ASA INTERNATIONAL

CREATING HOPE. CHANGING FORTUNES.

ASA International Group plc
Annual Report & Accounts 2018

ASA International is one of the world's largest and most profitable international microfinance institutions. We are focused on achieving financial inclusion for the clients we serve to enhance socioeconomic progress. We provide small loans to low-income, financially underserved female entrepreneurs, as well as small business owners, across Africa and Asia.

ASA International is listed on the premium segment of the London Stock Exchange.

STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

For more information visit:
www.asa-international.com

Our brand and heritage

Originally developed by ASA NGO Bangladesh, the 'ASA Model' of microfinance is now deployed across 13 countries in Asia and Africa. This model is widely acclaimed as one of the world's most efficient models of microfinance, with our Group recognised as one of the world's leading microfinance institutions by number of active borrowers.

2.2m
CLIENTS

1,665
BRANCHES

10,771
EMPLOYEES

2007

- ASA International Holding incorporated
- USD 20 million loan from the Bill & Melinda Gates Foundation
- Pagasa Philippines Finance Company established

2008

- ASA Pakistan established and ASAI India commenced business
- Acquisition of Lak Jaya Micro Finance in Sri Lanka
- Association for Social Improvement and Economic Advancement in Nigeria (ASIEA) established
- Operations in Ghana commenced through ASA Ghana (NGO)

2009

- ASA Pakistan commenced operations
- ASHA Microfinance Bank established in Nigeria
- ASA Savings & Loans established in Ghana

2010

- ASHA Microfinance Bank commenced operations
- ASA International Holding reported limited first time consolidated net profits

2011

- Last capital increase by ASA International Holding

2012

- ASA Savings & Loans (Ghana) received a savings and loan bank licence
- ASA Tanzania established
- ASA Uganda established
- ASA Kenya established

2013

- ASA Myanmar established
- ASA Uganda and ASA Kenya commence operations
- Three independent directors appointed. Audit and Risk Committee and Nomination Committee and Remuneration Committee established at holding level

ASA International has a rich heritage in the microfinance sector. ASA NGO Bangladesh was founded in 1978 by the Company's Non-Executive Chairman Md. Shafiqual Haque Choudhury, with the 'vision of creating an enabling environment to establish a just society'.

USD 378.5m

OUTSTANDING LOAN PORTFOLIO

2014

- ASA Myanmar and ASA Tanzania commenced operations
- ASA Rwanda established
- ASA International Holding distributed USD 10 million to its shareholder

2015

- USD 7.5 million loan and USD 2.5 million credit line by Oikocredit to Group holding company
- USD 8 million loan by Symbiotics to Group holding company
- ASA Sierra Leone established

2016

- ASA Rwanda and ASA Sierra Leone commenced operations
- USD 5 million loan by Incofin and USD 20 million loan by Overseas Private Investment Corporation to Group holding company
- Commenced client satisfaction surveys

2017

- Handheld devices rolled out to all loan officers for use in the field

2018

- **Company listed on the London Stock Exchange**
- Received licence to commence business in Zambia
- MFI Licence received in India
- Finance company licence received in the Philippines

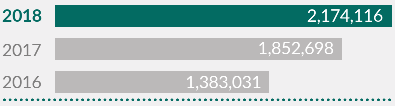
Strong loan growth, profitability and robust asset quality

Highlights

CLIENTS

2,174,116

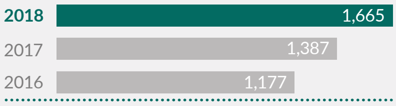
2017: 1,852,698



BRANCHES

1,665

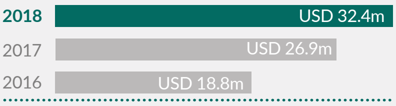
2017: 1,387



NORMALISED NET PROFIT

USD 32.4m

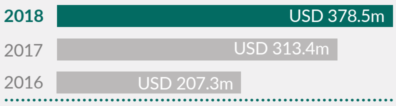
2017: USD 26.9m



OUTSTANDING LOAN PORTFOLIO

USD 378.5m

2017: USD 313.4



HIGHLIGHTS

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

Chairman's statement

Improving the lives of the underprivileged

Following ASA International's successful listing on the premium segment of the main market of the London Stock Exchange in July 2018, we are proud to present the first Annual Report of ASA International Group plc (the 'Company').

When I started my career in civil society in the 1970s it was my vision to improve the lives of underprivileged people in rural communities in Bangladesh and bring about social change. I dedicated my work to helping the disadvantaged people in society and overcoming social injustice which ultimately led me to create the cost-efficient ASA Model of microfinance ('ASA Model').

At ASA International our commitment to providing responsible loans to support low-income micro-entrepreneurs is as strong today as it was at the time of the inception of our Company over a decade ago. In our drive to service our ever-growing customer base of predominantly female clients, we maintain the highest ethical standards in our operations while treating our customers with dignity and respect and setting the best practices in the industry.

In 2007 we launched ASA International with the strategy of replicating the ASA Model in different markets in Asia and Africa. Driven by our mission to serve the lowest segment of society and improve our clients' and their families socioeconomic conditions, we embarked on an ambitious journey to bring financial inclusion to a wide range of communities in multiple environments and with different cultures and religions. We were confident that with the ASA Model as our tool, the dedication of our employees, with many years of microfinance experience both in Bangladesh and internationally, and supported by a strong team of financial specialists, we could build a successful, international microfinance enterprise.

Having reached close to 2.2 million clients in 2018 served by more than 10,000 employees across 12 markets in 2018, we are proud of our achievements. However, we have certainly not reached our end goal. There are still many unserved female micro-entrepreneurs who we believe can benefit from our services and

> **Helping the disadvantaged people in society ultimately led me to create the cost-efficient ASA Model of microfinance.**

MD. SHAFIQUAL HAQUE CHOUDHURY
CHAIRMAN

we will continue to venture into new communities to deliver financial services to these potential clients' doorsteps in our efforts to improve their lives. We will therefore remain focused and recruit, train and nurture our staff to best meet our clients' needs.

Over the past year, we also expanded our corporate social responsibility programmes in a number of markets to provide additional services to our clients, ranging from health care, educational support and disaster relief to basic infrastructure projects. As a responsible lender we are committed to supporting the communities we work in and expect to expand our CSR programme that is in alignment with the needs of these communities.

I would like to take the opportunity to thank all of our employees for their tireless contribution to our enterprise. ASA International is immensely proud of all our field staff who meet our clients every working day as well as our head office staff who support our operations to deliver a better result for all.

Achieving and maintaining sustainability in our operations are essential to the successful replication of the ASA Model. This will allow us to service more clients with appropriately sized loans, which in turn enable them to increase their working capital and boost their incomes.

We are convinced that our dedication and focus on serving our clients' needs by using the widely acclaimed ASA Model will deliver the best returns for our shareholders. We are grateful for their support and are excited to have embarked on this journey as a listed company.

Md. Shafiqual Haque Choudhury
Chairman
17 April 2019

Our values and practices

Financial inclusion

The Group is driven by the mission to service female micro-entrepreneurs in the lowest segment of society with little or no access to formalised credit.

Female empowerment

As women have a positive influence on loan repayment behaviour, we are convinced that by empowering women through business loans, the Group enhances these women's decision-making stature at home and in their communities.

Socioeconomic progress

By providing working capital loans to women, the Group encourages the deployment of disposable income to fundamental needs of the household which drives economic development, such as education, health, nutrition, sanitation and housing.

Competitive pricing

The Group regularly benchmarks loan interest rates against equivalent providers in their countries of operation and currently charges in a range from 23% to 50% per annum, depending on country, product and loan term. The interest rates offered are generally similar to those offered by other lending institutions for the same durations and loan sizes.

Prevent over-borrowing

The Group's loan officers not only assess the repayment capacity of a potential client, but also the earning capacity of the client's business. They also assess how the Group's loans could increase the client's earnings.

For more information visit:
www.asa-international.com

Company overview

Strong commitment to financial inclusion and socioeconomic progress

ASA International is a global microfinance leader. We have a strong and well-established commitment to improving financial inclusion and enabling socioeconomic progress.

Our target clients are economically active low-income female micro-entrepreneurs who are over 18 years of age and earn around USD 3.20 per day. Our clients do not have access to credit from traditional banks to start or grow their businesses. We engage with them through our branches which are situated in or near the communities where our clients live and work and are the centre of our ecosystem.

Our branch model with decentralised decision-making is highly scalable, cost-efficient and easily replicable across markets.

We have a proven track record of successful international replication, supported by industry-leading repayments and strong internal controls.

The international roll-out of the ASA Model has resulted in sustainable growth and financial returns.

Strengths of the ASA Model

Client-oriented model

- 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 interaction through weekly collections
- Ongoing assessment of client needs, benefits and satisfaction
- Repeat loan cycles with set limits
- Low ticket size

Our clients

Typical client profile

- Female
- Income around USD 3.20 per day
- Predominantly urban/semi-urban
- Working in enterprises across services, trading, manufacturing and agricultural activities
- Typical customer profile supports scalability: global replication with local application
- Target clients per branch: 1,600

Our branches

Typical branch profile

- Service area of 12km radius and target demographic area will encompass approximately 20,000 residents
- Lending to individual micro-entrepreneurs with loan disbursement at branch
- Loan collection in groups in the community (e.g. clients' houses or business locations)
- Branch activity strictly monitored by area and regional managers, supported by offsite supervision, fraud and misappropriation unit and internal audit

International presence

Diverse geographic footprint

We have a diverse geographic footprint in four regions, enabling us to deliver the ASA Model across 13 different markets.

435,660
CLIENTS

414
BRANCHES

USD 71.8m
OUTSTANDING LOAN PORTFOLIO

Operations in three countries in West Africa: Nigeria, Ghana and Sierra Leone.
The operating environments in all three countries have certain similarities, including the political climate and challenging macroeconomic conditions. We operate with a deposit-taking licence in Ghana and Nigeria and are regulated by the central bank. Sierra Leone, which only commenced operations in 2016, offers credit only.

Nigeria: 262 branches, Ghana: 120 branches, Sierra Leone: 32 branches

242,313
CLIENTS

244
BRANCHES

USD 33.0m
OUTSTANDING LOAN PORTFOLIO

Operations in four countries in East Africa: Tanzania, Uganda, Kenya and Rwanda. Zambia only commenced operations in 2019.
The East African countries, although being culturally diverse, show similar characteristics in terms of the economic competitive environment. We began operations in Kenya and Uganda in 2013, followed by Tanzania in 2014 and Rwanda in 2016. This segment is currently our smallest by both number of clients and size of loan portfolio.

Tanzania: 76 branches, Uganda: 72 branches, Kenya: 70 branches, Rwanda: 26 branches

Countries ASA International operates in

• HEADQUARTERS

West Africa
Nigeria, Ghana, Sierra Leone

East Africa
Tanzania, Uganda, Rwanda, Kenya, Zambia

South Asia
Pakistan, India, Sri Lanka

South East Asia
The Philippines, Myanmar

1,053,889
CLIENTS

638
BRANCHES

USD 211.5m
OUTSTANDING LOAN PORTFOLIO

Operations in three countries in South Asia: India, Pakistan and Sri Lanka.

While the communities we serve in India and Pakistan are similar in terms of demographics, population density, religious denomination and male-female relationships, certain differences remain. In Pakistan, we observe tighter community relationships and therefore smaller group sizes. This is offset by the custom in the microfinance sector in Pakistan to have monthly group meetings and collection, whereas weekly group meetings remain more common in India and Sri Lanka.

India: 300 branches, Pakistan: 270 branches, Sri Lanka: 68 branches

442,254
CLIENTS

369
BRANCHES

USD 62.1m
OUTSTANDING LOAN PORTFOLIO

Operations in two countries in South East Asia: the Philippines and Myanmar.

Although relatively close geographically and with sizeable populations that benefit from microfinance, Myanmar and the Philippines are quite different in other respects. The Philippines is a more open and developed country with higher GDP per capita than Myanmar, but with a large, low-income population. Myanmar has been a closed society for many years and has only recently opened up to the broader world, a development which allowed formal microfinance to become established.

The Philippines: 288 branches, Myanmar: 81 branches

Chief Executive Officer's review

A transformational year

2018 has been a transformational year for our Company with the listing of ASA International on the premium segment of the London Stock Exchange.

Strong ongoing growth of our microfinance operations in almost all markets, in particular, our relatively young and promising East African operations is making for the first time a significant contribution to our bottom line. Despite unprecedented currency headwinds experienced by our Asian operations during the second half of 2018, we nevertheless succeeded in delivering strong USD profit growth in line with our medium-term targets.

STRATEGY

Our Company's strategy is straightforward: we provide microfinance loans to low-income female micro-entrepreneurs across Asia and Africa with the objective to improve financial inclusion and realise socioeconomic progress in the communities we serve. We provide these loans by using the ASA Model, developed by ASA NGO Bangladesh, the largest and most successful microfinance institution in Bangladesh.

While we generally charge the same rates as our peers, we distinguish ourselves by our superior cost efficiency and the ability to maintain a high portfolio quality. This enables us to provide a higher quality service, generate a higher return on assets, and expand our operations and portfolio generally faster than our peers. Over time, we strive to become a fully embedded, regulated financial institution in each of our operating countries. We prefer to build our business through the establishment of greenfield operations and recruit, train and promote each of our staff members, who generally join us as young graduates. We like geographic diversification which ensures that we are less vulnerable to adverse regulatory and political events. We carefully manage our balance sheet, and try to avoid any currency mismatches and erosion of our capital base resulting from the depreciation of any of our operating currencies. We strongly believe in the future of digital financial services for our clients and make substantial investments to be ready for early roll-out of these services at the appropriate time. While we continuously evaluate opportunities in new geographies, the number of potential clients in our existing geographies is already huge, which provides us with the opportunity to achieve many more years of high growth.

OUR CLIENTS

Our clients are at the heart of our operations. The successful growth of our clients' small businesses ultimately determines the success of ASA International. It truly is a symbiotic relationship: our loans are the fuel for the growth and profitability of our clients' businesses, which, in turn, enable them to service our loans. Following the completion of our IPO last July, I again had the opportunity to visit various client groups in many of our operating countries. For me, there is nothing more inspiring than to sit down and discuss with our clients their plans and ambitions for further development and growth of their businesses. The inventiveness and entrepreneurial drive of so many of our clients, with limited tools and resources at their disposal, are admirable and contagious.

DIRK BROUWER
CHIEF EXECUTIVE OFFICER

Proprietary IT platform

All of the Group's microfinance institutions make use of the AMBS (the ASA Microfinance Banking System), which provides 'real-time' connectivity and transaction reporting. The software was developed by our in-house team of software developers and IT professionals. AMBS was specifically designed to fit the ASA Model. AMBS facilitates the scalability of the Group's business as the Group expands its existing branch networks and enters new markets by generating detailed MIS reports on a branch, area, regional and country-wide basis. The Company is convinced that technology will accelerate the expansion of its services as well as improve the efficiency of its business model.

Advances in technology and digital payment systems continue to enable the development of faster, cheaper and more convenient access to financial services. Digitisation is a key opportunity to expand financial inclusion among the financially excluded by moving away from cash towards electronic payments. Such a development creates efficiencies, reduces risk and leads to improved economic connectivity and growth. It also helps to develop a financial track record for clients with limited credit histories, and creates effective communication channels with clients that can help build financial capabilities. AMBS provides the Group with the ability to quickly and cost-effectively introduce flexible digital finance initiatives at its microfinance institutions, where local infrastructure and market conditions allow.

OUR STAFF

Our staff are the engine of our operations. We pride ourselves on recruiting most of our staff as young graduates. This gives us the opportunity to train and coach them on how to become a successful loan officer in our company, and subsequently promote them to assistant branch manager, branch manager, area manager and so on. We strongly believe that the quality and experience of our in-house trained staff, who over time learn to live and breathe our model of microfinance, is our key to success.

REGULATION

Regulation sets the rules of engagement for our operations. We strive to always develop strong relationships with our regulators and engage in an active dialogue about the rules of engagement, so that all microfinance institutions and their clients can prosper. When we commence operations in a country, we often start as a non-regulated, non-deposit taking microfinance lender, after which we generally try to upgrade this licence to a central bank-regulated, deposit-taking microfinance bank. As a result, we are in an ongoing dialogue with many regulators about upgrading our existing operating licences.

Chief Executive Officer's review (continued)

RETURN ON AVERAGE ASSETS

7.3%

AVERAGE TENOR OLP

3-6

MONTHS

ALM CURRENCY MATCH

97%

ASSET/LIABILITY MANAGEMENT

Active asset/liability management is crucial for identifying and minimising financial risks, which, unattended, could potentially lead to substantial losses. ASA International has simple rules and procedures to minimise these risks:

- We strive to generate high returns on assets, because this gives us maximum control over our own destiny and the ability to fund growth without dependency on external capital
- We benefit from the fact that the average tenor of our assets generally is substantially shorter than our liabilities
- We try to ensure that at all times our assets and liabilities are in the same currency by actively hedging foreign currency exposure
- We actively review and monitor compliance with liquidity and prudential requirements set by local regulators
- We actively review and monitor the terms agreed with lenders to prevent any breaches of loan covenants and/or potential cross-defaults
- We only allow a limited amount of debt to be serviced by dividends
- We strive to adequately capitalise each of our operating entities so that we limit translation loss reserves and the associated erosion of capital

FOREIGN EXCHANGE

As a company reporting in USD, but with 13 different operating currencies, exchange rate movements can have a major impact on the reported USD profitability and capital of our company. While we estimate currency movements in preparing our consolidated Group budget by evaluating publicly available currency forecasts, trend lines, inflation rates, foreign exchange reserves, interest rates, etc., we do not pretend to be specialists in this field. This means that in extreme circumstances high net profit growth in the local currencies of all our operating subsidiaries can still translate into a USD net profit contraction in a case where the USD substantially appreciates against all our operating currencies.

Fortunately, since establishment of ASA International in 2007, we have never experienced this yet. In fact, while in our experience most of our operating currencies depreciate against the USD over the medium to long term, this depreciation generally does not occur in a straight line: one year there may be a sharp drop in a currency, which then often is followed by some years of reduced depreciation of this particular currency. This applies particularly to more managed currencies.

Therefore, as reported, we anticipate a substantial impact from the adverse currency movements during the second half of 2018 on our consolidated net profits in 2019 for the simple reason that, for example, net profits generated in Pakistan during the first quarter of 2019 translate into approximately 25% less USD net profits than the year before (assuming the local currency net profits stay the same). This difference will become smaller throughout the year, assuming the PKR gradually stabilises during 2019.

THE FUTURE OF DIGITAL FINANCIAL SERVICES

We believe that over the next five to ten years we will see major developments towards the introduction of low-cost, highly efficient digital financial services for our client base. While the tools and equipment are generally available and not an impediment for these services to be introduced sooner, we believe that it will take some time before digital financial services will be broadly accepted and implemented by our clients.

In our view, the following issues need to be considered and addressed before our clients are able to fully embrace digital money as a proper substitute to cash:

- Low-cost payment platforms: except in India, payment platforms operational in our other operating countries (often run over proprietary mobile phone networks, such as M-pesa) generally are too expensive for small transactions, which is an impediment for mass acceptance of digital money by the low-income population in our operating countries; we believe that regulators should strongly encourage (i) existing payment platforms to reduce prices for small ticket sizes and (ii) new, low-cost platforms to enter the market
- Due to the relatively high cost, smartphone ownership is still relatively low amongst our client base, but this is expected to change over the next few years
- Mobile broadband is widely prevalent and of good quality in bigger cities, but not as widely available in smaller towns and rural areas of Asia and Africa
- Governments and central banks can play an active role in implementing the appropriate regulatory frameworks for digital financial services as well as ensuring that mobile broadband (3-5G) networks become operational and widely available and payment platforms charge none or only a low % fee for each transaction, regardless of its size
- It is in the interest of Governments to play an active role, because once our clients start to use payment platforms for small transactions, cash will gradually disappear, which will consequently provide the opportunity to formalise our low-income clients and broaden a country's tax base

ASA International is actively preparing for a world in which cash gradually disappears and small market transactions take place electronically. We believe that we are well positioned to take advantage of this:

- through our broad geographic presence, we can learn from countries, such as India, which will probably build the required infrastructure first and where digital financial services most likely will be offered at minimal cost, and then gradually introduce these services in our other operating countries
- ASA International has the size and capacity to develop, introduce and roll out a secure digital financial services platform to its client base, which will be more difficult and more expensive for smaller, local competitors to replicate
- In 2018, we almost doubled our IT development team in Dhaka with the specific task to accelerate our readiness for the gradual introduction of digital financial services
- All our loan officers already have 3G enabled tablets, which technically can be used for mobilising savings in the field
- We currently are rolling out AMBS, our proprietary, real-time banking platform, in each of our operating countries, which is a condition for, and serves as the basis for the introduction of digital financial services

While we believe that we are well prepared to become an early adopter of digital financial services and consider this a competitive advantage vis-à-vis our smaller, local competition, we should not be blind to the fact that low-cost payment systems, high smartphone ownership amongst our client base, and the gradual removal of cash as the main means for transacting goods and services, will also provide well-capitalised new entrants access to our client base. While this is a threat and, regardless of the success these parties ultimately may have in offering competitive services, we still have two valuable assets which will help in defending our market position:

- A credit history of each of our clients and a comprehensive database of the credit scoring of a wide variety of business activities,
- A valuable, long-term, high touch relationship with each of our clients and a first-hand understanding of the communities in which they work and live.

Dirk Brouwer
Chief Executive Officer
17 April 2019

Our strategy

Our objective is to increase financial inclusion in the countries and communities where we operate, while delivering sustainable growth and returns for shareholders

STRATEGIC PILLARS	PROGRESS IN 2018	PRIORITIES FOR 2019
Growing our loan portfolio – Increase the number of clients per branch in existing branches – Gradually increase the volume of loans per client in existing branches	– The number of branches across the Group increased by 20% from 1,387 to 1,665, enabling the business to reach close to 2.2 million clients. We were also able to increase the loan portfolio in existing branches from USD 313.4 million to USD 360.2 million (in constant currency terms) while overall OLP (including the off-book loan portfolio) across all branches increased to USD 378.5 million.	– We expect to continue growing our branch network, client base and loan portfolio in existing operating countries at a rate in line with our medium-term targets.
Expanding our geographic footprint – Open new branches in existing countries of operation – Gradual expansion of geographical footprint in new countries	– In addition to the 278 new branches which began operations in existing countries, the Company also completed preparations to commence our operations in Zambia from January 2019.	– We will investigate new regions in existing markets and new markets in Africa and Asia as per our eligibility requirements.
Aligning the growth in our assets and liabilities – Grow the deposit base of our microfinance institutions to provide an alternative, stable, low-cost source of funding by securing deposit-taking licences in certain existing geographies	– Despite delays in securing the microfinance bank licence in Pakistan, the Company managed to continue growing its client deposit base by 20% to USD 64 million in 2018 from USD 53.2 million in 2017. Additionally, in December 2018, Pagasa Philippines received a finance company licence, which is expected to create opportunities for the future growth of deposits in the Philippines.	– We will focus on securing the microfinance bank licence in Pakistan, a full deposit-taking licence in Myanmar, to enable further growth of our deposit base, while continuing to explore similar options in operating countries in East Africa and the Philippines.
Enhancing our digital platform – Proactive adoption and development of digital and other technology offerings to improve customer service and to increase client retention and productivity – Competitive advantage of direct client connection combined with digital penetration, which increases collection capability and allows for a better balance of affordability and profitability – Utilise strong IT platform as a potential enabler for further growth, be at the forefront of any digital finance initiatives, leverage increasing smartphone/internet penetration within the customer base	– All loan officers switched to tablets by the end of 2018 which simplifies loan administration and allowing for the gradual introduction of doorstep banking. We also focused on delivering real-time operating systems enabling us to gradually introduce doorstep banking and other digital financial services. Real-time AMBS was fully implemented in India. We introduced a biometric authentication system in AMBS to strengthen our operational security. We deployed new servers and network security devices 'to improve customer service' and to enhance IT capacity and information security. Information Security Management System ('ISMS') as per ISO 27001 was developed and implemented at the holding level.	– Complete transformation to real-time AMBS and supporting systems. We will complete the introduction of tablets for all mid-level staff (area and district managers). We will also finalise the integrated consolidation package for Group financial consolidation. We will complete various IT projects, including but not limited to: developing HR management system, asset management system and internal audit management system. We will continue to improve and build IT infrastructure to meet ISMS as per ISO 27001 standard at the country level.

LINK TO RISK

1. Regulatory risk
2. Credit risk
3. Liquidity risk
4. Exchange rate/currency risk
5. Growth risk
6. Information and technology risk
7. Human resources risk
8. Competition risk
9. Interest rate risk
10. Social and environmental risk
11. Reputational risk

LONGER-TERM FOCUS	KPIs	LINK TO RISK
– We plan to continue growing our client base and loan portfolio in existing countries as well as in new countries at a rate in line with our medium-term target expectations.	CLIENT RETENTION: 73% 2017: 77% 2016: 77% NEW CLIENT: 1.5m 2017: 1.4m 2016: 1.0m AVERAGE LOAN PER CLIENT: USD 174 2017: USD 169 2016: USD 150	**1** **2** **3** **4** **5** 6 **7** **8** 9 10 **11**
– We expect to continue expanding our branch network, in existing countries as well as exploring opportunities in new countries.	NEW BRANCHES: 278 2017: 210 2016: 230	**1** 2 **3** **4** 5 6 **7** **8** 9 **10** **11**
– To become fully embedded in the local financial community in each of our operating countries by, if possible, securing and operating central bank-regulated, deposit financial institutions.	OLP: USD 378.5m 2017: USD 313.4m 2016: USD 207.3m CLIENT DEPOSITS: USD 64.0m 2017: USD 53.2m 2016: USD 40.1m TOTAL DEBT: USD 277.1m 2017: USD 267.9m 2016: USD 130.0m	**1** **2** **3** **4** **5** 6 7 **8** **9** 10 11
– We aim to enhance the application of the ASA Model with a state-of-the-art IT backbone that delivers first class digital services to ensure all our systems and procedures are governed by our IT platform: focus on going increasingly paperless and establishing access to client information anytime anywhere. We aim to introduce digital financial services based on local demand and to the extent permitted by local rules and regulations and existing infrastructure networks with the objective to further improve the efficiency and quality of our services and further empower our operating staff.		**1** 2 3 4 **5** **6** 7 **8** 9 10 **11**

STRATEGIC REPORT
GOVERNANCE REPORT
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Our responsible business model

Our goal is to establish and build leading microfinance institutions throughout Asia and Africa that follow the highly efficient ASA Model. The ASA Model lies at the heart of our business model. Decentralised, scalable and standardised in format, it can be easily deployed across geographies at low cost and adapted to local requirements.

A proven, robust business model

Low-cost operations in 13 high-growth markets across Asia and Africa

- **Strong heritage**
From the very beginning, we benefited from early access to ASA NGO Bangladesh's know-how, industry technical expertise and experience. See the inside front cover.
- **Socially responsible high-quality loans**
The quality of our portfolio is second to none. We actively seek to prevent overleveraging of clients by capping loan sizes and by not granting new loans before current loans are fully repaid. No incentives or bonuses are paid to loan officers for issuing new loans. See pages 22 to 23.
- **Branch network throughout Asia and Africa**
Our operations are segmented into four regions, based on geographical proximity and associated cultural or economic similarities: South Asia, South East Asia, East Africa and West Africa. See pages 6 to 7.
- **Cost-efficient, standardised with decentralised decision-making**
Almost all branches are identical and operated and managed in the same manner, enabling simple replication, expansion and supervision. Loan disbursements, repayments, record-keeping, accounting, book-keeping and reporting are all standardised. See pages 16 and 17.
- **Lean top-level management structure and skilled, experienced employees**
Our lean head offices and agile mid-level field staff deliver cost efficiency and facilitate efficient and decentralised decision-making. Our senior management has multiple years of experience in microfinance. See pages 68 to 71.
- **Proprietary IT platform, processes and knowledge**
Developed by an in-house team of software developers and IT professionals, AMBS, our integrated financial software platform, provides real-time connectivity and transaction reporting and is fully equipped to integrate a wide variety digital financial service. See pages 9 to 13.
- **Strong equity position**
We have a track record of generating attractive financial returns and high, sustainable growth, and have paid a dividend since 2014. See page 18.
- **Sound governance and disciplined risk management**
Our risk management framework consists of three lines of defence, at both Group and subsidiary level. See pages 44 to 53.

Low-risk lending via a scalable, decentralised model, creating a circle of wealth creation

Attractive returns and long-term value for our stakeholders in a sustainable manner

Clients

Our clients obtain the necessary working capital to support their business activities including, amongst others, to purchase materials, or to expand their product offerings and operations, thereby increasing their income.

USD 860m
TOTAL LOANS DISBURSED

87%
CLIENT SATISFACTION RATE

Employees

Local staff are well trained and work alongside highly skilled senior managers. Almost all of our field staff have been trained in-house and are eligible for promotion to more senior positions over time.

80%
EMPLOYEE RETENTION

81%
EMPLOYEE SATISFACTION

Local communities

The healthy returns achieved by clients when accessing our loans improve their livelihoods and positively impact on the local communities in which they live.

Shareholders

Our shareholders invest in a Company with a track record of attractive financial returns delivering financial inclusion and socioeconomic progress in the communities it serves.

Regulators and governments

ASA International is a respected and socially responsible professional partner for regulators and local authorities. We engage on a regular basis with local institutions and support the broader goals for financial inclusion and socioeconomic progress in each of the markets we operate in.

Our responsible business model (continued)

Our stakeholders

Clients

Our principal target market is financially underserved female micro-entrepreneurs who are over 18 years of age and earn around USD 3.20 per day. Typically from low-income households, they have little or no access to formalised credit. We believe that women have a positive influence on loan repayment behaviour in their homes. They are generally more risk averse, more cooperative in a group context, and usually able to regularly attend group meetings to repay their loans. Our loans are primarily intended to provide incremental working capital to our clients' businesses, which generally provides our clients with substantial incremental earning power. These increased profits are an important factor in the low default rate on our loans. In our view, providing capital to women reduces our credit risk.

We also believe that the deployment of disposable income to the more fundamental domestic needs can further drive the economic development of the communities in which these women live, such as education, health, nutrition, sanitation and housing.

How we engage

Loan officers interact with clients on a frequent basis. This interaction is enabled by branches being embedded in local communities, and by weekly group meetings which cultivate officers' knowledge of the community and allow them to better assess the credit risk of existing and potential borrowers. Each member of a group is eligible to obtain loans individually, and neither the group nor any of its members can be penalised if another member defaults on her loan. Meeting clients in groups is not only an efficient way of collecting small loan repayment instalments, but it also encourages social cohesion and promotes responsible payment behaviour.

Adding value

Our aim is to enhance financial inclusion among the low-income populations in the countries where we operate, through a socially responsible lending methodology.

CASE STUDY:

ASA MODEL:

A socially responsible lending methodology

We aim to enhance financial inclusion among the low-income population in the markets where we operate, in a socially responsible manner. We make every possible effort to ensure that our clients do not become overleveraged by taking on loans which they will not be able to repay. We have therefore implemented a number of socially responsible measures:

- Loan officers determine the repayment capacity of a potential client by assessing the earning capacity of the client's business and how a loan granted could increase the client's earning capacity.
- The interest rates offered are generally similar to those offered by competing microfinance institutions or lending institutions.
- Each loan officer is responsible for collecting loan instalments not paid in the regular group meeting by his or her clients by visiting their homes after his or her regular daily activities. This process can substantially increase a loan officer's daily work load and ensures that loan officers are cautious and conservative in the selection of clients and the sizing of loans.
- The Group has a strict policy not to restructure any existing loans by, for instance, extending their terms .
- We discourage clients who show poor repayment habits or otherwise have difficulties in repaying the loan from applying for a fresh loan after having repaid the loan.
- We have a strict policy to minimise the number of non-performing loans at the expense of growth.
- We do not use any agents or middlemen to recruit and/or manage our clients.
- Clients can lodge complaints about inappropriate behaviour by any of our staff.
- We conduct a client satisfaction survey and client economic survey each year.
- We endorse the industry recognised Client Protection Principles as set by SMART Campaign, a leading microfinance sector industry body.
- We support the establishment of independent credit bureaus.
- In order to achieve financial inclusion we keep improving the quality and ease of our services through substantial IT investment in digital finance services.

CLIENT ECONOMIC YIELD SURVEY

11%

2017: 11%

2018 11%
2017 11%

SATISFACTION

87%

2017: 88%

2018 87%
2017 88%

SOCIAL PERFORMANCE SP14

91%

2017: 90%

2018 91%
2017 90%

Local communities

Our branches are established close to the communities where our clients live and work. We have a long history of working closely with members of these communities and our local stakeholders. We seek similar working relationships with local town councils, local law enforcement agencies and government agencies.

The Group undertakes in many countries various CSR programmes for the benefit of the broader community. This is further discussed on pages 54 to 57 (ESG section).

Employees

Our microfinance institutions employ well-trained local staff, supported by experienced and highly skilled senior managers. Almost all field staff have been recruited and trained as loan officers by the Group and have been promoted to more senior positions over time. During the last ten years, this has enabled us to develop a deep pool of experienced local managers and loan officers.

We commonly employ young college graduates who desire to work with low-income communities. We have a low-cost and innovative recruitment programme. Our training programme includes a 1-2 week in-branch training programme followed by on-the-job training. Our preference of practical training over theory is characterised by the motto ‘Each One, Teach One’, which leverages the knowledge and experience of more experienced staff.

Where our field staff work and reside

Our branches typically comprise a leased multi-room residential house or apartment, which is repurposed to serve as both the office and accommodation for staff. By co-locating employees’ living and work environments, we aim to foster a close working and learning environment which will optimise branch performance.

Branch management and administrative activities by staff, as well as the disbursement of loans to clients, take place in the branch office. Our operations are highly standardised through the use of the Group’s operations manual which describes in detail, the tasks and responsibilities of its branch staff. Credit decisions are made at the level of the branch without any involvement from higher level staff. The country head office determines the minimum and maximum increment for a subsequent loan, and the maximum size loan to be disbursed to clients. Each branch operates in the same manner, which simplifies the oversight and internal controls of management.

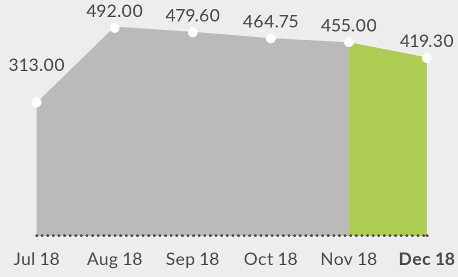
Regulators

We always strive to develop strong and positive relationships with local regulators, including central banks, securities and exchange commissions or any other financial or microfinance supervisory bodies. We will comply with local rules and regulations regarding financial supervision, consumer protection and environmental and social issues, and positively engage with initiatives taken by local governments. We engage with local microfinance practitioner networks.

Shareholders and investors

On 18 July 2018, ASA International completed a successful IPO, resulting in admission to the premium segment of the Official List of the Financial Conduct Authority and trading on the main market of the London Stock Exchange. As a listed company, we maintain open and constructive relationships with all shareholders and other stakeholders. Being an international microfinance institution serving a relatively poor segment of the population in each of the countries where we operate, we believe it is important that we comply with the highest standards of governance.

ASA INTERNATIONAL GROUP PLC
SHARE PRICE PERFORMANCE (IN GBP)



STRATEGIC REPORT
GOVERNANCE REPORT
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Key performance indicators

The chosen KPIs reflect the impact of the Group's values and practices that underpin its product and service offering, emphasis on credit risk assessment and management, and its embedded growth potential which in turn contribute to its strong operating performance and high quality portfolio.

FINANCIAL

OUTSTANDING LOAN PORTFOLIO ('OLP')

USD 378.5m

2017: 313.4m

2018	$378.5m
2017	$313.4m
2016	$207.3m

The figure depicts net outstanding loan portfolio including off-book net BC loan portfolio from IDFC.

OLP/CLIENT

USD 174

2017: $169

2018	$174
2017	$169
2016	$150

Total net average outstanding loan portfolio ('OLP') divided by total number of clients.

TOTAL DEBT/OLP

73%

2017: 85%

2018	73%
2017	85%
2016	63%

The ratio is calculated by dividing closing balances of interest-bearing debt by outstanding loan portfolio.

NET INTEREST MARGIN ('NIM')

26%

2017: 26%

2018	26%
2017	26%
2016	32%

Net interest margin ('NIM') measures the difference between the interest income generated and the amount of interest expenses, relative to the amount of average outstanding net loan portfolio.

PAR>30

0.6%

2017: 0.6%

2018	0.6%
2017	0.6%
2016	3.5%

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

COST TO INCOME RATIO

55%

2017: 54%

2018	55%
2017	54%
2016	61%

Cost to income ratio is calculated by dividing total operating expenses by total net operating income.

REPORTED NET PROFIT

USD 24.5m

2017: $29.3M

2018	$24.5m
2017	$29.3m
2017	$15.3m

Consolidated net profit for the year as reported in the financial statement.

NORMALISED NET PROFIT AFTER TAX

USD 32.4m

2017: $26.9M

2018	$32.4m
2017	$26.9m
2017	$18.8m

Reported net profit adjusted for one-off items:
2018: this mainly relates to IPO costs.
2017: this mainly relates to incidental credit loss in India, provision for Nigeria, and reversal of provision for Pakistan; and previous year tax expenses.

RETURN ON ASSETS ('ROA')

7.3%

2017: 7.9%

2018	7.3%
2017	7.9%
2017	6.8%

Return on assets ('ROA') is calculated by dividing the normalised net profit after tax by the average of total asset.

RETURN ON EQUITY ('ROE')

38%

2017: 36%

2018	38%
2017	36%
2016	24%

Return on equity ('ROE') is calculated by dividing the normalised net profit after tax by the average of shareholder's equity.

EARNINGS PER SHARE ('EPS')

USD 0.24

2017: $8.00

2018	$0.24
2017	$8.00
2016	$4.23

Earnings per share ('EPS') is calculated by dividing a company's net profit after tax by its weighted average number of ordinary shares outstanding during the year.

DPS

7.30US¢

2017: 8.70US¢

2018	7.30
2017	8.70
2016	5.91

The figure is calculated by dividing the total dividends paid out by ASA International, including interim dividends, over a period of time by the weighted average number of ordinary shares outstanding during the year.

For more information visit:
www.asa-international.com

See pages 16-17 and page 57

NON-FINANCIAL

NUMBER OF NEW BRANCHES

278

2017: 210

2018	278
2017	210
2016	230

The number of new branches in all operating markets.

NUMBER OF BRANCHES

1,665

2017: 1,387

2018	1,665
2017	1,387
2016	1,177

The number of branches in all operating markets.

CLIENTS PER BRANCH

1,306

2017: 1,336

2018	1,306
2017	1,336
2016	1,175

Clients per branch is the total number of customers divided by total number of branches.

NUMBER OF STAFF

10,771

2017: 9,610

2018	10,771
2017	9,610
2016	8,052

The number of staff of the Company.

EMPLOYEE TRAINING HOURS

28,253

2017: 24,753

2018	28,253
2017	24,753
2016	17,537

Employee training hours is calculated by multiplying the number of training sessions by the number of hours per training.

EMPLOYEE SATISFACTION RATE

81%

2017: 78%

2018	81%
2017	78%

Using qualitative methods, staff satisfaction analyses employee satisfaction rate in three main areas: professional satisfaction, facility satisfaction and department service satisfaction.

CLIENT SATISFACTION SURVEY

87%

2017: 88%

Year	Value
2018	87%
2017	88%

This survey is conducted by interviewing at least two clients per loan officer (long-term and newer clients with loans of greater than 6-12 months as applicable) with yes/no, closed and open-ended questions. The responses are coded and converted into percentages to estimate the client's satisfaction with the products and with the services delivered by ASA International.

CLIENT RETENTION RATE

73%

2017: 77%

Year	Value
2018	73%
2017	77%
2016	77%

Determined by subtracting the total number of new clients in a period from the number of clients at the end of that period divided by the total number of clients at the beginning of the period. Periods based on tenor of client loans (6, 10 or 12 months).

NUMBER OF CLIENTS

2.2m

2017: 1.9m

Year	Value
2018	2.2m
2017	1.9m
2016	1.4m

The number of clients in all operating markets.

CLIENT ECONOMIC YIELD (CEY)

11%

2016: 11%

Year	Value
2018	11%
2017	11%

Client economics yield ('CEY') is done by calculating the clients' weekly income and then comparing their average weekly income with the weekly percentage interest cost borne by them.

CARBON FOOTPRINT

6,399 tonnes CO_2

2017: N/A

Year	Value
2018	6,399

Carbon footprint is measured as the sum of direct emissions of greenhouse gases from the direct purchase of electricity for energy consumption, water consumption and transportation.

SOCIAL PERFORMANCE INDEX (SP14)

91%

2017: 90%

Year	Value
2018	91%
2017	90%

SPI4 is a social audit tool made by CERISE as per Universal Standards managed by SMART CAMPAIGN. The assessment is divided into six dimensions with both qualitative and quantitative questions. Each dimension carries a score of 100.

Scalable branch model

WELL-ESTABLISHED GREENFIELD STRATEGY

Geo-economic survey of country and region
We identify and assess countries of interest via detailed in-the-field studies, which include amongst others identifying market centres in urban, suburban and rural communities, as well as assessing competitor activity.

Regional assessment
We gather first-hand information about the community's income levels, market activity, social cohesion, proximity to banks, and other infrastructure.

Establishment of local microfinance institution
We secure the appropriate business licence for microfinance activities, prior to securing visas for our experienced staff and renting a head office.

Branch opening
We appoint branch and assistant branch managers, and recruit and train around four loan officers.

Group formation
We identify female entrepreneurs interested in growing their businesses via individual loans and with them we build groups with around 10–25 members.

Individual customer appraisal
We assess our clients' businesses and earning capacity through physical visits, in order to determine the repayment capacity and appropriate loan size.

Lending and collection
We disburse loans either by cash, cheque or mobile money transfer, with local community loan officers holding group collection meetings either weekly or monthly.

Individual lending via client groups

BUILDING SIGNIFICANT RELATIONSHIPS

High touch client interaction

Our loan officers are in regular contact with their clients through weekly, bi-weekly or monthly group meetings to collect loan instalments or deposits. By fostering close client relationships, branch employees can quickly identify any repayment or other issues being experienced by their clients and decide on the disbursement of possible higher value, follow-on loans to clients.

Income-generating loans

Loans are only offered to start or grow businesses, rather than for general purposes. In order to ensure compliance with this policy, loan officers visit a client's business as part of the initial loan application process, and review the use of prior loans when considering applications for future loans.

Small loan size

We offer small loans, predominantly in amounts of the local currency equivalent of USD 100 to USD 500. This limit helps to prevent clients becoming overleveraged and maintains group cohesion by ensuring that clients with much higher repayment ability do not participate in the group.

Member group selection without joint liability

Groups are only responsible for non-financial obligations, such as the screening and selection of potential new clients. In addition, the social cohesion within the groups means that members help foster financial discipline by encouraging each other to repay loans on a timely basis. Clients who comply with the terms of their loans are not penalised for the poor performance of those who default.

Full repayment before new loans

Clients are only eligible to apply for a new, often larger, loan to further develop their businesses when the existing loan is repaid. This ensures that clients are free to decline any future loan and do not become (inadvertently) overleveraged, which may result in them being unable to repay a loan.

Repeat loan cycles with limits

There is a maximum increment and loan limit for each loan cycle, with no possibility of increasing the amount of existing loans before they are repaid in full. Follow-on loans are tailored to local conditions and take into account local inflation rates, as well as the earning capacity of the client's business.

No monetary incentives

Loan officers do not receive monetary incentives for increasing the number of clients they serve or the size or quality of their loan portfolio. Loan sizes follow set limits that should not exceed client repayment capacity. District, regional, area and branch managers only receive fixed remuneration, with no monetary incentives.

DID OUR LOAN PRODUCTS MEET CUSTOMER NEEDS?

84%

OF CUSTOMERS SAID YES

OVERALL CLIENT SATISFACTION RATE

87%

CLIENT RETENTION RATE

73%

Our culture

A DAY IN THE LIFE OF A LOAN OFFICER

Branch composition

A typical branch has one branch manager, one assistant branch manager, four or five loan officers (up to six in Myanmar) and one additional support staff. Loan officers are on the 'front line', conducting client group meetings, selecting potential new clients and collecting loan instalments. Loan officers also carry out branch back office administrative and accounting responsibilities.

Group meetings

These are held regularly, at a fixed time, day and place, and all members are required to attend. Meetings are presided over by one of the clients who is the group president, with the group secretary recording minutes.

In-branch loan disbursements

Before a loan is disbursed, the loan officer and the branch managers carry out a complete credit evaluation process. The loan application must then be approved by the branch manager (or an area manager if the amount exceeds a specified threshold) before disbursement, ensuring a double sign-off on all loans.

Due diligence

Following group meetings and at regular intervals between meetings, the loan officer conducts due diligence on members' businesses, through personal site visits and by speaking to family members and guarantors.

Loan officer visits

Loan officers visit groups at locations close to their members' places of business, where instalments are collected.

Collection of overdue instalments

Following group meetings, the loan officer visits any members who were late to repay or did not attend the meeting.

Rotating responsibility

Groups are typically rotated among loan officers every 6-12 months.

80%
EMPLOYEE RETENTION

28,253
EMPLOYEE TRAINING HOURS

13%
EMPLOYEE PROMOTION

49%
EMPLOYEE RECRUITMENT

Socioeconomic progress supports

A GROWING LOAN PORTFOLIO

Further embedded growth potential in existing network and the opening of new branches

Embedded growth

Even if we exclude growth associated with the opening of new branches to serve new clients, we have substantial embedded value in our existing network of branches.

Providing incrementally larger loans to existing clients

Supported by high client retention rates.

Increased client acquisition in existing branches

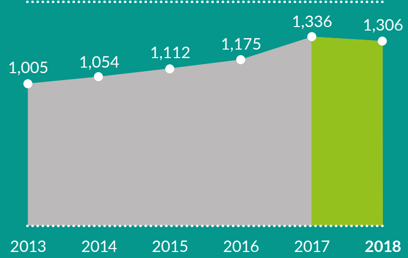
The number of clients per branch gradually increases to a range of 1,500-2,000 dependent on country and region. Around 45% of branches are less than three years old.

Opening new branches

We continue to open new branches in existing operating countries.

NUMBER OF CLIENTS PER BRANCH

1,306

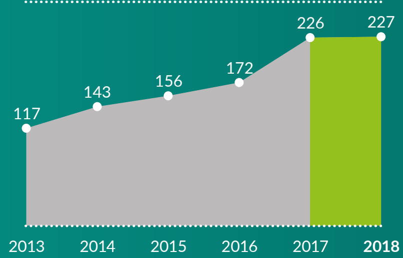


BRANCH MATURITY ACROSS THE GROUP (>3 YEARS OLD)

921

OLP PER BRANCH (USD '000)

227




MIXAGRIP
GRIP
YOUR DOCTOR'S CHOICE
Super Kids

Financial Review 2018

Strong underlying performance across all segments

We achieved a strong underlying performance in the first year as a listed company, demonstrating the strength and adaptability of the proven and replicable ASA microfinance model.

Key performance indicators

(AMOUNTS IN USD m)	2018	2017	Δ 2017 – 2018	Δ CONSTANT CURRENCY
Number of clients (m)	2.2	1.9	17%	
Number of branches (#)	1,665	1,387	20%	
Net profit	24.5	29.3	(17%)	(7%)
Normalised net profit[1]	32.4	26.9	20%	30%
Outstanding Loan Portfolio ('OLP')[2]	378.5	313.4	21%	34%
Dividend per share (in US¢)[3]	7.3	8.7		
PAR> 30 days	0.6%	0.6%		

1 Adjusted for one-off items. For 2018, these mainly relate to IPO costs. For 2017, this mainly relates to incidental credit loss in India, provision for fees in Nigeria, and reversal of provision for work welfare expenses in Pakistan; and previous year tax expenses
2 Includes off-book Business Correspondence loans and excludes interest receivable and the unamortised loan processing fee
3 Number of shares in issue was adjusted to 100m in 2017 for comparison purposes. Actual number of shares outstanding was 3.7m pre IPO

Highlights

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

Outlook

As stated in our Year-End Trading update on 26 February 2019, we continue to expect:

- A strong underlying performance in 2019.
- Given the significant currency depreciation in some of the Company's major countries during the second half of 2018, 2019 USD earnings growth is expected to be materially below our medium-term target.
- Over the medium term we continue to target earnings growth of 20–25% per annum in USD.

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

REGIONAL PERFORMANCE

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

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

INVESTMENT IN OPERATIONS

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

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

DIVIDEND

In line with our dividend policy of a payout ratio of 30 per cent of net income, the Board is proposing a dividend per share of US¢ 7.3 to be paid on 29 June 2019, and to shareholders on the register on 7 June 2019.

Group financial performance

(IN USD '000s)	2018	2017	Δ 2017 – 2018	Δ CONSTANT CURRENCY
Net profit	24,454	29,304	(17%)	(7%)
Normalised net profit[1]	32,352	26,929	20%	30%
Cost/income ratio[1]	55%	54%		
Return on average assets (TTM)[1]	7.3%	7.9%		
Return on average equity (TTM)[1]	38%	36%		
Earnings growth (TTM)[1]	20%	43%		
OLP[2]	378,468	313,390	21%	34%
Total assets	473,055	419,356	13%	
Client deposits	63,986	53,231	20%	
Interest-bearing debt[3]	277,137	267,901	3%	
Share capital and reserves	88,548	82,982	7%	
Number of clients	2,174,116	1,852,698	17%	
Number of branches	1.665	1,387	20%	
Average outstanding loan per client (USD)	174	169	3%	
PAR> 30 days	0.6%	0.6%		
Client deposits as % of loan portfolio	17%	17%		

1 Adjusted for one-off items. For 2018, these mainly relate to IPO costs. For 2017, these mainly relate to incidental credit loss in India, provision for fees in Nigeria, and reversal of provision for work welfare expenses in Pakistan; and previous year tax expenses
2 Includes off-book Business Correspondence loans and excludes interest receivable and the unamortised loan processing fee
3 Excludes interest payable

Financial Review 2018 (continued)

Regional performance

SOUTH ASIA

(IN USD '000s)	2018	2017	Δ 2017 – 2018	Δ CONSTANT CURRENCY
Net profit	14,872	15,155	(2%)	8%
Normalised net profit[1]	15,200	11,931	27%	40%
Cost/income ratio[1]	45%	44%		
Return on average assets (TTM)[1]	7.1%	7.6%		
Return on average equity (TTM)[1]	35%	37%		
Earnings growth (TTM)[1]	27%	26%		
OLP[2]	211,470	182,669	16%	34%
Total assets	213,570	212,849	0.3%	
Client deposits	73	85	(14%)	
Interest-bearing debt[3]	156,707	167,611	(7%)	
Share capital and reserves	47,314	38,706	20%	
Number of clients	1,053,889	896,090	18%	
Number of branches	638	521	23%	
Average outstanding loan per client (USD)	202	206	(2%)	
PAR> 30 days	0.8%	0.8%		
Client deposits as % of loan portfolio	0%	0%		

1 Adjusted for one-off items
2 Includes off-book Business Correspondence loans and excludes interest receivable and the unamortised loan processing fee
3 Excludes interest payable

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

- Normalised net profit up 27% (40% up on a constant currency basis)
- OLP up 14% (31% up on a constant currency basis), which is lower than expected due to higher than expected depreciation of this segment's operating currencies relative to the USD
- Number of clients crossed one million, up 18%
- Number of branches up 23%
- OLP/client in USD down by 3%, primarily due to PKR, INR and LKR depreciation
- The quality of the loan portfolio slightly declined with PAR>30 increasing from 0.7% to 0.8%
- Cost/income ratio increased by 160 bps to 45% due to increased operating expenses related to the upgrading of the operating licences in Pakistan and Sri Lanka to deposit-taking licences, rapid branch expansion undertaken in India in the last half of 2018, and increased funding costs in Pakistan due to currency depreciation as well as an increase in benchmark interest rates
- Return on average assets was down 50 bps to 7.1% due to (i) the higher proportionate growth of the Indian operations, (ii) temporary over-capitalisation and excess liquidity in Pakistan related to the microfinance bank application and (iii) reduced USD profitability in Pakistan due to the combination of the increased cost of hedging USD-denominated debt, and a substantial increase in the KIBOR rate
- Return on average equity down by 160 bps to 35%

INDIA

ASAI India continued to rapidly expand its operations:

NUMBER OF CLIENTS
564k
2017: 466k (up 21%)

NUMBER OF BRANCHES
300
2017: 217 (up 38%)

OLP IN INR
6.9bn (USD 98.6m)
2017: 5.8bn (USD 91.5m)
(up 18% in INR)

OFF-BOOK PORTFOLIO IN INR
2.6bn (USD 36.7m)
2017: 1bn (USD 15.3m)
(up 162% in INR

PAR>30
0.7%
2017: 1.2%

- The 38% branch growth is expected to fuel continuing high growth in 2019
- ASA India continues to benefit from its strong business correspondent relationship with IDFC First Bank and the ongoing support of its many local and international lenders
- Following the receipt of the MFI registration, the Group injected USD 5 million of additional equity capital for further expansion of the loan portfolio
- The improvement of PAR>30 is an excellent achievement in this relatively competitive market

PAKISTAN

ASA Pakistan continued to expand its operations:

NUMBER OF CLIENTS
419k
2017: 364k (up 15%)

NUMBER OF BRANCHES
270
2017: 245 (up 10%)

OLP IN PKR
9.3bn (USD 66.9m)
2017: 7.5bn (USD 67.3m)
(up 25% in PKR)

PAR>30
0.3%
2017: 0.2%

- Despite the substantial devaluation of the PKR (down 26%), ASA Pakistan's operating and financial performance in PKR was in line with expectations in terms of interest income and operating expenses, with the exception of funding costs, which increased due to a substantial increase in the KIBOR rate and higher hedging cost

SRI LANKA

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

NUMBER OF CLIENTS
71k
2017: 65k (up 9%)

NUMBER OF BRANCHES
68
2017: 59 (up 15%)

OLP IN LKR
1.7bn (USD 9.2m)
2017: 1.3bn (USD 8.5m)
(up 29% in LKR)

PAR>30
4.1%
2017: 1.6%

- The recent introduction of a debt relief programme in response to a few droughts affected districts, combined with political activism to extend this programme across the country, eroded clients' repayment habits and discipline which, as a result, a substantial increase in PAR>30
- In addition, the potential introduction of an interest rate cap for finance companies, as described in the regulatory section below, has led to uncertainty in the Sri Lankan microfinance sector
- As a result, management temporarily halted the planned expansion of the operations in Sri Lanka in order to exclusively focus on managing its existing clients and prepare for an operating environment with a possible interest rate cap

Financial Review 2018 (continued)

SOUTH EAST ASIA

(IN USD '000s)	2018	2017	Δ 2017 – 2018	Δ CONSTANT CURRENCY
Net profit	3,881	3,516	10%	19%
Normalised net profit[1]	3,881	3,513	11%	19%
Cost/income ratio[1]	75%	75%		
Return on average assets (TTM)[1]	4.4%	4.4%		
Return on average equity (TTM)[1]	25.1%	22.6%		
Earnings growth (TTM)[1]	11%	34%		
OLP[2]	62,118	53,264	17%	26%
Total assets	95,015	82,401	15%	
Client deposits	17,801	16,230	10%	
Interest-bearing debt[3]	54,306	45,780	19%	
Share capital and reserves	15,353	15,612	(2%)	
Number of clients	442,254	405,922	9%	
Number of branches	369	325	14%	
Average outstanding loan per client (USD)	141	132	7%	
PAR> 30 days	0.5%	0.3%		
Client deposits as % of loan portfolio	29%	31%		

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

Higher than expected currency depreciation in Myanmar (down 14% against USD) and lower than expected loan growth also in Myanmar contributed to South East Asia's net profits being slightly lower than expected.

- Net profit up 10% (19% up on a constant currency basis)
- OLP up 17% (26% up on a constant currency basis), which was lower growth in USD terms than expected due to
  (i) higher than expected depreciation of the Myanmar kyat (MMK down 13.8%), and
  (ii) lower than expected loan per client growth in Myanmar
- Number of clients up 9%
- Number of branches up 14%
- OLP/client in USD up by 7%
- PAR>30 up slightly from 0.3% to 0.5%
- Cost/income ratio stable at 75%
- Return on average assets unchanged at 4.4%
- Return on average equity increased to 25%

THE PHILIPPINES

Pagasa Philippines Finance Company, Inc. Pagasa Philippines continued to gradually expand:

NUMBER OF CLIENTS

314k

2017: 301k (up 4%)

NUMBER OF BRANCHES

288

2017: 265 (up 9%)

OLP IN PHP

2.1bn (USD 40.7m)

2017: 1.8bn (USD 36.1)
(up 19% in PHP)

PAR>30

0.4%

2017: 0.2%

- Pagasa Philippines succeeded in upgrading its lending company licence to a finance company licence. As a result, Pagasa Philippines should be able to realise a 5% higher return on gross interest income

MYANMAR

ASA Myanmar achieved strong client and branch growth, increasing:

NUMBER OF CLIENTS

128k

2017: 104k (up 22%)

NUMBER OF BRANCHES

81

2017: 60 (up 35%)

OLP IN MMK

33.0bn (USD 21.3m)

2017: 23.3bn (USD 17.2m)
(up 41% in MMK)

PAR>30

0.6%

2017: 0.4%

- The operations were affected by damage from severe monsoons in June and July
- Profitability was adversely affected by
  (i) long delays for regulatory approval to commence lending from newly opened branches,
  (ii) a higher cost of funding, and
  (iii) increased competition

Financial Review 2018 (continued)

WEST AFRICA

(IN USD '000S)	2018	2017	Δ 2017 – 2018	Δ CONSTANT CURRENCY
Net profit	16,872	11,981	41%	45%
Normalised net profit[1]	16,484	12,738	29%	34%
Cost/income ratio[1]	38%	41%		
Return on average assets (TTM)[1]	20.4%	20.2%		
Return on average equity (TTM)[1]	57%	56%		
Earnings growth (TTM)[1]	29%	32%		
OLP[2]	71,840	58,230	23%	29%
Total assets	88,359	73,370	20%	
Client deposits	35,958	31,379	15%	
Interest-bearing debt[3]	13,315	9,669	38%	
Share capital and reserves	32,246	25,992	24%	
Number of clients	435,660	389,987	12%	
Number of branches	414	358	16%	
Average outstanding loan per client (USD)	165	150	10%	
PAR> 30 days	0.4%	0.1%		
Client deposits as % of loan portfolio	50%	54%		

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

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

- Net profit 2018 up 40% and normalised net profit up 29% (34% up on a constant currency basis)
- OLP up 23% (29% on a constant currency basis), which is higher growth in USD terms than expected due to
  (i) lower than expected depreciation of this segment's operating currencies relative to the USD in 2018 (NGN down 1%, GHS down 7%, and SLL down 12%), and
  (ii) faster growth of OLP in all countries with a higher average OLP per client across the segment
- Number of clients up by 12%
- Number of branches up 16%
- OLP/client in USD up by 10%
- PAR>30 increased to 0.4%
- Cost/income ratio improved by 280 bps to 38%
- Return on average assets up 20 bps to 20.4%
- Return on average equity up by 30 bps to 57%

GHANA

ASA Savings & Loans Ltd ('ASA Savings & Loans') continues to successfully expand, while maintaining a high-quality portfolio and increasing:

NUMBER OF CLIENTS

149k

2017: 137k (up 9%)

NUMBER OF BRANCHES

120

2017: 108 (up 11%)

OLP IN GHS

185.3m (USD 38m)

2017: 151.6m (USD 33m)
(up 22% in GHS)

PAR>30

0.1%

2017: 0.1%

- ASA Savings & Loans received approval to open 15 branches, despite the ongoing restructuring of the Ghanaian banking and microfinance sector, which made the Central Bank of Ghana initially reluctant to approve further branch expansion in 2018
- Despite all the financial problems faced by banks and other microfinance institutions, ASA Savings & Loans Ghana's operational and financial performance continues to be excellent

NIGERIA

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

NUMBER OF CLIENTS

259k

2017: 236k (up 9%)

NUMBER OF BRANCHES

262

2017: 230 (up 14%)

OLP IN NGN

11.5bn (USD 31.7m)

2017: 8.5bn (USD 23.6m)
(up 36% in NGN)

PAR>30

0.9%

2017: 0.2%

- The Central Bank of Nigeria approved the opening of an additional 20 branches by ASA Nigeria
- ASA Nigeria awaits the final approval for the merger with ASIEA

SIERRA LEONE

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

NUMBER OF CLIENTS

28k

2017: 16k (up 67%)

NUMBER OF BRANCHES

32

2017: 20 (up 60%)

OLP IN SLL

17.4bn (USD 2.0m)

2017: 9.26bn (USD 1.2m)
(up 88% in SLL)

PAR>30

1.1%

2017: 0.2%

- ASA Sierra Leone retains a high-quality loan portfolio and operating costs are at acceptable levels, which puts it on track to realise positive returns in 2019, which would be three years after inception

Financial Review 2018 (continued)

EAST AFRICA

(IN USD '000s)	2018	2017	Δ 2017 – 2018	Δ CONSTANT CURRENCY
Net profit	3,647	1,008	262%	270%
Normalised net profit[1]	3,647	1,008	262%	270%
Cost/income ratio[1]	64%	79%		
Return on average assets (TTM)[1]	11.5%	5.1%		
Return on average equity (TTM)[1]	48%	17%		
Earnings growth (TTM)[1]	262%	89%		
OLP[2]	33,040	20,521	61%	63%
Total assets	38,556	24,760	60%	
Client deposits	10,153	5,536	83%	
Interest-bearing debt[4]	17,190	11,718	47%	
Share capital and reserves	8,687	6,536	33%	
Number of clients	242,313	160,699	51%	
Number of branches	244	183	33%	
Average outstanding loan per client (USD)	137	129	6%	
PAR> 30 days	0.4%	1.4%		
Client deposits as % of loan portfolio	31%	27%		

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

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

- Net profit up 262% (270% up on a constant currency basis)
- OLP increased by 61% compared with previous period (63% on a constant currency basis), due to the continued expansion of operations in all countries across the segment
- Number of clients up 51%
- Number of branches up 33%
- OLP/client up in USD by 6%
- PAR>30 improved from 1.4% to 0.4%
- Cost/income ratio improved by 1,570 bps to 64%
- Return on average assets up 640 bps to 11.5%
- Return on average equity up 3,100 bps to 48%

KENYA

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

NUMBER OF CLIENTS
74k
2017: 47k (up 58%)

NUMBER OF BRANCHES
70
2017: 50 (up 40%)

OLP IN KES
1.2bn (USD 12.1m)
2017: 0.8bn (USD 7.3m)
(up 64% in KES)

PAR>30
0.7%
2017: 1.2%

- Since inception in 2013, ASA Kenya has become one of the top five non-deposit and deposit-taking Kenyan microfinance institutions in a crowded Kenyan microfinance market

TANZANIA

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

NUMBER OF CLIENTS
79k
2017: 56k (up 42%)

NUMBER OF BRANCHES
76
2017: 60 (up 27%)

OLP IN TZS
28.0bn (USD 12.2m)
2017: 17.0bn (USD 7.6m)
(up 64% in TZS)

PAR>30
0.1%
2017: 0.7%

- ASA Tanzania's operations are very solid and are expected to stay on a high growth path

UGANDA

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

NUMBER OF CLIENTS
77k
2017: 51k (up 51%)

NUMBER OF BRANCHES
72
2017: 57 (up 26%)

OLP IN UGX
25.9bn (USD 7.0m)
2017: 16.3bn (USD 4.5m)
(up 59% in UGX)

PAR>30
0.1%
2017: 0.9%

- ASA Uganda received its microfinance licence from UMRA in 2018

RWANDA

ASA Rwanda successfully increased its operations:

NUMBER OF CLIENTS
13k
2017: 8k (up 67%)

NUMBER OF BRANCHES
26
2017: 16 (up 63%)

OLP IN RWF
1.6bn (USD 1.8m)
2017: 1.0bn (USD 1.2m)
(up 64% in RWF)

PAR>30
0.7%
2017: 0.4%

- The market environment in Rwanda is quite favourable with limited competition
- ASA Rwanda is gradually expanding and is expected to cross break-even in 2019, three years after inception

Financial Review 2018 (continued)

REGULATORY ENVIRONMENT

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

KEY EVENTS

INDIA

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

PAKISTAN

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

SRI LANKA

- In August 2018, the government of Sri Lanka announced a debt relief programme for microfinance loans of less than the equivalent of approximately USD 650 in drought relief affected districts of Sri Lanka. The direct impact of this measure on Lak Jaya was limited: less than 3,000 out of its approximately 16,000 clients in these districts with outstanding loans of approximately USD 280k. The government committed to repay the principal amount of these loans with the lenders expected to write-off the interest.

- However, political activists have tried to extend the debt relief programme to other districts across the country, which substantially eroded the repayment discipline of clients with an associated substantial increase in overdue payments across the country.

- In December 2018, the government of Sri Lanka introduced an interest rate cap of 35% per annum on microfinance loans disbursed by licensed finance companies. It is expected that an interest rate cap may be introduced for licenced MFIs, such as Lak Jaya. If an interest rate cap comes into force, this will have an adverse impact on the profitability of Lak Jaya.

THE PHILIPPINES

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

MYANMAR

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

NIGERIA

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

UGANDA

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

KEY EVENTS AFTER 31 DECEMBER 2018

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

REGULATORY CAPITAL

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

ASSET/LIABILITY AND RISK MANAGEMENT

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

- The average tenor of loans to customers is substantially shorter than the average tenor of debt provided by third-party banks and other third-party lenders to the Group and any of its subsidiaries

- Foreign exchange losses are minimised by having all loans to any of the Group's operating subsidiaries denominated or properly hedged in the local operating currency and all loans to any of the Group's subsidiaries denominated in local currency are hedged in USD

- Foreign translation losses affecting the Group's balance sheet are minimised by preventing over-capitalisation of any of the Group's subsidiaries by distributing dividends and/or repaying capital as soon as reasonably possible

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

FUNDING

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

IN USD MILLIONS	31 DEC 16	31 DEC 17	31 DEC 18
Local deposits	40.1	53.2	64.0
Loans from financial institutions	81.1	200.4	221.2
Microfinance loan funds	29.2	27.5	17.8
Loans from dev. banks and foundations	25.0	40.0	40.0
Equity	67.5	83.0	88.5
Total funding	242.8	404.1	431.5

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

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

IMPACT OF FOREIGN EXCHANGE RATES

As a USD reporting company with operations in 12 different currencies, currency movements can have a major effect on the Group's USD financial performance and reporting.

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

CURRENCY EXCHANGE RATE PER 1 USD

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

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

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

IMPACT OF IMPLEMENTATION OF IFRS 9

FIGURES IN USD MILLIONS	PROVISION FOR CREDIT LOSS	PROVISION FOR CREDIT LOSS ON-BOOK BC PORTFOLIO	TOTAL PROVISION	RETAINED EARNINGS
Balance as at 1 January 2018	1.2	0.1	1.3	71.3
Impact of adopting IFRS 9	0.3	0.05	0.35	(0.3)
Adjusted balance as at 1 January 2018	1.5	0.16	1.66	71.0

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

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

ASA International has elected to continue the same accounting policy for hedge accounting under IAS 39 as allowed when implementing IFRS 9.

Country review

ASA international is well placed for further growth by continuing to increase market penetration and market share in each of its operating countries

WEST AFRICA

NIGERIA

In Nigeria, the Group has established two legal entities that for operational purposes are managed as one. The Group established the 'ASIEA' (NGO) in Nigeria in November 2008, which commenced operations in February 2009, with three branches. In October 2009, the Group established ASA Nigeria (ASHA Microfinance Bank Limited) from its clients as a microfinance bank, which commenced operations in November 2010. ASA Nigeria is indirectly wholly-owned by the Group.

ASA Nigeria's branches are currently all located in Lagos, Kano, Kaduna, Abia, Enugu states.

REGULATORY ENVIRONMENT

ASA Nigeria is regulated by the CBN under the Bank and other Financial Institutions Act No. 25 of 1991, and initially operated as a microfinance bank in Lagos State. It is licensed to take deposits from its clients. ASIEA is an association managed and controlled by the Group, and operates most of the Group's branches outside Lagos State. On 15 March 2018 the CBN confirmed that the application for a nationwide licence was approved.

Approval in principle for the merger has been given by CBN subject to the finalisation of an annual risk-based examination by CBN of all branches which is expected to take place in the course of 2019.

GHANA

The Group established ASA Savings & Loans in June 2009. Operations in Ghana initially commenced in February 2008 through ASA Ghana Ltd, a company limited by guarantee, established in June 2007. The business of ASA Ghana Ltd was transferred to ASA Savings & Loans in 2013 and ASA Ghana Ltd. was liquidated in 2015.

ASA Savings & Loans has branches in six regions (Greater Accra, Ashanti, Central, Western, Eastern and Brong Ahafo), with the largest number of branches in the Greater Accra Region. ASA Savings & Loans is wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Savings & Loans is regulated by Bank of Ghana under the Bank and Specialised Deposit Taking Institution Act, 2016 (Act 930) and operates as a Savings and Loans Company. It is licensed to take deposits, including from non-clients.

SIERRA LEONE

The Group established ASA Sierra Leone in May 2015, which commenced operations in July 2016 with one branch. ASA Sierra Leone has branches in seven districts (Freetown, Bo, Bombali, Western Rural, Kenema, Tonkolili and Port Loko), with the largest number of branches in Freetown. ASA Sierra Leone is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Sierra Leone is regulated by the Bank of Sierra Leone under the Other Financial Services Act 2001 and the Guidelines for the Operations of Credit-Only Microfinance Institutions, and operates as a lending company.

EAST AFRICA

KENYA

ASA Kenya has widespread regional presence in 22 out of 47 counties. ASA Kenya is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Kenya is registered to operate as a non-deposit taking MFI and all of its branches hold a business permit from the relevant county government.

CASE STUDY: NIGERIA

PROSPERING BUSINESS

Patricia Sanu started her business with NGN 15,000 of her own savings and money borrowed from an acquaintance as no institution was willing to lend her money without collateral. Once introduced to ASA Nigeria by one of her friends she became a group member and borrowed NGN 50,000. Now she is already on her third loan cycle with a loan of NGN N70,000. Her business is prospering.

"I am very grateful to ASA Nigeria. The easy and affordable access to credit changed my life. My children are studying in college, which was difficult to imagine a few years ago. With the excess income I earned I could even invest in a fridge and buy a small piece of land."

PATRICIA

ADDRESSABLE MARKET

ASA International = 2.2m

TANZANIA

ASA Tanzania has branches in six regions (Dar es Salaam, Morogoro, Tanga, Arusha, Kilimanjaro and Mwanza) in Tanzania, with the largest number of branches in Dar es Salaam. ASA Tanzania is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Tanzania is unregulated and operates as a lending company. The new Microfinance Act 2018 was passed in November 2018 in Tanzania and application for licence will be considered once regulations have been framed in this regard.

UGANDA

ASA Uganda has branches in three regions (Central, Western and Eastern), with the largest number of branches in the Central Region. ASA Uganda is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Uganda is regulated by the Uganda Microfinance Regulatory Authority under the Tier 4 Microfinance Institutions and Money Lenders Act 2016, Act No. 18 of 2016, and operates as a lending company. In 2018 the Company received its licence as a non-deposit taking MFI, which was renewed in January 2019 by the Uganda Microfinance Regulatory Authority.

RWANDA

ASA Rwanda has branches in all five provinces (Kigali, Northern, Western, Southern and Eastern), with the largest number of branches in Kigali. ASA Rwanda is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Rwanda is regulated by the National Bank of Rwanda under law no. 040/2008 of 26/08/2008, and operates as a microfinance institution. It is licensed to take deposits.

ZAMBIA

ASA Zambia commenced operations in January 2019 and will operate as a non-deposit taking microfinance institution. ASA Zambia is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Zambia is regulated by the Bank of Zambia under the Financial Services Act and the Banking Financial Services (Microfinance Regulations of 2006).

SOUTH ASIA

INDIA

ASAI India commenced operations in 2008 as a non-banking financial company. ASA International owns 90.01% and IDFC FIRST Bank 9.99% (formerly IDFC Bank). ASAI India has branches in West Bengal, Tripura, Assam, Bihar, Meghalaya and Uttar Pradesh.

REGULATORY ENVIRONMENT

ASAI India is regulated by the RBI under the RBI Act, 1934, and is registered as an NBFC-MFI which was received in July 2018 and is subject to regulations issued by the RBI.

Interest rates that ASAI India may charge are limited to a maximum of 23.48% under regulations issued by the RBI. In addition, ASAI India is subject to a limit on net interest margin (calculated as interest income plus fees less interest expense) of 10%, as well as a 1% limit on processing fees.

CASE STUDY: KENYA

TAILORING AND DRESSMAKING

Pamela Odhiambo has been a proud member of the ASA International programme in Kenya since 2013, and runs a tailoring and dressmaking business. Following her successful experience with ASA International, she hopes that the Small Enterprise Loan programme will be introduced in the near future.

“I am currently in the third cycle of my loan, which has enabled me to buy essential materials and complete orders on time to support the fast growth of the business.”

PAMELA

Country review (continued)

PAKISTAN

ASA Pakistan has branches in two provinces (Punjab and Sindh), with the largest number of branches in Punjab Province. ASA Pakistan is indirectly wholly-owned by the Group.

REGULATORY ENVIRONMENT

ASA Pakistan is supervised by the Securities and Exchange Commission of Pakistan, and operates as a lending company. In mid 2018, ASA Pakistan submitted an updated application for a microfinance bank licence which, once awarded, will enable it to take deposits. Upon receipt of a microfinance bank licence, ASA Pakistan will be regulated by the State Bank of Pakistan.

SRI LANKA

Lak Jaya's branches are generally equally distributed among 23 districts, with Colombo having the largest number of branches.

Lak Jaya is indirectly 97.14% owned by the Company, with 2.86% held by local investors.

REGULATORY ENVIRONMENT

In 2018 Lak Jaya was not subject to any minimum capital or liquidity requirements. Following receipt of the microfinance company licence on 3 April 2019, the Company will be subject to certain prudential capitalisation and liquidity requirements; however, the regulatory regime in Sri Lanka has not been fully finalised.

SOUTH EAST ASIA

THE PHILIPPINES

Pagasa Philippines has branches in six Pagasa regions (South Luzon, Central Luzon, North Mindanao, South Mindanao, North Luzon and Visayas), with the largest number of branches in Central Luzon. Pagasa Philippines is indirectly wholly-owned by the Company.

REGULATORY ENVIRONMENT

Pagasa Philippines was incorporated as a lending company under the Lending Company Regulation Act of 2007. As of 28 November 2018 it is licensed as a finance company. Following receipt of the finance company licence, Pagasa Philippines will be subject to a 5% gross receipts tax, instead of the 12% VAT to which Pagasa Philippines was previously subject.

MYANMAR

ASA Myanmar has branches in four States (Bago, Yangon, Magway and Mon), with most branches located in Bago State. ASA Myanmar is wholly-owned by the Company.

REGULATORY ENVIRONMENT

ASA Myanmar is regulated by the Financial Regulatory Department of the Ministry of Finance under the Microfinance Business Law 13/2011, and operates as a deposit-taking microfinance institution. It is licensed by the Myanmar Micro-finance Supervisory Enterprise and is allowed to take mandatory deposits from its clients up to a maximum of 5% of the value of the loan. In June 2017, ASA Myanmar applied for a full deposit-taking licence. This licence application is still pending.

CASE STUDY: INDIA

EARTHEN POTS

Lovely Kumari runs a small pottery unit where she, along with her family, makes earthen pots. She is on her fourth loan cycle with a loan size of INR 50,000. The loan by ASAI India has made her financially independent and she has been able to provide for her daughter's quality education on top of her regular business and house-hold expenses

"I started my pottery unit with ASAI India's loan support. Within three years my business has expanded sizeably. My family's quality of life has greatly improved due to my successful business. My daughter presently goes to a private English medium school with the extra income I earned."

LOVELY

CASE STUDY: THE PHILIPPINES

FISH STALL

Marites Bibe Chico joined PPFC in 2016 after meeting the loan officer at her local public market and she was informed about PPFC's loans. At the time Marites became a group member, nine other women decided to join the same group by Pagasa, which they named "Banana". Marites is 30 years of age and owns a fish stall. Marites' first loan was PHP 20,000 which increased to PHP 50,000. Currently she is on her eighth loan cycle. She now runs 2 stalls with her husband. With the help of PPFC, she gradually increased her profits and today her business is worth almost PHP 150,000. She has also built-up savings to plan for the future of her family.

"The easy application process, no hidden costs, low interest rate and weekly payments is what I like about PPFC's services. I am very grateful to PPFC for being a partner in my business over the past three years and I hope to stay a member for a long time. My dream is to own my own house one day, and maybe even a car."

MARITES

Competitor information

- The Group's microfinance institution competitors are mainly non-governmental organisations, regulated and non-regulated microfinance institutions and microfinance banks, including, in the Philippines, India and Nigeria, companies that also use microfinance models that are based on or similar in many respects to the ASA Model. In these countries, the Group's microfinance institutions compete principally on the quality of customer service, higher operating efficiency and portfolio quality.
- In other countries, the Group primarily competes for clients on the basis of its simplified lending process, high standards of client service, ease of use, reliability, cost of service and the breadth of its branch networks. Due to the community-based lending through client groups, but without group liability and the relatively small loan sizes that the Group offers, the Group does not believe it competes with traditional banking institutions and many other microfinance institutions, which may also offer loans for consumption purposes and target clients with higher incomes than the Group.
- The Group also believes that its international scale, the experience of its senior management, the standardisation of its operations, and the quality of its ASA Microfinance Banking System ('AMBS') system allow it to compete more effectively and with lower operating costs than many of its smaller competitors whom often only operate in a single country or region. These attributes also allow it to react more quickly to new opportunities, as well as provide more effective supervision over its microfinance institutions.

Risk control framework

We aim to manage the risks inherent in our business activities, ensuring that our operations are carried out in a safe and compliant way

INTRODUCTION

The Group is one of the world's largest and most profitable international microfinance organisations, with operations in 12 markets across Africa and Asia in 2018. Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to certain risk limits and controls. The 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 exposed to risks including, among others, operational risk, financial risk, legal and compliance risk and strategic risk. The Group's risk management principles allow it to balance its risk and reward effectively by aligning its risk appetite with its business strategy. The Group assesses its relationships, products, transactions and other business activities, and bases its business decisions on an understanding of the nature and magnitude of its risk in each area.

RISK MANAGEMENT FRAMEWORK

The Group has adopted the 'three lines of defence' model to manage risks inherent in the normal course of business of lending and deposit taking. This model has been adopted at both the Group level and at each of the Group's subsidiaries. The Group's objectives in using the three lines of defence model include: identifying risk areas and minimising loss; protecting its clients by minimising financial risk; protecting the interest of its shareholders and investors; preserving branches of 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, personnel or department that is responsible for executing particular tasks/activities, as well as for mitigating any related risks. The second line of defence comprises management of the respective departments and personnel who oversee the first line of defence and provide expertise in risk management to help develop strategies, policies and procedures to mitigate risks and implement risk control measures. The third line of defence is the internal audit department, which evaluates and improves the effectiveness of the risk management, control and governance processes through independent verification of risk control measures. The internal audit department is based in the country head office of each of the Group's microfinance institutions.

The Group's risk management philosophy is to promote a comprehensive risk management strategy to maintain a sustainable financial institution. To ensure that the Group's philosophy is implemented across its various departments, there is a clear segregation of duties between operational and risk management functions in the country head office of each of the Group's microfinance institutions as well as at the Group level.

GIVEN THE NATURE OF OUR ACTIVITIES, THE PRINCIPAL RISKS AND UNCERTAINTIES WE FACE ARE:

1. **Regulatory risk**
2. **Credit risk**
3. **Liquidity risk**
4. **Exchange rate/currency risk**
5. **Growth risk**
6. **Information and technology risk**
7. **Human resources risk**
8. **Competition risk**
9. **Interest rate risk**
10. **Social and environmental risk**
11. **Reputational risk**

OUTLINE OF THE FRAMEWORK IN PLACE FOR RISK MANAGEMENT

Defines high-level strategy. Ensures the Group has effective risk management policies in place. Approval of the risk management framework and risk principles

Sets risk appetite and strategy, frameworks and principles to be recommended to the Board. Identifies new risks

Management determines risk appetite

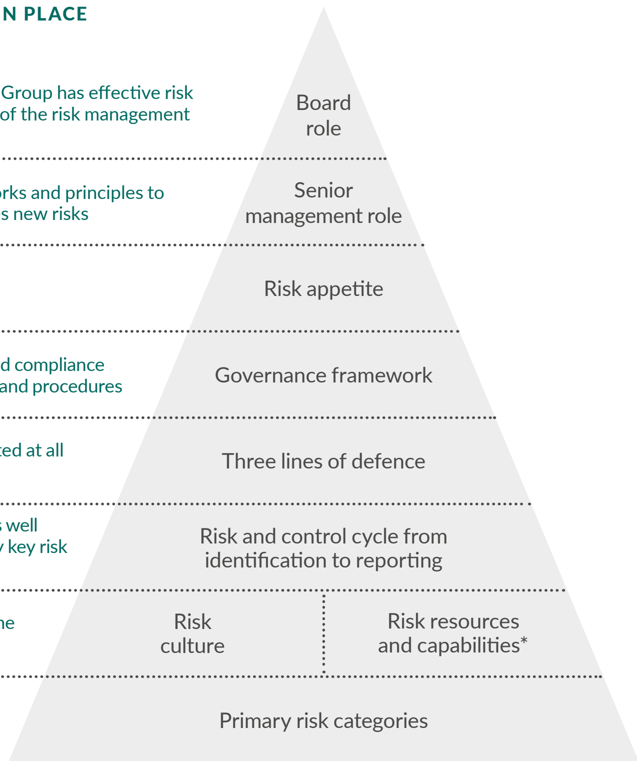
Management defines governance, risk and compliance framework including principle processes and procedures

Three lines of defence model implemented at all levels of the Group

Frequent reporting at the country level as well as from country to Group level to identify key risk areas and prioritise risks likely to occur

Development of risk culture throughout the organisation

Day-to-day management of risks as per three lines of defence model



* Ensuring the resources are in place to effectively implement the risk control framework and staff are equipped with necessary expertise

At each of the Group's microfinance institutions, all functions, activities and tasks are designed and developed having considered any related risk elements.

The Group's risk culture is based on its values, beliefs, knowledge, attitudes and understanding of risk across its various countries. The Group assesses its risk culture by identifying and evaluating its quantifiable and non-quantifiable risks. The Group's risk management principles allow it to effectively balance its risk and reward by aligning its risk appetite with its business strategy. The Group assesses its relationships, products, transactions and other business activities, and bases its business decisions on an understanding of the nature and magnitude of its risk in each area. The Group avoids activities for which it cannot objectively assess and manage associated risks or those that are not consistent with its values and policies. This strategy allows the Group to mitigate its risks through diversification, appropriate pricing and preventive controls and to transfer risks to third parties (e.g., through the use of forward currency contracts and various insurance policies). Using its risk management principles, the Group can focus on client retention and ensure that its products and transactions are suitable for its clients.

RISK APPETITE

Risk appetite, or the amount and type of risk that the Group is willing to accept, tolerate, or expose itself to in pursuit of its business objectives, is set at a level to avoid loss, fraud and operational inefficiencies. The Group establishes its risk appetite to provide direction and set boundaries for risk management across its microfinance institutions. The Group targets more conservative financial and prudential ratios than those required by regulators in the countries in which the Group operates. The Group also has zero tolerance for any unethical, illegal or unprofessional conduct and maintains a zero appetite for association with any disreputable individuals.

The Group reviews and discusses potential corrective measures and aims to minimise excessive appetite for risks such as: high levels of staff or client attrition rates, taking large open currency positions; litigation, imposition of fines and other regulatory penalties; exceptions, concerns and observations reported by officers, auditors, regulators or external rating agencies; cyber security incidents; and adverse press or media.

THREE LINES OF DEFENCE MODEL

BOARD OF DIRECTORS

Board establishes the risk strategy and regularly reviews risk appetite

Approves frameworks, methodologies, policies and responsibilities

OPERATIONAL MANAGEMENT

First line of defence

- Line management in each business area
- Primary responsibility for systems, controls and risk management

RISK MANAGEMENT

Second line of defence

- Independent risk management function
- Provides specialist advice, governance and oversight
- Supports and challenges the first line

INTERNAL AUDIT

Third line of defence

- Internal audit function
- Independent assurance and reporting line

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

THREE LINES OF DEFENCE

FIRST LINE OF DEFENCE

The first line of defence is the team personnel or department that is responsible for risk assessment and owns most of the business risk. For example, the operation team at the Group level (comprised of the Executive Director Operations and the Chief Operating Officer with support from the managing director of each microfinance institution) is responsible for designing and developing proper credit policies for each of the Group's microfinance institutions. But this is not the only first line of defence at the Group level. As an example, the accounts and finance team is responsible for implementing and ensuring proper record-keeping in accordance with IFRS or local requirements and, therefore, the accounts and finance team is the first line of defence in financial information management, compliance and transparency.

Branch staff and area, regional and district managers are the key components of the first line of defence at the microfinance institution level and are responsible for client retention and credit risk. However, similar to the first line of defence at the Group level, the team, personnel or department who carry out a specific business activity or task own the associated risk and are responsible for implementing control and risk management processes. This process includes identifying and assessing significant risks or changes in those risks, implementing control activities, highlighting any inefficiencies, addressing control malfunctions and communicating with key stakeholders. The operation team at each microfinance institution is closest to the Group's clients and is most familiar with the market environment in which the relevant microfinance institution operates and local market developments.

Managing directors within each country work closely with the Group's senior management and play a vital role in the Group's risk management and ensure proper implementation of control activities, policies and procedures to microfinance institutions.

Risk control framework (continued)

SECOND LINE OF DEFENCE

The second line of defence is comprised of the management of the respective departments and personnel, who provide guidance and oversight of the users of the products/services of the first line of defence. This consists of each entity's operation team including mid and upper line management and entities' central management (i.e. compliance and other independent functions such: finance and accounts, treasury, IT, HR and the Risk department. The second line of defence is supported by the risk management team ('RMT') at the Group level and the risk management unit ('RMU') at the microfinance institution-level. The RMT is a two-person team headed by the Director – Investment, Treasury and Risk Management in Dhaka, and reports to the Audit and Risk Committee of the Board through the Risk Management Committee ('RMC'). The RMU is a designated team or individual who reports to the local Board and the RMT through the Risk Management Coordination Committee ('RMCC').

The primary function of the second line of defence is to oversee the activities performed by the first line of defence and to help ensure that risk and control are effectively managed. The second line of defence works closely with its respective operation team to provide expertise in risk, define the risk implementation strategy, implement risk management policies and procedures, and collect information to create an enterprise-wide view of risk and control. In addition to working with the operation team at the Group level, the RMT provides support and guidelines to RMUs, coordinates activities with internal audit to provide a holistic view of risks and collaborates with the information technology department to provide relevant automated credit reports and other information.

General responsibilities of the second line of defence include: identifying and monitoring known and emerging issues affecting the Group's risks and controls; identifying shifts in the organisation's implicit risk appetite and risk tolerance; assisting management in designing and developing processes and controls to measure risk; implementing tools for risk management; monitoring the adequacy and effectiveness of such tools and controls; escalating critical issues, emerging risks and outliers; providing risk management frameworks and suggesting changes in the risk frameworks when needed; providing guidance and training related to risk management and control processes; and performing risk monitoring and reporting. The RMT and each of the RMUs collect data and prepare risk reports in accordance with the Group's risk management policies and, in the case of the RMT, submits any reports to the senior management at the Group's corporate headquarters (generally the RMC) and, in the case of the RMUs, submit any reports to senior management of each microfinance institution. The Company is fine tuning this model following its first year of operations as a listed company.

THIRD LINE OF DEFENCE

The third line of defence is internal audit at both the Group level and the microfinance institution level. In addition to regularly performing internal auditing activities at the microfinance institution and the Group's corporate headquarters, the internal audit department is responsible for continuous independent assessment and measurement of the risk areas, verification of control measures to manage risks and recommending corrective measures, where relevant. It achieves this by auditing the risk management functions to ensure that all units responsible for managing risk are performing their roles effectively and continuously.

The internal audit department is not permitted to perform management functions in order to maintain its objectivity and organisational independence. The internal audit department tests the adequacy of internal controls and makes recommendations to the Board of Directors on ways to strengthen any weaknesses identified within the Group's risk management framework.

BOARD OF DIRECTORS, RMC AND RMCC

The Board of Directors is composed of experienced industry experts and management professionals who retain the ultimate responsibility for risk management. The Board of Directors establishes the Group's objectives, defines high-level strategies to achieve those objectives and creates governance structures to best manage risk as a part of its risk management framework. Although the Board of Directors is not considered to be a part of the three lines of defence, it ensures the Group has effective risk management policies by: ensuring management is equipped with the necessary expertise and knowledge to accomplish the Group's risk management functions; ensuring the Group has detailed policies and procedures for risk exposure, management and recovery; reviewing and approving risk management strategies, policies and procedures, including procedures related to regulatory requirements; overseeing the implementation of methodologies to facilitate the identification, measurement, monitoring and control of risks; ensuring the RMC takes the necessary steps to identify risks and report outcomes; ensuring management maintains appropriate internal controls and reviewing the effectiveness of those controls; reviewing and approving any changes to the Group's risk management framework; and ensuring the Group's risk strategy reflects its risk appetite.

The RMC assists the Board of Directors in the oversight of the Group's risk management. The RMC consists of the CEO, the Executive Director (Operations), the Chief Operating Officer, the CFO, the General Counsel, the Group Internal Auditor and the Director – Investment, Treasury and Risk Management and is based in the Group's corporate headquarters. The RMC oversees the Group's overall risk management system and establishes and maintains an effective risk management environment within the Group. The RMC achieves this by: identifying and evaluating key risk areas in operation, activities and structure; prioritising risks that are likely to occur; developing practical operation strategies and plans to address and manage risks; implementing risk management plans and control procedures; reviewing monthly risk management reports and assessing risks including loan portfolio performance; and reporting regularly to the Board of Directors on overall risk exposures and ways to mitigate such exposure.

At the microfinance institution level, each RMC assists its respective local Board in the oversight of risk management and is comprised of different department heads who are responsible for policy and procedure formulation in coordination with speciality expertise groups such as operations, finance and accounts, investment and treasury, human resources and information and technology at the respective microfinance institutions. Each RMC is based in the respective country head office, but also reports to the head office.

On an ongoing basis, the Audit and Risk Committee also reviews the adequacy and effectiveness of the Group's risk management and internal control arrangements in relation to the Group's strategy and risk profile for the financial year. This covers all material controls including financial, operational and compliance controls. On the basis of its own review, the Board considers that it has in place adequate systems and controls with regard to the Group's profile and strategy.

Over the past 12 months the Group has continued to strengthen its risk management framework and further develop the organisation's risk committees, at both a Group and business level, and these continue to work efficiently and effectively.

A summary of the Group's principal risks and uncertainties is provided below:

RISK SUMMARY

We believe that the key risks that may impact the operations of the Group are: regulatory risk which may be caused by unforeseen changes in legal and regulatory requirements; interest rate risk that may be triggered by an increase in the cost of funds; liquidity risk if the Group is unable to meet its payment obligations when they fall due under normal and stress circumstances; foreign exchange risk due to depreciation of local currency against the USD; and HR risks due to lack of capacity building. However, the management of the Group is well prepared to respond to any risks that may arise at any point of time.

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. The Group also encourages its first line of defence to communicate regularly with clients and local leaders to ensure its closeness to clients. Through its competition and reputational risk management policies, the Group can identify any challenges and define its ambitions.

The following pages set out the principal risks and uncertainties which may impact the Group's ability to deliver its strategy, how we seek to mitigate these risks and the change in the perceived level of risk over the year. While we constantly monitor emerging risks, the Group's activities, business model and strategy are unchanged as set out on the previous pages. As a result, the principal risks and uncertainties the Group faces and our approach to mitigating them remain broadly unchanged.

PRINCIPAL RISKS

The Group's key risk management areas are operational risk, financial risk, legal and compliance risk and strategic risk. Details can be found on pages 48 to 53. The summary in this section should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group but rather those which the Group currently believes may have a significant impact on its performance and future prospects.

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.

In line with the Group's risk management framework, each of the Group's microfinance institutions is tasked with achieving growth while maintaining low costs. The Group does this by considering growth at a vertical and horizontal level, evaluating its return on assets and return on equity, evaluating the cost of funding for growth, analysing current staff and organisational capacity and observing the balance between quality of service and cost of service. Furthermore, the Group has operation manuals and circulars in place to guide its microfinance institutions in evaluating cost reduction and growth.

The Directors believe they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Risk categories

The Directors have undertaken a robust, systematic assessment of the Group's principal risks including those that threaten its business model, future performance, solvency or liquidity. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and to protect our people, assets and reputation.

Below we summarise our risk categories relevant to the Group.

RISK CATEGORY	DEFINITION	RISKS	DESCRIPTION
Operational	The risk of loss resulting from inadequate or failed internal processes, human behaviour and systems from external and internal events	Growth risk	All risk and challenges associated with the Group's operational expansion
		Fraud and integrity	Fraud and misappropriation
		Information and technology	Maintenance of effective technology and security of systems
		Human resources	Likelihood of negative results due to a failure of the Group's management of human resources
		Transaction risk	Human or system errors within the Group's daily product delivery and services
		Social and environmental risk	Global and regional economic conditions and natural disasters
		Risks related to the disclosure of confidential or sensitive information	Loss or theft of confidential or sensitive information
Financial	The Group experiences financial risks such as credit risk, liquidity risk, exchange rate/currency risk and interest rate risk. The risks the Group encounters impacts on the Group's earnings.	Credit risk	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations
		Interest rate risk	Risk that the Group's profitability or results of operations will be affected by fluctuations in interest rates
		Liquidity risk	Risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances
		Exchange rate/ currency risk	Possibility of financial loss to the Group arising from adverse movements in foreign exchange rates

RISK CATEGORY	DEFINITION	RISKS	DESCRIPTION
Legal (regulatory) and compliance	Financial and other losses the Group may suffer as a result of regulatory changes or failure to comply with applicable laws and regulations.	Regulatory: changes in local regulations and political risks	Anticipating and responding to changes in laws or regulations and political changes
		Legal and compliance	Compliance with applicable laws and regulations
		Interest rate caps	Anticipating and responding to changes or limits on (i) the amount of interest or fees charged to customers, or (ii) our net interest margin
		Foreign ownership	Risks associated with foreign ownership or shareholder concentration restrictions
		Legal uncertainty	Anticipating and responding to lack of legal certainty in some jurisdictions. Risk inherent to investing in emerging markets, including nationalisation, expropriation or confiscatory taxation, and political instability
Strategic	Current or prospective risk to earnings and capital arising from changes in the business environment and from poor business decisions, improper implementation of decisions or lack of responsiveness to changes in the environment	Competition risk	Losses or failure to optimise profitable growth through not adequately responding to the competitive environment
		Reputational risk	Risk to earnings or capital arising from negative public opinion

Principal risks

During the year, we continued to face a challenging external environment, particularly from regulation and currency depreciation in several counties where we operate. Internally, our operational governance framework and risk management processes are continually reviewed to ensure that where areas of improvement are identified, a plan of action is put in place and can become a key focus for the Board. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board. Our risk appetite remained broadly unchanged in 2018.

Below we address eleven principal risks faced by the Group considered most relevant for 2018. The below risks are addressed in accordance with the risk ranking as depicted in the Risk Assessment table.

↔ RISK ENVIRONMENT REMAINS STABLE

↑ RISK ENVIRONMENT WORSENING

↓ RISK ENVIRONMENT IMPROVING

RISK ASSESSMENT	CHANGE IN 2018
1. Regulatory risk	↔
2. Credit risk	↔
3. Liquidity risk	↓
4. Exchange rate/currency risk	↑
5. Growth risk	↔
6. Information and technology risk	↔
7. Human resources risk	↔
8. Competition risk	↔
9. Interest rate risk	↑
10. Social and environmental risk	↔
11. Reputational risk	↔

FINANCIAL RISKS | CHANGE IN YEAR | HOW WE MITIGATE OUR RISKS/NEXT STEPS

1 Regulatory

The Group may suffer losses or fail to optimise profitable growth due to regulatory changes or through political activism.

Objective
We aim to ensure that effective arrangements are in place to enable us to comply with legal and regulatory obligations and we aim to ensure that regulatory risks are controlled.

Change in year: ↔

The licence applications in Pakistan and Myanmar are still under consideration and we saw changes to laws and regulations, including Tanzania, Ghana, Nigeria, Uganda, Myanmar and Sri Lanka.

In Nigeria the capital requirements for microfinance banks were increased to NGN 50 billion taking effect in 2020. In Ghana, due to substantial problems in the banking sector the Bank of Ghana restructured a number of banks and tightened compliance requirements for the whole sector.

Increased restrictions in opening branches are seen in some markets including Myanmar.

The Group secured the NBFC-MFI registration in India, the finance company license in Philippines, the lending license in Uganda, and the microfinance institution license in Sri Lanka in April 2019.

How we mitigate our risks/next steps

We continue to follow up on the pending licence applications.

We proactively discuss new changes with regulators, timely implement new requirements and ensure the ASA Model is well understood when new regulations are being proposed and drafted.

We timely prepare for any anticipated minimum capital requirements.

Strong relationships are maintained with regulators and other stakeholders to ensure that the growth of our operations is not hampered by regulatory restrictions.

We increased the level of monitoring of regulatory compliance matters in 2018.

2 Credit risk

Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations.

Objective
We aim to ensure that the portfolio at risk is kept at minimum percentage at all times.

Change in year: ↔

The quality of our portfolio remained high. However, we have seen that political interventions such as in Sri Lanka can have an immediate effect on the quality of our loan portfolio in such countries.

How we mitigate our risks/next steps

Despite the fact that a PAR>30 of less than 1% has become customary in recent years, there remains a risk that our portfolio may suddenly deteriorate due to a broad array of factors as highlighted under principal risks.

We adhere strictly to the operating procedures of the ASA Model, which includes setting limits on the amount of risk we are willing to accept for each individual borrower and to prevent excessive geographic concentration. We continuously monitor changes in the portfolio and will take immediate action when changes occur.

FINANCIAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
3 **Liquidity risk** **Our operations may be impacted if the Group is unable to meet its payment obligations when they fall due under normal and stress circumstances.** **Objective** To manage liquidity risks and avoid loss of business, missed opportunities for growth, or legal or reputational consequences.	↓ Despite the fall-out following the demise of a number of financial institutions in a few countries such as Ghana and India, the Group faced no concerns in meeting its liquidity and funding requirements despite its expanding operations. The Group maintained solid relationships with its debt providers who continued to show strong interest to fund our operations. The increased diversity of funding sourcing loans from local and international lenders reduced the liquidity risk.	While economic uncertainty has the potential to impact funding markets, overall the Group remains well funded and continues to have good access to a wide range of funding sources both at local and holding level. To mitigate its liquidity risk, the Group has established liquidity management policies. We remain vigilant as a possible future deterioration of our loan portfolio could quickly lead to liquidity concerns, which may have a broader impact on our operations.
4 **Exchange rate/ currency risk** **The Group may suffer a financial loss arising from adverse movements in foreign exchange rates.** **Objective** To manage currency risks and minimise loss due to foreign currency exposure.	↑ In most countries the currency fluctuations against the USD is unpredictable. The currencies of some of our major operating countries including Pakistan, Myanmar, India and Sri Lanka substantially depreciated against the USD which led to an increase of the translation loss reserves as well as impacting the growth of our loan portfolio and net profits translated into USD.	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, by obtaining funding denominated in local currency. We will try to ensure that close to 100% of our currency exposure will continue to be fully hedged. Although we try to inform ourselves to the best of our ability, the currency movements of our operating currencies vis-à-vis the USD remain unpredictable.

OPERATIONAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
5 **Growth risk** **All risk and challenges associated in the Group's operational expansion.** **Objective** We aim to meet our business plan in a controlled manner.	↔ Growth was controlled in 2018. The macroeconomic conditions in certain markets, such as Pakistan, Myanmar and Sri Lanka became less stable in 2018.	When setting our growth targets, we remain prudent as high growth may lead to increasing balances overdue in our loan portfolio.

Principal risks (continued)

OPERATIONAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS

6 Information and technology risk

We may suffer losses or fail to optimise profitable growth due to a failure of our systems and processes, or due to the loss or theft of sensitive information.

Objective
We aim to maintain adequate systems and controls that reduce the threat of service disruption and the risk of data loss to as low as is reasonably practicable.

Change in year

Globally, we have close to 2.2 million customers and we record, update and maintain data for each of them on a regular basis, often weekly.

In 2018 we completed the introduction of tablets for loan officers in the field and 377 of our branches came online with real-time connectivity. This introduced efficiency gains, while it could potentially increase external threats to our IT systems. Offsite backup is planned for 2019.

The Group has implemented disaster management strategies and ensures that it has data security policies in place.

How we mitigate our risks/next steps

We have a strong IT team to continue to maintain our proprietary core banking systems, AMBS. We ensure our staff has appropriate technical support and computer skills. We will ensure the systems are in place to reduce the likelihood of a significant failure or information loss.

The Group continues to further invest in AMBS to ensure the quality and reliability of our IT systems and the gradual introduction of digital financial services.

The Group is already anticipating the challenges of an ever-increasing digital world.

7 Human resources risk

Our strategy may be impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards.

Objective
We aim to have sufficient depth of personnel to ensure we can meet our growth objectives.

Change in year

Despite some attrition of staff during the year as is common in certain markets and some increased employee activism in a few countries, the quality and experience of our human resource base were further strengthened.

We developed and further strengthened our staff remuneration packages in certain jurisdictions and continue to invest in training.

How we mitigate our risks/next steps

We seek to attract, retain and develop staff by providing competitive remuneration structures and long-term career opportunities and by investing in training and development of all staff.

The Group evaluates its human resource risk by observing the availability of skilled staff within its compensation bands as well as compliance and regulatory issues that impact staff, including visas or employment permits needed for its expatriate staff.

STRATEGIC RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS

8 Competition risk

We may suffer losses or fail to optimise profitable growth by not responding to the competitive environment or failing to ensure our proposition meets customer needs.

Objective
We aim to ensure we understand competitive threats and continue to focus on the needs of our clients.

Change in year

Competition varies by market. We experienced substantial competition in a number of Asian countries such as India, the Philippines and Myanmar. Competition risk remains stable.

How we mitigate our risks/next steps

We focus on developing and maintaining strong client relationships and tailor our products and services to specifically meet their needs.

We continuously monitor client satisfaction.

We are designing our digital platform and plan to introduce mobile applications that meet clients' needs and expectations and increasing competitive pressures.

FINANCIAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
9 Interest rate risk **Our profitability or results of operations may be impacted by fluctuations in interest rates.** **Objective** To limit the impact of interest rate movements and exposure to financial counterparties.	With the depreciation of some of the major currencies, including the Pakistani and Indian rupee, we saw an increase in the cost of funding.	The Group's strategy in evaluating and managing its interest rate risk is to conduct a cost of funds analysis and to consider interest rates in particular, where there is a limit on the amount of interest it may charge, such as in India and Myanmar.

OPERATIONAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
10 Social and environment risk **We may suffer financial loss as a result of a failure to identify and adapt to changing economic conditions or due to natural disasters or other catastrophic events.** **Objective** We aim to have business processes that allow us to adequately respond to changes in economic conditions and natural disasters.	The macroeconomic conditions showed limited effect on our client behaviour. We saw some weather-related impact but this was actively managed and well controlled in all markets with a limited effect on our operations. During the year, we constantly evaluated the number of branches located in zones or areas prone to natural disasters and kept track of the proportion of loans classified as PAR>30 days within those zones or areas. We avoid areas with security concerns.	We carry out daily monitoring of economic, political and national news briefings. Our regular face-to-face client contact coupled with strong, personal relationships inform us of individual customer circumstances. Our presence in communities close to our clients allows for immediate and relevant mitigating actions. The short-term tenor of our loans helps mitigate the risks that we encounter due to changes in the social and environmental conditions. The Group generates reports on any social and environmental policy outcomes and the number of client and staff complaints it receives and resolves.

STRATEGIC RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
11 Reputational risk **We may suffer financial or reputational damage due to possible misconception of the quality of our services.** **Objective** We aim to be fully aligned with the long-term interests of our clients.	We increased our CSR activities in various countries which further strengthened the relationships with our clients and the communities in which we operate. We offer our services in a client-friendly and transparent manner. Our operating procedures require our staff to provide our services in a responsible manner and prevent inadvertently overleveraging our client. We meet the highest standard in terms of client protection principles and business transparency.	We have clearly defined corporate values and ethical standards which are communicated throughout the organisation, our customer base and the other stakeholders. We continue to strive for social economic impact by focusing on financial inclusion as well as female empowerment. We maintain close relationships with the broader communities in which we work. We strongly support the establishment of local credit agencies.

Environment, Social and Governance Report

Commitment to responsible finance and sustainability. As a socially responsible business ASA International's behaviour is guided by a set of core values and standards which are underpinned by Group policies and appropriate principles and practices.

We have a strong reputation as a responsible lender, founded on a prudent approach to managing our business and commitment to our employees, clients and communities. We seek to provide the highest level of support and service by applying the same responsible approach across all our businesses and focusing on areas that matter to our stakeholders. See our business model on pages 14 to 17.

We have a wide range of policies in place across all of our divisions to ensure that our staff and management comply with all environmental, social and legal requirements, including respecting human rights, and adhere to the highest professional and ethical standards in dealing with our customers, suppliers and each other.

Code of Conduct	Our Code of Conduct and ethics are designed in a manner that is ethical, dignified, transparent, equitable and cost-effective and which expresses the core values of microfinance practice.
Anti-bribery and Anti-corruption Policy	This policy is to combat improper payments or inducements and provide basic guidance to all our employees, wherever they are located. We operate a zero-tolerance approach to bribery and corruption, ensuring compliance with all applicable anti-bribery and anti-corruption laws and regulations, including the UK Bribery Act 2010.
Anti-money Laundering	Our Company and subsidiaries are strongly committed to preventing money laundering or any activity which facilitates money laundering, or the funding of terrorist or criminal activities in our operations.
Whistleblowing Policy	We encourage our employees to report any activity that may constitute a violation of laws, regulations or internal policy. This policy is designed as a control to help safeguard the integrity of the Company and its business dealings.
Health and Safety Policy	This policy addresses issues related to staff health and safety. In 2019 we will further increase our focus on improving the framework and worker safety issues.
Child Labour and Protection Policy	We are committed to the protection of children who might be involved/affected directly or indirectly by our operations.
Sexual Harassment Elimination Policy	We promote a safe work environment free from any harassment or any form of unlawful advances. We have a zero-tolerance policy towards harassment of any kind, particularly sexual harassment.
Non-Discrimination Policy	One of ASA International's core values is the promotion of inclusivity and diversity. Discrimination of any kind is not acceptable. See below.

DIVERSITY AND GENDER

Our workforce remains diverse, with 32% female employees. We are also diverse in terms of age, with 31% of our employees under 30 years old and 1% over 50.

GENDER DIVERSITY

	Male	Female
Number of Board Directors[1]	6	1
Number of Directors of subsidiaries[2]	35	6
Number of senior employees, other than Board Directors[3]	68	8
Number of employees, other than Board Directors and senior employees	7,273	3,422

1 Includes Non-Executive Directors, excluded from Group headcount calculations. Figures as at 31 December 2018
2 Not including Directors appointed on the Board of the plc
3 Includes subsidiary Directors who are excluded from Group headcount calculations
4 Senior employees identified as material risk takers who are not Directors or subsidiary Directors

ENVIRONMENT & SOCIAL MANAGEMENT SYSTEM

The Group adopted a broad framework for its Environmental & Social Management System ('ESMS'). The objective of the ESMS is to avoid, eliminate, offset or reduce to acceptable levels, any adverse environmental and social effects of ASA International's business, and to achieve environmental and social benefits with good governance practice.

We appointed Social Performance Managers across all jurisdictions ('SPMs') who are responsible for implementing, monitoring and reporting the Company's environmental and social policies and practices, and for ensuring that ASA International meets its regulatory obligations and environmental and social performance commitments to governments and the public. The Board is also responsible for overseeing ESMS implementation.

- **Client Protection Principles ('CPP'):** We are fully transparent in the pricing, terms and conditions of our loans. We adopted the CPP to consider client protection in all that we do. CPP describes the minimum protection that microfinance clients should expect from their providers, and also the protection that an institution should maintain to serve the best interests of its clients. The CPP were developed by SMART Campaign, a leading industry body in the financial inclusion industry.
- **Client Economic Yield ('CEY') Survey:** We conduct a CEY Survey every year. The survey aims to assess the financial benefits that our clients derive from ASA International's loan programmes. The survey samples approximately 1% of total clients on their third or higher loan cycles.
- **Social Performance Indicators Tool ('SPI4'):** All entities use SPI4 – one of the most widely used social assessment tools for microfinance institutions. SPI4 helps microfinance institutions evaluate their implementation of the Universal Standards for Social Performance Management, including the Smart Campaign Client Protection Principles.
- **Staff Satisfaction Survey:** We conduct an annual staff satisfaction survey.
- **Client Satisfaction Survey:** We annually conduct client satisfaction surveys.
- **Grievance Mitigation Committee (GMC):** The staff client grievance management mechanism allows employees to raise any work-related concerns or complaints to the GMC.
- **Client Complaint Resolution:** Through the Complaints Committee clients can provide feedback on our services or lodge complaints about inappropriate behaviour or treatment by any of the Group's staff. This is facilitated through inter alia client complaint boxes in our branches.
- **Exclusion List:** This list defines the types of businesses and projects that we do not finance.

the smart campaign

- **Appropriate product design and delivery**
- **Prevention of over-indebtedness**
- **Transparency**
- **Responsible pricing**
- **Fair and respectful treatment of clients**
- **Privacy of client data**
- **Mechanisms for complaint resolution**

- **CSR activities:** Our regulated microfinance institutions allocate between 0.5% and 1% of their profit (except where regulation requires otherwise, in the case of India where it is 2%) towards CSR activities after having achieved profitability.

COMMITMENT TO SOCIALLY RESPONSIBLE OUTCOMES, DRIVING CLIENT CONFIDENCE AND INDUSTRY RECOGNITION

We have a strong and well-established commitment to improving financial inclusion and enabling socioeconomic progress. We believe that the benefits the ASA Model affords to its clients are reflected in its client satisfaction rate of 87% (according to the annual survey conducted by the Company in April 2018) and its consolidated client retention rate of 73% in 2018.

An increasing body of evidence shows that appropriate financial services can help improve individual and household welfare and spur small enterprise activity. According to Consultative Group to Assist the Poor ('CGAP'), different types of financial products can benefit low-income communities in different ways.

- **Credit:** Microcredit helps encourage investments in assets that enable business owners to start or expand small enterprises. In many countries, it has been demonstrated that access to credit can lead to larger and more profitable businesses.
- **Savings:** Building savings helps households manage cash flow spikes and smooths consumption, as well as building working capital.
- **Insurance:** Vulnerability to risk and the lack of instruments to cope with external shocks make it difficult for low-income households to escape poverty, and microinsurance can be an important instrument for mitigating risk.
- **Payments and mobile money:** Having an efficient way of making payments reduces transaction costs. Rather than travel long distances, people can make and receive payments on their mobiles or smartphones.
- Research also shows that more inclusive financial markets are directly linked with economic growth and employment. Additionally, policymakers increasingly recognise that a financial market that reaches all citizens facilitates social and economic progress.

Environment, Social and Governance Report (continued)

AWARDS

ASA International is recognised for both its business achievements as well as its contributions to society, including its employees, clients and other stakeholders. ASA International received external recognition in many of its markets.

The Group has received a platinum social rating (highest rating category) for its impact business model (analysing social and environmental impact) in 2014, 2015 and 2016 and a four-star operations rating (measuring governance structure, workers, community engagement and environmental impact) in 2015 and 2016, in each case from the GIIRS, or Global Impact Investing Rating System. GIIRS provides comparable and verified social and environmental performance data on high-impact companies.

GIIRS Impact Rated

Country	Name of accolade	Year	Awarder
IN	Seal of Transparency Award	2014	mftransparency.org
	SKOCH Order-of-Merit	2018	SKOCH Group
GH	Students Loan Trust Fund Award	2018	Students Loan Trust Fund
	Ghana Club 100, Placed as 3rd Fastest Growing Company, out of 3 Selected Best Companies	2017	Ghana Investment Promotion Center
	Ghana Club 100, Placed as 2nd Most Profitable Company, out of 3 Selected Best Companies	2017	Ghana Investment Promotion Center
	Ghana Club 100, Placed 12th out of 100	2017	Ghana Investment Promotion Center
	Ghana Club 100, Placed 17th out of 100	2016	Ghana Investment Promotion Center
	Ghana Club 100, Placed 20th out of 100	2015	Ghana Investment Promotion Center
	Seal of Transparency Award	2014	mftransparency.org
	Overall Best Taxpayer	2014	Ghana Revenue Authority
NG	MSME Microfinance Bank of the Year	2018	Executive Board of the Nigeria Entrepreneurs Award
	Most Efficient Microfinance Bank of the Year	2017	Executive Board of the Nigeria Entrepreneurs Award
	Local Content Compliant Company of the Year	2016	Nigeria Advancement Awards Committee
	SME of the Year	2016	Institute of Credit Administration, Nigeria
	Entrepreneurs' Microfinance Bank of the Year	2015	Nigeria Entrepreneurs Award Committee
	Best Complying Company of the Year	2014	Corporate Affairs Commission
PK	Microfinance Recognition Award	2016	Shamrock Conference International
	Certificate of Appreciation	2010	Microcredit Summit Campaign
UG	Uganda Top 100	2018	Daily Monitor & KPMG

CASE STUDY: CSR INDIA

COMMUNITY BASED INITIATIVES

ASAI India also focused its CSR activities in 2018 on educating youth. We established a coaching and study centre named ASA Pathsala or 'Centre for Excellence'. This programme is run in different regions and reaches several thousand students. All Pathsala are well-equipped with study rooms and a library. Subjects included mathematics, science, including computer science, arts and linguistics.

The Story of Agnick Khnara: Two years ago Agnick was struggling in school. Mathematics and science were daunting subjects. With no one to clear his doubts Agnick's interest in studying started to wane. It was then that Agnick began attending ASA Pathsala, the remedial and coaching centre run by ASAI India. At the Pathsala classes are small and Agnick could study at his own pace. He found his joy for numbers and in 2018 he scored over 90% in maths.

In collaboration with Lions International, ASAI India organised skill development training in sewing. More than 500 widowed women received training and are now in a position to work independently. Most of the attendants were also provided with free sewing machines. Furthermore, we provided wheel chairs to the physically challenged family members of our clients. ASAI India does not only support its own members. In 2018 the state of Kerala experienced a devastating flood. ASAI India donated generously from its CSR fund to the Chief Minister's Flood relief fund.

CORPORATE SOCIAL RESPONSIBILITY

In addition to the focus on financial inclusion for low-income, female entrepreneurs and creating a social impact, the Group is also committed to contributing its share towards the general betterment of society in the communities in which it operates.
In 2018, the Group's microfinance institutions engaged in a variety of social initiatives. Community engagement is important to our people and their care and contribution to charitable matters is reflected in our active CSR programme. To this end, we continue to invest in a number of community-based initiatives and support the charitable causes that our employees are passionate about. In 2018, through its corporate responsibility policy, the Group spent USD 315,001 on CSR activities.

CASE STUDIES CSR

We committed to a wide range of initiatives across different countries and entities, including:

- In India, we organised eye camps, conducted health check-ups, including diabetes detection, provided relief materials to flood victims in Kerala state, arranged leadership programmes and coaching for students, and distributed solar lamps to local communities.
- In Ghana, we conducted health check-ups, including tests for malaria, diabetes and HIV and blood pressure tests, and we provided medicine. We also provided mosquito nets, poly tanks for water consumption, ceiling fans, chairs and footballs to schools.
- In Nigeria, we provided free medical services and donated a range of essential items to orphanages. We also installed solar energy powered boreholes for drinking water.
- In the Philippines, we distributed relief materials to people affected by natural calamities and provided scholarships for members' children.
- In Sri Lanka, we provided dry rations to victims of torrential rains, landslides and floods. In addition, we carried out a programme to distribute books to local hospitals and also arranged housing for those affected by natural disasters.

The Group CSR Committee is chaired by our Group Head of Human Resources and supported by employees across the organisation. The committee meets regularly to discuss and propose new initiatives, with an oversight from risk and compliance when required. We also have a number of local CSR committees which run initiatives to raise funds for local charities.

ENVIRONMENTAL POLICY

As a financial services company, we require limited natural resources to operate and therefore have limited environmental impact. Through our Environmental Policy we are committed to reducing our environmental impact and continually improving our environmental performance as an integral part of our business strategy and operating methods, with regular review points.

ENERGY CONSUMPTION

The majority of our environmental impact is driven by staff travel and our office network. We continue to monitor ways to reduce our impact by lowering our energy consumption and reducing emissions.

GREENHOUSE GAS (GHG) EMISSIONS

In line with the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, ASA International, as a listed company, is required to report its annual Global Greenhouse Gas (GHG) emissions.

We report carbon dioxide emissions (CO_2) resulting from energy for Scope 1: direct GHG emissions from owned assets (combustion of fuel in generators and Company-owned vehicles); and Scope 2: GHG emissions from supplied energy (electricity used across operational branches). Our GHG emissions calculations and reporting follows the Greenhouse Gas Protocol ('operational control' approach) in relation to our energy usage and subsequent GHG emissions over the 2018 reporting year.

In 2018, we collected data from our worldwide operations across four regions (13 operating countries and global head offices in two countries), including 10,771 employees ('FTEs') and 1,680 offices and branches (including our HQs in the Netherlands and Bangladesh). The table below presents the GHG Scope 1 and Scope 2 emissions of the Group for 2018:

OUR GHG EMISSIONS

	2018	UNIT
Emissions type (absolute values)		
Scope 1 emissions[1]	3,600	Tonnes of CO_2
Scope 2 emissions[2]	2,799	Tonnes of CO_2
Total	**6,399**	**Tonnes CO_2**
Intensity factors		
Total headcount[4]	11,091	Full-time equivalent (FTE)
Total area[3]	246,606	Square metres
Carbon intensity 1: area[3]		
Scope 1	0.0146	Tonnes of CO_2 per m^2
Scope 2	0.0114	Tonnes of CO_2 per m^2
Total	**0.0260**	**Tonnes of CO_2 per m^2**
Carbon intensity 2: headcount[4]		
Scope 1	0.3246	Tonnes of CO_2 per FTE
Scope 2	0.2524	Tonnes of CO_2 per FTE
Total	**0.5770**	**Tonnes of CO_2 per FTE**

1 Scope 1 emissions are calculated from: fuel use in Company-owned vehicles using the distance-based calculation method (DEFRA GHG conversion factors 2018); and combustion of fuel from owned generators across our branches and regional operations. Emissions from non-Company owned vehicles and other business travel are considered to be Scope 3 (GHG protocol) and as such are not reported
2 Scope 2 emissions are calculated from electricity consumption at ASA international HQ offices and regional branches (excluding home workers). Where the consumption of energy other than electricity (e.g. natural gas, cooling) is supplied as part of a leased building's SLA and is not available, this information has not been included in the data
3 Total area is 246,606m^2 over 1,680 offices and branches (as of year-end 2018)
4 Total headcount includes 11,091 employees (on a full-time equivalent basis at time of data collection – March 2019)

METHODOLOGY AND SCOPE

Emissions factors for regional locations were sourced from the International Energy Agency (IEA) 2017 CO_2 emissions from fuel combustion statistics based on country-level factors. The boundary of reporting scope extends to include all entities and facilities owned, leased or actively managed by ASA International.

This is ASA's first year of reporting GHG emissions and the information provided will act as the baseline for future reporting. Moving forward, we will continue to report year-over-year emissions data to improve the comparability of data in line with legislative requirements. Furthermore, we strive to review our environmental data management process with a view to strengthen and broaden data collection, accuracy and disclosure moving forward.

Chairman's Introduction

In my first year as Chairman of a LSE listed company and on behalf of the Board, I am pleased to introduce the Corporate Governance section of this Annual Report. The pages that follow provide detail on our governance structure as well as the activities we undertook during the year to ensure effective Board decision-making and oversight of the Group.

MD. SHAFIQUAL HAQUE CHOUDHURY
CHAIRMAN

We are passionate about serving people at the bottom of the economic pyramid and support them in making positive changes in their lives.

MD. SHAFIQUAL HAQUE CHOUDHURY
CHAIRMAN

An important part of my role as Chairman is to oversee the governance of the Group. I firmly believe that high standards of governance and Board oversight are essential to the Group's performance, the successful delivery of our strategy and the creation of long-term value for stakeholders.

The Board is committed to the principles set out in the UK Corporate Governance Code 2016 (the 'Code') available on the website of the Company and I am pleased to report that the Company has complied with its principles and provisions. Further details are set out in the Corporate Governance Report that follows this introduction. The UK Corporate Governance Code 2018 applies with effect from the 2019 financial year, and we are taking the necessary steps to ensure that we comply with it.

Good corporate governance includes how the Board manages the affairs of the Group and its accountability to shareholders and other stakeholders. As detailed in this report, we have taken action to institute an effective corporate governance framework by establishing the Board committees, internal procedures and Group policies which are critical for the proper management of the Group and for good governance of an international business.

From the date of its incorporation on 14 May 2018 until 18 July 2018 (the date of its listing on the London Stock Exchange), ASA International Group plc was not subject to the rules of the UK Listing Authority. Since our listing, the Board has sought to comply with corporate governance best practices, as well as with the Code. Both the Board and our senior management team believe in conducting our business in a fair and transparent manner and in maintaining high ethical standards in all our dealings.

The Board oversees the strategy and business model of the Group, and during the year we spent considerable time assessing and discussing external challenges facing the Group, including regulatory, economic and political developments.

There were six meetings of the Board between the incorporation of the Company and the end of 2018, and strategic matters were discussed as part of these meetings.

The Board's committees play an important role in the governance and oversight of the Group. Reports from each of the committees, describing their activities during the year, are set out later in this Governance Report. The Annual Report also includes the Directors' Remuneration Report, which sets out various disclosures required by statute, regulation or corporate governance best practice.

The Company's 2018 Annual General Meeting ('AGM') will take place on 29 May 2019. The Board regards this as an important opportunity for shareholders to discuss any concerns. I look forward to engaging with shareholders.

Md. Shafiqual Haque Choudhury
Chairman
17 April 2019

Leadership of the Board

The Board's primary role is to provide leadership and ensure that the Company is appropriately managed and delivers long-term shareholder value.

The Board is responsible for setting the Company's objectives and policies, and providing the effective leadership and control required for a public company. It is also responsible for approving the Group strategy, budgets, business plans and major capital expenditure, and it monitors financial performance and critical business issues.

The Board supervises the Group's operations, with the aim of ensuring that it maintains a framework of prudent and effective controls which enables risks to be properly assessed and appropriately managed.

BOARD SIZE AND COMPOSITION

The Board comprises: Md. Shafiqual Haque Choudhury (Non-Executive Chairman), Dirk Brouwer (Chief Executive Officer), Aminur Rashid (Executive Director Operations), Guy Dawson (Senior Independent Director), and three further Non-Executive Directors: Hanny Kemna, Gavin Laws and Praful Patel.

The structure of the Board ensures that no individual or group of individuals is able to dominate the decision-making process and no undue reliance is placed on any individual. The Board comprises six male members and one female member. The Company is committed to ensuring that any vacancies that may arise are filled by the best-qualified and most suitable candidates and recognises the value of diversity in the composition of the Board. When Board positions become vacant as a result of retirement, resignation or otherwise, it is focused on ensuring that a diverse pool of candidates is considered.

The Board ensures that it is composed of members who have the relevant knowledge, skills and expertise to undertake their duties as directors.

Biographical details of the Directors at the date of this report are set out on pages 68 and 69 together with details of their membership of Board committees.

NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The UK Corporate Governance Code recommends that at least half the Board of Directors of a UK-listed company, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement. The board is comprised of 5 Non-Executive Directors, including the Non-Executive Chairman, and 2 Executive Directors. The Company regards all of the Non-Executive Directors, other than the Non-Executive Chairman, as 'independent Non-Executive Directors' within the meaning of the Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Code recommends that the Board of Directors of a company with a premium listing on the Official List of the FCA should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the CEO has failed to resolve or for which such contact is inappropriate. Guy Dawson has been appointed Senior Independent Director.

The UK Corporate Governance Code further recommends that Directors should be subject to annual re-election. The Company intends to comply with these recommendations.

The Company will report to its shareholders on its compliance with the Code in accordance with the Listing Rules.

The Board complies and intends to continue to comply with the requirements of the Code, save that Md. Shafiqual Haque Choudhury, the Chairman, did not meet the independence criteria set out in the Code upon his appointment as Chairman. However, given the benefits for the Company of his long-standing experience with the Group, and in the microfinance industry more generally, the Board believes that Mr. Choudhury should continue as Chairman.

MATTERS RESERVED FOR THE BOARD

The Board has responsibility, inter alia, for the overall leadership of the Company and setting the Company's values and standards. Specifically, it approves the annual operating and capital expenditure budgets and any material changes to them. It also oversees the operations of the Group so as to ensure prudent management, planning, risk management and internal control systems, adequate accounting and other records, and compliance with statutory and other regulatory obligations. It periodically reviews performance in the light of the Group's strategic aims and business plans and budgets, and ensures that any necessary corrective action is taken. The Board must approve any decision to extend the Group's activities into new business or geographical areas or to cease any material part of the Group's business.

Leadership of the Board (continued)

The Board must also approve changes relating to the Group's capital structure, including reductions of capital, share issues (except for the purposes of employee share plans) and share buybacks. It must also approve Treasury policies, including on foreign currency exposure and the use of financial derivatives.

The Board is responsible for approving the interim and annual financial statements and the Annual Report, including the dividend policy and the declaration of interim and proposing to shareholders of final dividends.

The Board has overall responsibility for ensuring a sound system of internal control and risk management, including procedures for the detection of fraud and the prevention of bribery.

The Board has delegated the day-to-day running of the Group to the CEO and his management group, who review and approve all of the information and proposals that are submitted to the Board.

Directors receive a pack of briefing notes and reports for their consideration in advance of each Board meeting, including reports on the Company's operations, so as to ensure that they remain briefed on the latest developments and are able to make fully informed decisions. The briefing notes and reports, and the Board's consideration of them, take into account the factors set out in section 172 of the Companies Act 2006.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. All Directors may take independent professional advice at the expense of the Company in the furtherance of their duties, if they judge it necessary. On appointment, all Directors are advised of their duties, responsibilities and liabilities as a Director of a public listed company. Directors have the right to request that any concerns they have are recorded in the appropriate committee or Board minutes.

RELATIONSHIP AGREEMENT

The Company has entered into a relationship agreement (the 'Relationship Agreement') with its founders (the 'Controlling Shareholder Group'), the principal purpose of which is to ensure that the Company will be able, at all times, to carry out its business independently of the members of the Controlling Shareholder Group and their respective associates. The Relationship Agreement contains undertakings from each of the members of the Controlling Shareholder Group that (i) transactions and relationships with it and its associates will be conducted at arm's length and on normal commercial terms, (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, and (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. The Company is in compliance with the undertakings in the Listing Rules and the Relationship Agreement and so far as the Company is aware, the undertakings have been complied with by each member of the Controlling Shareholder Group.

In accordance with the terms of the Relationship Agreement, for so long as the Catalyst Microfinance Investors ('CMI', currently holding 41%) and Catalyst Continuity (currently holding 15%) together retain (i) an aggregate interest of greater than or equal to 25% in the issued ordinary share capital of the Company, they shall together be entitled to appoint two Non-Executive Directors to the Board (one of whom is Md. Shafiqual Haque Choudhury), and (ii) an aggregate interest of less than 25% but greater than or equal to 10% in the issued ordinary share capital of the Company, they shall together be entitled to appoint one Non-Executive Director to the Board. In addition, for so long as CMI and Catalyst Continuity together retain an interest of 10% or more in the issued ordinary share capital of the Company, they shall be entitled to appoint one Non-Executive Director to each of the Company's Nomination Committee and Remuneration Committee (and, for these purposes, Md. Shafiqual Haque Choudhury has been appointed as a member of the Company's Nomination Committee).

CMI and Catalyst Continuity have undertaken that, for as long as Dirk Brouwer remains as CEO, and Md. Shafiqual Haque Choudhury remains on the Board as the appointee of the Controlling Shareholder Group and as Chairman of the Company, they will not exercise any right to appoint an additional Non-Executive Director to the Board or to appoint a Non-Executive Director to the Remuneration Committee.

The Relationship Agreement will terminate if the ordinary shares cease to be listed on the premium listing segment of the Official List and traded on the London Stock Exchange or the Controlling Shareholder Group together ceases to retain an interest of 10% or more of the issued ordinary share capital of the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time).

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

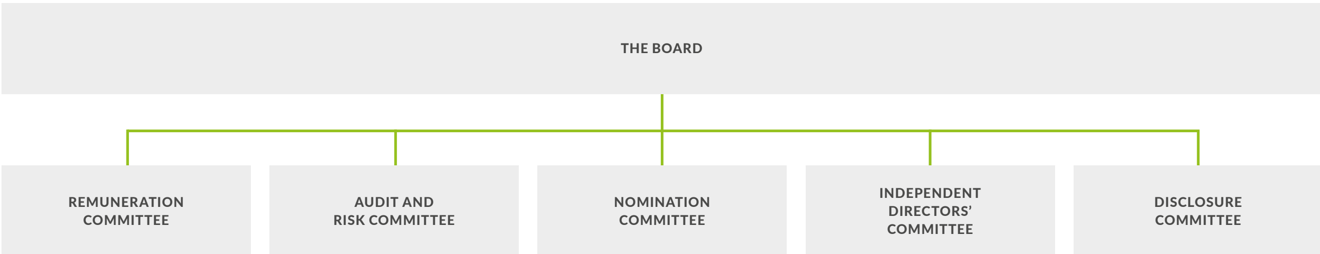
The attendance of Directors at scheduled meetings of the Board and of Committees of which they were members during the financial year is shown in the table below. Some Directors also attended Committee meetings as invitees during the year; this is not reflected in the table.

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee		Independent Directors' Committee	
	Attended	**Total**	Attended	**Total**	Attended	**Total**	Attended	**Total**	Attended	**Total**
Executive Director										
Dirk Brouwer	6*	**6**								
Aminur Rashid	6	**6**								
Non-Executive Director										
Md. Shafiqual Haque Choudhury	3	**6**					0	**1**		
Guy Dawson	6*	**6**	3	**3**			1	**1**	1	**1**
Gavin Laws	6	**6**	3	**3**	2	**2**			1	**1**
Praful Patel	6	**6**			2	**2**	1	**1**	1	**1**
Hanny Kemna	6	**6**	3	**3**	2	**2**			1	**1**

* Dirk Brouwer and Guy Dawson were appointed as first directors of the Company. The service contracts of the Executive Directors and the appointment letters of the Non-Executive Director were executed on 28 June 2018, the terms of which took effect as of Admission (i.e. 13 July 2018).

Governance Framework

BOARD GOVERNANCE STRUCTURE



The Board has established a number of Committees, to which responsibility for certain matters has been delegated. The Board Committee structure is shown in the diagram above. Each Committee has written terms of reference setting out its roles and responsibilities, and the extent of the authority delegated by the Board. The terms of reference are available on the Company's website. The Chairman of each Committee reports regularly to the Board on matters discussed at Committee meetings.

THE BOARD COMMITTEES

As envisaged by the Code, the Board has established three Committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee. The Board has also established the Disclosure Committee and Independent Directors' Committee. If the need should arise, the Board may set up additional Committees as appropriate.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration. This includes making recommendations to the Board on the Company's policy on executive remuneration, including setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors and its Company Secretary. The Remuneration Committee will also ensure compliance with the Code in relation to remuneration.

The Remuneration Committee is chaired by Praful Patel, and its other members are Gavin Laws and Hanny Kemna. The Remuneration Committee will meet in principle three times a year, and met in October and December 2018.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has responsibility for, amongst other things, monitoring the integrity of the financial statements of the Company, reviewing the Company's internal financial controls and monitoring and reviewing the effectiveness of the Company's internal audit function and external audit process.

The Audit and Risk Committee is chaired by Gavin Laws, and its other members are Hanny Kemna and Guy Dawson. The Audit and Risk Committee will meet not less than four times a year, and met three times between May and December 2018 since the listing of the Company.

NOMINATION COMMITTEE

The Nomination Committee assists the Board in determining the composition and make-up of the Board. It is responsible for periodically evaluating the balance of skills, experience, independence and knowledge on the Board. It leads the process for Board appointments and makes recommendations to the Board, taking into account the challenges and opportunities facing the Group in the future.

The Nomination Committee is chaired by Guy Dawson, and its other members are Md. Shafiqual Haque Choudhury and Praful Patel. The Nomination Committee will meet not less than twice a year, and met once in December 2018.

INDEPENDENT DIRECTORS' COMMITTEE

The Independent Directors' Committee identifies and manages matters involving conflicts of interest (including potential conflicts of interest) between any Group company, on the one hand, and any controlling shareholder or related party (each as defined under the Listing Rules), on the other hand. It is also responsible for overseeing and scrutinising the relationship between the Group, its related parties and its controlling shareholders (including evaluating, monitoring and approving any material transactions or arrangements between such parties).

The Independent Directors' Committee comprises all of the independent Non-Executive Directors, being Praful Patel, Gavin Laws, Guy Dawson and Hanny Kemna. It is chaired by Guy Dawson. The Independent Directors' Committee will meet not less than twice a year. It met once in December 2018.

DISCLOSURE COMMITTEE

The Disclosure Committee is chaired by the CEO and also includes the CFO and the General Counsel. It meets as required in order to assist the decisions of the Board concerning the identification of inside information and to make recommendations about how and when that information should be disclosed in accordance with the Company's disclosure procedures manual. Its primary duty is to ensure that inside information is properly disclosed in accordance with requirements of the Market Abuse Regulation. No meetings were held in 2018.

Reports for each of the Board's Committees are set out later in this report, and provide further detail on their role and responsibilities, as well as the activities they have undertaken during the year.

MEETINGS OF THE BOARD

At each scheduled meeting, the Board receives reports from the CEO and CFO on the performance and results of the Group. In addition, Aminur Rashid (Executive Director, Operations), Enamul Haque (COO), Tanwir Rahman (CFO), Mischa Assink (Chief Accountant and Head of Investor Relations) attend each meeting to update the Board on performance, strategic developments and initiatives in their respective areas, and the General Counsel – Martijn Bollen – provides updates on legal and regulatory matters. In addition, the Board receives regular updates from the Director Investments, Treasury and Risk Management, Azim Hossain, and the Head of Internal Audit, Kamal Sarker, on risk, compliance and internal audit, respectively. Operational updates are provided by the Executive Director Operations and the COO, Aminur Rashid and Enamul Haque, respectively.

An annual schedule of rolling agenda items ensures that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycles. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise.

The Directors receive detailed papers in advance of each Board meeting. The Board agenda is carefully structured by the CEO, General Counsel and the Company Secretary for the Chairman's approval. Each Director may review the agenda and propose items for discussion with the Chairman's agreement. Additional information is also circulated to Directors between meetings, including relevant updates on business and regulatory announcements. The annual schedule of Board meetings is decided a substantial amount of time in advance in order to ensure, so far as possible, the availability of each of the Directors. In the event that Directors are unable to attend meetings, they receive papers in the normal manner and have the opportunity to relay their comments and questions in advance of the meeting, as well as follow up with the Chairman if necessary. The same process applies in respect of the various Board Committees.

KEY BOARD ACTIVITIES DURING THE YEAR

The Board meets six times throughout the year; and it met three times between 18 July 2018 (the date of listing) and 31 December 2018.

Attendance by Directors at Board meetings and Board Committee meetings is shown in the table on page 61.

In the three Board meetings in 2018 since the Company's listing on 18 July 2018, the Board has reviewed operating reports from the CEO, finance reports from the CFO, the interim financial statements, reports by the Chairmen of the Audit and Risk Committee, the Remuneration Committee, and the Nomination Committee. The briefing for each of its meetings covers financial and operating performance, treasury, risk, human resources, legal and compliance, internal audit, and CSR matters. Management accounts are produced for each Board meeting together with an updated dashboard of key performance indicators, broken down by geographical region. On a monthly basis the Board receives a management report covering operations, the financial and budgetary situation, internal audit, taxation, treasury, risk, human resources, legal and compliance matters, and CSR matters.

Governance Framework (continued)

A further aspect of reporting to the Board is Social Performance Management ('SPM'), which covers the handling of complaints, charitable work, satisfaction surveys, and the achievement of social goals. (This is referred to in more detail in the ESG Report on pages 54 to 57.)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of responsibilities between the Chairman and the CEO has been agreed by the Board. The Chairman has responsibility for the leadership of the overall effectiveness of the Board, setting the Board's agenda, ensuring the maintenance of a proper balance of skills and experience on the Board, succession planning, and the provision to the Board of accurate, clear and timely information to support sound decision-making and to enable individual Directors to fulfil their duties as such.

The Chairman is Md. Shafiqual Haque Choudhury. His other significant commitments are set out in his biography on page 68. The Board is satisfied that his other commitments do not restrict him from carrying out his duties effectively. There have been no changes to these commitments since the Company's IPO.

The CEO, Dirk Brouwer, reports directly to the Chairman of the Board and is responsible for all executive management within the Group on a day-to-day basis, within the authority granted by the Board. He is assisted in this by a senior management group which reports to him and meets him on a regular basis.

The Company's independent Non-Executive Directors are Praful Patel, Gavin Laws, Guy Dawson and Hanny Kemna. Md. Shafiqual Choudhury is a Non-Executive Director. Within the Board's overall risk and governance structure, the independent Non-Executive Directors are responsible for contributing sound judgement and objectivity to the Board's deliberations and the decision-making process. They also provide constructive challenge and oversight, and monitor the Executive Directors' delivery of the Company's strategy.

POWERS OF DIRECTORS

The Directors are responsible for the management of the Company. They may exercise all powers of the Company, subject to the articles of association and to any directions given by the shareholders by special resolution.

APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment of Directors is governed by the Company's articles of association, the Companies Act 2006 and other applicable regulations and policies. Directors may be elected by shareholders in general meeting or appointed by the Board of Directors in accordance with the provisions of the articles of association. Immediately prior to appointment in April 2018, all the Directors of the Company underwent training sessions on the roles and responsibilities of Directors in a listed company.

In accordance with the Code, all Directors retire and submit themselves for reappointment at each AGM. The Board will only recommend to shareholders that Executive and Non-Executive Directors be proposed for reappointment at an AGM after evaluating the performance of the individual Directors.

Letters of appointment for individual Directors are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office.
The articles of association provide that in addition to any power to remove Directors conferred by the Companies Act 2006, the Company may remove any Director from office by ordinary resolution of which special notice has been given.

REAPPOINTMENT OF DIRECTORS AT THE 2019 AGM

As the Company did not become subject to the Code until listing in the middle of 2018, it was deemed not required and/or practical to organise a performance evaluation during the year. However, the Board has confirmed its view that each Director continues to be effective and to demonstrate commitment to his or her role. On the recommendation of the Nomination Committee, the Board will therefore be recommending that all serving Directors be reappointed by shareholders at the 2019 AGM.

INDUCTION AND PROFESSIONAL DEVELOPMENT

On appointment, all new Directors received a comprehensive and personalised induction programme to familiarise them with the Group, tailored to their specific requirements. The Company also provided bespoke inductions for Directors when they were appointed as a Committee Chairman.
Induction programmes are tailored to a Director's particular requirements, but would typically include site visits, one-to-one meetings with Executive Directors, the Company Secretary and senior management for the business areas and support functions and meetings with the external auditor. Directors also receive guidance on Directors' liabilities and responsibilities.

In addition, the Chairman and CEO may agree any specific requirements as part of each Non-Executive Director's regular reviews.

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are observed and for advising the Board, through the Chairman, on all governance matters. All Directors have direct access to the services and advice of the Company Secretary, who also acts as secretary to each of the Board Committees.

CONFLICTS OF INTEREST

The articles of association include provisions giving the Directors authority to approve conflicts of interest and potential conflicts of interest as permitted under the Companies Act.

A procedure has been established whereby actual and potential conflicts of interest are regularly reviewed and appropriate authorisation sought prior to the appointment of any new Director or if a new conflict or potential conflict arises. Directors are regularly reminded that they must declare, before or at the beginning of the meeting concerned, any matter on the agenda for the meeting in respect of which they may have a conflict of interest; they will, if necessary, withdraw from the meeting during the discussion of that item and not participate in any decision relating to it. The decision to authorise a conflict of interest can only be made by non-conflicted Directors (effectively, the Independent Directors' Committee less any of its members who may be connected with the relevant conflict), and in making such a decision the Directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company. The Board is satisfied that this procedure operated effectively throughout the year.

BOARD AND COMMITTEE EFFECTIVENESS

ANNUAL BOARD AND COMMITTEE EVALUATION

As required by the Code, the Board will undertake an annual evaluation of its own performance and that of the Committees, the Chairman and individual Directors; this evaluation will be externally facilitated at least once every three years. The evaluation will involve assessing the performance and effectiveness of the Board and each of its Committees in a broad range of areas. As the Board was only appointed in full on 28 June 2019, and the terms of appointment took effect as of Admission, the Board agreed to perform its first self-assessment in 2019.

DIRECTORS' FITNESS AND PROPRIETY

In line with its regulatory obligations, the Group will undertake annual reviews of the fitness and propriety of all those in senior manager functions, including all of the Company's Non-Executive Directors and a number of other senior executives. This process comprises assessments of individuals' honesty, integrity and reputation; financial soundness; competence and capability; and continuing professional development. This review will commence as of 2019.

MANAGEMENT AND OPERATIONAL STRUCTURE

The Group's operations are standardised, which allows management authority to be decentralised and delegated (within specified limits) from the Group's integrated corporate headquarters in Dhaka (Bangladesh) and Amsterdam (the Netherlands) to each of its microfinance institutions. The Dhaka office is managed by a team of seasoned microfinance experts who have previously held senior positions in ASA NGO Bangladesh or in the industry and have many years of expertise in managing and/or 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, treasury, compliance, risk management, audit, tax, IT, human resource management and corporate secretarial functions for the Group. The Amsterdam office is the base of the rest of executive management (including the CEO), and provides specialised accounting, finance, legal, corporate and compliance functions along with investment, treasury, (international) tax and funding, and the management of business development projects. The office of Dhaka and Amsterdam are functionally integrated.

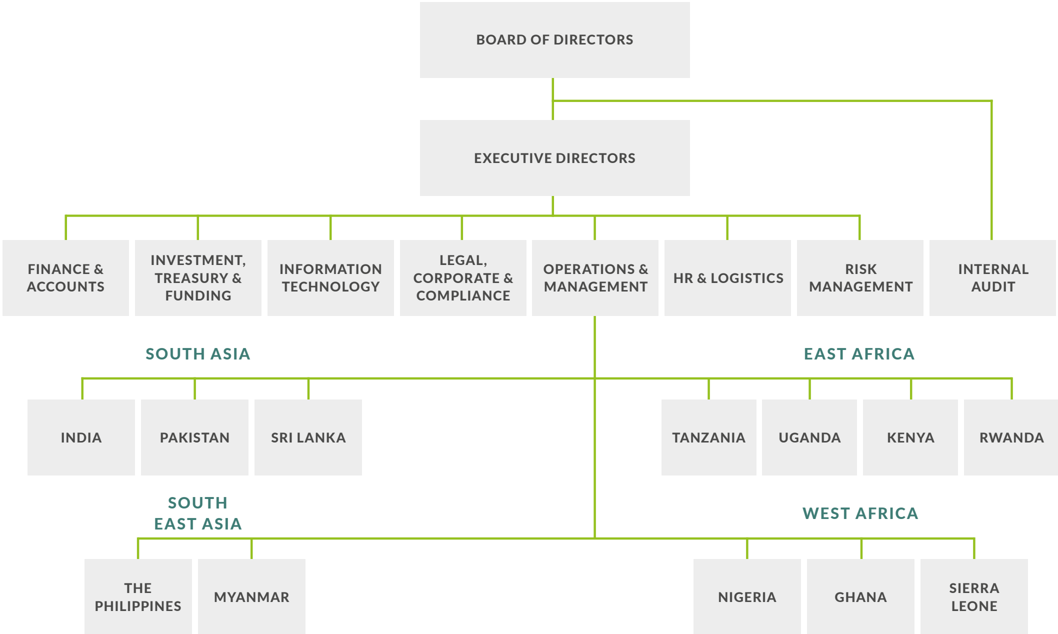
The following chart sets out a simplified overview of the Group's management structure as well as the Group's operating structure, which is based on geographical proximity and associated cultural similarities and is, therefore, segmented into four regions: South Asia, South East Asia, East Africa and West Africa.

The Group's microfinance institutions operate a total of 1,665 branches across 13 countries in South Asia, South East Asia, East Africa and West Africa. Limited administrative layers exist throughout each in-country branch network, which promotes the active participation of all staff, quick and autonomous decision-making capacity, and the efficient deployment and monitoring of loans.

Governance Framework (continued)

The Board

Each of the Group's microfinance institutions has its own Board of Directors (each an 'MFI Board') which, in most countries, includes a number of independent Directors, as well as members of the Company's senior management, including the Chief Executive Officer, Executive Director – Operations, Chief Operating Officer and Director of Investments, Treasury and Risk Management. Remaining independent Directors often have extensive experience in the microfinance industry or at central banks.



LOCAL MANAGEMENT AND OPERATIONAL STRUCTURE

Each of the Group's microfinance institutions also has a country-level head office from which the managing director works and manages the microfinance institution, reporting to the MFI Board and the Group's corporate headquarters in Dhaka and Amsterdam. Reporting to the managing director, the head of operations is also located in the country head office and oversees the microfinance institution's mid-level management. The country head office also includes various other management functions, including finance and accounts, internal audit, legal and compliance, business (for microfinance institutions with deposit-taking licences), information technology, human resources and risk management. Internal audit reports directly to the MFI Board.

Each country head office also includes a Fraud and Misappropriation Prevention Unit, which investigates unusual branch activity and/or client complaints through unannounced branch inspections, and reports to the managing director of the microfinance institution as well as to senior management in Dhaka.

The field staff of each microfinance institution is comprised of mid-level management and branch staff. The mid-level management of each microfinance institution travels across their respective branch networks and performs its supervisory functions in the branch offices, as they generally do not have separate offices. Mid-level management is generally comprised of district managers, regional managers and area managers, with some larger microfinance institutions having an assistant district manager or a deputy head of operations. Each level of mid-level management is responsible for reporting to their manager and ultimately to the managing director at the country head office, as well as for inspecting branches, including attending a specified number of client group meetings to ensure that operations are effectively carried out in accordance with the Group's operations manual. At client group meetings, mid-level management also receives client feedback and follows up any prior client complaints.

Branch staff is comprised of a branch manager, an assistant branch manager, loan officers and supporting staff members and they are based in the branches.

The table above sets out details of the interests in voting rights of 3% or more notified to the Company as at 17 April 2019 under the provisions of the FCA's Disclosure Guidance and Transparency Rules. Information provided by the Company pursuant to the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information services and on the Company's website.

Substantial Shareholdings

Name of Director	Number of shares	% holding
Md. Shafiqual Haque Choudhury*	1,401,810	1.4
Dirk Brouwer**	20,422,884	20.4
Aminur Rashid*	373,178	0.4

* Reflects the Company's share capital held in the form of indirect beneficial holdings of shares through an indirect holding in Catalyst Continuity. The votes attaching to the shares held by Catalyst Continuity are ultimately controlled by CMIMC (a company ultimately controlled by Dirk Brouwer). Decisions taken by CMIMC, including decisions as to the voting of the relevant shares, are made by the Board of directors of CMIMC, which includes the founders. CMIMC is ultimately owned by entities ultimately controlled by Dirk Brouwer.
** Dirk Brouwer holds its interest in the Company via CMIMC which in turn holds its interest in the Company via Catalyst Microfinance Investors and Catalyst Continuity.

Substantial shareholders do not have different voting rights from those of other shareholders.

ENGAGEMENT WITH SHAREHOLDERS

INVESTOR RELATIONS

The Group has an investor relations ('IR') programme to ensure that current and potential shareholders, as well as financial analysts, are kept informed of the Group's performance and have appropriate access to management to understand the Company's business and strategy.

The Board believes it is important to maintain open and constructive relationships with all shareholders. The Group's IR team, including the Head of IR and the Investor Relations Manager, reports directly to the CEO and is responsible for managing a structured programme of meetings, calls and presentations around the main events in the financial reporting calendar, as well as throughout the year. The team regularly seeks investor feedback, directly and via the Group's corporate brokers, which is communicated to the Board and management. The CEO and Head of IR meet with the Group's major institutional shareholders on a regular basis. In addition, the Chairman arranges to meet with major institutional shareholders to discuss matters such as strategy, corporate governance and succession planning. The Senior Independent Director is available for shareholders to consult in the event that they have concerns that contact with the Chairman or the CEO have failed to resolve, or where such contact would be inappropriate. Separately, the independent directors are available should shareholders wish to discuss any concerns they may have.

Through the Head of Investor Relations, the Board is regularly updated on the status of the IR programme. An IR report, summarising share price performance, share register composition and feedback from any investor meetings, is produced for Board meetings.

Relevant presentations, together with all results announcements, Annual Reports, regulatory news announcements and other relevant documents, are available on the Investors section of the Company's website at asa-international.com/investors.

ANNUAL GENERAL MEETING

The Board regards the Company's AGM as an important opportunity for shareholders to discuss the Group and its performance directly with the Board. All shareholders will have the opportunity to raise questions with the Board at the AGM, either in person or by submitting written questions in advance. The Chairmen of all of the Board Committees and the other Directors will be attending the meeting.

Board of Directors

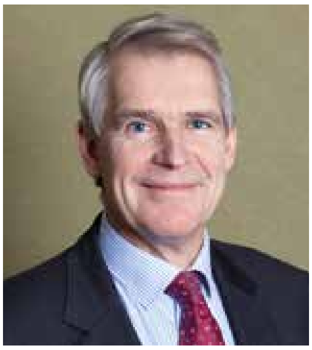
The Board of ASA International combines leadership in microfinance with strong finance and banking experience. The Directors posses both solid industry experience as well as multiple years of experience in international finance and banking, including senior executives roles.

MD. SHAFIQUAL HAQUE CHOUDHURY
NON-EXECUTIVE CHAIRMAN

NOM

Md. Shafiqual Haque Choudhury is the co-founder of the Group and has been its Chairman since 2007 and Founder and President of ASA NGO Bangladesh since 1978. Shafiqual has over 38 years of experience in the microfinance industry and has held several senior advisory positions including Advisor Ministerial position to the caretaker government of Bangladesh in 2007, and at several international microfinance organisations including CGAP-World Bank and UNDP Microstart. He is also Director of Catalyst Microfinance Investors, a Managing Director of Catalyst Microfinance Investment Company and CMIMC, all of which he co-founded in 2006.

Md. Shafiqual Haque Choudhury was appointed as Chairman and Non-Executive Director of the Company on 28 June 2018.



DIRK BROUWER
CHIEF EXECUTIVE OFFICER

Dirk Brouwer co-founded ASA International in 2007 and has since then served as its Executive Director and Chief Executive Officer. He is also Director of Catalyst Microfinance Investors, Catalyst Microfinance Investment Company, and CMIMC, all of which entities he co-founded in 2006. Prior to 2007, Dirk held several senior positions at PaineWebber, Merrill Lynch, and Sequoia, which he founded in 2002. Dirk also is non-executive Chairman of CarbonX.

Dirk Brouwer was appointed as a Director of the Company at incorporation on 15 May 2018.

AMINUR RASHID
EXECUTIVE DIRECTOR, OPERATIONS

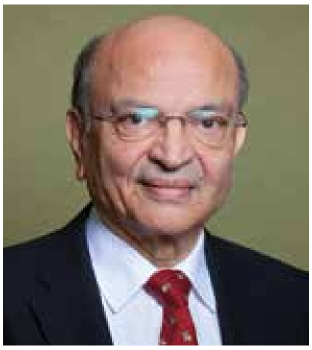
Aminur Rashid is Executive Director of the Company. Since joining ASA International in 2011, he has held the positions of Chief Coordinating Officer and Head of Operations. Prior to this, Aminur was a Director (Operations) of ASA NGO Bangladesh from 1992, and held senior roles within ASA NGO Bangladesh. Before joining ASA NGO Bangladesh, Aminur worked at Grameen Bank, a fully regulated specialised bank for microfinance. With over 28 years of experience in microfinance, he has held several senior industry positions and worked as a senior microfinance practitioner in a large number of countries in extremely varied developmental contexts including, among others, Tajikistan, India, Mexico and Nigeria.

Aminur Rashid was appointed as a Director of the Company on 28 June 2018.

COMMITTEES

- AUD/RIS — AUDIT AND RISK
- NOM — NOMINATION
- REM — REMUNERATION
- IND — INDEPENDENT DIRECTORS'
- CHAIR OF COMMITTEE

Appointment dates: The directors executed their respective appointment letters (or service agreements in respect of the Executive Directors) on 28 June 2018 the terms of which took effect as of Admission (i.e. 13 July 2018).



PRAFUL PATEL
INDEPENDENT NON-EXECUTIVE DIRECTOR

IND NOM REM

Praful Patel has been a Non-Executive Director of ASA International since 2013. He is also a non-executive board member of IMAGO Global Grassroots and an independent non-executive director of CMI. Prior to this, he served as a board member of both the Africa Capacity Building Program and the African Center for Economic Transformation, as well as Chairman of the Appeals Board of the Global Fund and President of the Centennial Group's Africa and Middle East Wing. From 2010–2012, Praful was the Leading Expert Panellist for the Program of Infrastructure Development for Africa. From 1974–2008, Praful held several senior leadership roles within the World Bank, including as Vice President responsible for South Asia.

Praful Patel was appointed as a Non-Executive Director of the Company on 28 June 2018.

GAVIN LAWS
INDEPENDENT NON-EXECUTIVE DIRECTOR

AUD/RIS IND REM

Gavin Laws has been a Non-Executive Director of ASA International since 2013, a position he also holds at Travelex Holdings Limited. He also serves as the non-executive Chair at Union Bank UK plc, Berkhamsted Schools Group and Liverpool FC Foundation. Prior to this, he was a Director of Nidebsa Limited and a Trustee of Trans-Antarctic Winter Traverse. Prior to 2012, Gavin worked at Standard Chartered Bank for over 30 years. During that time, he served in several executive roles, both in London and overseas, including Group Head of Corporate Affairs and Regional Head of Governance.

Gavin Laws was appointed as a Non-Executive Director of the Company on 28 June 2018.

GUY DAWSON
SENIOR INDEPENDENT DIRECTOR

AUD/RIS IND NOM

Guy Dawson has been a Non-Executive Director of ASA International since 2013. His extensive experience as a Non-Executive Director includes, among others, the BOC Group and Alliance Boots Holdings Limited. Currently, he is non-executive director at Egerton Capital Limited, Citywire Holdings Limited and Ridgeway Partners Holdings Limited. In addition to his extensive experience as a Non-Executive Director, Guy was a Vice Chairman of Investment Banking EMEA and Chairman of the Financial Institution Group EMEA at Nomura International plc. He was also the co-founder of Tricorn Partners LLP, the Co-Head of EMEA Investment Banking and the Chairman of EMEA Investment Banking at Merrill Lynch International and he was the Head of Corporate Finance and Co-Head of Investment Banking at Morgan Grenfell and Deutsche Morgan Grenfell.

Guy Dawson was appointed as a Non-Executive Director of the Company at incorporation on 15 May 2018.

HANNY KEMNA
INDEPENDENT NON-EXECUTIVE DIRECTOR

AUD/RIS IND REM

Hanny Kemna has been a Non-Executive Director of the Group since 2018. She is a Non-Executive Director of BinckBank, an online bank for investors and savers, where she is also the Chair of the Remuneration Committee and a member of the Risk and the Product Committee. Hanny is also the Chair of the Audit Committee at Menzies, the Chair of the Audit Committee at the National ICT Institute for Healthcare in the Netherlands, and a member of the Audit Committee at the Dutch Finance Department and of the Audit Committee at the Dutch Department of Justice and Security. Prior to this, Hanny worked at Ernst & Young for 22 years and was one of Ernst & Young's Global Lead Partners of Operations and IT audit. At EY, Hanny was responsible for EY's IT audit of several leading financial institutions, including Aegon N.V., the European Central Bank, the Bank for International Settlements, UBS AG and various smaller Dutch banks.

Hanny Kemna was appointed as a Non-Executive Director of the Company on 28 June 2018.

Appointment dates: The directors executed their respective appointment letters (or service agreements in respect of the Executive Directors) on 28 June 2018 the terms of which took effect as of Admission (i.e. 13 July 2018).

Management team

The Group's senior management have significant experience in the microfinance industry as well as traditional financial services.

Joint corporate headquarters in Dhaka and Amsterdam

DIRK BROUWER
CHIEF EXECUTIVE OFFICER

JOINED: 2007

YEARS OF MFI EXPERIENCE: 12

MD. ENAMUL HAQUE
CHIEF OPERATING OFFICER

JOINED: 2008

YEARS OF MFI EXPERIENCE: 36

AMINUR RASHID
EXECUTIVE DIRECTOR, OPERATIONS

JOINED: 2011

YEARS OF MFI EXPERIENCE: 29

AZIM HOSSAIN
DIRECTOR INVESTMENTS, TREASURY AND RISK MANAGEMENT

JOINED: 2007

YEARS OF MFI EXPERIENCE: 35

TANWIR RAHMAN
CHIEF FINANCIAL OFFICER

JOINED: 2017

YEARS OF MFI EXPERIENCE: 9

MISCHA ASSINK
CHIEF ACCOUNTANT

JOINED: 2011

YEARS OF MFI EXPERIENCE: 8

MARTIJN BOLLEN
GENERAL COUNSEL

JOINED: 2007

YEARS OF MFI EXPERIENCE: 12

MD. ASIFUR RAHMAN
CHIEF TECHNOLOGY OFFICER

JOINED: 2018

YEARS OF MFI EXPERIENCE: 20

KAMAL KUMAR SARKER
CHIEF GROUP INTERNAL AUDITOR

JOINED: 2018

YEARS OF MFI EXPERIENCE: 6

Country Heads

PAKISTAN
MD. FARID AHMED
YEARS OF MFI EXPERIENCE: 26

GHANA
MD. AOURONGJEB
YEARS OF MFI EXPERIENCE: 12

INDIA
ANJAN DASGUPTA
YEARS OF MFI EXPERIENCE: 13

NIGERIA
MD. AMINUL HAQUE BHUIYA
YEARS OF MFI EXPERIENCE: 26

PHILIPPINES
T. I. M. FAKRUZZAMAN
YEARS OF MFI EXPERIENCE: 27

MYANMAR
MD. ANISUR RAHMAN
YEARS OF MFI EXPERIENCE: 23

SRI LANKA
MANATUNGA ATTANAYAKE
YEARS OF MFI EXPERIENCE: 39

UGANDA
NURUL ISLAM CHOWDHURY
YEARS OF MFI EXPERIENCE: 24

TANZANIA
MUHAMMAD SHAH NEWAJ
YEARS OF MFI EXPERIENCE: 7

SIERRA LEONE
SHARIFUL ISLAM KHAN
YEARS OF MFI EXPERIENCE: 27

KENYA
MOHAMMAD MISHU MAHMUD
YEARS OF MFI EXPERIENCE: 18

RWANDA
JAMILUR RAHMAN CHOWDHURY
YEARS OF MFI EXPERIENCE: 27

ZAMBIA
A B M ASADUZZAMAN
YEARS OF MFI EXPERIENCE: 28

SEPARATE BOARD OF DIRECTORS AT THE COUNTRY LEVEL, INCLUDING MEMBERS OF GROUP SENIOR MANAGEMENT AND INDEPENDENT DIRECTORS

Directors' report

The Directors of the Company present their report for the year ended 31 December 2018. The Company is a public limited company, incorporated in England and Wales with the registered number 11361159 and with its registered office situated at Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge KT13 0TS, United Kingdom.

The Strategic Report, set out on pages 1 to 57 of this Annual Report, and Corporate Governance Report, Committee reports and the Directors' Remuneration Report, set out on pages 58 to 92 of this Annual Report, include information that would otherwise need to be included in this Directors' Report. Relevant items are referred to below and incorporated by reference into this report. Readers are also referred to the Cautionary Statement on the back cover page of this Annual Report.

RESULTS AND DIVIDENDS

The consolidated results for the year are shown on page 104 of the financial statements. The Directors recommend a final dividend for the year of 7.3 US¢ on each ordinary share. The final dividend, if approved by shareholders at the 2019 Annual General Meeting ('AGM'), will be paid on 29 June 2019 to shareholders on the register at 7 June 2019.

The Directors intend that the Company should pay a regular dividend. This dividend policy will reflect the long-term earnings and cash flow potential of the Group, consistent with maintaining sufficient financial flexibility. It is therefore the Directors' current intention to target an initial pay-out ratio of 30% of prior year's net income. This dividend policy may be revised from time to time.

DIRECTORS

The names of the Directors of the Company at the date of this report, together with biographical details, are given on pages 68 to 69 of this Annual Report. In accordance with the UK Corporate Governance Code, all Directors will retire at the 2019 AGM and offer themselves for reappointment at that meeting. Dirk Brouwer and Guy Dawson were appointed as Directors on 15 May 2018. Details of the appointment of the Directors can be found on pages 68 and 69.

Further details on the Directors' remuneration and service contracts or appointment letters (as applicable) can be found in the Directors' Remuneration Report on pages 83 to 91 of this Annual Report.

DIRECTORS' INTERESTS

The Directors' interests in the share capital of the Company as at 31 December 2018 are set out on page 87 of the Directors' Remuneration Report.

POWERS AND APPOINTMENT OF DIRECTORS

The Company's articles of association set out the powers of the Directors, and rules governing their appointment and removal. The articles of association can be viewed at the registered office of the Company. Further details on the powers, appointment and removal of Directors are set out in the Corporate Governance Report on page 64 of this Annual Report.

DIRECTORS' INDEMNITIES AND INSURANCE

In accordance with its articles of association, the Company has granted indemnity to each of its Directors on terms consistent with the applicable statutory provisions. The deeds indemnify the Director in respect of (a) any liability incurred by or attaching to Directors in connection with any negligence, default, breach of duty or breach of trust by the Director in relation to the Company or any associated company, or (b) in the actual or purported execution and/or discharge of the Director's duties and/or the actual or purported exercise of the Director's powers and/or otherwise in relation to, or in connection with, the Director's duties, powers or office as an employee, officer, trustee or agent of the Company and/or any associated company other than any liability (i) to the Company or any associated company, (ii) to pay a fine imposed in criminal proceedings, (iii) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising), (iv) in defending any criminal proceedings in which he/she is convicted, where such conviction is final, (v) in defending any civil proceedings brought by the Company or an associated company in which judgment is given against him or her, where such judgment is final, or (vi) in connection with any application for relief under the provisions referred to in section 234(6) of the Companies Act, where the court refuses to grant the Director relief, and such refusal is final.

Furthermore, the third-party indemnity shall not apply:
(i) to the extent that it is not permitted by, or consistent with, law or statute from time to time in force, the articles of association of the Company or the rules and regulations of any regulatory body;
(ii) to the extent that the Director has been, or is entitled to be, indemnified or reimbursed by any Directors' or Officers' liability insurance or any other insurance;
(iii) where there has been gross negligence, fraud or wilful default by the Director; nor
(iv) where the Director has improperly derived a personal benefit or profit.

Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year, and remain in force at the date of this report. The Company also maintains liability insurance for its Directors and Officers.

SHARE CAPITAL

At Admission, the issued share capital of the Company was £100,050,000, comprising 100,000,000 ordinary shares of £1 each and 50,000 redeemable preference shares of £1 each, all of which are credited as fully paid.

Under section 551 of the Companies Act 2006, the Directors may allot equity securities only with the express authorisation of shareholders which may be given in general meeting, but which cannot last more than five years. Under section 561 of the Companies Act, the Board may not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

SHARE CAPITAL REDUCTION

Pursuant to an order issued by the High Court of Justice Business and Property Courts of England and Wales Companies Courts on 18 December 2018 the share capital of the Company was reduced from £100,050,000 to £1,050,000 as approved by the members of the Company by a special resolution passed on 12 July 2018 by reducing the nominal value of each issued ordinary share of the Company from £1.00 to £0.01.

The share capital of the Company as of December 31, 2018 consists of 100,000,000 ordinary shares and 50,000 preference shares.

The purpose of the reduction of share capital was to create a reserve in the books of the Company (the 'Reserve') which will be available for distribution to the shareholders of the Company from time to time, or for any other lawful purpose to which such reserve may be applied.

REORGANISATION PRIOR TO LISTING

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

The Company had no activities until it acquired the shares in ASAIH and its subsidiaries. Subsequently, it became an international microfinance holding company that owns and operates microfinance institutions in various countries throughout Asia and Africa.

The shares in ASAI NV, a 100% subsidiary of ASAIH and shareholder of a number of the MFIs within the Group, has been transferred from ASAIH to the Company as part of an internal reorganisation on 28 December 2018. ASAIH and ASAI NV are since then sister companies, both owned 100% by the Company.

RIGHTS ATTACHING TO SHARES

The Company's articles of association set out the rights and obligations attaching to the Company's ordinary shares. All of the ordinary shares rank equally in all respects.

At general meetings of the Company, on a show of hands, each member has the right to one vote. In a poll, each member is entitled to one vote for every share held.

The shares carry no rights to fixed income. No person has any special rights of control over the Company's share capital and all shares are fully paid.

The articles of association and applicable legislation provide that the Company can decide to restrict the rights attaching to ordinary shares in certain circumstances (such as the right to attend or vote at a shareholders' meeting), including where a person has failed to comply with a notice issued by the Company under section 793 of the Companies Act 2006.

REDEEMABLE PREFERENCE SHARES

The redeemable non-voting preference shares ('Preference Shares') of £1 each in the capital of the Company were issued on 15 May 2018. The Preference Shares carry no rights to receive any of the profits in the Company available for distribution by way of dividend or otherwise. If there is a return of capital on winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full the holder of the redeemable non-voting Preference Shares the full amount paid up on such shares. Other than the above, the Preference Shares do not carry any rights to participate in profits or assets of the Company. The Company intends to redeem the Preference Shares after the 2019 AGM.

DEADLINE FOR EXERCISING VOTING RIGHTS AT AGM

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM, to be held on 29 May 2019, will be set out in the Notice of AGM.

RESTRICTIONS ON THE TRANSFER OF SHARES

There are no specific restrictions on the transfer of the Company's shares, which are governed by the general provisions of the articles of association and prevailing legislation. The articles of association set out certain circumstances in which the Directors of the Company can refuse to register a transfer of ordinary shares.

Directors and employees of the Group are required to comply with applicable legislation relating to dealing in the Company's shares as well as the Company's share dealing rules. These rules restrict employees' and Directors' ability to deal in ordinary shares at certain times, and require the employee or Director to obtain permission prior to dealing. The Directors holding shares are in compliance with the provision of the Share dealing rules. The Company is not aware of any arrangements between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

EMPLOYEE LONG-TERM INCENTIVE PLAN

The Company has adopted a long-term incentive plan (the 'Plan'). It is intended that the Plan will be used to grant share options to senior executives selected by the Remuneration Committee of the Board, but the Plan gives flexibility for the Company to grant a range of awards to take account of local legal and tax requirements and changing policy.

The options will be subject to performance and/or service conditions and, in the case of Directors, will be subject to the current Directors' Remuneration Policy. Employees and Executive Directors of the Company and its subsidiaries will be eligible. The Company is planning to design the allocation mechanism in 2019. In any ten-year period, not more than 10% of the issued ordinary share capital of the Company may be issued or be issuable under the Plan and all other employee share plans operated by the Company.

SUBSTANTIAL SHAREHOLDINGS

Details of substantial shareholdings in the Company are set out in the Corporate Governance Report on page 67 of this Annual Report.

Directors' report (continued)

ARTICLES OF ASSOCIATION

The Company's articles of association were last amended in July 2018. They may only be amended by a special resolution of the Company's shareholders. The articles of association can be viewed at the registered office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, who are named on pages 68 and 69, are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
Each of the Directors confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, together with the Directors' Report and the Corporate Governance Report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.
-

Md. Shafiqual Haque Choudhury
Chairman

Dirk Brouwer
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

The Company is required by the Disclosure Guidance and Transparency Rules to prepare a Corporate Governance Statement including certain specified information. Information fulfilling the requirements of the Corporate Governance Statement can be found in this Directors' Report, and the Corporate Governance Report, Committee reports and Directors' Remuneration Report on pages 58 to 92 of this Annual Report. This information is incorporated by reference into this Directors' Report.

STRATEGIC REPORT

The Company's Strategic Report can be found on pages 1 to 57 of this Annual Report.

BUSINESS ACTIVITIES

The Group's business activities, together with a description of future developments (including the factors likely to affect future development and performance) and its summarised financial position, are set out in the Strategic Report.

Information on the Company's employment practices (including with respect to employee involvement) and greenhouse gas emissions is set out in the ESG Report on pages 54 to 57 of the Strategic Report.

SIGNIFICANT AGREEMENTS AFFECTED BY A CHANGE OF CONTROL

A change of control of the Company, following a takeover bid, may cause a number of agreements to which the Company is party to take effect, alter or terminate. These include certain credit facility agreements which include change of control clauses.

FINANCIAL INSTRUMENTS

Details of the Group's financial instruments can be found in notes 2.2.2 and 30.1 to the financial statements. The notes begin on page 108.

FINANCIAL RISK MANAGEMENT

The Group has procedures in place to identify, monitor and evaluate the significant risks it faces. The Group's risk management objectives and policies are described on pages 44 to 53, and the risks associated with the Group's financial instruments are analysed in note 25.4 on pages 142 to 147 of the financial statements.

POST-BALANCE SHEET EVENTS

There were no material post-balance sheet events.

POLITICAL DONATIONS

No political donations were made during the year.

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4CR

As required by Listing Rule 9.8.4CR, the table below sets out the location of information required to be disclosed under Listing Rule 9.8.4 R:

Listing Rule sub-section	Item	Location
9.8.4 (4)	Details of any long-term incentive schemes as required by LR 9.4.3 R	Remuneration Report on pages 83-91
9.8.4 (5) – (6)	Details of any waiver of emoluments by a Director	Remuneration Report on pages 83-91
9.8.4 (10)	Details of any contract of significance to which the Company or a subsidiary is a party and in which a Director or a controlling shareholder is materially interested	ASA NGO Bangladesh and AMSL (a wholly indirectly owned subsidiary of the Company) entered into a lease agreement and a services agreement (for the lease of office spaces and related services)
9.8.4 (11)	Details of any contract for the provision of services to the Company or a subsidiary by a controlling shareholder, subsisting during the period under review, unless the services are part of the shareholder's main business	None
9.8.4 (14)	Statement that the Relationship Agreement between the Company and the controlling shareholder has been complied with throughout the year	Corporate Governance Report on page 60

RESOLUTIONS AT THE 2019 AGM

The Company's AGM will be held on 29 May 2019. Resolutions to be proposed at the AGM include the election of the Directors and the reappointment of Ernst and Young ('EY') as the auditor of the Group, and the approval of the Directors' Remuneration Policy set out later in this Annual Report.

The full text of each of the resolutions to be proposed at the 2019 AGM will be set out in the Notice of AGM sent to the Company's shareholders. A letter from the Chairman and explanatory notes will accompany the Notice of AGM.

AUDITOR

The Board (following a recommendation from the Audit Committee) has recommended that EY be reappointed as the Group's auditor at the 2019 AGM, at which resolutions concerning EY's reappointment and authorising the Directors to set its remuneration will be proposed. The full text of the relevant resolutions will be set out in the Notice of AGM sent to the Company's shareholders.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who are Directors at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

Prism Cosec
Company Secretary
17 April 2019

Audit and Risk Committee report

GAVIN LAWS
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

This report sets out the principal responsibilities of the Audit and Risk Committee, its membership and meetings as well as our key activities during the year.

CHAIRMAN'S OVERVIEW

As Chairman of the Audit and Risk Committee, I am pleased to present the Committee's report for the financial year ending 31 December 2018.

This report provides an insight into the functioning of the Committee and the activities undertaken by it, including an overview of the principal topics covered at various meetings of the Committee. The Committee apportions its time between periodic review of key present and future risks to the Group and close scrutiny of the financial reporting and internal controls of the Company.

The majority of the Committee's time has been spent on our principal roles and responsibilities which are to:
- monitor the integrity of the Company's financial statements and external financial reporting;
- review the effectiveness of the Group's internal controls;
- monitor and review the activities and performance of both the internal audit function and external audit process;
- monitor the adequacy and effectiveness of the risk management framework;
- assess present and emerging risks and help to focus the Board's attention on key risks; and
- discuss specific matters tabled at the request of the Committee to allow the Committee to zoom in on topics of interest or concern.

The full terms of reference of the Committee are available on the Company's website.

I am pleased to report that we continue to build out our risk monitoring and management capabilities and are satisfied that we have both retained and recruited the skills and talent that we need to meet the challenges and opportunities that lie ahead.

Looking forward, the Committee's agenda will continue to be focused on the key responsibilities listed above and in particular oversight of the risk control framework, the significant accounting judgements, review of the external audit scope and fees, review of anti-money laundering and anti-bribery policies and whistleblowing arrangements, consideration of the requirements of the UK Corporate Governance Code in relation to long-term viability, risk and going concern. In particular, the Committee will focus on further development of the internal audit function, including IT audits as well as the development, use and security of new and future IT systems.

The following sections set out the Committee's membership, its key responsibilities and the principal areas of audit and risk upon which we have focused during the year. The Committee plays an important role in setting the tone and culture that promote effective risk management across the Group.

MEMBERSHIP AND MEETINGS

The Audit and Risk Committee is chaired by me, and the other members are Guy Dawson and Hanny Kemna, both of whom are independent Directors and have attended each meeting to date.

All of the independent Directors mentioned above were formally appointed to the Committee during the Board meeting of the Company held on 28 June 2018. I note, however, that pre-IPO the Committee had functioned in its current form since 2013, although Ms Kemna joined the Committee in May 2018. The qualifications of each of the members are outlined in the biographies on pages 68 to 69. The Board considers that the current members have sufficient skills, qualifications and experience to discharge their duties in accordance with the Committee's terms of reference.

Since the listing in July 2018, the Committee has met on three occasions. Full details of attendance by the Non-Executive Directors at these meetings during the year are set out on page 61. In addition to the members of the Committee, standing invitations are extended to the CEO, CFO, the Chief Accountant, Director Investments, Treasury and Risk Management, the General Counsel, representatives of the external auditor, the Head of Compliance and the Head of Internal Audit. All attend our Committee meetings as a matter of course and have supported and informed the Committee's discussions. Invitations to attend are extended to other members of management to brief the Committee on specific issues under review, as necessary.

The external auditor attends each meeting, and I have regular contact with the lead audit partner throughout the year. The Committee met with both internal and external auditors privately at meetings during the year.

Since the Committee has the roles and responsibilities of audit and risk monitoring, this report will address the activities of both functions during the financial year.

AUDIT OVERVIEW

As part of its audit function, the Audit and Risk Committee is responsible for monitoring the integrity of the Company's financial statements and reviewing and reporting to the Board on significant financial reporting issues and judgements. The Committee also considers whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements after taking into account the views of the auditors.

Other than the above, the Committee monitors:
- compliance with accounting standards and legal and regulatory requirements;
- the reporting of related party transactions;
- the basis on which the Group is considered to be a going concern;
- any material misstatements in the accounts that are reported by the external auditor; and
- taxation matters.

COMMITTEE EFFECTIVENESS

The Committee considers that it has access to sufficient resources to enable it to carry out its duties and has continued to perform effectively. A formal evaluation of the Committee's performance will take place as part of the wider Board evaluation during 2019.

AUDIT: ACTIVITY IN THE 2018 FINANCIAL YEAR

Since the Company's listing, the Committee has:
- reviewed the 2018 interim financial statements and the auditors' findings in relation to them, as well as the responses by management to the recommendations of the auditor;
- considered the internal audit charter, plans and reports from the internal auditor as well as the quality and resources (and budget) available to internal audit;
- reviewed the staffing and recruitment arrangements for the finance department;
- reviewed the risk framework and made recommendations;
- reviewed KPIs and the risk appetite;
- reviewed key legal and regulatory concerns;
- considered the implementation compliance framework including whistleblowing arrangements (all whistleblowing reports will be routinely referred to the Chairman of the Committee) and other key compliance policies;
- reviewed key terms of the Directors' and Officers' Liability insurance;
- reviewed the transfer pricing structure proposed for 2019 and onwards; and
- considered treasury and debt management arrangements.

INTERNATIONAL REPORTING STANDARDS

The Committee has considered at a number of its meetings the action being taken for the implementation of the new international reporting standards, in particular IFRS 9 (relating to the accounting for financial instruments), IFRS 16 (relating to the recognition, measurement, presentation and disclosure of leases), and the exercise of appropriate financial judgements that will be required, together with the implementation of systems to support the above. Further, on IFRS 9, management is of the view that the impact was relatively small for 2018. The implementation of IFRS 15 had material no impact on the financial statements. IFRS 16 will only be applicable as of 1 January 2019 and will have an impact which has been already disclosed and, which is currently being finalised by management in discussion with the auditors.

REPORTING BY THE EXTERNAL AUDITOR

The Committee received detailed reporting from the external auditor in respect of the interim review results report. The Committee and the external auditor discussed the key areas of review focus including the risk drivers, business correspondence and securitisation contracts in India, FX contracts, tax compliance, presentation of interim financial statements, IPO expenses, debt governance compliance and the new accounting standards as aforementioned.

The Committee specifically spoke to the external auditor about revenue recognition, loan loss provision and management override in IT. The external auditor reported that certain access requirements for the Head of IT need to be changed to ensure integrity of the data. On an update by the external auditor regarding offsite data backup in Dhaka, the Committee commissioned a report concerning offsite data backup containing a detailed description of the current situation and an outline of the plan going forward.

The Committee also discussed post-UKLA listing requirements to which the Company is subject, including IFRS 16, UK Corporate Governance Rules, and adherence to planning, timelines and achievable due dates as a listed company.

Taking into account the external auditor's assessment of risk, but also using our own knowledge of the Group, we reviewed and challenged where necessary the actions, estimates and judgements of management in relation to the preparation of the financial statements.

Audit and Risk Committee report (continued)

As part of its role in assessing the integrity of the Group's external reporting, the Committee has continued to pay particular attention to the key areas of management judgement underpinning the financial statements. Given the stable nature of the Group's business model the key areas of judgement were unchanged this year.

Specific emphasis was placed on IT aspects. EY noted the latest discussions on access requirements in relation to the ASA Microfinance Banking System ('AMBS'). Following recommendations by the auditor the weaknesses were addressed by management, but the controls will continue to be tested as part of the 2018 audit and reported on to the Committee.

The Committee noted that all key external audit findings in 2017 and H1-2018 findings had been resolved by management.

EXTERNAL AUDIT

The Committee assessed the external audit report and audit plan for 2018.

The Committee concluded that EY remains independent and that its audit is effective.

The Company adopted a non-audit services policy in 2018. EY has performed the following non-audit services during the year:

- acting as Reporting Accountant in connection with the listing of the Company in 2018; and
- supporting the Company in Nigeria in relation to a review of insurable deposit liabilities.

OTHER FINANCIAL REPORTING AND FINANCIAL UPDATE

INTERIM ANNOUNCEMENT

The Committee reviewed the draft announcement and interim financial statements.

FINANCIAL UPDATE

The Committee reviewed financial updates from management and discussed various items including debt-equity ratios, cost of funding, reporting lines and relationships between Group CFO and country CFOs, currency depreciation in Asian countries, financial timetable and market expectations.

The Committee requested and received presentations from management explaining the key issues raised by analysts, investors or press.

POLICY OVERSIGHT AND REVIEW

WHISTLEBLOWING

The Committee also oversees the Group's whistleblowing policy. The Group places a high priority on all employees understanding the process so as to enable them to speak out when appropriate, and an email account has been set up during the year to which whistleblowers can notify their concerns. All emails to the said account are sent to the Chairman of the Committee. The Chairman shall pass the concern(s) to the Head of Internal Audit. At the country level, emails from the local whistleblowing ID will go to the independent director in the entities and then be passed on to internal audit for action. If they are considered to be relevant, they are shared with the holding whistleblowing ID.

OTHER POLICIES

Emphasis was placed on regular review by the Board of policies such as anti-bribery and corruption, Code of Conduct and anti-money laundering, and approval of the Health and Safety policy. The Committee noted that all key manuals are in place and requested guidance from the Compliance Officer on the review and approval process. The Compliance Officer has also been instructed to prepare a systematic compliance framework, identifying gaps in the existing framework, developing all manuals and carrying out training on priority.

INTERNAL AUDIT

The Committee reviewed and agreed changes to the internal audit charter so as to provide explicitly that the Head of Internal Audit reports to the Chairman of the Audit and Risk Committee. The internal audit plans are also approved by the Committee. At each meeting the Committee receives a report from the Head of Internal Audit summarising audits completed as well as monitoring progress on agreed actions from previous audits. The report details audits planned and in progress, as well as commentary on internal audit–related business culture.

During the year, all branches were audited and the head office functions (including IT, HR and accounts) are proposed to be audited in 2019.

Internal audit also focused on compliance matters and IT audit requirements.

The Committee also spent considerable time on the IT organisation and the IT strategy. The Board will work closely with management in 2019 on the various IT projects to ensure adequate standards are set and systems are timely implemented that meet business requirements and control standards.

The Committee continues to keep the level of resources of the internal audit team under review and holds meetings with the Head of Internal Audit from time to time.

LOOKING AHEAD TO 2019

Key audit priorities for the coming year include:

- Reviewing the results announcement for 2018 and recommending the full year results to the Board;
- Reviewing significant accounting judgements as well as going concern, viability statement and liquidity risks;
- Reviewing non-audit services and other audit policies;
- Looking into the adequacy and security of the Company's whistleblowing arrangements for its employees and contractors;
- Reviewing the half yearly report from the external auditor of the Company as well as the 2019 management letter by the auditor;
- Reviewing the management representation letter and reports from the internal audit function; and
- Reviewing the audit plan, auditor objectivity and independence as well as auditor remuneration.

RISK MANAGEMENT OVERVIEW

As part of its risk management function, one of the Audit and Risk Committee's principal roles and responsibilities is to support the Board in its oversight of risk management across the Group. The identification, management and mitigation of risk are fundamental to the success of the Group.

For the financial year 2018, the activities in relation to risk overview included strengthening our risk management framework and internal controls. The ASA International Model has proved to be robust in managing operational risk, but we should continue to retain and recruit the skills and talents needed to meet the challenges we face in our various operating markets and continuously review the adequacy of procedures and operational controls.

The reporting based on the three lines of defence model allows us to ensure that emerging risks are identified and debated and that management's plans for risk mitigation are well understood and appropriately resourced. The Committee requires management to focus, as far as its reports to the Committee and Board are concerned, on presenting key risks such as regulatory risk, currency risk, HR risk, technology risk, liquidity risk and funding risk.

Management provides risk reports to the board on quarterly basis. These reports contain a summary of the key risks and management's risk assessment along with any mitigation actions where relevant. Management also provides a full summary of its risk appetite in relation to its key performance indicators. This risk reporting process as well as the regular reviews by the Board was in place and functioning effectively in 2018.

RISK MANAGEMENT: ACTIVITY IN FINANCIAL YEAR 2018

The risk function continued to evolve in 2018. The three lines of defence model is now fully embedded, while the governance structure has been improved to facilitate more effective oversight of risk, both at a Group and business level. These actions have continued to improve the flow of management information to the Committee, increasing the effectiveness of its challenge and oversight and enhancing visibility on risk and compliance issues identified at all levels across the Group.

The Committee reviewed the risk management reports presented by management and the actions being taken to manage or mitigate the key risks. The Audit and Risk Committee was actively involved in improving risk reporting by management.

Assessment of emerging risks (required under the 2018 Code) will be a standing agenda item for the Committee's discussion from 2019 onwards.

Our focus on strengthening the IT system increased during 2018, as we recognise the need for strong cyber defences to protect our systems and customer data and prepare the Company for a more digitised world. A new Chief Technology Officer has been appointed along with a further investment in the HR capacity of the IT team. The IT technology strategy is constantly under review by the Board and this Committee in order to ensure that we are keeping pace with, and responding to, the latest industry developments, especially in digital finance. The Committee considered the effectiveness of the internal control systems and believes that the same are adequate. However, the Board agreed to appoint a sub-committee of the Board that will focus on IT to ensure the right strategy is in place and adequate steps are being undertaken to implement the strategy and related plans.

We continue to encourage the Company to actively engage with regulators and industry bodies to ensure that our compliance framework remains appropriate and relevant for all of our businesses. The Compliance team works closely with colleagues in different countries, providing regulatory advice, as well as shaping policies, delivering training and conducting assurance reviews.

LOOKING AHEAD TO 2019

Key risk priorities for the coming year include:
- Effective management and reporting of key risks, specifically foreign exchange exposure, regulatory risks, as well as any other material developing concerns;
- Advancement and continuous assessment of the Group's IT policies and systems;
- Annual review of the anti-money laundering and anti-bribery and corruption policies and procedures;
- Introduction of a legal and compliance report as a standing item;
- Approval of the Health and Safety Policy;
- New Assets and Liability Company Policy;
- Consideration of the requirements of the UK Corporate Governance Code in relation to long-term viability, risk and going concern, and
- We believe the Brexit scenario will have limited impact our on business as we have no business activities in the European Union and/or the United Kingdom.

Audit and Risk Committee report (continued)

COMMITTEE ROLES AND RESPONSIBILITIES

The Committee keeps under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems and the Group's procedures for identifying, managing and assessing risk.

COMMITTEE EFFECTIVENESS

As Committee Chairman I meet frequently with senior management of the Group around quarterly board meetings to discuss the business environment and to gather their views regarding emerging risks, business performance and the competitive environment. The Committee considers that it has access to sufficient resources to enable it to carry out its duties and has continued to perform effectively.

OTHER MATTERS

The Committee discussed the governance structure and governance model of the Group post the IPO as well as tax implications of the new model and implementation of the revised transfer pricing model in the course of 2019.

Other matters discussed were:

- An Independent Directors' Committee has been formed which, in addition to monitoring matters involving potential conflicts of interest, will offer independent Directors the opportunity to discuss any issues of mutual concern (see report on page 92);
- Strengthening the tax function at the Group level;
- The resourcing of the accounts and finance team is constantly under review by the Board and this Committee to ensure that we are keeping pace with, and responding to, the latest industry developments;
- The Committee requested and received reports on covenant monitoring in respect of loans by various Group entities;
- Directors' and Officers' liability insurance cover was reviewed by the Committee to determine if the insurance cover was sufficient; and
- Legal and regulatory update reports were routinely received and reviewed by the Committee.

GOING CONCERN

The Group has a strong, proven and conservative business model and has traded profitably during the year. It is well positioned in each of its core businesses, well capitalised, soundly funded and has adequate access to liquidity. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board confirms that it has a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the 3 year period up to 2021.

The Directors' assessment has been made with reference to:

- the Group's current position and prospects – please see the Financial Review on pages 28 to 39;
- the Group's business model and strategy – please see Our strategy, Business model and Key performance indicators on pages 12 to 19; and
- the Board's risk appetite, and the robust assessment of the Group's principal risks and how these are managed – please see Risk management approach on pages 44 to 53.

The Directors review the Group's strategy and five-year business plan on an annual basis. The plan considers the Group's future projections of profitability, cash flows, capital requirements and resources and other key financial and regulatory ratios over the period.

Gavin Laws
Chairman of the Audit and Risk Committee

Nomination Committee report

GUY DAWSON
CHAIRMAN OF THE
NOMINATION COMMITTEE

This is the first Annual Report of the activities of the Nomination Committee following listing of the Company. Pre-IPO, a joint Nomination and Remuneration Committee had been in existence since 2013.

The Committee has begun to play an active role in overseeing talent management and succession planning for the Group, and will ensure that appropriate activities and initiatives are continuously undertaken to develop the Group's talent pipeline. This will be a key area for the Committee in the next year.

An overview of the Committee's roles and responsibilities, and its key activities during the year, is set out in the report below.

COMMITTEE ROLES AND RESPONSIBILITIES

The Committee's key roles and responsibilities are:

- regularly reviewing the size, structure and composition of the Board, and making recommendations to the Board with regard to any changes;
- considering the leadership needs of the Group including succession planning for Executive and Non-Executive Directors and for senior executives;
- identifying and recommending candidates to fill Board vacancies when they arise, for the Board's approval;
- making recommendations to the Board concerning the formulation of plans for succession for both Executive and Non-Executive Directors and suitable candidates for the roles of Senior Independent Director and Chairmen of Board Committees;
- considering the appointment or retirement of any Directors;
- reviewing the continued independence of the Non-Executive Directors;
- evaluating the Board's balance of skills, knowledge, experience and diversity;
- preparing a description of the role and responsibilities required for a particular appointment;
- being actively involved in the appointment process for the Chairman;
- reviewing the results of the annual Board performance evaluation process that relate to the composition of the Board;
- reviewing annually the time commitment required from Non-Executive Directors.

The Committee's roles and responsibilities are set out in the terms of reference and are available on the website of the Company.

KEY ACTIVITIES IN THE 2018 FINANCIAL YEAR

During the year the Committee discussed:

- Board composition and succession;
- executive management succession planning;
- the annual Board evaluation; and
- the assessment of senior executives, including their skill sets, knowledge and experience to ensure that an appropriate balance of such qualities has been maintained. The Committee focused in particular on the finance and accounts functions.

MEMBERSHIP AND MEETINGS

The Nomination Committee is chaired by Guy Dawson and the other members are Md. Shafiqual Haque Choudhury and Praful Patel. The composition of the Committee satisfies the relevant requirements of the UK Corporate Governance Code.

Other individuals, such as the Group HR Director and external professional advisers, may be invited to attend all or part of any meeting, as and when appropriate and necessary.

Since the Company's listing, we have held one scheduled meeting in 2018, and details of members' attendance are set out on page 61.

CHANGES TO THE BOARD

Dirk Brouwer and Md. Shafiqual Haque Choudhury have been on the Board since the establishment of ASA International in 2007. All other Directors were appointed as Directors of Group companies prior to the listing, except Hanny Kemna who joined in May 2018 in the run-up to listing. See details on pages 87 and 88.

Nomination Committee report (continued)

DIRECTORS' SKILL SETS

In the run-up to the listing, the Committee's precursor (the Nomination and Remuneration Committee of the Group) considered and reaffirmed the skill sets and experience of the Company's four independent Non-Executive Directors, including their extensive experience within financial services. Md. Shafiqual Haque Choudhury is the Chairman, and has over 38 years of experience in the microfinance industry where he has held numerous senior committee and advisory positions. Dirk Brouwer is an experienced investment banker, having held senior roles in Paine Webber and Merrill Lynch as well as over 12 years of experience in microfinance as Director of ASA International. Aminur Rashid has over 28 years of experience in microfinance and held multiple senior industry positions. Guy Dawson has extensive experience within the financial industry, including as a Non-Executive Director, as well as Vice-Chairman and Chairman roles at Nomura International plc and Merrill Lynch. Praful Patel has strong operational skills and a track record of Non-Executive and independent directorial experience, and has held several senior leadership roles at the World Bank. Gavin Laws has worked in the banking industry for over 30 years, including multiple senior executive roles at Standard Chartered Bank; he currently sits on a number of UK Boards. Hanny Kemna brings over 20 years of experience as Global Lead Partner of Operations and IT at Ernst & Young as well as broad experience as a supervisory Board member of a variety of financial institutions. Further information on the background and experience of each of the Non-Executive Directors can be found in their biographies on page 69.

SUCCESSION PLANNING – BOARD AND MANAGEMENT

The Committee considered the Group's succession planning at Board and senior management level. This included a high-level review by of senior management succession planning for the coming year, which in our view of the Committee can be further refined. The Committee focused on the reinforcement of the accounts and finance function and how to best embed various roles within the Group. The Committee agreed that Board and management succession would again be placed on the agenda for 2019.

DIVERSITY

Diversity continues to be a key focus of the Committee and the Board. The Committee considers that the Board remains diverse, drawing on the knowledge, skills and experience of Directors from a range of professional and cultural backgrounds. Currently, one of the Company's seven Directors is a woman and we intend, subject to the need for all appointments to be made on merit against objective criteria, to bring more female Directors onto the Board in the coming years. At the operational level, the representation of women is much higher. The Group continuously endeavours to make ASA International appealing to a diverse population, and its commitment to equal, respectful and dignified treatment throughout recruitment processes and through all stages of the employee cycle is underpinned by the Group's Non-Discrimination Policy, as referenced below. Further measures are expected to be developed in 2019 to ensure gender balance at all levels within the Group. Kindly refer to page 54 in the ESG Report.

NON-DISCRIMINATION POLICY

Discrimination on any grounds is not acceptable. Management and employees are expected to ensure that a fair and sympathetic work environment exists for all employees, irrespective of marital status, religion, disability, sexuality, gender, racial or ethnic background. This policy of equal opportunities and diversity applies to recruitment, remuneration, training, staff development, promotion, discipline, and all other aspects of employment. The policy also applies to volunteers, interns, current or prospective clients, suppliers or beneficiaries, and all others outside ASA International with whom ASA International or its employees do business.

More detail on the Group's approach to diversity can be found in the ESG Report on page 54.

REAPPOINTMENT OF DIRECTORS

Prior to the Company's AGM each year, the Committee considers and makes recommendations to the Board concerning the reappointment of the Directors, having regard to their performance and ability to continue to contribute to the Board. The Board has concluded that the Non-Executive Directors remain independent and continue to make a significant contribution to the Board and its Committees. The Committee and the Board have also noted the valuable contribution that Md. Shafiqual Haque Choudhury makes as the Company's Chairman and value the continuity that his continued appointment would bring. Following this year's review in advance of the 2019 AGM, the Committee will recommend to the Board that all serving Directors be recommended to the shareholders for reappointment at the AGM.

COMMITTEE EFFECTIVENESS

An evaluation of the Committee's effectiveness will be undertaken in 2019, as part of the broader evaluation of the effectiveness of the Board and its Committees following the first year of ASA International's existence as a listed company. The timing of this evaluation will be discussed in 2019. Meanwhile, the Committee considers that it has access to sufficient resources to enable it to carry out its duties and has continued to perform effectively.

Guy Dawson
Chairman of the Nomination Committee
17 April 2019

Remuneration Committee report

PRAFUL PATEL
CHAIRMAN OF THE
REMUNERATION COMMITTEE

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIR

On behalf of the Remuneration Committee, I am pleased to present the report on Directors' remuneration for the 2018 financial year.

The Remuneration Committee met twice in October and December 2018, since the listing of the Company.

REMUNERATION POLICY

Our proposed outline for the Remuneration Policy is set out later in this report and, if approved by the shareholders at the 2019 AGM, will apply to Board and executive remuneration for up to three years.

HOW THE GROUP PERFORMED

The Committee's approach to remuneration continues to be centred around our business model and the performance we are delivering to our shareholders. ASA International has a long-established model which delivers consistency and resilience through the business cycle and is strongly aligned with shareholder interests. The Group has shown continued strong profit growth in 2018.

The ASA Model is focused on sustainable lending, and the loan portfolio is recognised as having a strong net interest margin. Loans are for working capital only and based on conservative underwriting. The model is supported by a clearly defined risk appetite and a prudent approach to managing the business and financial resources. The Group achieved a good performance in the 2018 financial year.

REMUNERATION OUTCOMES

There have been no significant changes to the pay or benefits structures for employees during the course of the year. At the time of successful completion of listing the salaries of senior management in Dhaka and the Netherlands were reset and increased to bring them more into line with market rates. Average total compensation for employees across the Group increased by 9%.

This report was approved by the Board of Directors on 17 April 2019 and signed on its behalf by:

Praful Patel
Chairman of the Remuneration Committee

Remuneration Committee report (continued)

1. REMUNERATION COMMITTEE ROLES AND RESPONSIBILITIES

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration. This includes making recommendations to the Board on the Company's policy on executive remuneration, setting the overarching principles, parameters and governance framework of the Group's Remuneration Policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors. The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration.

The Committee's key objectives are to:
- determine the overarching principles and parameters of the Remuneration Policy on a Group-wide basis;
- establish and maintain a competitive remuneration package to attract, motivate and retain high-calibre Executive Directors ('EDs') and senior management across the Group;
- promote the achievement of the Group's annual plans and strategic objectives by providing a remuneration package that contains appropriately motivating targets that are consistent with the Group's risk appetite; and
- align senior executives' remuneration with the interests of shareholders.

The Committee's main responsibilities are to:
- review and determine the total remuneration packages of EDs and other senior executives in consultation with the Chairman and CEO and within the terms of the agreed policy;
- approve the design and targets of any performance-related pay schemes operated by the Group;
- ensure that contractual terms on termination and any payments made are fair to the individual and the Group, that failure is not rewarded and that a duty to mitigate risk is fully recognised;
- review any major changes in employee benefits structures throughout the Group;
- select, appoint and determine terms of reference for independent remuneration consultants to advise the Committee on Remuneration Policy and levels of remuneration;
- ensure that the remuneration structures in the Group are compliant with the rules and requirements of regulators, and all relevant legislation;
- ensure that provisions regarding disclosure of remuneration are fulfilled; and
- seek advice from Group control functions to ensure remuneration structures and annual bonuses are appropriately aligned to the Group's risk appetite.

2. MEMBERSHIP

The UK Corporate Governance Code provides that a Remuneration Committee should comprise at least three members who are independent Non-Executive Directors (other than the Chairman of the Board). The Remuneration Committee is chaired by Praful Patel, and its other members are Gavin Laws and Hanny Kemna. The Remuneration Committee will meet not less than three times in a full year, and met on 17 December 2018 for the first time since listing. Details of members' attendance are set out on page 61.
The Remuneration Committee considered the Directors' Remuneration Policy during the meeting held in December 2018. The Board agreed that the Remuneration Policy framework including the framework for the allocation of the LTIP to Directors and key executives will be further developed and refined in 2019 and further details will be considered and discussed in due course given that the Company only recently listed.

3. THIRD-PARTY ADVISERS

In 2018 the Company consulted Willis Towers Watson ('WTW') to assist in determining the salary levels for key staff and Directors. WTW provided a report on salary levels for Non-Executive Chairman, Non-Executive Directors, the CEO and three senior roles.

WTW provided the following analyses:
- Market pay benchmark for a CEO (in the Netherlands) and three representative roles in both Bangladesh and the Netherlands.
- Cost of living information for both Bangladesh and the Netherlands.
- Pay differential showing the typical relativities between the first four reporting levels in a mid- to large-size company (Netherlands market only).

WTW was engaged by the CEO and is a well-known adviser in the industry. The Board considered the reports by WTW and found that the reports provided the relevant advice and was satisfied the advice was objective and independent. WTW charged GBP 18,650 in total for this assignment.

4. DIRECTORS' AND KEY MANAGERS' SALARIES POST LISTING

The salaries and fees of the Directors were approved by the Board on 28 June 2018 and will remain unchanged in 2019. As of the date of Admission the key managers in the Group received an increase in salary in line with their responsibilities in the Group. Further details are provided on page 86.

REMUNERATION POLICY FOR KEY EXECUTIVES

The below constitutes the framework for the Remuneration Policy of the key executives both at the country level and the head office level. Given the first year's operation of the Company the full Remuneration Policy is yet to be further developed in 2019. The Group intends to include performance-based elements. The policy will aim to:

- attract, motivate and retain high-calibre employees across the Group;
- reward employees fairly, according to their performance;
- promote the achievement of the Group's annual plans and its long-term strategic objectives;
- align the interests of employees with those of all key stakeholders, in particular, our shareholders, clients and regulators; and
- support effective risk management and promote a positive client conduct culture.

The Company has adopted a long-term incentive plan as more fully described on pages 88 to 91. The allocation mechanism for senior staff at the head office (and/or in the countries) will be designed in due course. No shares or options were awarded under this plan in 2018.

The Company will work closely with the Remuneration Committee to set the right policies and incentives for the key executives both in the countries and at its head office.

Element and how it supports the Group's short-term and long-term strategic objectives	Components
Base salary Attracts and retains high-calibre employees Reflects the employee's role and experience	Reviewed annually based on the individual's role and experience, pay for the broader employee population and external factors, where applicable Annual increment Paid monthly
Benefits Enables the executives to perform their roles effectively by contributing to their wellbeing and security Provides competitive benefits consistent with the role	Private medical cover Life assurance cover 13th month bonus Accommodation for expatriate experts (country level only) Education allowance for children of expatriate CEO (country level only) Two free air-tickets per year to and from home for the expatriates (country level only) LTIP/stock options for the key executives (to be determined in 2019) Long-term incentives for country key executives to be determined in 2019 Certain additional country-specific requirements may apply

SHAREHOLDING (BENEFICIAL INTEREST IN THE SHARES) FOR KEY MANAGERS

On 18 July 2018 a number of the senior managers (including a number of former and present Managing Directors of the subsidiaries) who were instrumental in the creation of ASA International were awarded a beneficial interest in a portion of the shares of the Company following the exercise of the 10% stock option under the Memorandum of Understanding between ASA International and ASA NGO Bangladesh executed in 2007. The combined economic interest in the shares of the Company amount to 6.6% of the issued and outstanding share capital of the Company. This interest is indirectly held via Catalyst Continuity.

AESP

✓ New All-Employee Share Plan

The Company has adopted a framework for a new All-Employee Share Plan (the 'AESP'), the principal features of which mirror the Plan, except as described on pages 88 to 91. This plan is not yet in effect and implementation will be considered in due course.

Remuneration Committee report (continued)

5. DIRECTORS' REMUNERATION REPORT 2018

This section of the report sets out the Group's existing and proposed Remuneration Policy for Directors.

As 2018 was the first year of operations, the Company has not yet developed a full Remuneration Policy for its EDs. The Company intends to submit a framework for a Remuneration Policy during the first AGM in 2019. The full policy will contain similar objectives as set forth above in relation to key staff. It will also describe the performance measures and relative weightings for each ED and any performance targets determined for the performance measures and how awards will be calculated.

The report also summarises the fees paid to Directors in 2018 as well as the current shareholding of the Chairman and the Executive Directors in the Company.

A table with Audited Director pay data is shown below.

Name	Position	Annual salary/Fee	Benefits	Bonus	Performance awards	Pension	Total (in 2018)
Md. Shafiqual Haque Choudhury	Chairman and Non-Executive Director	USD 250,000	Travel expenses on actuals	None	None	None	USD 116,935
Dirk Brouwer	Chief Executive Officer – Executive Director	USD 425,000	Travel expenses on actuals	None	None	None	USD 200,563
Aminur Rashid	Executive Director – Operations	USD 165,000	Travel expenses on actuals	None	None	None	USD 79,872
Non-executive Directors							
Praful Patel	Non-Executive Director	GBP 60,000	Travel expenses on actuals	None	None	None	GBP 27,272
Gavin Laws	Non-Executive Director	GBP 60,000	Travel expenses on actuals	None	None	None	GBP 27,272
Guy Dawson	Non-Executive Director	GBP 60,000	Travel expenses on actuals	None	None	None	GBP 27,272
Hanny Kemna	Non-Executive Director	GBP 50,000	Travel expenses on actuals	None	None	None	GBP 22,875

DIRECTORS' SHAREHOLDINGS

The shareholding of Directors in the Company as of 31 December 2018. There were no changes in the shareholdings between 31 December 2018 until 17 April 2019:

Name of Director	Number of shares	% holding
Md. Shafiqual Haque Choudhury*	1,401,810	1.4
Dirk Brouwer***	20,422,884	20.4
Aminur Rashid*	373,178	0.4

* Reflects the Company's share capital held in the form of indirect beneficial holdings of shares through an indirect holding in Catalyst Continuity. The votes attaching to the shares held by Catalyst Continuity are ultimately controlled by CMIMC (a company ultimately controlled by Dirk Brouwer). Decisions taken by CMIMC, including decisions as to the voting of the relevant shares, are made by the Board of directors of CMIMC, which includes the founders. CMIMC is ultimately owned by entities ultimately controlled by Dirk Brouwer.

** Dirk Brouwer holds its interest in the Company via CMIMC which in turn holds its interest in the Company via Catalyst Microfinance Investors and Catalyst Continuity.

Directors and employees of the Group are required to comply with applicable legislation relating to dealing in the Company's shares as well as the Company's share dealing rules.

DATES OF EDS' SERVICE CONTRACTS

Name	Date of service contract
Dirk Brouwer	28 June 2018
Aminur Rashid	28 June 2018

REMUNERATION POLICY FOR THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Short-term and long-term strategic objectives	Operation and maximum payable
Fees Attract and retain a Chairman and independent Non-Executive Directors who have the requisite skills and experience to determine the strategy of the Group and oversee its implementation.	Fees are paid monthly and are reviewed periodically. Fees for the Chairman and Non-Executive Directors are set by the Board. The Non-Executive Directors do not participate in decisions to set their remuneration. The Chairman of the Board receives a fee as Chairman but receives no other fees for chairmanship or membership of any Committees. Non-Executive Directors receive a base fee. The Senior Independent Director receives an additional fee for this role. Additional fees are paid for chairmanship of each of the Audit, Remuneration and Risk Committees, Remuneration Committee and the Nomination Committee. The Chairman and Directors are entitled to claim reimbursement for reasonable expenses incurred in connection with the performance of their duties for the Company, including travel expenses. The Executive Directors will also be entitled to participate in the long-term incentive plan as more fully described on pages 88 to 91. The allocation mechanism will be designed in the course of 2019. No shares or options were awarded to Directors under this plan in 2018.

Remuneration Committee report (continued)

NON-EXECUTIVE DIRECTORS' APPOINTMENT LETTERS

Name	Date of appointment letter
Guy Dawson	28 June 2018
Gavin Laws	28 June 2018
Praful Patel	28 June 2018
Hanny Kemna	28 June 2018

All Directors were already on the Board of the Company prior to establishment of ASA International Group plc in May 2018, except Johanna Kemna. In view of the proposed listing Ms. Kemna had been identified as a potential candidate through well-established contacts in the financial industry including the Company's network of advisers.

CONSIDERATION OF SHAREHOLDERS' VIEWS

The Chairman of the Board will consult our major shareholders on a regular basis on key issues, including remuneration, and is available to be consulted by them. The Board shall ensure that a satisfactory dialogue with shareholders shall take place based on mutual understanding of objectives.

DIRECTORS' PAY FOR 2018

Details of Directors' pay are stated on page 86. The policy on executive remuneration and for fixing the remuneration packages of individual Directors shall be developed in a fair and transparent manner. No Director is involved in deciding his or her own remuneration.

MD. SHAFIQUAL HAQUE CHOUDHURY – CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Choudhury is the Chairman of the Company and a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He is also a member of the Nomination Committee. His fee as a Non-Executive Director is USD 250,000 per annum and his engagement with the Company can be terminated with three months' notice.

DIRK BROUWER – CHIEF EXECUTIVE OFFICER

Mr. Brouwer is employed through a service agreement dated 28 June 2018. His salary is USD 425,000 and he is entitled to participate in the long-term and/or short-term incentive schemes offered by the Company. Mr. Brouwer's service agreement is terminable by either party with six months' notice, or earlier upon conclusion of a termination agreement. The Company will consider making a payment under any such agreement on a case-by-case basis, taking account of the contractual terms, the circumstances of the termination and any applicable duty to mitigate.

AMINUR RASHID – EXECUTIVE DIRECTOR, OPERATIONS

Mr. Rashid is employed through a service agreement dated 28 June 2018. His salary is USD 165,000 and he is entitled to participate in the long-term and/or short-term incentive schemes offered by the Company. Mr. Rashid's service agreement is terminable by either party with six months' notice, or earlier upon conclusion of a termination agreement. The Company will consider making a payment under any such agreement on a case-by-case basis, taking account of the contractual terms, the circumstances of the termination and any applicable duty to mitigate.

PRAFUL PATEL – NON-EXECUTIVE DIRECTOR

Mr. Patel is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee. His fee as a Non-Executive Director is £60,000 per annum (including a £10,000 fee for chairing the Remuneration Committee) and his engagement with the Company can be terminated with three months' notice.

GAVIN LAWS – NON-EXECUTIVE DIRECTOR

Mr. Laws is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee. His fee as a Non-Executive Director is £60,000 per annum (including a £10,000 fee for chairing the Audit and Risk Committee) and his engagement with the Company can be terminated with three months' notice.

GUY DAWSON – NON-EXECUTIVE DIRECTOR

Mr. Dawson is the Senior Independent Non-Executive Director engaged through a letter of appointment dated 28 June 2018. He is the Chairman of the Nomination Committee and a member of the Audit and Risk Committee. His fee as a Non-Executive Director is £60,000 per annum (including a £10,000 fee for acting as the Senior Independent Director and for chairing the Nomination Committee) and his engagement with the Company can be terminated with three months' notice.

HANNY KEMNA – NON-EXECUTIVE DIRECTOR

Ms. Kemna is a Non-Executive Director engaged through a letter of appointment dated 28 June 2018. She is a member of the Remuneration, and Audit and Risk Committees. Her fee as a Non-Executive Director is £50,000 per annum and her engagement with the Company can be terminated with three months' notice.

INCENTIVE PLANS

All key managers receive a fixed salary, and there is no cash bonus scheme. Performance-based remuneration via the long-term incentive plan ('LTIP') will be introduced in due course as management is still to design the allocation mechanism as well as design the features for an incentive plan for key staff in the microfinance subsidiaries. See pages 88 to 91. The LTIP aligns the interests of executives with those of shareholders.

In defining the performance conditions under the LTIP, the Committee may select financial and non-financial performance measures that strengthen the alignment of the remuneration arrangements with the business model and the interests of our shareholders.

The actual performance targets will be set at the beginning of each financial year based on prior year performance, expected performance, strategic priorities for the year and other internal and external factors as appropriate. The allocation mechanism will be adopted in 2019. As part of this policy the Company may wish to design a separate performance-based incentive scheme for the key managers in the countries.

LTIP

✓ **Long-term incentive plan**
In July 2018, the Company adopted a new long-term incentive plan (the 'Plan'), the principal features of which are described below:

It is intended that the Plan will be used to grant options to senior executives selected by the Remuneration Committee of the Board. The Plan also includes flexibility for the Company to grant a range of different kinds of awards to take account of local legal and tax requirements and changing policy. As of the day hereof, no awards have been granted under the Plan.

The options will be subject to performance and/or service conditions and, in the case of Directors, will be subject to any current Directors' Remuneration Policy.

✓ **Eligibility**
Employees and Executive Directors of the Company, its subsidiaries and associated companies designated by Directors are eligible to participate in the Plan (unless they have given or received a notice of termination).

✓ **Grant of awards**
- The Board of Directors, or in the case of Executive Directors, the Remuneration Committee (the 'Committee') will decide who will be granted awards, the type of award being granted, performance conditions, number of shares subject to the award, whether it carries a dividend equivalent and the vesting dates.
- After Admission, awards will normally only be granted within 42 days of the announcement of the Company's results for any period or of the Company's Annual General Meeting.
- No awards can be granted more than ten years after Admission.

✓ **Form of awards**
Awards can take any of the following forms:
- Conditional right to acquire shares ('conditional awards');
- Options to acquire shares at an exercise price set at the time of award (which may be zero);
- Shares held subject to a forfeitable share agreement whereunder to the extent the award lapses, shares are forfeited ('restricted shares'); or
- Cash equivalents of conditional awards or options.

When the participant becomes entitled to shares or entitled to exercise an option, the award is said to have 'vested'.

✓ **Performance conditions**
An award may be granted on the basis that it only vests to the extent that any performance condition which may or may not be linked to the performance of the Company, the person holding the award, or group entity in which such person works at the time of award is satisfied.

✓ **Individual limits**
Awards must not be granted to any employee if the aggregate market value (at the time of the award) of the shares subject to awards granted to such employee in respect of any financial year exceeds 200% of his or her annual basic salary. This limit does not include dividend equivalents.

✓ **Plan limits**
In any ten-year period, not more than 10% of the issued ordinary share capital of the Company may be issued or be issuable under the Plan and all other employees' share plans operated by the Company. In addition, in any ten-year period, not more than 5% of the issued ordinary share capital of the Company may be issued or be issuable under the Plan and all discretionary share award plans adopted by the Company. These limits do not include dividend equivalents or awards which have lapsed.

Shares transferred from treasury to satisfy an award will be counted as ordinary share capital of the Company so long as it is considered best practice to do so.

✓ **Vesting of awards**
An award will normally vest (unless prevented by a restriction under the share dealing rules) on the later of:
(i) the date determined by the Directors to the extent to which any performance condition has been satisfied; or
(ii) the normal vesting date.

Shares will be issued or transferred to the participant within 30 days of vesting of a conditional award, unless the Company decides to satisfy the award in cash.

Once an award of restricted shares vests, they will cease to be subject to any restrictions.

An option is only exercisable to the extent that it has vested and shares will be issued or transferred to the participant shortly after exercise, unless the Company decides to satisfy the option in cash. An option with an exercise price may be settled on a 'cashless basis' in either cash or shares. The option will lapse, at the latest, ten years after it is awarded.

Remuneration Committee report (continued)

✓ Dividend equivalents
An award may be granted on the basis that it carries a right to a payment (in cash or additional shares) on the date of vesting exercise equal to the dividends payable on the number of shares (rounded down) received from grant to that date. Dividend equivalents may be calculated on the basis that notional dividends had been reinvested in further shares.

✓ Malus and clawback
The Committee can reduce the amount by which an award will vest (including a reduction to zero) if:

(a) there has been an error in the calculation of the level of grant or vesting of any award or the amount of any other variable remuneration paid to the participant;
(b) there has been a misstatement of the Company's results for any year before vesting;
(c) a business unit or profit centre in which the participant worked has subsequently made a loss out of business written in that year or from circumstances that could reasonably have been risk-managed;
(d) information has emerged since the award date relating to the relevant financial year which would have affected the amount of award granted;
(e) the Directors determine in their absolute discretion that the underlying financial health of the Group has significantly deteriorated such that there are severe financial constraints on the Group which preclude or limit the Group's ability to facilitate funding of awards and the participant was directly or indirectly (and either solely, or collectively) responsible for such deterioration;
(f) the participant has engaged in conduct which has had a material adverse effect on the financial position of the Group, the member of the Group by which the participant was then employed or the business unit in which he or she then worked, between the award date and vesting;
(g) there has been a failure of risk management for which the participant was directly or indirectly (and either solely, or collectively) responsible; or
(h) the participant has been guilty of fraud or gross misconduct or has brought any member of the Group into disrepute.

Similarly, the participant can be required to give back some or all of his or her bonus and/or shares or cash received under the Plan (or pay an amount equal to the value of shares) if, within three years of vesting, the Committee becomes aware that there has been a misstatement of results for any year before vesting or the participant has been guilty of fraud or gross misconduct or has brought the Group into disrepute.

✓ Leaving employment
An unvested award will normally lapse on the date that the participant leaves employment, and vested options will lapse no later than 12 months following the date the participant leaves employment.

But if the participant dies or leaves because of disability, ill-health, injury, redundancy, retirement, sale of his or her employer (or in other circumstances if the Committee allows), the award will continue in effect and, when it does vest, any performance condition will be applied in the normal way and, unless the Committee decides otherwise, the number of shares in respect of which it vests will be reduced pro rata to reflect the fact that the participant left early.

Alternatively, the Committee may allow the award to vest on, or at some point after leaving, in which case, any performance condition will be tested to the date of vesting and, unless the Committee decides otherwise, the number of shares in respect of which the award vests will be reduced pro rata to reflect the fact that it is vesting early.

If the participant dies, the award will vest on the date of death to the extent described above.

✓ Takeovers and reorganisations
Awards will generally vest early on a takeover or other corporate reorganisation. Alternatively, participants may be allowed or required to exchange their awards for equivalent awards over shares in the acquiring company.

Where an award vests in these circumstances, the level of vesting will be determined by the Committee, taking account of the performance condition, and unless the Committee decides otherwise, the number of shares in respect of which it vests will be reduced to reflect the fact that it is vesting early.

✓ Rights issues, demergers etc
If there is a rights issue, special dividend, demerger, merger, any variation in the share capital of the Company or any similar transaction which is determined by the Committee as having an impact on an award, the Committee can adjust the number or kind of shares subject to an award and/or any exercise price to take account of the effect of the transaction.

✓ General
Awards are not transferable (except to personal representatives on death or with the consent of the Committee) and are not pensionable and participants do not pay for the grant of an award.

Any shares issued following the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

✓ Amendments
The Directors can amend the Plan in any way. However, shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and Plan limits, the rights attaching to awards and shares, the adjustment of awards on variation in the Company's share capital and the amendment powers.

The Directors can, without shareholder approval, make minor amendments to benefit the administration of the plan, to comply with or take account of proposed or existing legislation, or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment. It can also amend any performance conditions without shareholder approval if events occur which cause it to consider that an amended performance condition would be a more appropriate measure of performance; however, the Committee must be satisfied that the amendment will not make the condition materially easier to satisfy.

The Directors may also, without shareholder approval, establish further plans based on the Plan but modified to take account of overseas securities laws, exchange controls or tax legislation. Shares made available under such further plans will be treated as counting against any limits on individual or overall participation in the Plan.

Independent Directors' Committee report

The Independent Directors' Committee comprises all of the independent Non-Executive Directors, being Praful Patel, Gavin Laws, Guy Dawson and Hanny Kemna. It is chaired by Guy Dawson. The Independent Directors' Committee will meet at least twice a year and at such times as shall be necessary or appropriate, as determined by the Chair of the Independent Directors' Committee or the CEO. It has met once on 17 December 2018.

The Independent Directors' Committee identifies and manages matters involving conflicts of interest (including potential conflicts of interest) between any Group company, on the one hand, and any controlling shareholder or related party (each as defined under the Listing Rules), on the other hand. It is also responsible for overseeing and scrutinising the relationship between the Group, its related parties and its controlling shareholders (including evaluating, monitoring and approving any material transactions or arrangements between such parties).

DISCLOSURE COMMITTEE REPORT

The Disclosure Committee is chaired by the CEO and also includes the CFO and the General Counsel. It meets as required in order to assist the decisions of the Board concerning the identification of inside information and to make recommendations about how and when that information should be disclosed in accordance with the Company's disclosure procedures manual. Its primary duty is to ensure that inside information is properly disclosed in accordance with the requirements of the Market Abuse Regulation.

The Disclosure Committee had one meeting in October 2018. There have been no changes in the interests held by Directors or key managers since the listing of the Company on 13 July 2018.

Contents

General information

DIRECTORS:	**APPOINTED ON**
Md. Shafiqual Haque Choudhury	28 June 2018
Dirk Brouwer	15 May 2018
Aminur Rashid	28 June 2018
Gavin Laws	28 June 2018
Guy Dawson	15 May 2018
Praful Patel	28 June 2018
Johanna Kemna	28 June 2018

REGISTRATION:

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

COMPANY SECRETARY:

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

REGISTERED OFFICE:

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

OFFICE ADDRESSES:

ASA Tower, 12th Floor 23/3, Bir Uttam A.N.M. Nuruzzaman Sarak
Shyamoli, Dhaka-1207, Bangladesh
Tel: +880 2 8119828, 8110934-35

Rembrandt Tower, 35th floor, Amstelplein 1
1096 HA Amsterdam, The Netherlands
Tel: +31 20 846 3554

WEBSITE:

www.asa-international.com

EMAIL ADDRESS:

info@asa-international.com

AUDITOR:

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

Independent auditor's report to the members of ASA International Group plc

OPINION

In our opinion:

- ASA International Group plc's Group financial statements and parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of ASA International Group plc which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2018	Statutory statement of financial position as at 31 December 2018
Consolidated statement of profit or loss and other comprehensive income for the year then ended	Statement of profit or loss and other comprehensive income for the period then ended
Consolidated statement of changes in equity for the year then ended	Statutory statement of changes in equity for the period then ended
Consolidated statement of cash flows for the year then ended	Statutory statement of cash flows for the period then ended
Notes 1 to 31 to the financial statements, including a summary of significant accounting policies	Notes 32 to 39 to the statutory financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of ASA International Group plc (continued)

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 50 to 53 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 47 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 80 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 80 in the Annual Report as to how they have assessed the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	• The risk of fraud in revenue recognition through the measurement of interest income and the potential for fictitious loans and advances to customers. • Valuation of loan impairment provisions.
Audit scope	• We performed an audit of the complete financial information of eight components and audit procedures on specific balances for a further two. • The components where we performed full or specific audit procedures accounted for 91.6% of profit before tax, adjusted for one-off expenses connected with the Initial Public Offering (adjusted PBT), 86.3% of revenue and 87.8% of total assets.
Materiality	• Overall Group materiality of USD 2.6 million which represents 5% of profit before tax (PBT), adjusted for one-off expenses connected with the Initial Public Offering.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement whether or not due to fraud that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of fraud in revenue recognition through the measurement of interest income and potential for fictitious loans and advances to customers. (USD 141 million). The income recognised may be fraudulently misstated due to the incorrect measurement of interest income and due to the potential for loans being disbursed to fictitious borrowers in order to manipulate income or disguise losses. Due to the decentralised structure of the Group and the magnitude of the interest income recognised in the financial statements we consider this to be a significant audit risk and a key audit matter.	For a sample of loans across each of the 6 trading full scope components and 2 specific scope components, we recalculated interest income using original loan agreements and agreed them to the amounts recorded in the financial statements. For a sample of borrowers across all components we attended the borrower group meetings, where the borrowers meet each week as a group to make scheduled payments, and physically verified the identity of the borrowers and traced the loan outstanding balance per the borrower's passbook to the accounting records.	We concluded to the Audit Committee that no fictitious borrowers were identified from our testing and that the recording of interest income was found to be materially accurate. From the audit procedures performed we did not identify evidence of fraud in the recognition of revenue.

Independent auditor's report to the members of
ASA International Group plc
(continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of loan impairment provisions (USD 1.8 million) The valuation of loan impairment provisions under IFRS 9 is an accounting estimate that carries a high degree of uncertainty driven from judgemental assumptions, including historical loss rates, the application of loss rates to the loan portfolio and the impact on these assumptions from natural disasters or governmental interventions. The application of IFRS 9, effective for the year ended 31 December 2018, results in fundamental changes to how impairment provisions are determined as IFRS 9 requires a forward-looking assessment of expected loss, as opposed to the incurred loss model used under IAS 39. The vast majority of ASA International's lending is short-term, low in value, unsecured and lent to women in developing economies in order to start and grow their businesses. Historically losses have been low but as the expansion of ASA International continues the risk associated with the valuation of loan impairment provisions increases. The inherent ability of management to override internal controls in relation to loan impairment provisions also represents a risk of fraud.	In order to assess the appropriateness of the IFRS 9 model, we used credit modelling specialists to review model methodology, including the reasonableness of key assumptions, to perform sensitivity analysis and to determine whether any indications of model weakness exist which could reasonably give rise to a material misstatement. We performed a test of the dataflows into the IFRS 9 model, including testing historical loss rates and loan staging by the component audit teams. In order to assess the accuracy of the Group's calculation of ECL we performed a substantive recalculation using the complete loan portfolio. We also assessed the need for overlays arising from potential future natural disasters or governmental interventions through a review of post balance sheet events performed by the component audit teams and a consideration of historical loss patterns.	We concluded to the Audit Committee that the provision levels held by the Group in relation to loan impairment were reasonably estimated and in line with the new requirements of IFRS 9. We highlighted the following matters: • Based on our reperformance of the ECL calculation we did not identify any material differences in the estimated provision. • Considering the short-term nature of the loans at the balance sheet date we consider the lack of model overlays, to specifically account for future losses not already captured in the historical loss data or trends, to be appropriate. • From the testing performed we did not identify any evidence of management override of internal controls.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

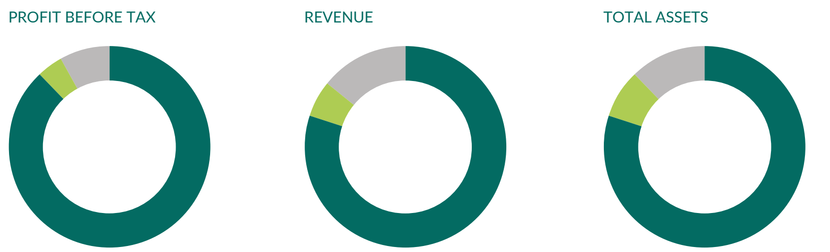
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 30 reporting components of the Group, we selected ten components covering entities within India, Pakistan, Ghana, the Philippines, Nigeria, Myanmar, and Sri Lanka which represent the principal business units within the Group and the holding entities in Mauritius and the United Kingdom.

Of the ten components selected, we performed an audit of the complete financial information of eight components ('full scope components') which were selected based on their size or risk characteristics. For two components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 91.6% of the Group's adjusted PBT measure used to calculate materiality, 86.3% of the Group's revenue and 87.8% of the Group's total assets. For the current year, the full scope components contributed 87.7% of the Group's adjusted PBT measure used to calculate materiality, 79.9% of the Group's Revenue and 80.1% of the Group's total assets. The specific scope components contributed 4.0% of the Group's adjusted PBT measure used to calculate materiality, 6.4% of the Group's revenue and 7.7% of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed three locations to perform specified procedures over certain aspects of revenue recognition by physically verifying the identity of the borrowers and tracing the loan outstanding balance per the borrower's passbook through to the ledger.

Of the remaining 20 components that together represent 8.4% of the Group's adjusted PBT, none is individually greater than 5.0% of the Group's adjusted PBT. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations, to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



PROFIT BEFORE TAX	REVENUE	TOTAL ASSETS
88% Full scope components	80% Full scope components	80% Full scope components
4% Specific scope components	6% Specific scope components	8% Specific scope components
8% Other procedures	14% Other procedures	12% Other procedures

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the eight full scope components, audit procedures were performed on two of these directly by the primary audit team. For the remaining six full scope components and two specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The group audit team followed a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor and/or the senior members of the group audit team visit all full scope and specific scope components. During the current year's audit cycle, visits were undertaken by the primary audit engagement team in all the full scope and specific scope component locations. These visits involved discussing the audit approach with the component team and any issues arising from their work, attending planning and closing meetings, reviewing key audit working papers as well as meeting with local management. In addition, the primary audit engagement team interacted regularly with the component teams where appropriate during various stages of the audit, and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Independent auditor's report to the members of
ASA International Group plc
(continued)

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be USD 2.6 million which is 5% of adjusted PBT. We consider that this adjusted profit figure best represents the results of the underlying operations of the Group and as such provides us with an appropriate basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Starting basis	• Profit before tax: USD 44.7m
Adjustments	• USD 8.0m added back relating to one-off IPO expenses
Materiality	• Totals USD 52.7m adjusted profit before tax • Materiality of USD 2.6m

We determined materiality for the parent Company to be USD 700k which is 0.5% of total assets of USD 143 million. We consider that, in respect of the parent Company, total assets is most relevant to the stakeholders and is best representative of the economic size of the entity and as such provides us with an appropriate basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely USD 1.29 million. We have set performance materiality at this percentage due to the fact that this is the first period that the financial statements of the Group have been audited.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was from $260k to $708k.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to it all uncorrected audit differences in excess of USD 129k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon, including the following sections of the Annual Report:

- Strategic Report set out on pages 1 to 57.
- Governance section, including Directors' Governance Overview, Board of Directors, Executive Management, Corporate Governance Framework, Nomination Committee report, Audit Committee report, Risk Committee report, Shareholder engagement, Annual Statement by the Chairman of the Remuneration Committee, Directors' Remuneration Policy, Annual Report on Remuneration, Statement of Directors' Responsibilities and Directors' Report, set out on pages 58 to 92.
- Additional information, including Alternative Performance Measures, set out on pages 165 to 169.

The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 74 – the statement by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** set out on pages 76 to 80 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee/the explanation as to why the Annual Report does not include a section describing the work of the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 59 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of ASA International Group plc (continued)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant were the relevant regulations of the UK Listing Authority ('UKLA'), and the various legal and regulatory requirements applying to the components of the Group in their respective jurisdictions.
- We obtained a general understanding of how the Group complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and its regulators; reviewed minutes of the Board and Executive Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework, and the Board's review of the Group's risk management framework ('RMF') and internal control processes.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. Our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Group's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the regulators.

- We instructed component teams to communicate to the primary team any identified instances of non-compliance with laws and regulations.
- The Group operates across various jurisdictions; as such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities which included the use of specialists where appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk which included management, internal audit and legal enquiries, testing of internal control, journal entry testing, analytical procedures, tests of detail and focused testing as referred to in the key audit matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our Auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

We were appointed by the Company on 12 July 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 10 months, covering the year ending 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting the audit.

The audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Littler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London, 17 April 2019

Notes:
1. The maintenance and integrity of the ASA International Group plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

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

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

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

Consolidated statement of financial position
As at 31 December 2018

	Notes	2018 USD	2017* USD
ASSETS			
Cash at bank and in hand	11	**72,945,586**	93,251,993
Loans and advances to customers	12	**343,127,939**	297,780,987
Due from banks	13	**37,625,570**	15,284,388
Equity investments at FVOCI	14	**238,786**	200,000
Property and equipment	15	**4,505,677**	3,882,197
Deferred tax assets	10.2	**2,588,335**	1,527,394
Other assets	16	**11,989,276**	7,389,684
Goodwill	17	**33,423**	39,845
TOTAL ASSETS		**473,054,592**	419,356,488
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	18	**1,310,000**	36,273,490
Redeemable preference shares	36	**65,500**	–
Retained earnings	19	**121,316,849**	71,321,318
Foreign currency translation reserve	20	**(36,249,485)**	(25,831,373)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**86,442,864**	81,763,435
Total equity attributable to non-controlling interest	27.7	**2,105,500**	1,218,915
TOTAL EQUITY		**88,548,364**	82,982,350
LIABILITIES			
Debt issued and other borrowed funds	21	**280,082,198**	270,464,195
Due to customers	22	**63,985,973**	53,230,815
Retirement benefit liability	7.1	**1,469,468**	943,302
Current tax liability	10.1	**7,263,468**	3,841,338
Deferred tax liability	10.3	**69,113**	60,425
Other liabilities	23	**30,482,598**	6,616,146
Provisions	23.1	**1,153,410**	1,217,917
TOTAL LIABILITIES		**384,506,228**	336,374,138
TOTAL EQUITY AND LIABILITIES		**473,054,592**	419,356,488

Approved by the Board of Directors on: 17 April 2019

Signed on behalf of the Board

Dirk Brouwer
CEO

Tanwir Rahman
CFO

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

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

Consolidated statement of changes in equity

For the year ended 31 December 2018

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

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

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

Consolidated statement of cash flows

For the year ended 31 December 2018

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2018

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

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

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

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

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

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

ABBREVIATION LIST

Definitions	Abbreviation
A1 Nigeria Consultancy Limited	A1 Nigeria
ASAI Management Services Limited	AMSL
ASA	ASA Bangladesh
ASA Consultancy Limited	ASA Consultancy
ASA Limited	ASA Kenya
ASA Lanka Private Limited	ASA Lanka
ASA Leasing Limited	ASA Leasing
ASA Microfinance (Myanmar) Ltd	ASA Myanmar
ASA Pakistan Limited	ASA Pakistan
ASA Microfinance (Rwanda) Limited	ASA Rwanda
ASA Savings & Loans Limited	ASA S&L
ASA Microfinance (Sierra Leone)	ASA Sierra Leone
ASA Microfinance (Tanzania) Ltd	ASA Tanzania
ASA Microfinance (Uganda) Limited	ASA Uganda
ASA Microfinance Zambia Limited	ASA Zambia
ASA International Holding	ASAIH
ASA International Cambodia Holdings	ASAI Cambodia Holdings
ASAI Coöperatief U.A.	ASAI Coop
ASAI Investments & Management B.V	ASAI I&M
ASA International India Microfinance Limited	ASAI India
ASA International N.V.	ASAI NV
ASA International Group plc	ASAIG
ASHA Microfinance Bank Limited	ASHA Nigeria
Association for Social Improvement and Economic Advancement	ASIEA
Catalyst Microfinance Investors	CMI
C.M.I. Lanka Holding (Private) Limited	CMI Lanka
Catalyst Microfinance Investment Company	CMIC
CMI International Holding	CMII
CMI Ventures Ltd	CMIV
Bill & Melinda Gates Foundation	Gates Foundation
Lak Jaya Micro Finance Limited	Lak Jaya

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

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

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

2.1.1 STATEMENT OF COMPLIANCE

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

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

2.1.2 BASIS OF CONSOLIDATION

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The Company has control over a subsidiary when it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.2.1 FOREIGN CURRENCY TRANSLATION

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

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

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

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

2.2.2 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(1) DATE OF RECOGNITION

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

(2) INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

(3) LOANS AND ADVANCES TO CUSTOMERS, OTHER LOANS AND RECEIVABLES, CASH AND CASH EQUIVALENTS AND DUE FROM BANKS

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

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

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

(4) DEBT ISSUED AND OTHER BORROWED FUNDS, OTHER LIABILITIES AND DUE TO CUSTOMERS

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

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

(5) FORWARD CONTRACTS AND HEDGE ACCOUNTING

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

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

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

(6) INVESTMENTS AT FVOCI

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

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

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

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

(7) DEFINITION OF FAIR VALUE.

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.2.3. DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(1) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the right to receive cash flows from the asset has expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(2) FINANCIAL LIABILITIES

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

2.2.4 IMPAIRMENT OF FINANCIAL ASSETS

LOANS AND ADVANCES TO CUSTOMERS, OTHER LOANS AND RECEIVABLES, AND DUE FROM BANKS

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

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

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

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

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

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

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

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

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

INVESTMENTS AT FVOCI

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

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

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

2.2.5 OFFSETTING FINANCIAL INSTRUMENTS

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

2.2.6 RECOGNITION OF INCOME AND EXPENSES

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

(1) INTEREST AND SIMILAR INCOME AND EXPENSE

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

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

(2) DIVIDEND INCOME

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

(3) OTHER INCOME

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

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

2.2.7 CASH AND CASH EQUIVALENTS

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

2.2.8 PROPERTY AND EQUIPMENT

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

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

The recommended estimated useful lives are as follows:

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the statement of profit or loss and other comprehensive income in the year the asset is derecognised. Land has an indefinite useful life thus is not amortised, but is tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

2.2.9 TAXES

(1) CURRENT TAX

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

(2) DEFERRED TAX

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.2.10 DIVIDEND DISTRIBUTION ON ORDINARY SHARES

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

2.2.11 SHORT-TERM EMPLOYEE BENEFITS

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

2.2.12 POST-EMPLOYMENT BENEFITS

2.2.12.1 DEFINED BENEFIT PLAN

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

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

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

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts 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.

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.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

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

2.2.13 GOODWILL

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

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

2.2.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

2.2.15 PROVISIONS

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

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

2.2.16 LIABILITY FOR DEATH AND MULTIPURPOSE RISK FUNDS

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

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

2.3.1 NEW AND AMENDED STANDARDS AND INTERPRETATION

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

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

IFRS 9 FINANCIAL INSTRUMENTS

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

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

The Company has applied IFRS 9 as issued in July 2014 initially on 1 January 2018 and has early adopted the amendments to IFRS 9 on the same date. Based on assessments undertaken, the total adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 is USD 0.3 million, representing:
- an increase of USD 0.4 million related to impairment requirements; and
- a decrease of USD 0.1 million to deferred tax impacts.

Classification – financial assets

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

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

BUSINESS MODEL ASSESSMENT

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

ASSESSMENT OF WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST

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

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

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

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

IMPACT ASSESSMENT

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

- Loans and advances to customers and due from banks that are classified as loans and receivables and measured at amortised cost under IAS 39 are still measured at amortised cost under IFRS 9.
- Held-to-maturity investment securities measured at amortised cost under IAS 39 and are still measured at amortised cost under IFRS 9.
- Equity investments are being presented at fair value through OCI. Applying fair value through OCI for equity investments has no P&L recycling.

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

IMPAIRMENT – FINANCIAL ASSETS

BACKGROUND

The previous 'incurred loss' model under IAS 39 delayed the recognition of credit losses until there was a trigger event which resulted in a mismatch in timing of the recognition of interest income and charge of credit loss of a particular financial instrument. IFRS 9 adopts an expected loss model for impairment of financial assets which provides users of financial statements with more useful information about an entity's expected credit losses on financial instruments. The model requires an entity to recognise expected credit losses ('ECL') at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments.

MEASUREMENT OF EXPECTED CREDIT LOSS/LOAN LOSS PROVISION

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

APPROACH TAKEN BY THE COMPANY

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

A. CALCULATING ECL FOR STAGE 1-2 LOANS

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

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

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

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

B. ASSESSING THE EXISTENCE OF STAGE 3 LOANS

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

C. INCORPORATE FORWARD-LOOKING INFORMATION ON STAGE 1-2 LOANS

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

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

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

IMPACT ON THE COMPANY

ECLS BASED ON HISTORICAL DEFAULT DATA

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

NEXT 12 MONTHS ECLS BASED ON ANNUAL CHANGE OF WRITE-OFF

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

STAGE 3 LOANS AND MANAGEMENT OVERLAY

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

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

TOTAL EXPECTED CREDIT LOSS

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

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

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

Impairment for bank accounts and due from banks

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

Classification – financial liabilities

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

Derecognition and contract modification

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

Hedge accounting

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

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

Transition

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

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
- the determination of the business model within which a financial asset is held; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

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

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

2.3.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 LEASES

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

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

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

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

TRANSITION TO IFRS 16

In summary the impact of IFRS 16 adoption is expected to be, as follows:
Expected impact on the statement of financial position (increase/decrease) in 2019:

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

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

IFRS 17 INSURANCE CONTRACTS

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

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

2. ACCOUNTING POLICIES (CONTINUED)

PROVISION FOR CREDIT LOSS

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

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

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

Loan Classification	Days of Arrears	ASA International rate of provisioning 2018	ASA International rate of provisioning 2017
Standard	Current (No past due)	**0.22%**	0.15%
Watch list	1-30	**5%**	5%
Substandard	31-90	**20%**	20%
Substandard	91-180	**50%**	–
Doubtful	181-365	**100%**	75%
Loss	Above 365	**100%**	100%

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

- Portfolio at risk more than 30 days ('PAR>30') remained on comparable levels in all operating entities over the past year. Based on historical write-offs of loans, management has determined the provision rate for standard loans at 0.22%. The loan loss provision was further evaluated in 2018 in combination with the adoption of IFRS 9.
- ASA International has performed a thorough assessment of the actual portfolio at risk in each of the countries it invests in, and assessed a standard of 0.22% as reasonable.
- A small percentage of the loans that are not yet overdue based on ageing but are in fact doubtful loans. Reasons for this are death cases, natural disasters, sickness or job loss, all resulting in the loss of income and inability to repay the loan. The Group assesses a 0.22% provision on this part of the loan portfolio necessary to account for these credit losses.
- Having commenced operations in Asia and Africa since 2008, staff of the MFIs owned and controlled by the Company have gained knowledge and experience of their local operating markets.

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

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

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

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

BUSINESS CORRESPONDENCE AND PARTNERSHIP MODELS

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

SECURITISATION AGREEMENTS

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

GOING CONCERN

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

3. SEGMENT INFORMATION (CONTINUED)

As at 31 December 2018	West Africa USD	East Africa USD	South Asia USD	South East Asia USD	Non-operating entities USD	Total segments USD	Eliminations USD	Consolidated USD
External interest and similar income	41,807,381	15,319,762	59,667,830	24,601,423	42,373	141,438,769	–	141,438,769
Inter-segment interest income	–	–	–	–	3,284,234	3,284,234	(3,284,234)	–
External interest expense	(3,341,250)	(1,431,210)	(20,071,838)	(3,849,118)	(3,212,676)	(31,906,092)	–	(31,906,092)
Inter-segment interest expense	(554,784)	(984,924)	(693,415)	(731,498)	(319,613)	(3,284,234)	3,284,234	–
Net interest income	**37,911,347**	**12,903,628**	**38,902,577**	**20,020,807**	**(205,682)**	**109,532,677**	**–**	**109,532,677**
External other operating income	1,878,229	1,625,775	3,060,939	3,355,033	12,698	9,932,674	(10,728)	9,921,946
Inter-segment other operating income	–	–	–	–	70,829,271	70,829,271	(70,892,271)	–
Other inter-segment expense	–	–	(26,764)	(2,287,442)	(3,024,801)	(5,339,008)	5,339,008	–
Total operating income	**39,789,576**	**14,529,403**	**41,936,752**	**21,088,398**	**67,611,486**	**184,955,614**	**(65,500,991)**	**119,454,623**
Credit loss expense	(245,081)	74,034	(1,238,142)	(160,417)	–	(1,569,606)	–	(1,569,606)
Net operating income	**39,544,495**	**14,603,437**	**40,698,610**	**20,927,981**	**67,611,486**	**183,386,008**	**(65,500,991)**	**117,885,017**
Personnel expenses	(8,906,670)	(5,763,385)	(11,765,715)	(8,032,733)	(2,607,955)	(37,076,458)	–	(37,076,458)
Exchange rate differences	(124,350)	(97,465)	(308,675)	(104,404)	(354,645)	(989,539)	–	(989,539)
Other operating expenses	(5,978,950)	(3,530,248)	(6,658,462)	(7,021,361)	(11,959,825)	(35,148,846)	10,728	(35,138,118)
Tax expenses	(7,662,950)	(1,565,391)	(7,092,919)	(1,888,976)	(2,017,118)	(20,227,354)	–	(20,227,354)
Segment profit	**16,871,575**	**3,646,948**	**14,872,839**	**3,880,507**	**50,671,943**	**89,943,811**	**(65,490,263)**	**24,453,548**
Total assets	**89,000,697**	**38,566,366**	**213,639,274**	**95,014,534**	**350,116,485**	**786,337,356**	**(313,282,764)**	**473,054,592**
Total liabilities	**56,755,170**	**29,879,568**	**166,325,691**	**79,661,465**	**142,264,015**	**474,885,909**	**(90,379,681)**	**384,506,228**

Explanation: Segment profit is net profit after tax

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

Explanation: Segment profit is net profit after tax

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

4. INTEREST AND SIMILAR INCOME

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

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

5. INTEREST AND SIMILAR EXPENSE

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

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

6. OTHER OPERATING INCOME

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

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

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

6.1 CREDIT LOSS EXPENSE

	Notes	2018 USD	2017 USD
Customer credit loss expense/(recovered)	12.1	(1,233,284)	12,711
Credit loss expensed/(recovered) on-book BC model	12.2	87,608	(228)
Other credit loss expense		(423,930)	(53,490)
		(1,569,606)	(41,007)

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

7. PERSONNEL EXPENSES

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

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

7.1 RETIREMENT BENEFIT LIABILITY

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

ASAI India, ASA Pakistan, Lak Jaya and Pagasa Philippines 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 and Lak Jaya are maintained by the entity itself and no plan assets have been established separately. The funds for the plan of ASAI India are being maintained with Life Insurance Corporation of India and the entity's obligation is determined by actuarial valuation. The assumptions considered for the valuations are disclosed in note 2.2.12.1. There are no other post-retirement benefit plans available to the employees of the Group.

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

7.2 CHARGE FOR THE YEAR

	2018 USD	2017 USD
Current service cost for the year	**534,801**	117,995
Interest cost for the year	**96,421**	76,594
Impact from change in assumptions (see note 2.2.12)	**(1,709)**	11,779
	629,513	206,368

7.3 SENSITIVITY ANALYSIS

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

ASSUMPTIONS

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

8. OTHER OPERATING EXPENSES
The other operating expenses include the following items:

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

8.1 ADMINISTRATIVE EXPENSES

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

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

8.2 PROFESSIONAL FEES

	Notes	2018 USD	2017 USD
Technical assistance fees to ASA (TSP)		**(1,266,698)**	(1,182,187)
Legal services fees		**(376,286)**	(253,799)
Audit fees	8.2.1	**(1,063,714)**	(504,034)
Others		**(1,338,430)**	(679,377)
		(4,045,128)	(2,619,397)

8.2.1 AUDIT FEES

	2018 USD	2017 USD
Fees payable for the audit of the Group's annual accounts	**(493,000)**	(287,465)
Audit of the Company's subsidiaries	**(434,952)**	(214,569)
Audit related assurance services	**(135,762)**	–
Total audit and audit related assurance services	**(1,063,714)**	(502,034)
Other assurance services	**–**	(2,000)
Non-audit services – IPO reporting accountant	**(2,878,336)**	–
Total other services	**(2,878,336)**	(2,000)

8.3 IMPAIRMENT LOSS

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

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

8.4 IPO EXPENSES

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

9. EXPENSES FROM EXCHANGE RATE DIFFERENCES

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

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

10. INCOME TAX AND WITHHOLDING TAX EXPENSE

	2018 USD	2017 USD
Income tax expense		
Current income tax	**(19,473,206)**	(14,170,024)
Income tax for previous years	**(24,614)**	1,164,023
Changes in deferred income tax	**1,183,141**	186,223
	(18,314,679)	(12,819,778)

10.1 CURRENT TAX LIABILITY

	2018 USD	2017 USD
Balance as at beginning of period	**3,841,338**	3,437,066
Tax charge during the year	**19,497,820**	13,006,001
Tax paid	**(15,534,223)**	(12,057,395)
Disposal of subsidiaries	**–**	(156,231)
Foreign exchange adjustment	**(541,467)**	(388,103)
Balance as at end of period	**7,263,468**	3,841,338

10.2 DEFERRED TAX ASSETS

	2018 USD	2017 USD
Balance as at beginning of period	**1,527,394**	1,354,041
Charge during the year	**1,201,653**	223,795
Disposal of subsidiaries	**–**	(67,095)
Foreign exchange adjustment	**(140,712)**	16,653
Balance as at end of period	**2,588,335**	1,527,394

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

10. INCOME TAX AND WITH HOLDING TAX EXPENSE (CONTINUED)

10.3 DEFERRED TAX LIABILITY

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

Deferred tax relates to:

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

10.4 RECONCILIATION OF THE TOTAL TAX CHARGE

	2018 USD	2017 USD
Accounting result before tax	**44,680,902**	43,376,107
Income tax expense at nominal rate of consolidated entities	**(15,495,906)**	(13,864,008)
Over/(under) provision for income tax previous years	**(24,614)**	1,164,023
Non-allowable expenses	**(1,676,384)**	1,332,077
Deferred tax not recognised on losses	**(472,554)**	–
Exempt income	**450,610**	(1,260,851)
Other permanent differences	**(1,095,832)**	(191,019)
Total income tax expense for the period	**(18,314,680)**	(12,819,778)
Weighted average nominal rate of consolidated entities	**35%**	32%
Consolidated effective tax rate	**41%**	30%

10.5 INCOME TAX PER REGION

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

10.6 WITHHOLDING TAX EXPENSE

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

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

11. CASH AT BANK AND IN HAND

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

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

12. LOANS AND ADVANCES TO CUSTOMERS

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

12.1 PROVISION FOR CREDIT LOSS

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

12.2 PROVISION FOR CREDIT LOSS ON-BOOK BC PORTFOLIO

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

13. DUE FROM BANKS

	Notes	2018 USD	2017 USD
Due from banks		**17,487,649**	15,284,388
Escrow bank account at Citi Bank	13.1	**20,137,921**	–
		37,625,570	15,284,388

13.1 ESCROW BANK ACCOUNT AT CITI BANK

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

14. EQUITY INVESTMENTS AT FVOCI

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

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

15. PROPERTY AND EQUIPMENT

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

16. OTHER ASSETS

The other assets comprise of the following:

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

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

16.1 RECEIVABLES FROM RELATED PARTIES

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

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

17. GOODWILL

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

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

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

18. ISSUED CAPITAL

	2018 USD	2017 USD
ASA International Group plc 100 million shares of GBP 0.01 each	**1,310,000**	–
ASAIH 3,627,349 Ordinary shares of USD 10 each	**–**	36,273,490
	1,310,000	36,273,490
Movements in issued capital		
Capital at the beginning of the period	**36,273,490**	36,273,490
Issue of capital	**94,726,510**	–
Capital reduction	**(129,690,000)**	–
Capital at the end of the year	**1,310,000**	36,273,490

19. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	Notes	2018 USD	2017 USD
Balance beginning of the year		**71,321,318**	50,765,538
Impact of adopting IFRS 9, net of tax		**(263,381)**	–
Adjusted balance beginning of the year		**71,057,937**	–
Actuarial gains and losses on defined benefit liabilities		**(181,473)**	(12,004)
Deconsolidation due to transfer of CMII incl. Samic		**–**	923,882
Loss on repurchase of 1.46% stake in ASAI India from IDFC		**–**	(155,105)
Movement in hedge accounting reserve	30.2	**(120,285)**	(19,600)
Gain on revaluation of MFX investment	14	**38,786**	–
Other comprehensive income		**280,314**	77,215
Dividend paid		**(8,700,000)**	(9,259,490)
Capital reduction		**34,963,490**	–
Result for the year		**23,978,080**	29,000,882
Balance end of the year		**121,316,849**	71,321,318
Profit for the year			
Attributable to equity holders of the parent		**23,978,080**	29,000,882
Non-controlling interest		**475,468**	303,157
		24,453,548	29,304,039

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

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

20. FOREIGN CURRENCY TRANSLATION RESERVE

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

21. DEBT ISSUED AND OTHER BORROWED FUNDS

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

21.1 LOAN FROM BILL & MELINDA GATES FOUNDATION (ASAIH)

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

21.2 PARTICIPATION AGREEMENTS BLUEORCHARD-MANAGED FUNDS (ASAIH)

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

21.3 LOAN FROM SYMBIOTICS-MANAGED FUNDS (ASAIH)

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

21.4 LOAN FROM OIKOCREDIT (ASAIH)

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

21.5 LOAN FROM INCOFIN CVBA (ASAIH)

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

21.6 FROM OPIC (ASAIH)

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

22. DUE TO CUSTOMERS

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

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

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

23. OTHER LIABILITIES

Other liabilities are as follows:

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

Security deposits mainly relate to deposits taken from employees as a form of security. Other deposits relate to various smaller deposits in different countries. Deferred income mainly relates to liability for Death and Multipurpose Risk Funds, which are described in note 2.2.16. Other liabilities include various smaller accruals and provisions for various entities in the Company. The fair value of forward contracts has been classified as level 2.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

23. OTHER LIABILITIES (CONTINUED)

23.1 PROVISIONS

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

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

The liability regarding VAT (Pagasa Philippines) has been paid in 2019.

24. ADDITIONAL CASH FLOW INFORMATION

24.1 CHANGES IN OPERATING ASSETS

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

24.2 CHANGES IN OPERATING LIABILITIES

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

24.3 NON-CASH ITEMS INCLUDED IN THE STATEMENT OF COMPREHENSIVE INCOME

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

24.4 RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

25. RISK MANAGEMENT

25.1 GENERAL

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

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

25.2 RISK MANAGEMENT STRUCTURE

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

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

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

The Group's key risk management areas are operational risk, financial risk, legal and compliance risk and strategic risk.

More information is available in page 79 under section 'Risk Management Overview'.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

25. RISK MANAGEMENT (CONTINUED)

Risk category	Definition	Risks	Description
Operational	The risk of loss resulting from inadequate or failed internal processes, human behaviour and systems from external events	*Growth risk*	All risk and challenges associated in the Group's operational expansion
		Fraud and integrity	Fraud and misappropriation
		Information and technology	Maintenance of effective technology and security of systems
		Human resources	Likelihood of negative results due to a failure within its human resource department
		Transaction risk	Human or system errors within the Group's daily product delivery and services
		Social and environmental risk	Global and regional economic conditions and natural disasters
		Risks related to the disclosure of confidential or sensitive information	Loss or theft of confidential or sensitive information
Financial	The Group experiences financial risks such as credit risk, liquidity risk, exchange rate/currency risk and interest rate. The risks the Group encounters and impacts on the Group's earnings.	*Credit risk*	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations
		Interest rate risk	Risk that the Group's profitability or results of operations will be affected by fluctuations in interest rates
		Liquidity risk	Risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances
		Exchange rate/currency risk	Possibility of financial loss to the Group arising from adverse movements in foreign exchange rates
Legal (regulatory) and Compliance	Financial and other losses the Group may suffer as a result of regulatory changes or failure to comply with applicable laws and regulations.	*Regulatory: changes in local regulations and including political risks*	Anticipating and responding to changes in laws or regulations and political changes
		Legal and compliance	Compliance with applicable laws and regulations
		Interest rate caps	Anticipating and responding to change limits on (i) the amount of interest or fees charged to customers, or (ii) our net interest margin
		Foreign ownership	Risks associated with foreign ownership or shareholder concentration restrictions
		Legal uncertainty	Anticipating and responding to lack of legal certainty in some jurisdictions. Risk inherent to investing in emerging markets, including nationalisation, expropriation or confiscatory taxation, and political instability
Strategic	Current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business	*Competition risk*	Losses or failure to optimise profitable growth through not responding to the competitive environment
		Reputational risk	Risk to earnings or capital arising from negative public opinion

25.3 OPERATIONAL RISK

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

INFORMATION AND TECHNOLOGY RISK

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

HUMAN RESOURCE RISK

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

SOCIAL AND ENVIRONMENTAL RISK

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

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

PROVEN MICROFINANCE METHODOLOGY

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

These procedures, that are largely similar for all MFIs lending to micro-entrepreneurs, have the following features including but not limited to:

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

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

25. RISK MANAGEMENT (CONTINUED)

GENERAL RISK MITIGATION

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

25.4 FINANCIAL RISK

25.4.1 CREDIT RISK

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

MAXIMUM EXPOSURE TO CREDIT RISK

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

	2018 USD	2017 USD
Cash and cash equivalents (excluding cash in hand)	72,769,662	93,189,797
Loans and advances to customers	343,127,939	297,780,907
Client security deposits	(52,183,131)	(41,114,768)
Off-book BC model portfolio	1,833,638	1,526,928
Due from banks	37,625,570	15,284,388
Other assets	6,782,618	3,829,208
Maximum credit exposure	409,956,296	370,496,540

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

GEOGRAPHIC DISTRIBUTION OF MAXIMUM CREDIT EXPOSURE IN 2018

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

GEOGRAPHIC DISTRIBUTION OF MAXIMUM CREDIT EXPOSURE IN 2017

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

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

CREDIT RISK FROM LENDING IN 2018

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

* Due from banks are neither passed due nor impaired

CREDIT RISK FROM LENDING IN 2017

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

* Due from banks are neither passed due nor impaired.

25.4.2 LIQUIDITY RISK

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

25. RISK MANAGEMENT (CONTINUED)

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

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

- The main class of assets are loans to customers. Due to the nature of the microfinance business the Company is engaged in, these loans to customers have short-term maturities, hence the Company is in a position to generate a constant stream of cash inflows. The Company is in the position to accumulate sufficient funds to cover its obligations, although this may entail limitations on new loan disbursements.
- As at 31 December 2018 the Company had a cash balance of USD 72,945,586 (2017: USD 93,251,993).
- The Company and its subsidiaries are in discussions with various debt funders at Holding level and in the local markets about additional loan facilities. Overall debt funders are positive to fund the Company's operations.
- The Company is able to fund its operations and budgeted growth of its loan portfolio from new loan facilities supplied by third parties, security collateral and/or savings provided by its clients, and internally generated cash flows.

The table on the next page shows an analysis of liabilities analysed according to when they are expected to be recovered or settled.

Liabilities FY 2018	On demand USD	<3 months USD	3-12 months USD	Sub-total 1-12 months USD	1-5 years USD	Over 5 years USD	Sub-total >12 months USD	No fixed maturity USD	Total USD
Due to customers	3,979,255	39,434,811	20,530,229	63,944,295	–	–	–	–	63,944,295
Debt and other borrowed funds	11,854,386	19,565,099	131,560,819	162,980,304	111,089,237	3,596,976	114,686,213	2,415,681	280,082,198
Interest payable on client deposits	41,678	–	–	41,678	–	–	–	–	41,678
Security deposits	–	–	1,112,448	1,112,448	–	–	–	105,456	1,217,904
Other deposits	–	48,986	537,127	586,113	1,013	–	1,013	1,013	588,139
Deferred income	–	–	145,142	145,142	129,021	–	129,021	–	274,163
Accrued expenses	159,880	12,421	874,288	1,046,589	–	–	–	–	1,046,589
Accrued audit fees	–	33,386	813,589	846,975	–	–	–	–	846,975
Amount due to employees	359,142	30,839	905,176	1,295,157	–	–	–	–	1,295,157
Escrow liability to CMI	–	–	–	–	–	–	–	20,137,921	20,137,921
Amount due to related parties	1,327,927	–	–	1,327,927	–	–	–	–	1,327,927
Liabilities under BC model	–	701,830	–	701,830	–	–	–	–	701,830
Other liabilities	253,896	57,061	588,585	899,542	–	–	–	–	899,542
Provisions	–	–	1,153,410	1,153,410	–	–	–	–	1,153,410
Total liabilities	**17,976,164**	**59,884,433**	**158,220,813**	**236,081,410**	**111,219,271**	**3,596,976**	**114,816,247**	**22,660,071**	**373,557,728**

Liabilities FY 2017	On demand USD	<3 months USD	3-12 months USD	Sub-total 1-12 months USD	1-5 years USD	Over 5 years USD	Sub-total >12 months USD	No fixed maturity USD	Total USD
Due to customers	18,070,548	8,370,696	26,744,217	53,185,461	45,354	–	45,354	–	53,230,815
Debt and other borrowed funds	643,269	20,285,020	108,222,197	129,150,486	140,847,757	465,952	141,313,709	–	270,464,195
Security deposits	445,647	218,657	222,721	887,025	130,422	15,376	145,798	–	373,557,728
Other deposits	328,099	160,982	163,974	653,055	96,021	11,320	107,341	–	760,396
Deferred income	156,107	76,594	78,018	310,719	51,072	–	51,072	–	361,791
Accrued expenses	317,527	155,795	169,645	642,967	92,927	–	92,927	–	735,894
Accrued audit fees	187,158	91,829	99,993	378,980	54,773	–	54,773	–	433,753
Amount due to employees	477,307	234,191	238,544	950,042	139,688	16,468	156,156	–	1,106,198
Amount due to related parties	64,160	31,480	34,279	129,919	18,777	–	18,777	–	148,696
Liabilities under BC model	32,272	15,834	17,242	65,348	9,445	–	9,445	–	74,793
Fair value of forward contracts	48,104	23,602	25,700	97,406	14,078	–	14,078	–	111,484
Other liabilities	29,981	284,642	76,715	391,338	–	–	–	5,080	396,418
Provisions	341,378	242	264	341,884	144	–	144	–	342,028
Total liabilities	21,141,557	29,949,564	136,093,509	187,184,630	141,500,458	509,116	142,009,574	5,080	329,199,284

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

25. RISK MANAGEMENT (CONTINUED)

25.4.2 LIQUIDITY RISK

Changes in liabilities arising from financing activities in 2018.

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

Changes in liabilities arising from financing activities in 2017.

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

25.4.3 INTEREST RATE RISK

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

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

25.4.4 EXCHANGE RATE/CURRENCY RISK

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

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

In summary, the Company takes a number of measures to manage its foreign currency exposure:
- Investments are only made in countries that show a reasonable level of macroeconomic stability. A detailed macroeconomic and socio-political assessment is carried out before the Company decides to invest in a certain country.
- The Company endeavours to procure its MFIs secure local currency loans (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

SIMULATION: FOREIGN CURRENCY TRANSLATION RESERVE

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

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

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

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

SIMULATION: FOREIGN EXCHANGE PROFIT AND LOSS

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

25.5 LEGAL AND COMPLIANCE RISK

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

25. RISK MANAGEMENT (CONTINUED)

25.6 STRATEGIC RISK

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

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

26. CONTINGENT LIABILITIES AND COMMITMENTS

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

The Company has operational lease commitments. Reference is made to note 28.2.

27. RELATED PARTY DISCLOSURES

27.1 KEY MANAGEMENT PERSONNEL

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

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

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

REMUNERATION DIRECTORS

During 2018, the Directors of the Company received total compensation of USD 538,045 (ASAIH 2017: USD 75,000).

TOTAL REMUNERATION TO KEY MANAGEMENT PERSONNEL OF THE COMPANY

Total remuneration takes the form of short-term employee benefits. In 2018, total remuneration amounted to USD 1,632,167. (ASAIH 2017: USD 1,133,06).

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

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

27.2 REPORTING DATES OF SUBSIDIARIES

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

27.3 SUBSIDIARIES

	Country of Incorporation	2018 Ownership	2017 Ownership
ASAIH Subsidiaries:			
ASA Consultancy	Ghana	**100%**	100%
ASAI India	India	**72.60%**	66%
Pagasa Consultancy	India	**99%**	99.99%
Pinoy	India	**99.99%**	99.99%
Proswift Consultancy:	India	**99.99%**	100%
ASAI India	India	**17.40%**	22.06%
Pag-asa	The Philippines	**N/A***	N/A*
PT PAGASA Consultancy	Indonesia	**99.99%**	99.99%
A1 Nigeria	Nigeria	**100%**	100%
ASHA Nigeria	Nigeria	**99.99%**	99.99%
ASIEA	Nigeria	**N/A****	N/A**
ASA Pakistan	Pakistan	**99.99%**	99.99%
ASA Tanzania	Tanzania	**99.99%**	99.99%
ASA Myanmar	Myanmar	**99.99%**	99.99%
ASA Zambia	Zambia	**99.99%**	99.99%
ASA Rwanda	Rwanda	**99.99%**	99.99%
ASA Sierra Leone	Sierra Leone	**99.99%**	99.99%
ASAI Coop	The Netherlands	**0%**	50%
ASAI NV Subsidiaries:	The Netherlands	**N/A**	100%
Pagasa Philippines	The Philippines	**100%**	100%
ASA Leasing	Sri Lanka	**100%**	100%
ASA S&L	Ghana	**100%**	100%
ASA Lanka	Sri Lanka	**100%**	100%
ASA Kenya	Kenya	**99.51%**	100%
ASA Uganda	Uganda	**100%**	100%
ASAB Lanka	Sri Lanka	**100%**	100%
AMSL	Bangladesh	**95%**	0%
ASAI I&M	The Netherlands	**100%**	0%
CMI Lanka***	Sri Lanka	**100%**	100%
Subsidiary: Lak Jaya	Sri Lanka	**97.14%**	97%

* CMI officials/representatives control the governing body and the Board
** ASAI controls the governing body and the Board (through its officials/representatives)
*** This refers to the beneficial ownership only. The legal ownership is held by CMI

27.4 TRANSFER OF ECONOMIC OWNERSHIP

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

27. RELATED PARTY DISCLOSURES (CONTINUED)

27.4 TRANSFER OF ECONOMIC OWNERSHIP (CONTINUED)

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

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

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

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

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

Acquisition of ASA International Holding	USD
Loans and advances to customers	313,530,993
Other financial instruments	200,000
Investment in subsidiaries and loans	1,100,000
Property and equipment	3,911,050
Intangible assets	171,148
Deferred tax assets	1,426,429
Other assets	11,274,470
Goodwill	38,632
Due from banks	17,319,961
Cash in hand and at bank	83,814,420
Total assets	**432,787,133**
Debt issued and other borrowed funds	278,899,463
Due to customers	56,383,005
Retirement benefit liability	1,230,153
Current tax liability	4,024,387
Deferred tax liability	105,607
Other liabilities	15,981,665
Total liabilities	**356,624,280**
Total identifiable net assets at fair value	**76,162,853**
Non-controlling interest	1,387,880
Net asset value of consolidation	**74,774,973**
Difference with statutory equity of ASAIH	967,787
Statutory equity of ASAIH	75,195,066

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

27.5 RELATIONSHIP AGREEMENT

RELATIONSHIP AGREEMENT WITH THE CONTROLLING SHAREHOLDER GROUP

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

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

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

27.6 OTHER RELATED PARTIES

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

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

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

27. RELATED PARTY DISCLOSURES (CONTINUED)
27.6 OTHER RELATED PARTIES (CONTINUED)

		Income from related parties USD	Expenses to related parties USD	Amount owed by related parties USD	Amount owed to related parties USD
CMI	2018	28,979	–	238,344	21,018,520
	2017	–	–	15,692	16,258
CMIC	2018	–	34,408	–	138,178
	2017	–	–	–	25,422
Sequoia	2018	–	91,792	57,679	40,524
	2017	–	277,427	–	107,016
ASA Bangladesh	2018	–	1,266,698	3,231	114,414
	2017	–	1,182,187	58,822	–
MBA Philippines	2018	558,150	–	71,144	79,061
	2017	353,977	–	–	163,655
ASAICH	2018	–	–	–	–
	2017	–	–	87,053	–
CMIMC	2018	–	–	–	75,158
	2017	–	–	–	–
CMIIH	2018	4,685	–	96,313	–
	2017	4,893	–	154,087	–
IDFC	2018	2,503,425	–	627,545	555,626
	2017	663,113	–	151,427	282,160

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

27. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

28.1 SUBSEQUENT EVENTS DISCLOSURE

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

28.2 OPERATING LEASE COMMITMENTS

The Group has entered into operating leases for office buildings including branch offices. These leases have terms of between 12 months and eight years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

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

28.3 PENDING LITIGATIONS AND CLAIMS

ASA PAKISTAN

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

ASAI INDIA

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

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

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

30.1 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	
	2018 USD	2017 USD	**2018 USD**	2017 USD
ASSETS				
Available for sale	**238,786**	200,000	**238,786**	200,000
Financial assets at fair value through profit or loss	**2,312,647**	781,779	**2,312,647**	781,779
Loans and receivables				
Loans and advances to customers	**343,127,939**	297,780,987	**343,127,939**	297,780,987
Due from banks	**37,625,570**	15,284,388	**37,625,570**	15,284,388
Other assets	**4,469,971**	3,047,429	**4,469,971**	3,047,429
Cash and cash equivalents	**72,945,586**	93,251,993	**72,945,586**	93,251,993
LIABILITIES AND EQUITY				
Financial liabilities measured at amortised cost				
Debt issued and borrowed funds	**280,082,198**	270,464,195	**280,082,198**	270,464,195
Due to customers	**63,985,973**	53,230,815	**63,985,973**	53,230,815
Financial liabilities at fair value through profit and loss	**–**	111,484	**–**	111,484
Other liabilities	**28,061,984**	4,688,972	**28,061,984**	4,688,972

- The carrying amounts of cash and cash equivalents, due from banks and due to customers approximate the fair value due to the very short-term maturities of these items.
- Loans and advances to customers are carried at amortised cost net of loan loss provisioning. Furthermore, the term of the loans to the microfinance borrowers is short (6–12 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 holding level as well as the loans provided by third parties directly to the subsidiaries of ASA International. The nominal value of the Gates Foundation Loan approximates the fair value because the loan has specific requirements of the Gates Foundation that the coupon of 2% is the most appropriate interest rate to be asked for this loan. The other loans are short-term and held at amortised cost; therefore the carrying amount is the best approximation of the fair value.

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

Reference is made to note 2.2.2 (5) for the accounting treatment and note 25.7 for the strategy for currency exchange risk. Below we provide additional information on the hedged items and hedging instruments as per 31 December 2018.

30.2 HEDGE ACCOUNTING (CONTINUED)

As at 31 December 2018	Total USD
Fair value of forward contracts	**(2,312,647)**
Notional amount hedged USD loans	**43,625,002**
Period in which the cash flows are expected to occur:	**–**
cash flows in 2019	**39,125,002**
cash flows in 2020	**3,500,000**
cash flows in 2021	**1,000,000**
Total cash flows	**43,625,002**
Expected period to enter into the determination of profit or loss:	
amortisation of forward points in 2019	**1,571,564**
amortisation of forward points in 2020	**161,622**
amortisation of forward points in 2021	**5,270**
Total amortisation of forward points	**1,738,456**
Amounts recognised in OCI during the period:	
for amortisation of forward points	**2,172,932**
for changes in fair value of the forward contracts	**6,843,323**
for recycling of FX result of USD loans	**(9,136,539)**
Total amounts recognised in OCI during the period	**(120,285)**

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

30.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31 December 2018	Within 12 Months USD	After 12 Months USD	Total USD
Assets			
Cash and cash equivalents	**71,545,650**	**1,399,936**	**72,945,586**
Loans and advances to customers	**284,408,528**	**58,719,411**	**343,127,939**
Due from banks	**35,497,788**	**2,127,782**	**37,625,570**
Equity investment FVOCI	**–**	**238,786**	**238,786**
Property and equipment	**753,850**	**3,751,827**	**4,505,677**
Deferred tax assets	**676,696**	**1,911,639**	**2,588,335**
Other assets	**11,729,618**	**259,658**	**11,989,276**
Goodwill	**–**	**33,423**	**33,423**
Total assets	**404,612,130**	**68,442,462**	**473,054,592**
Liabilities			
Debt issued and other borrowed funds	**162,980,304**	**117,101,894**	**280,082,198**
Due to customers	**63,985,973**	**–**	**63,985,973**
Retirement benefit liability	**568,025**	**901,443**	**1,469,468**
Current tax liability	**4,220,685**	**3,042,783**	**7,263,468**
Deferred tax liability	**54,997**	**14,116**	**69,113**
Other liabilities	**26,649,503**	**3,833,095**	**30,482,598**
Provisions	**1,153,410**	**–**	**1,153,410**
Total liabilities	**259,612,897**	**124,893,331**	**384,506,228**
Net	**144,999,233**	**(56,450,869)**	**88,548,364**

As at 31 December 2017	Within 12 months USD	After 12 months USD	Total USD
Assets			
Cash and cash equivalents	89,054,611	4,197,382	93,251,993
Loans and advances to customers	273,142,025	24,638,962	297,780,987
Due from banks	11,466,744	3,817,644	15,284,388
Available for sale investment	–	200,000	200,000
Property and equipment	1,508,317.00	2,373,880	3,882,197
Deferred tax assets	757,864	769,530	1,527,394
Other assets	3,448,784	3,940,900	7,389,684
Goodwill	–	39,845	39,845
Total assets	379,378,345	39,978,143	419,356,488
Liabilities			
Debt issued and other borrowed funds	129,150,487	141,313,708	270,646,195
Due to customers	53,185,461	45,354	53,230,815
Retirement benefit liability	503,716	439,586	943,302
Current tax liability	3,841,338	–	3,841,338
Deferred tax liability	60,425	–	60,425
Other liabilities	5,152,963	1,463,182	6,616,145
Provisions	1,217,917	–	1,217,917
Total liabilities	193,112,307	143,261,830	336,374,137
Net	186,266,038	(103,283,687)	82,982,351

31. EARNINGS PER SHARE

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

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

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

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

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

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

Statutory statement of profit or loss and other comprehensive income

For the period from 14 May 2018 to 31 December 2018

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

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

Statutory statement of financial position
As at 31 December 2018

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

Approved by the Board of Directors on: 17 April 2019

Signed on behalf of the Board

Dirk Brouwer
CEO

Tanwir Rahman
CFO

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

Statutory statement of changes in equity
For the period from 14 May 2018 to 31 December 2018

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

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

Statutory statement of cash flows
For the period from 14 May 2018 to 31 December 2018

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

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

Notes to the statutory financial statements
For the period from 14 May 2018 to 31 December 2018

SEPARATE FINANCIAL STATEMENTS

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

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

32. TOTAL OTHER OPERATING EXPENSES

Total operating expenses include the following items:

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

32.1 PROFESSIONAL FEES

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

32.2 ADMINISTRATIVE EXPENSES

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

33. INVESTMENTS IN SUBSIDIARIES

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

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

34. OTHER ASSETS

The other assets comprised the following:

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

35. ISSUED CAPITAL

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

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

36. REDEEMABLE PREFERENCE SHARES

50,000 redeemable preference shares of GBP 1.00 each.

	2018 USD
Movements in redeemable preference shares	
Amount at the beginning of the year	–
Issuance of redeemable preference shares	65,500
Balance at the end of the year	65,500

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

37. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	2018 USD
Balance at the beginning of the period	–
Capital reduction	73,885,067
Result for the period	625,812
Balance at the end of the period	74,510,879
Profit for the period	
Attributable to equity holders of the parent	625,812

Notes to the statutory financial statements (continued)

For the period from 14 May 2018 to 31 December 2018

38. OTHER LIABILITIES

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

39. ADDITIONAL CASH FLOW INFORMATION

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

Alternative performance measures

KPI	2018	2017	Definition
OLP	**USD 378.5m**	USD 313.4m	The figure depicts the consolidated outstanding loan portfolio, including offbook net BC loan portfolio from IDFC. It excludes interest receivables and unamortised loan processing fees as included in the loans and advances to customers in note 12 to the financial statements.
OLP/client	**USD 174**	USD 169	Total outstanding loan portfolio divided by total number of clients.
Total debt/OLP	**73%**	85%	The ratio is calculated by dividing closing balances of interest-bearing debt by outstanding loan portfolio. Interest-bearing debt includes debt issued and other borrowed funds in note 21, less interest payables.
Reported net profit after tax	**USD 24.5m**	USD 29.3m	Consolidated profit for the year as reported in the financial statement.
Normalised net profit	**USD 32.4m**	USD 26.9m	Consolidated profit for the year as reported in the financial statement adjusted for one-off items: 2018: this mainly relates to IPO costs. 2017: this mainly relates to incidental credit loss in India, provision for Nigeria, and reversal of provision for Pakistan; and previous year tax expenses.
NIM	**26%**	26%	Net interest margin ('NIM') is calculated as net interest income divided by average interest earning assets on consolidated basis. Average interest earning assets is calculated as the sum of cash at bank and in hand, due from banks and loans and advances from customers.
ROA	**7.3%**	7.9%	Return on assets ('ROA') is calculated by dividing the normalised net profit after tax by the average of total asset. ROA is displayed as a percentage.
ROE	**38%**	36%	Return on equity ('ROE') is calculated by dividing the normalised net profit after tax by the average of shareholder's equity. ROE is displayed as a percentage.
EPS (USD)	**0.24**	8.00	Earning per share (EPS) is calculated by dividing the Company's net profit after tax by the weighted average number of ASAI Group plc ordinary shares outstanding during the year. For 2017, number of shares is equivalent to the number of ASA International Holding shares which was 3.7 million.
DPS (US cents)	**7.3**	8.7	The figure is calculated by dividing the total dividends paid out by ASAI, including interim dividends, over a period of time by the weighted average number of ASAI Group plc ordinary shares outstanding during the year. For 2017, number of shares is adjusted to 100 million for comparison purposes. The actual number of ASA International Holding shares in 2017 was 3.7 million.
Cost to income	**55%**	54%	Cost to income ratio is calculated by dividing total operating expenses by total net operating income on consolidated basis.
Client Economics Yield (CEY)	**10.7%**	10.8%	Client Economics Yield ('CEY') is done by calculating the clients' weekly income and then comparing their average weekly income with the weekly percentage interest cost borne by them.
Client retention rate	**73%**	77%	The client retention rate is determined by subtracting the total number of new clients in a period from number of clients at the end of that period divided by the total number of clients at the beginning of the period. Periods based on tenor of client loans (6, 10 or 12 months).
Number of new branches	**278**	210	The number of new branches commencing operations in the period in all operating markets.
Satisfaction Survey	**87%**	88%	This survey is conducted by interviewing at least two clients per loan officer (long-term and newer clients with loans of greater than 6–12 months as applicable) with yes/no, closed and open-ended questions. The responses are coded and converted into percentages to estimate the client's satisfaction with the products and with the services delivered by ASA International.
Carbon footprint	**6,399 tonnes CO_2**	N/A	Carbon footprint is measured as the sum of direct emissions of greenhouse gases from the direct purchase of electricity for energy consumption, pipe water consumption and transportation.
Employee training hours	**28,253**	24,753	Employee training hours is calculated by multiplying the number of training sessions with the number of hours per training.

Alternative performance measures (continued)

KPI	2018	2017	Definition
Social Performance Index (SP14)	**91%**	90%	SPI4 is a social audit tool made by CERISE as per Universal Standards managed by SMART CAMPAIGN. The assessment is divided into six dimensions with both qualitative and quantitative questions. Each dimension carries a score of 100. See www.cerise-spm.org/en/spi4/ for more details.
Number of clients	**2.2 million**	1.9 million	The number of clients in all operating markets.
Number of branches	**1,665**	1,387	The number of branches in all operating markets.
PAR>30	**0.6%**	0.6%	PAR>30 is the percentage of OLP that has one or more instalment repayments of principal past due for more than 30 days divided by the total outstanding gross loan portfolio.
Number of staff	**10,771**	9,610	The number of staff of the Company.
Clients per branch	**1,306**	1,336	Clients per branch is the total number of customers divided by the total number of branches.
Employee Recruitment	**49%**	54%	Number of staff hired in current period / number of staff at beginning of current period.
Employee satisfaction rate	**81%**	78%	Using qualitative methods, staff satisfaction analyses employee satisfaction rate in three main areas: professional satisfaction, facility satisfaction and department service satisfaction.

in USD '000	2018	2017
Net profit after tax	**24,454**	29,304
Non-recurring items		
Incidental credit loss items	**–**	(1,087)
Provision for fees charged in Nigeria	**(502)**	757
Reversal for worker welfare fund provision in Pakistan	**–**	(645)
Transfer of Cambodia and other	**–**	(3)
Tax adjustments in previous years	**–**	(1,492)
Tax impact adjustment	**–**	96
IPO cost	**7,959**	–
Impairment of bank balance of GN bank	**114**	–
Tax adjustment from Pakistan in 2017	**328**	–
Total non-recurring items	**7,899**	(2,374)
Normalised net profit after tax	**32,352**	26,929

List of abbreviations

Abbreviation	Definition
A1 Nigeria	A1 Nigeria Consultancy Limited
Admission	Admission of the Company to the Main Market of the London Stock Exchange
AGM	Annual General Meeting
AMBS	ASA Microfinance Banking System
AMSL	ASAI Management Services Limited
ASA NGO Bangladesh	ASA NGO registered in Bangladesh
ASA Consultancy	ASA Consultancy Limited
ASA Kenya	ASA Limited
ASA Lanka	ASA Lanka Private Limited
ASA Leasing	ASA Leasing Limited
ASA Myanmar	ASA Microfinance (Myanmar) Ltd
ASA Model	The ASA model of microfinance as developed by ASA NGO Bangladesh
ASA Pakistan	ASA Pakistan Limited
ASA Rwanda	ASA Microfinance (Rwanda) Limited
ASA Savings & Loans	ASA Savings & Loans Limited
ASA Sierra Leone	ASA Microfinance (Sierra Leone)
ASA Tanzania	ASA Microfinance (Tanzania) Ltd
ASA Uganda	ASA Microfinance (Uganda) Limited
ASA Zambia	ASA Microfinance Zambia Limited
ASAIH	ASA International Holding
ASAI Cambodia Holdings	ASA International Cambodia Holdings
ASAI Coop	ASAI Coöperatief U.A.
ASAI I&M	ASAI Investments & Management B.V.
ASAI India	ASA International India Microfinance Limited
ASAI NV	ASA International N.V.
ASA International	ASA International Group plc
ASA Nigeria	ASHA Microfinance Bank Limited
ASIEA	Association for Social Improvement and Economic Advancement
BP	Blood pressure
BC	Business Correspondent
Board	Board of Directors of ASA International Group plc
CarbonX	CarbonX B.V.
CMI	Catalyst Microfinance Investors
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGAP	Consultative Group to Assist the Poor
COO	Chief Operating Officer
Companies Act	Companies Act 2006 (UK)
Company	ASA International Group plc
CMI Lanka	C.M.I. Lanka Holding (Private) Limited
CMIC	Catalyst Microfinance Investment Company
CMII	CMI International Holding
CMIV	CMI Ventures Ltd.
CO_2	Carbon dioxide
Code	UK Corporate Governance Code 2016 published by the Financial Reporting Council;
CSR	Corporate Social Responsibility
ESG Report	Environment Social and Governance Report
EY	Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited
FCA	Financial Conduct Authority

List of abbreviations (continued)

Abbreviation	Definition
FSMA	The Financial Services and Markets Act 2000, as amended;
Gates Foundation	Bill & Melinda Gates Foundation
GBP	Pound Sterling
GDP	Gross Domestic Product
GHG	Global Greenhouse Gas
GIIRS	Global Impact Investing Rating System
GMC	Grievance Mitigation Committee
Group	ASA International and its consolidated subsidiaries and subsidiary undertakings from time to time
HIV	Human immunodeficiency viruses
HR	Human Resources
IFRS	International Financial Reporting Standards
IR	Investor Relations
ISMS	Information Security Management System
IDFC	IDFC First Bank
IPO	Initial Public Offering
IT	Information Technology
KPI	Key Performance Indicator
Lak Jaya	Lak Jaya Micro Finance Limited
Listing Rules	The listing rules relating to admission to the Official List made under section 73A(2) of the FSMA
LSE	London Stock Exchange
LTIP	Long Term Incentive Plan
MBA Philippines	PagASA Ng Pinoy Mutual Benefit Association, Inc.
METS	Micro Enterprise Trustee Services (Pvt.) Ltd.
MFI	Microfinance Institution
NBFC-MFI	Non-Banking Financial Company – Micro Finance Institutions
Non-executive Directors	The non-executive Directors of ASA International
Oikocredit	Oikocredit, Ecumenical Development Co-Operative Society U.A.
Pag-asa	Pag-asa Ng Masang Pinoy Foundation, Inc.
Pagasa Consultancy	Pagasa Consultancy Limited
Pinoy	Pinoy Consultancy Limited
Pagasa Philippines/PPFC	Pagasa Philippines Finance Corporation, Inc.
Proswift	Proswift Consultancy Private Limited
PT ASA Microfinance	PT ASA Microfinance
PT PAGASA Consultancy	PT PAGASA Consultancy
Relationship Agreement	The relationship agreement to be entered into by the ASA International, Catalyst Microfinance Investors, Catalyst Continuity Limited, Dirk Brouwer and Md. Shafiqual Haque Choudhury
RMC	Risk Management Committee
RMCC	Risk Management Coordination Committee
RMT	Risk Management Team
RMU	Risk Management Unit
Sequoia	Sequoia B.V.
SPM	Social Performance Management
Symbiotics	Symbiotics SA
UK	The United Kingdom of Great Britain and Northern Ireland;
UKLA	United Kingdom Listing Authority
UMRA	Uganda Microfinance Regulatory Authority
UNDP	United Nations Development Programme
US or United States	The United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
USD	United States Dollar
WTW	Wills Towers Watson

Forward-looking statements

Certain statements made in this Annual Report are forward looking and are based on current expectations. The statements are subject to assumptions, inherent risks and uncertainties, many of which are beyond the Company's control and which could cause actual results to differ significantly from those expected. Unless required by law, regulations or accounting standards, the Company does not undertake to update or revise any forward looking statement, whether as a result of new information or future developments. Any forward looking statements made by or on behalf of the Group speak only as of the date that they are made and are based on knowledge and information available to the Directors on the date of this Annual Report.

Nothing in this Annual Report should be regarded as a profit forecast or constitute an offer to sell or an invitation to buy any shares in ASA International Group plc.

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