bps, which will have limited impact on our 2023 results. Also, the Group has a strong funding pipeline of USD 201 million fresh loans, with over 88% having agreed terms and can be accessed in the short to medium term as of 31 March 2023.

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.

During 2022, a number of loan covenants were breached across the Group, particularly related to the portfolio quality in India. As of 31 December 2022, the balance for credit lines with breached covenants and which does not have waivers amounts to USD 65 million out of which waivers have been subsequently received for USD 64 million .

The Group has also received temporary waivers, no-action and/or comfort letters from some of its major lenders for expected portfolio quality covenant breaches (primarily PAR>30) in 2023 caused primarily by the overdue loans in India. The impact of these potential covenant breaches was further assessed in the evaluation of the Group's going concern as disclosed in note 2.1.1 of the Full Year Financial Report. As the waivers and no-action letters do not cover the entire going concern period under assessment, and due to the expected portfolio quality covenant breaches in India, 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. Nevertheless, given the historical and continuing support received from lenders regarding these particular covenant breaches and based on continued improved operating performance in the other markets, the Group has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the Going Concern assessment period.

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 2022**	**FY 2021**	**FY 2020**	***Δ FY 2021 – FY 2022***
Pakistan (PKR)	226.4	177.5	160.3	(28%)
India (INR)	82.7	74.4	73.0	(11%)
Sri Lanka (LKR)	366.3	202.9	185.3	(81%)
The Philippines (PHP)	55.7	51.1	48.0	(9%)
Myanmar (MMK)	2100.0	1778.5	1330.7	(18%)
Ghana (GHS)	10.2	6.2	5.9	(65%)
Nigeria (NGN)	448.1	411.5	384.6	(9%)
Sierra Leone (SLL)	18910.0	11289.0	10107.0	(68%)
Tanzania (TZS)	2332.5	2303.7	2317.2	(1%)
Kenya (KES)	123.5	113.2	109.0	(9%)
Uganda (UGX)	3717.6	3546.2	3647.7	(5%)
Rwanda (RWF)	1067.0	1031.8	986.4	(3%)
Zambia (ZMW)	18.1	16.7	21.1	(9%)

During FY 2022, the local currencies PKR -28%, GHS -65%, NGN -9% and LKR -81% particularly weakened against US Dollar. 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 2022 amounted to USD 34.0 million of which USD 9.4 million related to the depreciation of the PKR, USD 17.4 million related to the depreciation of the GHS, USD 2.5 million related to the depreciation of the NGN, and USD 1.4 million to depreciation of the LKR.

High effective tax rate

The Group derecognised deferred tax assets amounting to USD 8.0 million, which related to deductible temporary differences and past losses for mainly India and Myanmar, as these entities failed to meet the future profitability threshold required under IFRS. The Group will be able to recognise these deferred tax assets provided these entities turn profitable again. This resulted in a substantial increase in our tax expenses and effective tax rate for the year. Further details are provided in note 11 to the consolidated financial statements.

Transfer pricing

The South East Asia and East Africa regions are contributing intercompany franchise fees and corporate service fees to the holding companies of the Group, whereas approval for most of such intercompany charges are pending in certain countries in South Asia and West Africa. The intercompany charges per region are detailed in the Segment Information as included in note 3 to the consolidated financial statements.

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 restriction.

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022**	**2021**
		USD'000	**USD'000** (Restated)[1]
Interest income calculated using Effective Interest Rate (EIR)	4.1.	173,856	184,630
Other interest and similar income	4.2.	4,123	5,137
Interest and similar income		**177,979**	**189,767**
Interest and similar expense	5.	(40,322)	(42,439)
Net interest income		**137,657**	**147,328**
Other operating income	6.	10,351	10,518
Total operating income		**148,008**	**157,846**
Credit loss expense	7.	(643)	(37,509)
Net operating income		**147,365**	**120,337**
Personnel expenses	8.	(60,475)	(56,813)
Depreciation on property and equipment	16.	(1,816)	(1,985)
Depreciation on right-of-use assets	17.	(3,931)	(4,398)
Other operating expenses	9.	(33,303)	(29,904)
Exchange rate differences	10.	(1,559)	(1,532)
Total operating expenses		**(101,084)**	**(94,632)**
Profit before tax		**46,281**	**25,705**
Income tax expense	11.	(27,174)	(15,594)
Withholding tax expense	11.7.	(1,220)	(3,753)
Profit for the period		**17,887**	**6,358**
Profit for the period attributable to:			
Equity holders of the parent		17,892	8,787
Non-controlling interest		(5)	(2,429)
		17,887	**6,358**
Other comprehensive income:			
Foreign currency exchange differences on translation of foreign operations		(33,995)	(11,583)
Movement in hedge accounting reserve	23.	3,004	1,381
Others		(1,152)	(365)
Total other comprehensive (loss) to be reclassified to profit or loss in subsequent periods, net of tax		**(32,143)**	**(10,567)**
Gain/(loss) on revaluation of MFX investment	15.	7	(1)
Actuarial gains on defined benefit liabilities	8.1.	470	698
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**477**	**697**
Total comprehensive (loss) for the period, net of tax		**(13,779)**	**(3,512)**
Total comprehensive (loss) attributable to:			
Equity holders of the parent		(13,770)	(1,096)
Non-controlling interest		(9)	(2,416)
		(13,779)	**(3,512)**
Earnings per share	39.	**USD**	**USD**
Equity shareholders of the parent for the period:			
Basic earnings per share		0.18	0.09
Diluted earnings per share		0.18	0.09

The notes 1 to 39 form an integral part of these unaudited preliminary financial statements.
[1]See note 2.1.2 for details

Company number: 11361159

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022	2021
		USD'000	**USD'000**
ASSETS			
Cash at bank and in hand	12.	83,117	87,951
Loans and advances to customers	13.	331,898	373,242
Due from banks	14.	38,900	65,259
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	15.	244	237
Property and equipment	16.	3,513	4,085
Right-of-use assets	17.	4,589	5,031
Deferred tax assets	11.2.	4,625	13,362
Other assets	18.	9,970	8,939
Derivative assets	19.	7,855	3,966
Goodwill and intangible assets	20.	5,041	482
TOTAL ASSETS		**489,752**	**562,554**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	21.	1,310	1,310
Retained earnings	22.	173,297	155,405
Other reserves	23.	3,324	995
Foreign currency translation reserve	24.	(88,123)	(54,132)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**89,808**	**103,578**
Total equity attributable to non-controlling interest	31.6	(147)	(135)
TOTAL EQUITY		**89,661**	**103,443**
LIABILITIES			
Debt issued and other borrowed funds	25.	261,301	318,674
Due to customers	26.	84,155	87,812
Retirement benefit liability	8.1.	4,593	5,391
Current tax liability	11.1.	8,873	6,265
Deferred tax liability	11.3.	2,184	2,296
Lease liabilities	17.	3,091	3,459
Derivative liabilities	19.	456	602
Other liabilities	27.	34,400	32,937
Provisions	28.	1,038	1,675
TOTAL LIABILITIES		**400,091**	**459,111**
TOTAL EQUITY AND LIABILITIES		**489,752**	**562,554**

The notes 1 to 39 form an integral part of these unaudited preliminary financial statements.

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

-	**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 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**
Other comprehensive income (net of tax)	-	-	(366)	-	-	**(366)**
Total comprehensive (loss)/ income for the period	**-**	**8,787**	**1,713**	**(11,596)**	**(2,416)**	**(3,512)**
Disposal of ASA Consultancy limited and ASA Cambodia Holdings	-	(673)	-	555	-	**(118)**
Dividend	-	-	-	-	-	**-**
At 31 December 2021	**1,310**	**155,405**	**995**	**(54,132)**	**(135)**	**103,443**
At 1 January 2022	**1,310**	**155,405**	**995**	**(54,132)**	**(135)**	**103,443**
Profit for the year	-	17,892	-	-	(5)	**17,887**
Other comprehensive income:						
Actuarial gains and losses on defined benefit liabilities	-	-	470	-	-	**470**
Foreign currency translation of assets and liabilities of subsidiaries	-	-	-	(33,991)	(4)	**(33,995)**
Movement in hedge accounting reserve	-	-	3,004	-	-	**3,004**
Other comprehensive income (net of tax)	-	-	(1,145)	-	(3)	**(1,148)**
Total comprehensive (loss)/ income for the period	**-**	**17,892**	**2,329**	**(33,991)**	**(12)**	**(13,782)**
Dividend	-	-	-	-	-	-
At 31 December 2022	**1,310**	**173,297**	**3,324**	**(88,123)**	**(147)**	**89,661**

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
		USD'000	USD'000 (Restated)[1]
OPERATING ACTIVITIES			
Profit before tax		46,281	25,705
Adjustment for movement in:			
Operating assets	29.1.	(19,297)	(84,609)
Operating liabilities	29.2.	15,043	13,004
Non-cash items	29.3.	19,063	76,843
Income tax paid		(17,972)	(14,260)
Net cash flows used in operating activities		**43,118**	**16,683**
INVESTING ACTIVITIES			
Purchase of property and equipment	16.	(1,575)	(1,713)
Proceeds from sale of property and equipment		333	652
Purchase of intangible assets		(4,592)	(452)
Net cash outflow from disposal of subsidiaries		-	(673)
Net cash flow used in investing activities		**(5,834)**	**(2,186)**
FINANCING ACTIVITIES			
Proceeds from debt issued and other borrowed funds		167,394	181,053
Payments of debt issued and other borrowed funds		(192,764)	(188,787)
Payment of principal portion of lease liabilities		(4,353)	(4,680)
Net cash flow from financing activities		**(29,723)**	**(12,414)**
Cash and cash equivalents at 1 January		87,951	90,165
Net increase in cash and cash equivalents		7,561	2,083
Foreign exchange difference on cash and cash equivalents		(12,395)	(4,297)
Cash and cash equivalents as at 31 December		**83,117**	**87,951**
Operational cash flows from interest			
Interest received		181,534	193,848
Interest paid		39,941	42,146

The notes 1 to 39 form an integral part of these unaudited preliminary financial statements.

[1] See note 2.1.2 for details

1. CORPORATE INFORMATION

ASA International Group plc ('ASA International', the 'Group') is a public company limited by shares bearing registration number 11361159 in England and Wales. The entity was incorporated by Catalyst Microfinance Investors ('CMI') 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 Cambodia Holdings Limited	ASA Cambodia Holdings
ASA Dwaso Limited	ASA Dwaso
ASA International Group plc	ASAIG
ASA International Holding	ASAIH
ASA International India Microfinance Limited	ASA India
ASA International(Kenya) Limited (formerly 'ASA International Microfinance (Kenya) Limited')	ASA Kenya
ASA International N.V.	ASAI NV
ASA Lanka Private Limited	ASA Lanka
ASA Leasing Ltd	ASA Leasing
ASA Microfinance (Myanmar) Ltd	ASA Myanmar
ASA Microfinance (Rwanda) Limited	ASA Rwanda
ASA Microfinance (Sierra Leone)	ASA Sierra Leone
ASA Microfinance (Zanzibar) Ltd	ASA Zanzibar
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
ASHA Microfinance Bank Limited	ASA Nigeria (formerly "ASA MFB")
ASAI Investments & Management B.V	ASAI I&M
ASAI Management Services Limited	AMSL
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
Corporate Social Responsibility	CSR
CMI International Holding	CMII
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
PT PAGASA Consultancy	PT PAGASA Consultancy
Microfinance Institution	MFI
Reserve Bank of India	RBI
State Bank of India	SBI
Standard & Poor's	S&P
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 measured 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. The consolidated financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 17 April 2023.

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

The 2022 consolidated financial statements have been prepared on a going concern basis. It should be noted that in the 2021 Annual Report and Accounts, approved on 29 April 2022, senior management and the Directors concluded that the that the uncertainty relating to debt covenant breaches over the going concern period, and potential actions to mitigate debt being called due, represented a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. In performing the going concern assessment for the 2022 consolidated financial statements the Directors have considered the global economic challenges arising out of high inflation in major operating markets and the strengthening of the USD against operating currencies in major operating markets for the period up to 31 May 2024 (the 'Assessment Period'). The conclusion of this assessment remains consistent with that of the 2021 Annual Report. Senior management and 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. The management team used the actual numbers up to December 2022 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 subsidiary, post-pandemic economic conditions of the countries, senior management's estimation of increased credit and funding risks, and current economic challenges faced by different operating subsidiaries resulting from increased inflation, which has a possibility to reduce demand for new microfinance loans. As a microfinance lender, the Group sees the service it provides to clients as an important factor for them to continue their businesses and their livelihoods as it provides resources and access to capital to the financially underserved. Therefore, The Group expects that rising inflation will not increase arrears materially based on historical evidence, however, this remains a risk.

The Group remains well capitalised and in compliance with minimum capital requirement in all markets. In terms of liquidity, the Group has USD 54.5 million of cash as of 31 December 2022. Also, the Group has a strong funding pipeline of USD 194 million with over 63% having agreed terms and which can be accessed in the short to medium term at the time of approval of the consolidated financial statements. This continues to reaffirm the confidence lenders have in the strength of the Group's business model and senior management's ongoing strategies to steer the Group through the current economic situation. 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 throughout the assessment period.

The Group does not expect a significant 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, the Group expects increased PAR>30 in India, Myanmar and Sri Lanka as these entities are still struggling with overdue loans, economic and political challenges, which are creating operational and liquidity challenges for these entities. However, the Group has curtailed its disbursement in those entities and their portfolio size is expected to be much lower in comparison to the Group's Outstanding Loan Portfolio ('OLP'). The management team is closely following up on the developments.

Due to the above challenges, the Group expects further breaches of loan covenants during the Assessment 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. 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 three years where the Group has been continuously able to raise new funds from the lenders. Out of total loans of USD 257 million, USD 82.5 million had breached loan covenants. As of 31 December, the balance for credit lines with breached covenants and which does not have waivers amounts to USD 65 million out of which waivers have been subsequently received for USD 64 million. Senior management is in constant communication with the other lenders for the waivers. However, the waivers received do not cover all of the Assessment Period. The international funders have been supportive of the Group and the microfinance sector in general during the last three years. In the absence of waivers, breaches 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. The Group is experiencing restrictions on the movement of funds between certain countries, due to laws or regulations, which could restrict the ability of the Group to support the funding or debt repayment requirements in the countries in which it operates.

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, across particular locations, the current economic and market conditions make 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, senior management and 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.

2. ACCOUNTING POLICIES

2.1.1 Basis of preparation (continued)

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 is being applied to India, Myanmar and Sri Lanka. In India, additional focus has been on off-book disbursements and finding new business correspondent partners ('BC Partners') as this serves to increase the available cash in the business. 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 subsidiaries, which protects the Group against cross defaults.

Senior management and the Board of Directors extensively challenged the Projections and their underlying assumptions including the above considerations and factors. They also considered the risks around economic uncertainties resulting from high inflation, devaluation of local currencies, delays in dividend repatriation, increased operational costs, and the risk of not obtaining waivers for prospective covenant breaches. They also considered that since the beginning of 2022 most of the operating subsidiaries are fully operational, which has allowed the field operations to open new branches, with collections and new disbursements gradually returning to pre-pandemic levels. The Group also prepared stress and reverse stress scenarios for cash flows including the mitigating actions which include repatriation of dividends and short-term loan from subsidiaries which have sufficient cash reserves.

Senior management and the Directors have also assessed the probable impact of any subsidiary failing to maintain its required regulatory ratios. Given the level of arrears and challenge in India there is a probable risk of breaching capital requirements of the Reserve Bank of India ('RBI') if the realisation significantly declines. Should these requirements be breached then the possible implications could be that the RBI provides management with a remediation plan and/or further capital could be required. As stated earlier, the Group did not provide parent guarantees to funders of the operating subsidiaries and hence in case of dissolution, the Group's risk is limited to its capital investment and any shareholder loans.

Nevertheless, having assessed the Projections, downtrend analysis and mitigations described above, senior management and the Directors have a reasonable expectation that the Group has adequate resources to continue in operation existence for at least twelve months from the date of the authorisation of these financial statements, and the going concern assessment period through to 31 May 2024. 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.

2.1.2 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.

Change in accounting policy

The Group has reassessed its accounting policy for restricted cash as cash and cash equivalents following the release of IFRS Interpretations Committee agenda decision in March 2022. The Group has concluded that the restricted cash meets the definition of cash as the underlying terms and conditions do not prevent the Group from accessing restricted cash on demand. Therefore, the Group has concluded that restricted cash will be presented as a component of cash and cash equivalents in the consolidated statement of cash flows. This change in accounting policy has been applied retrospectively. The consolidated statement of cash flows and related notes have been restated in the consolidated financial report.

Correction of an error

The Group recognises interest income using effective interest rate method. 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. Loan processing fees that is integral to the effective interest rate was previously reported under other interest income instead of interest income calculated using EIR.

The presentation error has been corrected by restating each of the affected financial statement line items by USD 8.9 million for the prior periods, as follows:

Restatement in the Consolidated income statement and statement of comprehensive income	**2021**	**2021 (restated)**
	USD'000	USD'000
Interest income calculated using Effective Interest Rate (EIR)	175,732	184,630
Other interest and similar income	14,035	5,137
Interest and similar income	**189,767**	**189,767**

2. ACCOUNTING POLICIES (continued)

2.1.3 Consideration of climate change

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 on page 49 has been incorporated into judgements associated with recognition, measurement, presentation and disclosure, where so permitted by the UK adopted International Accounting Standards. The accounting judgements relating to climate change are presented in note 2.5.1.

While there is currently no significant impact expected from climate change, the Directors are aware of the constant evolving risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the financial statement.

2.1.4 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 2022 applying similar accounting policies. Two new subsidiaries, ASA Zanzibar Limited and ASA Dwaso, were incorporated during the period. These do not have any significant impact on the financial position and results of the Group. 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. 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. The Group uses the direct method of consolidation.

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 investments 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 assets, 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 (derivative instruments).

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

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 IAS 32 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 note 2.5.4 to 2.5.6). 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)

2.2.3 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 months 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. 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 determined 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. In Pakistan loans over 209 days are treated as bad as per regulatory requirement. All bad loans are written off for accounting purposes. 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 overdue 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 rate for each of our external counterparties. Thus, the Group 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 down-graded which in turn increase 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, Provisions 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)

2.2.3 Financial Liabilities (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-2.5.9). The interest income also includes loan processing fees that are integral to the interest rate.

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) Other income

Other income includes group member’s admission fees, document fees, sale of passbook, income on death and multipurpose risk funds and service fees 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 member's 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 and Uganda. These fees cover settlement of the outstanding loan amount and other financial assistance if a borrower dies or disabled. 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 2.5.3.

Service fees from off–book loans under the BC model are recognised on the basis of loan disbursement 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 cash in hand, restricted cash relating to Loan Collateral Build Up ('LCBU') in the Philippines and against security deposits from clients in Tanzania and Kenya, 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 of cash and cash equivalents and restricted cash relating to Loan Collateral Build Up ('LCBU') in the Philippines and against security deposit from clients in Tanzania and Kenya.

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 & 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.

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 started to recognise deferred tax on undistributed dividends from 2021. Reference is made to note 2.5.8 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 2.5.2.

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 of enriching the offering to its clients with product diversification 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, the Group is also developing a Supplier Market Place app ('SMP') where clients can purchase goods for their businesses. 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 deposits accounts and other digital services to our clients, the Group has procured license of a Core Banking System ('CBS') to its IT infrastructure. The Group made upfront payments to buy core banking software licence. 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. The break down is presented in note 20.

A summary of the policies applied to intangible asset 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 for 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, 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 2.5.3 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. The Group determines the lease term as the non-cancellable term of the lease. Any periods covered by an option to extend the lease is not considered unless it is reasonably certain to be exercised.

<u>Right-of-use assets</u>

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.

<u>Lease liabilities</u>

(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 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 2.5.7 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.

2.2.19 Share based payments

The Group has granted options ('Options') in the Group Company under its long-term incentive plan (LTIP) to certain Executive Directors and Persons Discharging Managerial Responsibilities ('PDMRs') on 28 October 2022 The Company's LTIP is designed to incentivise and retain Directors and senior staff, along with aligning them with shareholders' interest to create long term value. The transaction is determined as an equity-settled transaction.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 32.1.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2.2.20 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.

The Group has identified the impairment of non-financial assets as one of the 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. However, as the Group manages a frugal cost operating model with minimum investment in fixed assets and leases, the impact of climate related financial loss is expected to be insignificant.

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 2022 (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 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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.

These amendments had no impact on the consolidated financial statements of the Group as there were no Onerous contracts within scope of these amendments.

ACCOUNTING POLICIES (continued)

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

2.3.2 Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

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

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group 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 date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

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.

ACCOUNTING POLICIES (continued)

2.4. Standards issued but not yet effective (continued)

2.4.1 IFRS 17 Insurance Contracts (continued)

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 charges a 1-2% upfront premium fee on its loans disbursed to customers under the Death Risk Fund/Multipurpose Risk Fund (DRF/MRF) scheme in certain subsidiaries. In return, outstanding loans (including interest receivables) shall be exempted in case of customers' death (in a few cases partial exemption is granted by ASAI in the event of disability). Additionally, and independently, a certain amount of money is paid as a cash subsidy for funeral/financial assistance to the customers and/or next kin. These compensations (exemption of loans and/or cash subsidy) made by ASAI are not a guaranteed payment to customer and/or next to kin if occurrences (death and/or disability) do not happen. The Group is assessing the impact of implementing IFRS 17.

2.4.2 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's financial statements.

2.4.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

2.4.4 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 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 months ECL) and stage 2 loans (lifetime ECL) for calculating the ECL provision. During the Covid period (2020 and 2021), the Group provided significant moratoriums to the clients. In addition, multiple periodical moratoriums were provided to clients in Myanmar and Sri Lanka as those entities faced multiple national and or local lockdowns.

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgements and estimates (continued)

2.5.1 Allowance for expected credit loss (ECL) on loans and advances (continued)

Hence, in addition to the loans that were in arrears by more than 30 days and less than 91 days, loans which were in arrears by less than 31 days but more than 31 days passed since their last payment, were also classified as stage 2.

However, as no further moratoriums were provided in 2022 and all previous moratoriums were expired six months before the balance sheet date, the Group has returned to the standard criteria by using loan aging analysis to determine the staging. Any loans overdue more than 31-90 days are recognised as stage 2 loans. Loans overdue more than 90 days are recognised as stage 3 loans.

There are six branches in Myanmar which were closed during the year due to insecurity. Although the management team is collecting some instalments, the total loan amounts outstanding at those branches (USD 382K) were considered bad and recognised as stage 3.

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 net amounts written off over the last five years (Gross write-off less subsequent recovery). 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 1.5 million (2021: USD 3.2 million). If a three year or four year time period was used to capture the net written off balance then the resulting impact to the ECL would be USD 1.2 million and USD 374K respectively.

The forward-looking element of the ECL model is constructed through looking at the trend in net write-off information from the prior three years and applying a scaled loss rate in order to anticipate future loss events. ECL as per the forward-looking element comes to USD 479K (2021: USD 7.2 million). The write-offs in 2022 are considerably lower than those in 2021 which has resulted in a lower forward looking ECL element.

Changing the write-off trend to two years, rather than three years for the forward-looking assessment, would reduce ECL by USD 1.2 million.

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 which is held as collateral in certain countries) is at a rate below:

ECL for stage 3 loans

	Loss %	
Overdue age	**2022**	**2021**
91-180 days	50%	50%
181-365 days	70%	70%
Over 365 days	100%	100%

No change in the loss rate was made in 2022 except for India, Myanmar, Nigeria, Sierra Leone and Sri Lanka operations, where 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 these countries on account of high PAR, market challenges and political instability which might led to reduction in recoveries.

Based on the above, ECL for stage 3 loans comes to USD 13.1 million (2021: USD 11.6 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 15.3 million.

D) Management overlay

In prior periods and for 2022 interim financials, the Group considered additional management overlay on account of significant loan amounts under moratorium and under restructuring, the possible impact of a global economic crisis sparked by the Russian invasion of Ukraine and the risks associated with the price inflation of fuel, food, and other costs across the countries where the Group operates. However, the Group has stopped providing any new moratoriums in 2022 and the loans restructuring period in India have already expired six months before the year end. In addition, the impact of the economic crisis is being captured by loan ageing. Hence, no additional management overlay is taken in 2022 to account for moratoria, whereas this was a relevant factor in 2021.

2. ACCOUNTING POLICIES (continued)

2.5.1 Allowance for expected credit loss (ECL) on loans and advances (continued)

E) Impact of macro-economic indicators

The Group provides small loans to clients who are not employed but operate their own small businesses in the informal sector and are less impacted by macro-economic trends than other business sectors. In addition, the Group's loans average 6 months until maturity at the year-end and so the impact of macro-economic factors on the repayment of loans is inherently limited. Hence the management concluded that changes in macro-economic indicators do not have any direct correlation with the ASA business model and therefore, no adjustment was made to consider forecasts for such macro-economic indicators in the forward-looking element of its expected credit loss provision calculation.

F) Impact of climate change

The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally much longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transition risks.

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 the climate related risks through the historical loss data that feeds the model, which also includes write-offs due to such natural disasters. 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. As the Group's loans are short-term, the impact of such events over the life of the loans would naturally be limited. Hence, no additional changes have been made in the existing model on account of climate related risks. 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.

G) 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 consists of disbursements on behalf of IDFC First Bank and Jana Small Finance Bank (JSFB). IDFC BC 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. There is no maximum risk on BC from JSFB. Those portfolios are assessed in line with ASA India's own OLP. ECL for the off-book BC portfolio comes to USD 1.04 million (2021: 1.7 million).

The portion of the DA portfolio of ASA India which is on-book has also been treated the same as 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, ASA India 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.

H) ECL on interest receivable
ECL for Interest receivable is assessed in the same line as OLP. ECL for interest receivable comes to USD 794K (2021: 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:

	2022			2021		
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	1,521	400	75	3,204	339	148
Forward considerations	479	492	21	7,184	793	309
ECL under stage 3 loans	13,197	146	607	11,574	543	37
Management overlay	-	-	-	2,136	-	1,202
	15,197	**1,038**	**703**	**24,098**	**1,675**	**1,696**

	2022			2021		
Allocated to:	**Gross outstanding USD'000**	**ECL USD'000**	**Coverage**	**Gross outstanding USD'000**	**ECL USD'000**	**Coverage**
Own Portfolio (note 13.1 and 13.3)	344,985	15,197	4%	393,298	24,098	6%
Off-book BC portfolio (note 13.1 and note 28)	21,362	1,038	5%	35,583	1,675	5%
Interest receivable (note 13.1 and note 13.3)	7,265	703	10%	10,700	1,696	16%
	373,612	**16,938**	**5%**	**439,581**	**27,469**	**6%**

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgements and estimates (continued)

2.5.2 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 2022 and December 2021 are as follows:

Assumptions defined benefit plan:

	2022					2021				
	Lak Jaya	ASA Pakistan	ASA India	ASA Nigeria	Pagasa Philippines	Lak Jaya	ASA Pakistan	ASA India	ASA Nigeria	Pagasa Philippines
Discount rate	18.7%	14.5%	7.4%	14.3%	7.4%	11.2%	11.8%	7.2%	13.5%	5.1%
Salary increment	10.0%	13.5%	9.0%	12.0%	5.0%	10.0%	10.8%	9.5%	12.0%	4.0%
Staff turnover	15.7%	14.0%	22.0%	5.0%	38.1%	13.0%	15.9%	25.5%	5.0%	47.0%
Retirement age	60 Years	60 Years	60-62 Years	60 Years	60 Years	60 years	60 years	60-62 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.

2.5.3 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 2022, rates were 0.36 % (2021: 0.40%) in Sri Lanka, 0.21% (2021: 0.20%) in Uganda, 0.43% (2021: 0.45%) in the Philippines and 0.24% (2021: 0.21%) in Kenya. The liability is disclosed under note 27. No sensitivity analysis is done as the amount is not material.

2.5.4 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 based on whether the entity has the right to receive rewards. ASA India operates a Business Correspondent and partnership model with IDFC First Bank ('IDFC') and Jana Small Finance Bank ('JSFB') . ASA India operates as an agent, 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 either through ASA India or directly to the clients 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 and JSFB and related funding are not recognised on the balance sheet since the loan agreements are made between the partners and the borrowers. More information is available in note 13.

2.5.5 Securitisation agreements

ASA India has a securitisation agreement in place at the balance sheet date, 'Lily' which is managed by Vardhman Trusteeship Private Limited. 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 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 2022 under the securitisation agreements amounts to USD 617K (31 December 2021: USD 747K) and the related liability amounts to USD 636K (31 December 2021: USD 1.2 million). 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 1.02 million (31 December 2021: USD 3.5 million) and the related liability amounts to USD 1.02 million (31 December 2021: USD 3.5 million). The cash collateral provided under these agreements amounts to USD 102K (31 December 2021: USD 278K) and is disclosed under note 14 'Due from banks'.

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgments and estimates (continued)

2.5.6 Direct Assignment

ASA India entered into two Direct Assignment agreements (DA) with State Bank of India (SBI), 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 agreements, 85% of the 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.

2.5.7 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.

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 2022 and 2021 are as follows:

				2022				2021			
Country	**Lease Currency**	**Credit Rating**	**Approach reference rate**	**IBR at different lease duration (year)**				**IBR at different lease duration (year)**			
Tenure of lease				**1**	**2-4**	**5-6**	**7-9**	**1**	**2-4**	**5-6**	**7-9**
Ghana	GHS	BBB+	Local	16.7%	20.3%	21.4%	22.3%	18.4%	19.3%	19.9%	20.3%
Nigeria	NGN	BBB+	Local	5.5%	9.0%	11.5%	12.5%	0.9%	2.8%	4.6%	5.8%
Sierra Leone	SLL	BB-	Build-Up	14.8%	15.4%	15.8%	16.0%	22.0%	23.2%	24.2%	24.8%
Kenya	KES	BBB	Local	9.3%	10.5%	12.1%	12.7%	9.6%	10.9%	11.9%	12.6%
Rwanda	RWF	BB	Build-Up	10.1%	10.7%	11.2%	11.3%	12.0%	12.6%	13.4%	14.0%
Tanzania	TZS	BBB	Build-Up	7.4%	8.3%	9.4%	10.5%	6.0%	6.6%	7.0%	7.4%
Uganda	UGX	BBB	Local	10.5%	13.0%	15.2%	16.0%	8.0%	9.5%	10.0%	10.3%
Zambia	ZMW	BB-	Local	25.0%	25.0%	25.0%	25.0%	35.0%	35.6%	36.1%	36.3%
Bangladesh	BDT	B+	Build-Up	3.4%	5.3%	6.7%	7.2%	6.0%	6.5%	7.1%	7.6%
India	INR	BBB	Local	4.4%	5.4%	6.1%	6.4%	4.5%	5.2%	5.9%	6.5%
Pakistan	PKR	BBB+	Build-Up	7.9%	10.8%	11.5%	12.3%	11.7%	11.7%	12.0%	12.3%
Sri Lanka	LKR	BB+	Local	8.7%	9.8%	11.7%	12.1%	6.4%	6.6%	7.3%	7.9%
Myanmar	MMK	BB	Build-Up	17.0%	17.7%	18.1%	18.3%	11.9%	13.3%	14.6%	15.5%
Philippines	PHP	BBB	Build-Up	1.7%	3.0%	4.0%	4.5%	2.0%	2.3%	2.7%	2.9%

2. ACCOUNTING POLICIES (Continued)

2.5 Significant accounting judgments and estimates (continued)

2.5.8 Taxes

Deferred Tax Assets

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.

In assessing the probability of recovery, the Group has used its five-year business plan which is consistent with last year's assessment. This business plan was also used for the Going concern and Viability assessment.

As at 31 December, the Gross amount and expiry dates of losses available for carry forward are as follows:

2022	**Expiring within 1 year**	**Expiring within 2-5 years**	**Expiring beyond 5 years**	**Unlimited**	**Total**
Losses for which Deferred tax asset is recognised	-	-	-	-	-
Losses for which Deferred tax asset is not recognised	-	3,409	24,972	27,058	55,439
	-	**3,409**	**24,972**	**27,058**	**55,439**

2021	**Expiring within 1 year**	**Expiring within 2-5 years**	**Expiring beyond 5 years**	**Unlimited**	**Total**
Losses for which Deferred tax asset is recognised	181	352	1,453	10,387	12,192
Losses for which Deferred tax asset is not recognised	-	48	23,002	10,707	33,757
	181	**400**	**24,455**	**21,094**	**45,949**

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by USD 13.0 million (2021: 7.8 million).

Deferred Tax Liabilities

As of 31 December 2022, the Group has undistributed profits in its subsidiaries amounting to USD 76.8 million. The Group recognised a deferred tax liability amounting to USD 2.2 million (see note 11.3) on USD 25.5 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 51.3 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 5.2 million.

2.5.9 Modification of loans

In 2020 and 2021, the Group provided moratoriums to its clients in certain subsidiaries. The main objective of these payment holidays was to offer clients a temporary relief due to disruption of their livelihoods on account of Covid. Extending the loan term only 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. No additional moratoriums were given in 2022. Total loans under moratorium at 31 December 2022 is Nil (2021: USD 48.9 million)

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.
- Holding and other 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 2022 or 2021.

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 2022

As at 31 December 2022	West Africa	East Africa	South Asia	South East Asia	Holding and other 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	54,178	43,165	49,058	31,566	12	177,979	-	177,979
Inter-segment interest income	-	-	-	19	774	793	(793)	-
External interest expense	(2,788)	(8,761)	(19,043)	(5,393)	(4,337)	(40,322)	-	(40,322)
Inter-segment interest expense	(276)	(282)	(70)	(146)	(19)	(793)	793	-
Net interest income	**51,114**	**34,122**	**29,945**	**26,046**	**(3,570)**	**137,657**	**-**	**137,657**
External other operating income	548	2,837	2,554	4,369	43	10,351	-	10,351
Inter-segment other operating income [1]	-	-	-	-	44,273	44,273	(44,273)	-
Other inter-segment expense	(428)	(2,246)	(306)	(1,943)	3	(4,920)	4,920	-
Total operating income	**51,234**	**34,713**	**32,193**	**28,472**	**40,749**	**187,361**	**(39,353)**	**148,008**
Credit loss expense	(2,868)	501	2,876	(1,143)	(9)	(643)	-	(643)
Net operating income	**48,366**	**35,214**	**35,069**	**27,329**	**40,740**	**186,718**	**(39,353)**	**147,365**
Personnel expenses	(13,332)	(15,227)	(15,616)	(10,611)	(5,689)	(60,475)	-	(60,475)
Exchange rate differences	206	(37)	(259)	(614)	(855)	(1,559)	-	(1,559)
Depreciation of property and equipment	(293)	(741)	(332)	(288)	(162)	(1,816)	-	(1,816)
Amortisation of right-of-use assets	(687)	(1,126)	(1,031)	(1,011)	(76)	(3,931)	-	(3,931)
Other operating expenses	(6,461)	(6,842)	(5,436)	(10,588)	(3,976)	(33,303)	-	(33,303)
Tax expenses	(8,584)	(4,328)	(9,292)	(2,307)	(3,883)	(28,394)	-	(28,394)
Segment profit after tax	**19,215**	**6,913**	**3,103**	**1,910**	**26,099**	**57,240**	**(39,353)**	**17,887**
Total assets	**108,395**	**113,791**	**133,894**	**102,917**	**199,363**	**658,360**	**(168,608)**	**489,752**
Total liabilities	**53,804**	**87,346**	**100,501**	**87,937**	**82,808**	**412,396**	**(12,305)**	**400,091**

Explanation: Segment profit is net profit after tax

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

3. SEGMENT INFORMATION (continued)

The following table present 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	Holding and 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**	**-**	**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**	**(22,382)**	**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**	**(22,382)**	**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

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

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	2022	2021
		USD'000	USD'000 (Restated)
Interest income calculated using EIR	4.1.	173,856	184,630
Other interest and similar income	4.2.	4,123	5,137
		177,979	**189,767**

	2022	2021
	USD'000	USD'000 (Restated)[1]
4.1. **Interest income calculated using EIR**		
Interest income on loans and advances to customers	161,176	175,732
Loan processing fees	12,680	8,898
	173,856	**184,630**

Interest income decreased from last year in USD terms mostly due to devaluation of local currency against USD in most of the operating subsidiaries. Loan processing fee increased mainly in Tanzania where an additional transaction fee equivalent to 1% of disbursement is introduced in 2022.

	2022	2021
	USD'000	USD'000 (Restated)
4.2. **Other interest and similar income**		
Interest income on short-term deposits	3,916	4,579
Other interest income	207	558
	4,123	**5,137**

5. INTEREST AND SIMILAR EXPENSE

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

	Notes	2022	2021
		USD'000	USD'000
Interest expense on loans		(31,565)	(33,508)
Interest expense on security deposits and others		(3,788)	(4,631)
Interest expense on lease liability		(299)	(301)
Commitment and processing fees		(274)	(266)
Amortisation of forward points of forward contracts and currency basis spread of swap contracts	37.	(4,396)	(3,733)
		(40,322)	**(42,439)**

6. OTHER OPERATING INCOME

	2022	2021
	USD'000	USD'000
Members' admission fees	1,875	1,881
Document fees	928	856
Proceeds from sale of pass-books	141	159
Income from death and multipurpose risk funds	3,743	3,867
Service fees income from off-book BC model (ASA India)	2,045	2,503
Distribution fee MBA Philippines	890	846
Other	729	406
	10,351	**10,518**

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

[1] Refer to note 2.1.2

7. EXPECTED CREDIT LOSS EXPENSE

	Notes	2022	2021
		USD'000	USD'000
ECL on loans and advances to customers	13.2.	(4,847)	(28,227)
Impairment on bank and intercompany		13	(109)
ECL on interest receivable		368	(6,441)
Other expected credit loss expense		(1,294)	(3,000)
Recovery of previously written off loans		5,117	268
		(643)	**(37,509)**

The Group made large ECL provision in 2021 on account of increased credit risk of the loan portfolio caused by the adverse impact of Covid on the businesses of clients. The situation has improved significantly in 2022 as operating performance in most the markets is back to pre-covid level. The key assumptions applied for the expected credit loss provision and related expense are explained in note 2.5.1.

Other expected credit loss includes loss allowance provided against off-book portfolio in India and loan and interest exemptions for settlement of customer loans in case of death or disability.

The Group was able to collect a significant amount of previously written off loans, mainly in India and the Philippines.

8. PERSONNEL EXPENSES

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

	Notes	2022	2021
		USD'000	USD'000
Personnel expenses		(55,253)	(51,287)
Defined contribution plans		(4,221)	(3,951)
Defined benefit plans	8.2.	(1,001)	(1,575)
		(60,475)	**(56,813)**

		Notes	2022	2021
			USD'000	USD'000
8.1.	**Retirement benefit liability**			
	Retirement benefit liability as at beginning of period		5,391	5,446
	Payments made during the period		(572)	(592)
	Charge for the period	8.2.	1,001	1,575
	Actuarial gains and losses on defined benefit liabilities (OCI)		(470)	(698)
	Foreign exchange differences		(757)	(340)
	Retirement benefit liability as at end of the period		**4,593**	**5,391**

ASA India, ASA Pakistan, Lak Jaya, Pagasa Philippines, ASA Nigeria, ASA Kenya, ASA Zambia, ASA Sierra Leone 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 plans 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.

		2022	2021
		USD'000	USD'000
8.2.	**Charge for the period**		
	Current service cost for the period	(504)	(1,156)
	Interest cost for the period	(497)	(419)
	Impact from change in assumptions (see note 2.5.2)	-	-
		(1,001)	**(1,575)**

8.3. Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 and 31 December 2021 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	2022	(180)	1,290	1,298	(197)
	2021	(501)	1,384	1,379	(513)

9. OTHER OPERATING EXPENSES

The other operating expenses includes the following items:

	Notes	2022 USD'000	2021 USD'000
Administrative expenses	9.1.	(27,975)	(24,758)[1]
Professional fees	9.2.	(2,579)	(2,707)
Audit fees	9.3.	(1,527)	(1,406)
International travel		(646)	(327)
CSR expenses		(249)	(337)
Other		(327)	(369)
		(33,303)	**(29,904)**

	2022 USD'000	2021 USD'000
9.1. **Administrative expenses**		
Office expenses	(5,158)	(3,557)
Transport and representation expenses	(10,391)	(9,405)
Gas, water and electricity	(1,106)	(1,079)
Telecommunications and internet expenses	(3,119)	(2,865)
VAT/ Output tax / Service tax	(3,445)	(3,414)
Bank charges	(1,472)	(1,747)
Insurance expenses	(642)	(489)
Other administrative expenses	(2,642)	(2,202)
	(27,975)	**(24,758)**

[1] CSR expenses have been separately disclosed.
Office and transport expenses increased compared to last year primarily due to high inflation in most of the operating entities.

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

	2022 USD'000	2021 USD'000
9.2. **Professional fees**		
Legal services fees	(295)	(378)
Other professional fees	(2,284)	(2,329)
	(2,579)	**(2,707)**

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

	2022 USD'000	2021 USD'000
9.3. Fees payable to the Group's auditor is analysed as below:		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	(1,008)	(940)
Fees payable to the Group's auditor for other services:		
Audit of the accounts of subsidiaries	(219)	(269)
Audit related assurance services	(295)	(194)
Total audit and audit related assurance services	(1,522)	(1,403)
Other assurance services	(5)	(3)
	(1,527)	**(1,406)**

10. EXCHANGE RATE DIFFERENCES

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

	2022 USD'000	2021 USD'000
Foreign currency losses	(4,876)	(7,530)
Foreign currency gains	3,317	5,998
	(1,559)	**(1,532)**

11. INCOME TAX AND WITHHOLDING TAX EXPENSE

	2022 USD'000	2021 USD'000
Income tax expense		
Current income tax	(20,883)	(18,844)
Income tax for previous period	(7)	477
Changes in deferred income tax	(6,284)	2,773
	(27,174)	**(15,594)**

	2022 USD'000	2021 USD'000
11.1. **Current tax liability**		
Balance as at beginning of period	6,265	2,502
Tax charge:		
Current period	20,883	18,844
Previous period	7	(477)
Tax paid	(16,643)	(14,085)
Foreign exchange adjustment	(1,639)	(519)
Balance as at end of period	**8,873**	**6,265**

	2022 USD'000	2021 USD'000
11.2. **Deferred tax assets**		
Balance as at beginning of period	13,362	11,303
(Adjustment)/Addition during the period	(7,436)	2,488
Foreign exchange adjustment	(1,301)	(429)
Balance as at end of period	**4,625**	**13,362**

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. In 2022, The Group derecognised deferred tax assets amounting to USD 8.0 million for India, Myanmar, Sri Lanka and ASAI NV as it was not reasonably certain that sufficient taxable income will be available against which such deferred tax assets can be realised.

	2022 USD'000	2021 USD'000
11.3. **Deferred tax liability**		
Balance as at beginning of period	2,296	-
(Adjustment)/Charge during the period	(112)	2,296
Foreign exchange adjustment	-	-
Balance as at end of period	**2,184**	**2,296**

11.4. **Deferred tax relates to:**

Deferred tax relates to:	**2022**			**2021**		
	Deferred tax assets USD'000	**Deferred tax liabilities USD'000**	**Income statement USD'000**	**Deferred tax assets USD'000**	**Deferred tax liabilities USD'000**	**Income statement USD'000**
Allowance for ECL	1,321	-	(4,759)	6,205	-	1,365
Provision for retirement liabilities	1,138	-	(322)	1,505	-	(95)
Provision on FX loss	51	-	(21)	-	(97)	200
Unused tax losses	-	-	(3,139)	3,244	-	1,803
Other temporary differences	3,177	(183)	2,407	1,682	310	254
IFRS 16 Lease	-	183	8	-	(213)	(40)
Undistributed profit of subsidiary	-	2,184	113	-	2,296	(2,296)
Modification loss	236	-	(459)	812	-	(715)
Other comprehensive Income/Revaluation of cash flow hedge	(1,298)	-	(1,152)	(86)	-	(284)
	4,625	**2,184**	**(7,324)**	**13,362**	**2,296**	**192**

11. INCOME TAX AND WITHHOLDING TAX EXPENSE (continued)

11.5. **Reconciliation of the total tax charge**

	2022 USD'000	2021 USD'000
Accounting result before tax	**46,281**	**25,705**
Income tax expense at nominal rate of consolidated entities	(15,373)	(9,565)
Over/ (under) provision for income tax previous year	(7)	477
Net allowable /(non-allowable) expenses	(1,114)	(271)
Movement in unrecognised deferred taxes	(11,285)	(6,191)
Exempt income	74	185
Tax impact on elimination	531	(11)
Other permanent differences	-	(218)
Total income tax expense for the period	**(27,174)**	**(15,594)**
Weighted average nominal rate of consolidated entities	33%	37%
Consolidated effective tax rate	59%	61%

11.6. **Income tax per region**

	2022 USD'000	2021 USD'000
Corporate income tax – West Africa	(9,417)	(10,564)
Corporate income tax – South Asia	(9,292)	(4,164)
Corporate income tax – East Africa	(3,994)	(1,974)
Corporate income tax – South East Asia	(1,653)	(344)
Corporate income tax – Holding and other non-operating entities	(2,818)	1,452
Total income tax per region	**(27,174)**	**(15,594)**

11.7. **Withholding tax expense**

	2022 USD'000	2021 USD'000
Withholding tax on interest income, dividend, royalties and service fees	(1,332)	(1,457)
Deferred tax on undistributed dividend	112	(2,296)
Total withholding tax expense	**(1,220)**	**(3,753)**

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

	2022 USD'000	2021 USD'000
Cash at bank	83,006	87,684
Cash in hand	111	267
	83,117	**87,951**

An amount of USD 32.6 million (2021: USD 21.5 million) of cash at bank is restricted and cannot be readily available. Out of this USD 17.1 million (2021: USD 16.3 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 7.5 million (2021: 5.2 million) is restricted and maintained 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. In Kenya, the new 'Central bank of Kenya (AMENDMENT) ACT' restricted non-deposit microfinance companies from taking cash collateral from clients. ASA Kenya is repaying the collateral amount to the clients once the loan matures. The year- end balance of USD 7.9 million is presented as restricted.

13. LOANS AND ADVANCES TO CUSTOMERS

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

	Notes	2022 USD'000	2021 USD'000
Gross loan portfolio	13.1.	344,985	393,298
Interest receivable on loans to customers		7,265	10,700
Unamortised processing fee		(4,303)	(3,775)
Net impact of modification loss		(149)	(1,187)
Gross loans		347,798	399,036
Allowance for expected credit loss	13.2.	(15,900)	(25,794)
Net loan portfolio		**331,898**	**373,242**

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

13.1. Gross loan portfolio

As of 31 December 2022 is USD 345.0 million (31 December 2021: 393.3 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 (IDFC) and Jana Small Finance Bank (JSFB). ASA India operates as an agent, 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 and JSFB and related funding are not recognised on the balance sheet since the loan agreements are made between the partners and the borrowers. In case of IDFC, ASA India has a limited liability for the non-performing loans under this agreement. The service fees received 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 BC partners is reported under 'Provisions' in note 28. This liability is based on the Group's ECL policy as explained in note 2.5.1 taking into account any limits in the liability towards the BC Partners, because it is the best estimate for the expected outflow of cash at reporting date. The related expense is reported under credit loss expenses in note 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 14. 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 Direct Assignment ('DA') agreement with 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 2022 amounted to USD 21.4 million and USD 1.2 million respectively (2021: USD 35.6 million and USD 1.8 million).

13.2. **Allowance for expected credit loss**	Notes	**2022**	**2021**
		USD'000	**USD'000**
Balance as at beginning of the period		(25,794)	(25,242)
ECL on loans and advances	7.	(4,847)	(28,227)
ECL on interest receivable		368	(6,441)
Write-off of loans and interest		10,828	32,770
Exchange rate differences		3,545	1,346
Balance at end of the period		**(15,900)**	**(25,794)**

The key assumptions applied for the expected credit loss provision are explained in note 2.5.1.

Write-offs significantly decreased as most of the loans affected on account of the Covid pandemic were written off in 2021.
Management expects the write-offs to further reduce in future years.

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

	2022	**2021**
	USD'000	**USD'000**
ECL on loans and advances	(15,197)	(24,098)
ECL on interest receivable	(703)	(1,696)
	(15,900)	**(25,794)**

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	**Interest receivable**	**Total**	**ECL**	**Gross OLP**	**Interest receivable**	**Total**	**ECL**	**Gross OLP**	**Interest receivable**	**Total**	**ECL**	**Gross OLP**	**Interest receivable**	**Total**	**ECL**
At 1 January 2022	**361,956**	**7,540**	**369,496**	**(7,039)**	**17,181**	**3,090**	**20,271**	**(7,124)**	**14,161**	**70**	**14,231**	**(11,631)**	**393,298**	**10,700**	**403,998**	**(25,794)**
New assets originated	951,003	-	951,003	-	-	-	-	-	-	-	-	-	**951,003**	-	951,003	-
Interest revenue	-	119,101	119,101	-	-	34,585	34,585	-	-	7,490	7,490	-	-	**161,176**	161,176	-
Assets realised	(902,323)	(118,290)	(1,020,613)	-	(9,131)	(35,596)	(44,727)	-	(14,054)	(10,433)	(24,487)	-	**(925,508)**	**(164,319)**	(1,089,827)	-
ECL (charges)/releases		-	-	5,202		-	-	2,550	-	-	-	(12,231)	-	-	-	**(4,479)**
Transfers:		-	-			-	-			-	-		-	-	-	-
Stage 1 to Stage 2	(3,975)	(1,082)	(5,057)	97	3,975	1,082	5,057	(97)	-	-	-	-	-	-	-	-
Stage 2 to Stage 1	402	(1,764)	(1,362)	(98)	(402)	-	(402)	132	-	1,764	1,764	(34)	-	-	-	-
Stage 1 to Stage 3	(23,221)	232	(22,989)	326	-	(232)	(232)	112	23,221	-	23,221	(438)	-	-	-	-
Stage 2 to Stage 3	-	-	-	-	(7,098)	(2,166)	(9,264)	3,373	7,098	2,166	9,264	(3,373)	-	-	-	-
Stage 3 to Stage 1	1	2	3	(3)	-	-	-	-	(1)	(2)	(3)	3	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	1	-	1	(1)	(1)	-	(1)	1	-	-	-	-
Write off	-	-	-	-	-	-	-	-	(10,535)	(293)	(10,828)	10,828	**(10,535)**	**(293)**	(10,828)	**10,828**
Fx impact	(59,489)	-	(59,489)	280	(701)	-	(701)	196	(3,083)	-	(3,083)	3,069	**(63,273)**	-	(63,273)	**3,545**
At 31 December 2022	**324,354**	**5,739**	**330,093**	**(1,235)**	**3,825**	**763**	**4,588**	**(859)**	**16,806**	**762**	**17,568**	**(13,806)**	**344,985**	**7,264**	**352,249**	**(15,900)**

	Stage 1				**Stage 2**				**Stage 3**				**Total**			
	USD'000				**USD'000**				**USD'000**				**USD'000**			
	Gross OLP	**Interest receivable**	**Total**	**ECL**	**Gross OLP**	**Interest receivable**	**Total**	**ECL**	**Gross OLP**	**Interest receivable**	**Total**	**ECL**	**Gross OLP**	**Interest receivable**	**Total**	**ECL**
At 1 January 2021	**319,122**	**10,128**	**329,250**	**(1,961)**	**52,202**	**3,377**	**55,579**	**(8,613)**	**25,281**	**1,183**	**26,464**	**(14,668)**	**396,605**	**14,688**	**411,293**	**(25,242)**
New assets originated	944,097	-	944,097	-	-	-	-	-	-	-	-	-	**944,097**	-	944,097	-
Interest revenue	-	151,521	151,521	-	-	15,436	15,436	-	-	8,775	8,775	-	-	**175,732**	175,732	-
Assets realised	(832,248)	(148,617)	(980,865)	-	(39,701)	(15,768)	(55,469)	-	(22,788)	(9,519)	(32,307)	-	**(894,737)**	**(173,904)**	(1,068,641)	-
ECL (charges)/releases	-	-	-	(5,694)	-	-	-	2	-	-	-	(28,976)	-	-	-	**(34,668)**
Transfers:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 1 to Stage 2	(12,975)	(2,028)	(15,003)	89	12,975	2,028	15,003	(89)	-	-	-	-	-	-	-	-
Stage 2 to Stage 1	(32,714)	(3,518)	(36,232)	216	-	-	-	-	32,714	3,518	36,232	(216)	-	-	-	-
Stage 1 to Stage 3	431	51	482	(68)	(431)	(51)	(482)	68	-	-	-	-	-	-	-	-
Stage 2 to Stage 3	-	-	-	-	(6,447)	(1,949)	(8,396)	1,225	6,447	1,949	8,396	(1,225)	-	-	-	-
Stage 3 to Stage 1	11	3	14	(6)	-	-	-	-	(11)	(3)	(14)	6	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	52	17	69	(31)	(52)	(17)	(69)	31	-	-	-	-
Write off	-	-	-	-	-	-	-	-	(26,954)	(5,816)	(32,770)	32,770	**(26,954)**	**(5,816)**	(32,770)	**32,770**
Fx impact	(23,768)	-	(23,768)	385	(1,469)	-	(1,469)	314	(476)	-	(476)	647	**(25,713)**	-	(25,713)	**1,346**
At 31 December 2021	**361,956**	**7,540**	**369,496**	**(7,039)**	**17,181**	**3,090**	**20,271**	**(7,124)**	**14,161**	**70**	**14,231**	**(11,631)**	**393,298**	**10,700**	**403,998**	**(25,794)**

14. DUE FROM BANKS

	Notes	2022	2021
		USD'000	USD'000
Due from banks		18,208	44,794
Escrow bank account at Citibank	14.1.	20,692	20,465
		38,900	**65,259**

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') 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 (the ‘Escrow Amount’) of its net proceeds from the sale of shares in the Global Offer in an escrow account for the sole benefit of the Company (the ‘Escrow Account’). The Escrow Amount may be applied to fund NRCTG liabilities in accordance with the escrow deed dated 29 June 2018 between, inter alia, CMI and the Company. The Escrow Account is established in the name of the Company and is therefore presented as part of 'Due from banks'. The beneficial ownership of these funds, including any interest accrued thereon and less any expenses, rests with CMI because the Company will need to return all remaining funds to CMI in accordance with the terms of the escrow deed. Therefore, the same amount is presented as a liability to CMI under ‘Other liabilities'.

15. EQUITY INVESTMENTS AT FVOCI

	2022	2021
	USD'000	USD'000
MFX Solutions, LLC		
Balance at the beginning of the period	237	238
Gain/(loss) on revaluation through OCI	7	(1)
Balance at the end of the period	**244**	**237**

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. These unlisted equity investments were irrevocably designated at initial recognition as held at FVOCI. Their fair value has been classified as level 2

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.

	2022	2022	2022	2022	2022	2021	2021	2021	2021	2021
	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	1,683	320	9,483	1,229	12,715	1,999	400	8,621	1,306	12,326
Accumulated depreciation at the beginning of the period	(1,166)	(252)	(7,055)	(157)	(8,630)	(1,366)	(298)	(5,908)	(137)	(7,709)
Carrying value at the beginning of the period	**517**	**68**	**2,428**	**1,072**	**4,085**	**633**	**102**	**2,713**	**1,169**	**4,617**
Additions during the period at cost	219	210	1,146	-	1,575	168	6	1,539	-	1,713
Foreign currency adjustment	(277)	(100)	(1,375)	(102)	(1,854)	(107)	(21)	(467)	(77)	(672)
Disposal during the period	(60)	(25)	(248)	-	(333)	(377)	(65)	(210)	-	(652)
Depreciation during the period	(242)	(66)	(1,485)	(23)	(1,816)	(254)	(39)	(1,667)	(25)	(1,985)
Adjustment of depreciation for disposals	77	40	371	-	488	370	61	186	(4)	613
Foreign currency differences	211	60	1,084	13	1,368	84	24	334	9	451
Carrying value at the end of the period	**445**	**187**	**1,921**	**960**	**3,513**	**517**	**68**	**2,428**	**1,072**	**4,085**
Cost at the end of the period	1,565	405	9,006	1,127	12,103	1,683	320	9,483	1,229	12,715
Accumulated depreciation at the end of the period	(1,120)	(218)	(7,085)	(167)	(8,590)	(1,166)	(252)	(7,055)	(157)	(8,630)
Carrying value at the end of the period	**445**	**187**	**1,921**	**960**	**3,513**	**517**	**68**	**2,428**	**1,072**	**4,085**

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2022	2021
	USD'000	USD'000
Right-of-use assets at the beginning of the period	5,031	5,195
Additions during the period	3,815	4,265
Depreciation during the period	(3,931)	(4,398)
Exchange rate differences	(326)	(31)
Right-of-use assets at the end of the period	**4,589**	**5,031**

	2022	2021
	USD'000	USD'000
Lease liabilities at the beginning of the period	3,459	3,629
Interest expense of lease liabilities	299	301
Additions on lease liabilities during the period	3,815	4,265
Payment of lease liabilities	(4,353)	(4,680)
Exchange rate differences	(129)	(56)
Lease liabilities at the end of the period	**3,091**	**3,459**

The Group recognises leased office premises under Right of Use Assets ('ROU').

Between January and December 2022, the Group entered into 1,058 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 22K and in net profit of negative USD 22K, which is insignificant. Based on the above, management concluded no impairment had occurred on the ROU as of 31 December 2022.

18. OTHER ASSETS

The other assets comprises of the following:

	Notes	2022	2021
		USD'000	USD'000
Receivables from related parties	18.1.	249	70
Prepayments		2,874	2,157
Employee advances		2,296	1,856
Advance income tax		2,147	2,150
Security deposit		249	236
Receivables under off-book BC model (ASA India)	18.2.	569	762
Insurance claim receivable		109	260
Interest receivable on due from banks		337	457
Receivable against DA		-	15
Other receivables	18.3.	1,140	976
		9,970	**8,939**

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

	2022	2021
	USD'000	USD'000
Sequoia BV	145	53
MBA Philippines	86	5
Catalyst Investment Management services	18	12
	249	**70**

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

18.2. Receivables under off-book BC model is presented net of impairment. Gross amount receivable under off book BC model is USD 2.2 million. (2021: 2.1 million)

18.3. Other receivables includes various advances in relation to employee's insurance, receivable from VAT and service tax authorities etc. Individually none of the advances are over USD 150K.

19. DERIVATIVES

	2022 USD'000	2021 USD'000
Forward contracts	7,131	3,143
Swap agreements	724	823
Derivative assets total	7,855	3,966
Forward contracts	(456)	(602)
Derivative liabilities total	(456)	**(602)**
Total derivatives at fair value	**7,399**	**3,364**

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

As of 31 December 2022	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	7,952	29,391	-	40,243
Average forward rate (USD/PKR)	204	206	222	-	217
Carrying amount (in USD)	439	1,428	5,133	-	7,000
Myanmar					
Notional amount (in USD)	-	1,000	-	-	1,000
Average forward rate (USD/KYAT)	-	1,914	-	-	1,941
Carrying amount (in USD)	-	131	-	-	131
Tanzania					
Notional amount (in USD)	-	-	-	-	-
Average forward rate (USD/TZS)	-	-	-	-	-
Carrying amount (in USD)	-	-	-	-	-
Sierra Leone					
Notional amount (in USD)	-	-	-	-	-
Average forward rate (USD/SLL)	-	-	-	-	-
Carrying amount (in USD)	-	-	-	-	-
Zambia					
Notional amount (in USD)	-	250	500	-	750
Average forward rate (USD/ZMW)	-	33	31	-	32
Carrying amount (in USD)	-	(190)	(266)	-	(456)

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)

Please see note 36 and 37 for more information.

19.2. The Group also holds the below swap contracts:

		2022 USD'000	2021 USD'000
Cross-currency interest rate swap	Notional value	1,750	16,104
	Carrying value	724	823

At 31 December 2022, the Group had three cross-currency interest rate swap agreements in place.

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.

A swap agreement with a notional amount of USD 0.5 million was entered on 2 February 2022 by ASA Sierra Leone whereby the entity pays a fixed rate of interest of 19.22% 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.

A swap agreement with a notional amount of USD 250K was entered on 3 February 2022 by ASA Zambia whereby ASA pays a fixed rate of interest of 24.8% in ZMW 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 2021	**33**	-	33
Additions	-	452	452
Fx movement	(3)	-	(3)
At 31 December 2021	**30**	**452**	**482**
Additions	-	4,592	4,592
Impaired	(17)	-	(17)
Fx movement	(13)	(3)	(16)
At 31 December 2022	**-**	**5,041**	**5,041**

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

For the year ended 31 December 2022, an impairment assessment on the remaining goodwill was conducted and based on such the goodwill has been fully impaired.

Intangible assets includes initial investments on a new project to develop a digital financial services (DFS) platform. A pilot is expected to take place in Ghana in 2024 and, if successful and upon approval from regulator, this will be followed by the launch of a range of digital financial and other services to support the growth of small businesses. The platform 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, the Group is also developing a Supplier Marketplace app (“SMP”) where clients can purchase goods for their small businesses. 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 deposits accounts and other digital services to our clients, the Group decided to add a Core Banking System ('CBS') to its IT infrastructure. The Group has procured a 10-year license to the Temenos Financial Inclusion suite, which is an off-the-shelf CBS system.

ASA India is procuring an additional core banking software "Craft Silicon" to align the business recording with the Indian market. The procurement is following a Software as a service (SAAS) model and the current agreement is for three years. The software is expected to be implemented from Q2, 2023.

Total spent during the year against DFS and CBS are as follows:

	2022			2021		
	USD'000			USD'000		
Particulars	**Capitalised**	**Charged to P&L**	**Total**	**Capitalised**	**Charged to P&L**	**Total**
Development fees	1,032	-	1,032	83	-	83
License fees	1,906	588	2,494	-	-	-
Implementation cost	948	-	948		-	-
Consultancy	180	-	180	213	-	213
Salary and travelling	526	218	744	156	-	156
	4,592	**806**	**5,398**	**452**	**-**	**452**

21. ISSUED CAPITAL

	2022	2021
	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 2022 and 2021.

22. RETAINED EARNINGS

Total retained earnings are calculated as follows:	2022	2021
	USD'000	USD'000
Balance at the beginning of the period	155,405	147,291
Dividend declared	-	-
Disposal of ASA Consultancy Limited and ASA Cambodia Holdings	-	(673)
Result for the period	17,892	8,787
Balance at the end of the period	**173,297**	**155,405**
Profit for the period		
Attributable to equity holders of the parent	17,892	8,787
Non-controlling interest	(5)	(2,429)
	17,887	**6,358**

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 2.0 million at 31 December 2022 (2021: USD 1.7 million).

22. RETAINED EARNINGS (continued)

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 23.4 million in December 2022 (2021: USD 18.1 million).

No dividend was declared in 2022.

23. OTHER RESERVES

Total other reserves are calculated as follows:	Notes	2022 USD'000	2021 USD'000
Balance at the beginning of the period		995	(718)
Actuarial gains and losses on defined benefit liabilities	8.1.	470	698
Movement in hedge accounting reserve		3,004	1,381
Gain/ (loss) on revaluation of MFX investment	15.	7	(1)
Others net of tax		(1,152)	(365)
Balance at the end of the period		**3,324**	**995**

24. FOREIGN CURRENCY TRANSLATION RESERVE

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

	2022 USD'000	2021 USD'000
Balance at the beginning of the period	(54,132)	(43,091)
Translation of assets and liabilities of subsidiaries to USD	(33,991)	(11,596)
Disposal of ASA Consultancy Limited and ASA Cambodia Holdings	-	555
Balance at the end of the period	**(88,123)**	**(54,132)**

The entity wise breakdown of transaction adjustment is as follows:

	2022 USD'000	2021 USD'000
Ghana	(17,395)	(1,936)
Pakistan	(9,400)	(3,779)
Nigeria	(2,540)	(1,484)
Sri Lanka	(1,450)	(334)
Philippines	(978)	(680)
Myanmar	(766)	(2,911)
Sierra Leone	(685)	(164)
Kenya	(525)	(206)
Others	(252)	(102)
	(33,991)	**(11,596)**

25. DEBT ISSUED AND OTHER BORROWED FUNDS

	Notes	2022 USD'000	2021 USD'000
Debt issued and other borrowed funds by operating subsidiaries	25.1.	201,590	244,788
Symbiotics-managed funds (ASAIH/ASAI NV)	25.2.	14,000	29,000
Oikocredit (ASAIH)	25.3.	7,500	7,500
OPIC (ASAIH)		-	5,000
BIO (ASAIH)	25.4.	10,000	10,000
OeEB (ASAIH)	25.5.	9,375	13,125
Citi (ASAI NV)	25.6.	5,000	5,000
Ninety one (ASAI NV)	25.7.	10,000	-
Interest payable on third-party loans		3,836	4,261
		261,301	**318,674**

25. DEBT ISSUED AND OTHER BORROWED FUNDS (continued)

25.1. Break down of borrowings by operating subsidiaries are shown below:

	2022	2021
	USD'000	USD'000
ASA India	32,841	94,911
PPFC	44,512	45,042
ASA Pakistan	50,705	47,844
ASA Tanzania	39,596	23,815
ASA Kenya	13,246	8,580
ASA S&L	-	2,929
ASA Myanmar	11,438	11,977
ASA Uganda	4,742	4,380
Lak Jaya	1,332	2,767
ASA Nigeria	-	-
Others	3,178	2,543
	201,590	**244,788**

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 257.0 million (2021: USD 314.0 million), USD 82.5 million (2021: USD 131.0 million) had breached loan covenants as at year end. As of 31 December, the balance for credit lines with breached covenants and which does not have waivers amounts to USD 65.0 million (2021: USD 111.0 million) out of which waivers have been subsequently received for USD 64.0 million (2021: 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 2022. The lenders have not requested any early repayment of loans as of the date when these financial statements were approved by the Board of Directors. The management is in the process of renegotiating to obtain waivers for the remaining balance.

25.2. **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 5.0 million (the 'Symbiotics loans'). ASAIH took a new loan of USD 5.0 million on July 2019 at 6.25%. These loans are repaid during the year.

In October 2019, ASAI NV entered into a loan agreement with one investment fund managed by Symbiotics SA. In November 2021 ASAI NV received USD 10.0 million at six months Libor plus 4.75% per annum. In April 2022 ASAI NV received an additional USD 4.0 million at six months Libor plus 4.75% per annum. All the loans will be repaid within three years of disbursement. ASAIH is a guarantor for these loans

25.3. **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 loans is six-month LIBOR or 3.5% whichever is lower plus a margin of 3% for the direct loan and 2.5% for the credit line.

25.4. **BIO (ASAIH)**

ASAIH entered into a USD 10.0 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.

25.5. **OeEB (ASAIH)**

ASAIH entered into a USD 15.0 million loan agreement with Oesterreichische Entwicklungsbank Ag ('OeEB') in March 2020 of which USD 10.0 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.

25.6. **Loan from Citi (ASAI NV)**

ASAI NV entered into a USD 10.0 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 5.0 million has been drawn until December 22.

25.7. **Ninety one (ASAI NV)**

ASAI NV entered into a USD 10.0 million loan agreement with NINETY ONE SA PROPRIETARY LIMITED on October 2022. The term of this loan is four years. Interest amounts to three months term SOFR + 5.5% per annum. ASAIH is also a co-borrower of the loan.

26. DUE TO CUSTOMERS

Clients of the Group’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.

	2022	2021
	USD'000	USD'000
Clients' security deposits	68,894	73,518
Clients' voluntary savings	15,217	14,294
Interest payable on deposits and savings	44	-
	84,155	**87,812**

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	2022 USD'000	2021 USD'000
Security deposits		2,530	2,630
Other deposits		426	418
Liability for death and multipurpose risk funds		146	211
Accrued expenses		1,533	921
Accrued audit fees		1,224	1,192
Taxes payable, other than corporate income tax		2,598	2,830
Amounts due to employees		1,356	1,111
Amounts due to related parties	27.1.	41	102
Liability to CMI regarding Escrow Account at Citibank	14.1.	20,692	20,465
Liabilities under off-book BC model (ASA India)		255	364
Liabilities under off-book DA model (ASA India)		38	133
Industrial training fund		189	191
Other sundry liabilities	27.2.	3,372	2,369
		34,400	**32,937**

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. Amounts due to related parties

	2022 USD'000	2021 USD'000
Sequoia BV	10	24
MBA Philippines	31	78
	41	**102**

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

28. PROVISIONS

	2022 USD'000	2021 USD'000
Provision for financial guarantees under off-book BC model (ASA India)	1,038	1,675
	1,038	**1,675**

Provision for financial guarantees include 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-2.5.1. As at 31 December 2022, stage 3 loans under this portfolio amount to USD 6.5 million (2021: USD 9.8 million).

29. ADDITIONAL CASH FLOW INFORMATION

29.1. **Changes in operating assets**	2022 USD'000	2021 USD'000 (Restated)
Loans and advances to customers	(33,400)	(89,112)
Movement in due from banks	18,952	5,500
Movement in right-of-use assets	(3,815)	(4,265)
Other assets excluding income tax advances	(1,034)	3,268
	(19,297)	**(84,609)**

29.2. **Changes in operating liabilities**	2022 USD'000	2021 USD'000
Due to customers	15,332	13,024
Other liabilities	(2,895)	(2,925)
Retirement benefit	(572)	(592)
Movement in lease liability	3,815	4,265
Movement in provisions	(637)	(768)
	15,043	**13,004**

29. ADDITIONAL CASH FLOW INFORMATION (continued)

	2022	2021
	USD'000	USD'000
29.3. **Non-cash items**		
Depreciation on:		
- Property and equipment	1,833	1,985
- Right-of-use assets	3,931	4,398
Interest expense on lease liability	299	301
Credit loss expense	643	37,509
Write-off of portfolio	10,828	32,965
Fair value movement of forward contracts	(1,031)	(3,422)
Charge against defined benefit plan	1,001	1,575
Foreign exchange result	1,559	1,532
	19,063	**76,843**

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

30.3 Key Risk management areas and mitigation

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

Risk category	Definition	Risks	Description
Business risk	Business risk is an organisation'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 the 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 Organisation.
		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.

30. RISK MANAGEMENT (continued)

30.3 Key Risk management areas and mitigation (continued)

Risk category	Definition	Risks	Description
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 Organisation.	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.	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 Key Risk management areas and mitigation (continued)

Business risk

The Group manages its business risks by adopting various mitigation strategies at Group level as well as at subsidiary level. While setting growth targets the Group remains prudent, as uncontrolled growth may lead to increased overdue loans. Sites for new branches are selected after 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 principles and business transparency.

Climate change risk 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, this 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. The Group's IT business continuity is safeguarded by maintaining secure data centres with disaster recovery sites, either on premises or in the cloud. System vulnerability is regularly assessed and virus guards, firewalls and other security measures are kept up to date. Adequate internet connectivity is provided at all branches to ensure smooth running of operations; proper 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 staff are made aware that password sharing is prohibited.

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 Group 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 continue to show strong interest in funding 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 are 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.

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30. RISK MANAGEMENT (continued)

30.3 Key Risk management areas and mitigation (continued)

Risks are mitigated through standardised practices that are part of the ASA Model of microfinance. These include

- *Standardised loan products.*
- *Basic voluntary deposit services*
- *Effective and rigid procedures for cost–effective delivery of microcredit and limited deposit services.*
- *Zero–tolerance on the late deposit of loan instalments by loan officers.*
- *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.*

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 the 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.

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. However, Pakistan holds 24% of the Group's credit exposure in 2022 (2021: 20%). Management regularly monitors the concentration risk and manages loan distribution if required.

Maximum exposure to credit risk

	2022	2021
	USD'000	USD'000
Cash and cash equivalents (excluding cash in hand)	83,006	87,684
Loans and advances to customers	331,898	373,242
Customer security deposit	(68,894)	(73,518)
Off-book portfolio (BC model)[1]	3,641	1,675
Due from banks	38,900	65,259
Other assets[2]	12,804	8,598
Maximum credit exposure	**401,355**	**462,940**

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

[2]Other assets includes net financial derivatives and excludes prepayments and advance tax

30. RISK MANAGEMENT (continued)

Geographic distribution of maximum credit exposure as at 31 December 2022.

	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	16,712	82,586	(27,988)	3,791	1,499	-	76,600
East Africa	22,893	85,465	(20,087)	810	506	-	89,587
South Asia	11,272	99,717	(1,345)	8,606	9,163	3,641	131,054
South East Asia	29,261	64,130	(19,474)	5,000	1,069	-	79,986
Non-operating entities	2,868	-	-	20,693	567	-	24,128
Maximum credit exposure	**83,006**	**331,898**	**(68,894)**	**38,900**	**12,804**	**3,641**	**401,355**

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)

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 2022

	Due from banks[1]	Gross loans and advances to Customer[2]	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	3,791	85,885	89,676	82,270	1,061	2,554
East Africa	810	88,795	89,605	87,964	269	562
South Asia	8,607	109,591	118,198	96,234	2,943	10,414
South East Asia	5,000	67,978	72,978	63,625	315	4,038
Non-operating entities	20,692	-	20,692	-	-	-
Total	**38,900**	**352,249**	**391,149**	**330,093**	**4,588**	**17,568**
ECL provision	-	(15,900)	(15,900)	(1,235)	(859)	(13,806)
Coverage ratio		**4.5%**	**4%**	**0.4%**	**18.7%**	**78.6%**

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

[2] Includes interest receivable

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

Credit risk from lending as at 31 December 2021

	Due from banks[1]	Gross loans and advances to Customer[2]	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	15,262	98,303	113,565	94,929	1,508	1,866
East Africa	2,500	67,755	70,255	66,036	222	1,497
South Asia	23,032	170,072	193,104	145,339	14,756	9,977
South East Asia	4,000	67,868	71,868	63,192	3,785	891
Non-operating entities	20,465	-	20,465	-	-	-
Total	**65,259**	**403,998**	**469,257**	**369,496**	**20,271**	**14,231**
ECL provision	**-**	**(25,794)**	**(25,794)**	(7,039)	(7,124)	(11,631)
Coverage Ratio [3]		**6.4%**	**5.5%**	1.9%	35.1%	81.7%

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

2 Includes interest receivable

[3] 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)

30.4.2 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 the Group 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 Group is engaged in these loans to customers have short-term maturities, hence the Group is in a position to generate a constant stream of cash inflows.
- The Group is in the position to accumulate sufficient funds to cover its obligations, although this may entail limitations on new loan disbursements.
- The Group has been able to receive most of the waivers against covenant breaches from the lenders and no indication received from lenders from any early repayment.

As at 31 December 2022 the Group had an unrestricted cash balance (including short term deposits) of USD 55.0 million (2021: USD 91.0 million). The Group is able to fund its operations and budgeted growth of its loan portfolio from new loan facilities supplied by third parties, security collateral and/or savings provided by its clients, and internally generated cash flows.

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

Liabilities				**Sub-total**			**Sub-total**	No fixed	
FY 2022	On demand	<3 months	3-12 months	**1-12 months**	1-5 years	Over 5 years	**>12 months**	maturity	**Total**
in USD'000									
Debt issued and other borrowed funds	68,077 [1]	33,918	69,177	**171,172**	90,129	-	**90,129**	-	**261,301**
Due to customers	15,098	32,704	36,344	**84,146**	9	-	**9**	-	**84,155**
Lease liability	142	150	690	**982**	2,089	20	**2,109**	-	**3,091**
Derivative liabilities	-	190	266	**456**	-	-	**-**	-	**456**
Other liabilities	395	4,518	5,410	**10,323**	662	132	**794**	23,283	**34,400**
Provisions	-	285	682	**967**	71	-	**71**	-	**1,038**
	83,712	**71,765**	**112,569**	**268,046**	**92,960**	**152**	**93,112**	**23,283**	**384,441**

[1]This includes loans amounting to USD 65.0 million on which waivers have not received at the balance sheet date. Subsequently waivers for loans amounting to USD 64.0 million has been received.

Liabilities				**Sub-total**			**Sub-total**	No fixed	
FY 2021	On demand	<3 months	3-12 months	**1-12 months**	1-5 years	Over 5 years	**>12 months**	maturity	**Total**
in USD'000									
Debt issued and other borrowed funds	112,475 [2]	51,434	60,132	**224,041**	94,633	-	**94,633**	-	**318,674**
Due to customers	19,850	28,857	38,534	**87,241**	571	-	**571**	-	**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**
	133,160	**85,504**	**103,296**	**321,960**	**99,646**	**85**	**99,731**	**23,468**	**445,159**

[2]This includes loans amounting to USD 111.0 million on which waivers have not received at the balance sheet date. Subsequently waivers for loans amounting to USD 36.7 million has been received. The 2021 table has been restated to reflect the above.

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 settled.

Assets				**Sub-total**			**Sub-total**	No fixed	
FY2022	On demand	<3 months	3-12 months	**1-12 months**	1-5 years	Over 5 years	**>12 months**	maturity	**Total**
in USD'000									
Cash at bank and in hand	48,666	1,459	32,992	**83,117**	-	-	**-**	-	**83,117**
Loans and advances to customers	11,070	192,736	127,495	**331,301**	597	-	**597**	-	**331,898**
Due from banks	-	3,896	12,717	**16,613**	1,595	-	**1,595**	20,692	**38,900**
Equity investments at FVOCI	-	-	-	**-**	-	-	**-**	244	**244**
Derivative assets	-	1,871	5,260	**7,131**	724	-	**724**	-	**7,855**
Other assets	-	4,489	5,132	**9,621**	349	-	**349**	-	**9,970**
	59,736	**204,451**	**183,596**	**447,783**	**3,265**	**-**	**3,265**	**20,936**	**471,984**

Assets				**Sub-total**			**Sub-total**	No fixed	
FY2021	On demand	<3 months	3-12 months	**1-12 months**	1-5 years	Over 5 years	**>12 months**	maturity	**Total**
in USD'000									
Cash at bank and in hand	62,440	3,854	21,657	**87,951**	-	-	**-**	-	**87,951**
Loans and advances to customers	14,233	60,149	280,289	**354,671**	18,571	-	**18,571**	-	**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**
	76,673	**93,637**	**316,375**	**486,685**	**32,206**	**-**	**32,206**	**20,703**	**539,594**

30. RISK MANAGEMENT (continued)

30.4 Financial Risk (continued)

30.4.2 Liquidity risk (continued)

Changes in liabilities arising from financing activities:

FY 2022	**1 January 2022**	**Cash flows**	**Non-cash movement**	**Foreign exchange movement**	**31 December 2022**
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Debt issued and borrowed funds	318,674	(25,370)	-	(32,003)	261,301
Lease liabilities	3,459	(4,353)	4,114	(129)	3,091
Total liabilities from financing activities	**322,133**	**(29,723)**	**4,114**	**(32,132)**	**264,392**

FY 2021	**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**

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 do 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
	2022	2022	2022	2021	2021	2021
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	(46,638)	(52,595)	(5,957)	(26,017)	(31,553)	(5,536)
East Africa	(2,551)	(5,038)	(2,487)	(1,485)	(3,317)	(1,832)
South Asia	(33,324)	(37,028)	(3,703)	(22,811)	(26,288)	(3,477)
South East Asia	(5,197)	(6,683)	(1,486)	(3,453)	(4,977)	(1,524)
Non-operating entities	(413)	(432)	(19)	(366)	(391)	(25)
Total	**(88,123)**	**(101,776)**	**(13,652)**	**(54,132)**	**(66,526)**	**(12,394)**

Analysis of the actual exchange rate fluctuations against the USD for the period 2022 shows different trends for all the operating currencies. The annual exchange rate fluctuations are between 81% and 1%, but most moved within 3% to 15%. For the simulation of foreign currency effects the Company has therefore assumed an additional 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 2022 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 2022 a 10% downward movement of FX rates against the USD has a positive impact on the foreign currency exchange result of USD 3K (2021: USD -633K). 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
	2022	2022	2022	2021	2021	2021
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
West Africa	350	182	(168)	(142)	8	150
East Africa	(37)	216	254	151	225	73
South Asia	(259)	(266)	(6)	(331)	(342)	(11)
South East Asia	(614)	(475)	139	(562)	(436)	126
Non-operating entities	(998)	(1,212)	(216)	(648)	(1,618)	(969)
Total	**(1,558)**	**(1,555)**	**3**	**(1,532)**	**(2,163)**	**(631)**

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 Myanmar and Tanzania.

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. 37% (2021: 30%) 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:

			2022		2021	
	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	806	(806)	622	(798)
PKR	+100	-100	77	(77)	72	(72)
INR	+100	-100	10	(10)	62	(62)

30.5 Managing interest rate benchmark reform and associated risks

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Group has established a project to manage the transition for any of its contracts that could be affected. The project is led by the Group Treasury. The project provides periodic updates to senior management and the Board. The Group has already completed the transition of a portion of its IBOR exposure to Risk free rates ('RFRs') and is confident it will complete the remaining transitions to RFRs for those interest rate benchmarks, including exposures to USD LIBOR of 3 and 12 months, that will cease to be available after 30 June 2023. As of 31 December 2022, the Group has loans amounting to USD 50.0 million which are based on USD six-month LIBOR and will mature after 2023. For other benchmark interest rates such as EURIBOR that have been reformed, financial instruments referencing those rates will not need to transition provided the reformed rates continue to meet regulators' stringent requirements to qualify as RFRs.

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 International Swaps and Derivatives Association ('ISDA') master agreements. On 23 October 2020, the 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 cessation date.

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 2022. 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. RISK MANAGEMENT (continued)

30.6 Climate related risks

The Group and its customers may face climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and droughts, and longer-term shifts in climate patterns, such as sustained higher temperatures and rising sea levels.

Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the operating country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Group is making progress on embedding climate risk into its Risk framework, including the development of appropriate risk appetite metrics and the creation of a Sustainability Committee, which is responsible for developing Group-wide policies, processes and controls to incorporate climate risks into the management of principal risk categories, appointing a Climate Officer for each operating subsidiary and setting up SMART targets to reduce GHG emissions.

The impact of climate related risks has been assessed on a number of reported amounts and the accompanying disclosures. Refer to page 49 for details in relation to climate-related risks.

30.7 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 of such investments are nationalised or expropriated by a country in which an investment is made. Currently the investments in the Philippines, Sri Lanka, Uganda, Kenya and Ghana are owned by ASAI NV, an indirectly owned but wholly controlled subsidiary of the 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.

30.8 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 2022, the risk of the Group on such BC portfolio stands at USD 0.9 million (2021: USD 1.7 million).

The Group also entered into a contract with CSHARK Spółka z ograniczoną odpowiedzialnością (Ltd.) on 14 October 2021, 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 1.3 million.

As at 31 December 2022 USD 1.0 million of the initial purchase price has already been paid. 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 experienced 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 provides 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 experienced CEO's that are deployed in the countries are part of key management personnel. They are paid by their respective entities.

The Group CEO, Executive Director, Corporate Development (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 2022, the Directors of the Group received total compensation of USD 1.12 million (2021: USD 1.05 million).

Total remuneration to key management personnel of the Group

	2022	2021
	USD'000	USD'000
Short-term employee benefits	2,273	2,110
Post-employment pension and medical benefits	-	-
Termination benefits	-	-
Share-based payment transaction	-	-
	2,273	**2,110**

Total remuneration takes the form of short-term employee benefits for ASAI. In 2022, total remuneration paid to key management personnel of the Group amounted to USD 2.3 million (2021: USD 2.1 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 (2021: USD 425K).

Long Term Incentive Plan

The Group has granted options ('Options') of over about 2,500,000 ordinary shares of £0.01 each in the Group Company under its LTIP to certain Executive Directors and Persons Discharging Managerial Responsibilities ('PDMRs') on 28 October 2022 The Company's LTIP is designed to incentivise and retain Directors and senior staff, along with aligning them with shareholders' interest to create long term value.

32. RELATED PARTY DISCLOSURES (continued)

32.1 Key management personnel (continued)

Long Term Incentive Plan (continued)

The Options will normally vest, subject to continued employment, on the following schedule:

a) 20% each year between the first and fifth anniversaries of the Grant Date; or
b) for Executive Directors only, 60% on the third anniversary and 20% on each of the fourth and fifth anniversaries of the Grant Date.

To the extent they vest, the Options are exercisable at a price of 93 pence per ordinary share, being the average share price for the three business days before the Grant Date. The Group will issue certificates to the participants to the plan. The Grant date will be achieved once participants accept the offer.

None of the participants have accepted the offer as at the balance sheet date and hence no expenses have been booked in 2022.

32.2 Subsidiaries

	Country of Incorporation	2022 ownership	2021 ownership
ASAIH subsidiaries:			
ASA India	India	90.02%	90.02%
Pagasa Consultancy	India	99.99%	99.99%
Pinoy	India	99.99%	99.99%
Pagasa ng Masang Pinoy Microfinance, Inc	The Philippines	N/A[1]	N/A
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 Zanzibar	Tanzania	99.99%	N/A
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 S&L	Ghana	100%	100%
CMI Lanka	Sri Lanka	100%	100%
Lak Jaya	Sri Lanka	97.14%	97.14%
ASA Lanka	Sri Lanka	100%	100%
ASA Kenya	Kenya	100%[2]	100%
ASA Uganda	Uganda	99.99%	99.99%
AMSL	Bangladesh	95%	95%
ASAI I&M	The Netherlands	100%	100%
ASA Dwaso	Ghana	100%	N/A

1 *ASAI officials/representatives control the governing body and the Board.*
2 *ASAIH holds 0.5% of the shares.*

32.3 Relationship agreement
Relationship agreement with the Controlling Shareholder Group

The Group, 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 Group 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 Group 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)

32.4 Other related parties

A list of related parties with which the Group has transactions is presented below. The transactions in 2022 and 2021 and the balances per the end of the year 2022 and 2021 with related parties can be observed in 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 2022	-	-	-	20,692
	31 December 2021	-	-	-	20,465
Sequoia	31 December 2022	117	47	145	10
	31 December 2021	185	129	53	24
MBA Philippines	31 December 2022	890	-	86	31
	31 December 2021	846	-	5	78
IDFC	31 December 2022	2,045	-	2,224	285
	31 December 2021	2,503	-	2,350	630
CIMS BV	31 December 2022	-	-	18	-
	31 December 2021	-	-	12	-

32.5 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) 32.6 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 and 2022. 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 and 2022.

The summarised financial information of Lak Jaya and ASA India as at 31 December 2022 is as follows:

	31 December 2022		31 December 2021	
	Lak Jaya	ASA India	Lak Jaya	ASA India
	USD'000	USD'000	USD'000	USD'000
Current assets	5,317	27,079	9,834	92,360
Non-current assets	156	394	465	6,381
Current liabilities	4,074	34,965	6,862	98,913
Non-current liabilities	247	1,206	421	2,386
Net Operating Income	1,626	7,186	2,367 -	11,715
Net loss	(564)	(6,445)	(392)	(22,289)
Non-controlling interest	33	(868)	86	(221)

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 2022		31 December 2021	
	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%	9.98%

	31 December 2022		31 December 2021	
	Lak Jaya	ASA India	Lak Jaya	ASA India
	USD'000	USD'000	USD'000	USD'000
Summarised statement of financial position:				
Net assets	1,152	(8,698)	3,016	(2,556)
Net assets attributable to NCI	33	(868)	86	(221)
Summarised statement of profit or loss and other comprehensive income:				
Net operating income	1,626	7,186	2,367	(11,715)
Net loss after tax	(564)	(6,445)	(392)	(22,289)
Loss allocated to NCI	(16)	(643)	(11)	(2,429)
Dividend paid to NCI	-	-	-	-
Summarised statement of cash flow:				
Cash flow from operation activities	2,219	41,755	378	24,145
Cash flow from investing activities	(10)	(36)	(15)	(45)
Cash flow from financing activities	(1,364)	(47,522)	252	(38,141)
Net cash flow attributable to NCI	24	(579)	18	(1,401)

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

In Myanmar, the Group signed a restructuring agreement with two international lenders in 28 March 2023 pursuant to restrictions imposed by Central Bank of Myanmar vide circular dated 13 July 2022 suspending interest and principal repayments on foreign loans and directing companies to restructure the same read with circular issued on 16 August 2022 permitting certain transactions with approval from the Foreign Currency Supervision Committee.

Central Bank of Ghana approved ASA Ghana's Digital Financial Service (DFS) application on 14 March 2023. The company expects to offer the digital financial services from 2024.

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). In addition, another 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.

In November 2022, the revenue authority adjusted USD 1.4 million against tax refund for AY 13-14 to 22-23 for such demand. ASA India is preparing to file a writ petition against such adjustment. The entity took a provision of USD 560K against such demand.

ASA India breached its capital and qualifying assets requirements during the year, however, remained in compliance with requirements subsequently. No provision was created for such breach.

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. The entity took a provision of USD 36K against such demand.

ASA Pakistan

A demand was raised by Federal Board of Revenue in Pakistan for USD 390K by disallowing certain expenses against the return of AY 2015-16. The management team 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.

ASA Nigeria

ASA Nigeria is in breach of regulatory limit of PAR 30 ratio at the balance sheet date. The matter was reported to Central Bank of Nigeria (CBN). No provision was created in this regard as management concludes that any penalty imposition by CBN in this regard is low.

35. CAPITAL MANAGEMENT

ASA International Group Plc is registered as a public limited company, incorporated in England and Wales with the registered number 11361159 and with its registered office situated at Highdown House, Yeoman Way, Worthing, West Sussex BN99 3HH, United Kingdom. It had 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 2022, 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	31 December	31 December	31 December

	2022	2021	2022	2021
	USD'000	USD'000	USD'000	USD'000
ASSETS				
Equity investments at FVOCI	244	237	244	237
Derivative assets	7,855	3,966	7,855	3,966
Loans and advances to customers	331,898	373,242	331,898	373,242
Due from banks	38,900	65,259	38,900	65,259
Other assets	4,840	4,357	4,840	4,357
Cash at bank and in hand	83,117	87,951	83,117	87,951
LIABILITIES AND EQUITY				
Financial liabilities measured at amortised cost				
Debt issued and borrowed funds	261,301	318,674	261,301	318,674
Due to customers	84,155	87,812	84,155	87,812
Derivative liabilities	456	602	456	602
Other liabilities	34,400	32,937	34,400	32,937

- 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 term of the loans to the microfinance borrowers are short (mostly 6 to 12 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 a 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

As at 31 December 2022, the Group had three cross-currency interest rate swap agreements in place.

A swap agreement with a notional amount of USD 1.0 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.

A swap agreement with a notional amount of USD 0.5 million was entered on 2 February 2022 by ASA Sierra Leone whereby the entity pays a fixed rate of interest of 19.22% 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.

A swap agreement with a notional amount of USD 250K was entered on 3 February 2022 by ASA Zambia whereby ASA pays a fixed rate of interest of 24.8% in ZMW 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 Group 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 Group 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 2022 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 2022 is provided below:

	ASA Pakistan	ASA Sierra Leone	ASA Myanmar	ASA Tanzania	ASA India	ASA Zambia	Total
As at 31 December 2022	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Fair value of derivative assets	7,001	711	131	-	-	12	7,855
Fair value of derivative liabilities	-	-	-	-	-	456	456
Notional amount hedged foreign currency loans	40,243	1,500	1,000	-	-	1,000	43,743
Period in which the cash flows are expected to occur:							
cash flows in 2023	40,243	-	1,000	-	-	750	41,993
cash flows in 2024	-	1,000	-	-	-	250	1,250
cash flows in 2025	-	500	-	-	-	-	500
Total cash flows	**40,243**	**1,500**	**1,000**	**-**	**-**	**1,000**	**43,743**
Expected period to enter into the determination of profit or loss:							
amortisation of forward points in 2023	1,240	47	7	-	-	113	1,407
amortisation of forward points in 2024	-	28	-	-	-	2	30
amortisation of forward points in 2025	-	-	-	-	-	-	-
Total amortisation of forward points	**1,240**	**75**	**7**	**-**	**-**	**115**	**1,437**
Amounts recognised in OCI during the period:							
for amortisation of forward points/currency basis spread	3,696	287	108	11	27	267	4,396
for adjustment of net interest on swap	-	36	-	-	837	22	895
for changes in fair value of the forward contracts/ swaps	10,175	1,184	(40)	(2)	(551)	(174)	10,592
for recycling of FX result of foreign currency loans	(10,612)	(1,550)	(157)	(9)	(504)	(47)	(12,879)
Total amounts recognised in OCI during the period	**3,259**	**(43)**	**(89)**	**-**	**(191)**	**68**	**3,004**

37. HEDGE ACCOUNTING (continued)

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**

	Changes in fair value of hedging instruments		
	Effective portion: recognised in OCI	Hedge ineffectiveness: recognised in income statement	Total
As at 31 December 2022			
Cash flow hedge	USD'000	USD'000	USD'000
Forward contracts	3,161	-	3,161
Cross-currency interest rate swaps	(157)	-	(157)
	3,004	**-**	**3,004**

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

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 borrowed funds reflect the contractual repayments except for debts, where no waivers have been received against breached covenants at the balance sheet date. Those borrowings are presented on demand. The 2021 maturity table has been restated to reflect the above.

As at 31 December 2022	Within 12 months	After 12 months	Total
	USD'000	USD'000	USD'000
Assets			
Cash at bank and in hand	83,117	-	83,117
Loans and advances to customers	331,301	597	331,898
Due from banks	16,613	22,287	38,900
Equity investment at FVOCI	-	244	244
Property and equipment	-	3,513	3,513
Right-of-use assets	832	3,757	4,589
Deferred tax assets	-	4,625	4,625
Derivative assets	7,131	724	7,855
Other assets	9,621	349	9,970
Goodwill and Intangible assets	-	5,041	5,041
Total assets	**448,615**	**41,137**	**489,752**
Liabilities			
Debt issued and other borrowed funds	171,172	90,129	261,301
Due to customers	84,146	9	84,155
Retirement benefit liability	-	4,593	4,593
Current tax liability	8,873	-	8,873
Deferred tax liability	7	2,177	2,184
Lease liability	982	2,109	3,091
Derivative liabilities	456	-	456
Other liabilities	10,323	24,077	34,400
Provisions	967	71	1,038
Total liabilities	**276,926**	**123,165**	**400,091**
Net	**171,689**	**(82,028)**	**89,661**

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	354,671	18,571	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	13,362
Derivative assets	3,313	653	3,966
Other assets	6,456	2,483	8,939
Goodwill and Intangible assets	-	482	482
Total assets	**487,698**	**74,856**	**562,554**
Liabilities			
Debt issued and other borrowed funds	224,041	94,633	318,674
Due to customers	87,241	571	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	**328,232**	**130,879**	**459,111**
Net	**159,466**	**(56,023)**	**103,443**

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 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:

	2022	2021
	USD'000	USD'000
Net profit attributable to ordinary equity holders of the parent	17,892	8,787
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	0.18	0.09
Diluted earnings per share	0.18	0.09

The Company has applied the number of shares issued by ASA International Group plc as at 31 December 2022 and 31 December 2021. 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 2022 (2021: nil).

The following table shows the dividend per share:

Dividend per share	n/a	n/a

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY STATUTORY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2022

	Notes	2022	2021
		USD'000	**USD'000**
Interest and similar income		-	(29)
Dividend income		31,064	3,529
Net revenue		**31,064**	**3,500**
Personnel expenses	40.	(1,192)	(1,045)
Professional fees		(1,936)	(1,661)
Administrative expenses		(976)	(533)
Exchange rate differences		(101)	10
Total operating expenses		**(4,205)**	**(3,229)**
Profit before tax		**26,859**	**271**
Profit/total comprehensive profit for the period, net of tax		**26,859**	**271**

The notes 40 to 47 form an integral part of these unaudited preliminary financial statements.

Company number: 11361159

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY STATUTORY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022	2021
		USD'000	**USD'000**
ASSETS			
Cash at bank and in hand		778	383
Due from banks	14.1.	20,692	20,465
Investment in subsidiaries	41.	120,684	120,684
Other assets	42.	225	765
TOTAL ASSETS		**142,379**	**142,297**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	43.	1,310	1,310
Retained earnings	44.	119,638	92,779
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**120,948**	**94,089**
LIABILITIES			
Other liabilities	45.	21,431	48,208
TOTAL LIABILITIES		**21,431**	**48,208**
TOTAL EQUITY AND LIABILITIES		**142,379**	**142,297**

The notes 40 to 47 form an integral part of these unaudited preliminary financial statements.

ASA INTERNATIONAL GROUP PLC
UNAUDITED PRELIMINARY STATUTORY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2022

	Issued capital	Retained earnings	Total
	USD'000	**USD'000**	**USD'000**
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**	**92,779**	**94,089**
At 1 January 2022	**1,310**	**92,779**	**94,089**
Profit for the period	-	26,859	**26,859**
Total comprehensive loss for the period	**1,310**	**119,638**	**120,948**
Dividend		-	-
At 31 December 2022	**1,310**	**119,638**	**120,948**

The notes 40 to 47 form an integral part of these unaudited preliminary financial statements.

ASA INTERNATIONAL GROUP PLC
STATUTORY UNAUDITED PRELIMINARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2022

	Notes	2022	2021
		USD'000	**USD'000**
OPERATING ACTIVITIES			
Profit before tax		26,859	271
Adjustment for movement in:			
Operating assets	46.	313	(491)
Operating liabilities	46.	(3,571)	744
Net cash flows used in operating activities		**23,601**	**524**
FINANCING ACTIVITIES			
Loan (repaid)/ received		(23,206)	(500)
Net cash flows used in financing activities		**(23,206)**	**(500)**
Net increase in cash and cash equivalents		395	24
Cash and cash equivalents at the beginning of the period		383	359
Cash and cash equivalents as at 31 December		**778**	**383**

The notes 40 to 47 form an integral part of these unaudited preliminary financial statements.

Separate financial statements

The accounting policies applied in the statutory financial statements are similar to those used in the consolidated financial statements except for investments in subsidiaries. Investments in subsidiaries are accounted in the 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	2022 USD'000	2021 USD'000
Total operating expenses include the following items:			
Personnel expenses		(1,192)	(1,045)
Professional fees		(1,936)	(1,661)
Administrative expenses		(976)	(533)
		(4,104)	**(3,239)**

41. INVESTMENTS IN SUBSIDIARIES

	2022 USD'000	2021 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	2022 ownership	2021 ownership
ASA International Holding	Mauritius	MFI Holding Company	100%	100%
ASA International NV	Netherlands	MFI Holding Company	100%	100%

42. OTHER ASSETS

	2022 USD'000	2021 USD'000
The other assets comprised the following:		
Other receivables	145	482
Advances and prepayments	80	283
	225	**765**

43. ISSUED CAPITAL

100 million ordinary shares of GBP 0.01 each. No movement occurred during 2022 and 2021.

44. RETAINED EARNINGS

	2022 USD'000	2021 USD'000
Total retained earnings are calculated as follows:		
Balance at the beginning of the period	92,779	92,508
Dividend	-	-
Result for the period	26,859	271
Balance at the end of the period	**119,638**	**92,779**
Profit for the period		
Attributable to equity holders of the parent	**26,859**	**271**

45.	**OTHER LIABILITIES**	Notes	**2022**	**2021**
			USD'000	**USD'000**
	Short-term liabilities			
	Accrued audit fees		563	557
	Accrued cost		176	288
	Other intercompany payables		-	3,692
			739	**4,537**
	Long-term liabilities			
	Intercompany loan		-	-
	Escrow liability to CMI	14.1.	20,692	20,465
	Purchase price for ASAI NV to ASAIH		-	23,206
			20,692	**43,671**
			21,431	**48,208**

46.	**ADDITIONAL CASH FLOW INFORMATION**	**2022**	**2021**
		USD'000	**USD'000**
	Changes in operating assets		
	Due from banks	(227)	-
	Other assets	540	(491)
		313	**(491)**
	Changes in operating liabilities		
	Other liabilities	(3,571)	744
		(3,571)	**744**
	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 2022	**Within 12 months**	**After 12 months**	**Total**
	USD'000	**USD'000**	**USD'000**
Assets			
Cash at bank and in hand	778	-	778
Due from banks	-	20,692	20,692
Investment in subsidiaries	-	120,684	120,684
Other assets	225	-	225
	1,003	**141,376**	**142,379**
Liabilities			
Other liabilities	**739**	**20,692**	**21,431**
Net	**264**	**120,684**	**120,948**

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**