ASA International Group plc
Annual Report and Accounts 2019

Our clients' growth is our growth

OUR PURPOSE

We have a strong commitment to financial inclusion and socioeconomic progress.

WHO WE ARE

ASA International is one of the world's largest international microfinance institutions providing small, socially responsible loans to low-income entrepreneurs, most of whom are women, across Asia and Africa.

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

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

FINANCIAL HIGHLIGHTS

2.5m
CLIENTS
+17%

USD34.5m
NORMALISED NET PROFIT
+7%

1,895
BRANCHES
+14%

USD467.4m
OUTSTANDING LOAN PORTFOLIO
+24%

HIGHLIGHTS

Number of clients up by 17% to 2.5m and number of branches up by 14% to 1,895

OLP grew to USD 467.4m up by 24% (28% up on a constant currency basis)

OLP/client averaged USD 184, up by 6% (10% up a constant currency basis)

Normalised net profit up by 7% at USD 34.5m (12% up on a constant currency basis), with reported net profit up by 41% at USD 34.5m

South Asia delivered strong growth with clients up 17%, but with profitability down 5% due to a more challenging operating environment in India and Sri Lanka

South East Asia continued to expand with clients up 11% and net profits up by 38%, supported by particularly high demand for loans in Myanmar

West Africa continued to expand with clients up 5%, but with net profit down 6% due to reduced growth in Nigeria as result of weak economic growth and increased security concerns, some one-off expenses, and a 16% devaluation of the Ghanaian Cedi

East Africa delivered strong growth with clients up 44% and net profit up 69%, with Uganda more than doubling its profits in the year and Rwanda crossing break-even for the first time since inception in 2016

The roll-out and implementations of real-time AMBS, our proprietary core banking system, continued at a rapid pace and is scheduled to be completed by the end of June 30, 2020

With the exception of Sri Lanka, the loan portfolios of all MFIs continue to maintain a strong portfolio quality with the overall PAR>30 at 1.5%

Decision on dividend has been deferred until later in the year due to the impact of the COVID-19 outbreak

APPROVAL OF STRATEGIC REPORT
The Strategic Report for the year ended 31 December 2019, set out on page 1 to 63, was approved by the Board of Directors on 2 June 2020.

By order of the Board,

DIRK BROUWER
CHIEF EXECUTIVE OFFICER
ASA INTERNATIONAL GROUP PLC
2 June 2020

Making good progress

> **Following a 40-year long career in supporting low-income people, I am extremely proud to see ASA International growing into a leading international microfinance institution supporting low-income women across two continents in thirteen countries.**
>
> MD. Shafiqual Haque Choudhury
> Chairman, ASA International

Following a 40-year long career in supporting low-income people, I am extremely proud to see ASA International growing into a leading international microfinance institution supporting low-income women across two continents in thirteen countries. Our 12,480 employees who venture daily into the field to meet our clients, provide a solid foundation for the sound returns of our Company despite the challenges we are facing whether it be economical, political or the climate.

We made good progress in 2019 by expanding our network to 1,895 branches and reaching an ever growing number of female micro-entrepreneurs across markets in Asia and Africa. As of 31 December 2019, we served a total of 2.5 million clients, an increase of 17% compared to last year. Across the board, the Company performed well, outperforming expectations in some markets while lagging behind in certain other markets where we faced external challenges. We also strengthened our regulatory basis, adding licences in Sri Lanka, Uganda, as well as Zambia where we started a new business. ASA International continues to strive to be a regulated institution in all of its markets, preferably by offering savings which are in high demand among our clients.

Over the past year the Company focused on further improving internal policies and procedures, investing in training staff and ensuring that the high quality of the loan portfolio was, and will be, maintained. Under supervision and guidance of the Board the Company worked on the governance and compliance framework ensuring full compliance with the latest requirements of the UK Governance Code.

I am particularly excited to share the expansion of our community projects as part of our corporate social responsibility. These programmes are an essential part of our mission to improve the livelihoods of our clients. In 2019 our activities reached close to 130,000 low-income people in the communities where we work. We offered scholarships, coaching through established centres for schoolchildren, health screenings, eye camps, and construction of arsenic-free water plants. We also drilled boreholes for drinking water, provided relief following natural calamities and donated educational materials. Our CSR budget of 2019 was 55% higher than the previous year, which allowed us to reach out to more people in the communities where our branches are based. We are convinced that through our commitment to - and investment in - these local communities, we foster the relationship between our institution and the people we serve, ultimately leading to a better life for those touched by these efforts.

Our achievements in all regions were widely recognised by industry bodies and government agencies. Our operational excellence and professionalism in all markets is reflected in the many prices and accolades received throughout the year, ranging from 'best financial services company', 'leading position among top 100 companies', 'Banking and Financial Excellence award', or 'Social Impact awards', received by seven of our institutions across the four regions. ASA International was also awarded the Financial Services Company of the Year award by the Evening Standard in the United Kingdom.

These achievements are a result of the dedication of our staff and the loyalty of our clients that see value in our services. Each year we carry out a number of in-house surveys for both clients and staff. We look at both economic and social impact of our business. The Annual Clients' Economic Yield Survey is key in ensuring our clients benefit from our loans and to ensure we maintain our responsible lending practices. These surveys also demonstrate a high level of satisfaction among our staff and clients.

I would like to thank our staff for maintaining the valuable relationship with our clients. I would also like to thank our shareholders, Board members, clients and stakeholders across all countries.

We take pride in what we achieved yet we recognise that our business is also exposed to events in an ever-globalised world. At the time of publication of this report, we are seeing the impact of COVID-19 across the globe including in the countries we are in. As a responsible business we are taking all possible measures to protect the health and safety of our clients and staff, yet we recognise that the full scale of the impact of this worldwide pandemic on our clients and our businesses across the various markets is as yet unknown. We are however confident that the resilience of our clients and the strength of our microfinance model give us a good position to weather this storm.

We remain firmly committed to growing our business, becoming the leading international microfinance services company, and generating value for our stakeholders. We will do so in a responsible and prudent manner, especially as the world is changing around us.

With thanks and all the best,

MD. SHAFIQUAL HAQUE CHOUDHURY
CHAIRMAN, ASA INTERNATIONAL
2 June 2020

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 HERITAGE

ASA International was founded with the mission to adapt the ASA Model of Microfinance ('ASA Model'), originally developed by ASA NGO-MFI ('ASA NGO Bangladesh') Bangladesh, to fit the diverse countries in Asia and Africa in which it has established its microfinance institutions. From inception, the Group benefited from early access to ASA NGO Bangladesh's know-how, industry technical expertise and experts. 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'. The ASA Model 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 with a high-quality loan portfolio across markets and by number of active borrowers.

▶ Read more on pages 08 and 14

OUR CLIENTS

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.

Their businesses are across services, trading, manufacturing and agricultural activities in predominantly urban/semi-urban areas.

We engage with them through client group meetings and our branches, which are situated in or near the communities where our clients live and work and are the centre of our ecosystem. We target 1,600 clients per branch.

▶ Read more on page 18

OUR ASA MODEL

The ASA Model is highly scalable, cost-efficient and easily replicable across markets. Decision-making is highly decentralised, at the branch level in the community where our clients work and live.

DISTINCTIVE FEATURES:

- Group selection without joint liability
- Loans granted exclusively for income-generating activities
- Full repayment via instalments before eligibility for new loan
- No incentives 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

▶ Read more on page 16

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.

The growth strategy of the Group is based on three strategic pillars:

The first is related to **our expansion strategy**. We aim to expand via increasing the number of clients per branch in existing branches, gradually increasing the volume of loans per client in existing branches, opening new branches in existing countries of operation and gradual expansion in new countries. In new countries, we grow organically building upon our greenfield strategy. By diversifying into more markets in Asia and Africa we strengthen the Group's risk profile.

The second pillar is based on **our funding strategy**. We have a strong funding profile with a favourable maturity profile with long-term funding of typically up to five years, compared to average client loan tenors of six to 12 months at issuance. We aim to align the growth in assets and liabilities and reduce cost of funds by growing the deposit base of our microfinance institutions in order to provide an alternative, stable, low-cost source of funding. We do this by aiming to become fully regulated, deposit-taking institutions in all markets with the capacity of mobilising deposits from our clients or the wider public.

Thirdly, **our digital strategy**, which has been built around enhancing our digital platform to stay competitive by being at the forefront of any digital finance initiatives and leveraging increasing smartphone penetration and internet coverage amongst our customers. We aim to develop and adopt relevant digital financial services and other technology offerings to continue to improve customer service and increase client retention and productivity.

Our high-touch client model combined with digital services offers a distinctive competitive advantage. It allows for increased collection capability, a better balance between higher quality, affordable services at lower cost for our clients combined with increased efficiency and profitability for the Group. Moreover, we also expect to see improvements in credit assessments and client ratings.

Our proprietary ASA Microfinance Banking System (AMBS), our stable and strong online IT platform, has been rolled out in all markets and will continue to be a strong enabler of future growth. AMBS is our core banking system in the markets where we are deposit taking.

► Read more on page 22

13
COUNTRIES

2.5m
CLIENTS

1,895
BRANCHES

12,480
EMPLOYEES

Strong commitment to financial inclusion and socioeconomic progress continued

OUR INTERNATIONAL PRESENCE

SOUTH ASIA

The Group has operations in three countries in South Asia: India, Pakistan and Sri Lanka.

India: 399 branches
Pakistan: 281 branches
Sri Lanka: 71 branches

▶ Read more on page 48

SOUTH EAST ASIA

The Group has operations in two countries in South East Asia: the Philippines and Myanmar.

The Philippines: 315 branches
Myanmar: 90 branches

▶ Read more on page 49

WEST AFRICA

The Group has operations in three countries in: Nigeria, Ghana and Sierra Leone.

Nigeria: 263 branches
Ghana: 123 branches
Sierra Leone: 37 branches

▶ Read more on page 50

EAST AFRICA

The Group has operations in five countries in: Tanzania, Uganda, Kenya, Rwanda and Zambia.

Tanzania: 102 branches
Uganda: 88 branches
Kenya: 90 branches
Rwanda: 30 branches
Zambia: 6 branches

▶ Read more on page 51

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● **Corporate head office**
Amsterdam, The Netherlands
Dhaka, Bangladesh

○ Registered head office

○ Regional head offices

CLIENTS

■ South Asia	1,234,638
■ South East Asia	491,813
■ West Africa	459,022
■ East Africa	348,542

BRANCHES

■ South Asia	751
■ South East Asia	405
■ West Africa	423
■ East Africa	316

OUTSTANDING LOAN PORTFOLIO (USD)

■ South Asia	$254.4m
■ South East Asia	$84.2m
■ West Africa	$77.2m
■ East Africa	$51.7m

* Includes off-book Business Correspondence loans and Direct Assignment loans in South Asia.

Our path to becoming fully regulated microfinance institutions

Our aim is to become fully regulated, embedded in local financial communities and with the capacity to mobilise deposits.

2007
- ASA International Holding incorporated
- 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 in Nigeria

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 commenced operations

2014
- ASA Myanmar and ASA Tanzania commenced operations
- ASA Rwanda established

2015
- ASA Sierra Leone established

2016
- ASA Rwanda and ASA Sierra Leone commenced operations

2018
- ASA International Group plc listed on the main market of the London Stock Exchange
- ASA Zambia established
- ASA India received MFI Licence
- Pagasa Philippines received a finance company licence

OUR FUTURE

The following are the key drivers for future growth:

- Continue to grow our branch network across the Group
- *Transforming lending institutions to deposit-taking microfinance banks*
  - Receipt of the no objection certificate by State Bank of Pakistan in January 2020 is a step towards securing the microfinance licence in Pakistan, which enables us to mobilise savings over time
- Study to establish operations in new countries
- Introducing digital services to clients such as electronic disbursements and repayment options
- Real-time banking through AMBS
- Our in-house trained staff

2019

- Lak Jaya became a deposit-taking microfinance company in Sri Lanka
- ASHA Microfinance Bank obtained national wide licence, ASHA Microfinance Bank and ASIEA NGO merger is in progress in Nigeria
- ASA Zambia commenced operations

STRONG LOAN GROWTH

US$m

IT DEVELOPMENTS

2017

- Tablets rolled out to all loan officers

2019

- Loan officers, area and district managers use tablets which simplifies loan administration
- AMBS real-time implementation completed in nine out of 13 countries
- A real-time mobile app is rolled-out in countries where real-time AMBS is implemented. It is used for collection, client admission and loan application processing

Delivering sustainable growth

"In 2019 we delivered good client and portfolio growth and we started 2020 with high expectations, however the COVID-19 pandemic is impacting all of the Group's clients and staff across the world.

Dirk Brouwer
Chief Executive Officer

IMPACT OF COVID-19

We started 2020 with high aspirations and expectations of strong and sustainable growth of our operations across most markets. However, the COVID-19 pandemic is impacting all of the Group's clients and staff across the world. Apart from the health and safety risks, the COVID-19 crisis has been disruptive to our operations due to the imposition of lockdowns, curfews, restrictions on movement and congregation of people, and the general fear and uncertainty caused by COVID-19, which has adversely affected the economies and the business activities of our clients in the countries in which we operate.

On March 15, 2020, a lockdown was announced in the Philippines. Within ten days thereafter, the governments of all our other operating countries, announced lockdowns, curfews or other measures to mitigate the spread of COVID-19.

Based on publicly available data, the spread of the disease in our operating countries does not reflect the explosive growth in confirmed cases and casualties as has been seen in Europe and the United States. At present, the numbers remain quite low, with a much flatter infection and fatality curve compared to the major affected countries in Europe and the United States. At present, the health impact on our clients and staff have been negligible with no staff out of 12,500 and only two clients out of 2.5 million confirmed infected by COVID-19. Fortunately, our staff and clients are relatively young with an average age of 30 years and 37 years, respectively. Lockdowns in Pakistan, Ghana, Kenya, Nigeria, Myanmar, Rwanda, Sri Lanka, Sierra Leone, Tanzania, and the Philippines have been relaxed, which enabled us to re-open our branches and resume our field activities. The only two countries which have not resumed operations yet are India, which plans to start collections 1 June, and Uganda.

Fortunately, collection efficiency has been relatively high and is gradually increasing in countries that already emerged from the lockdowns. This gives us confidence that, assuming operations normalize over time, we may come out of this crisis stronger and strategically well-positioned for ongoing, sustainable growth.

OPERATIONAL MEASURES

As the implications of the potential spread of COVID-19 became clear, we promptly implemented a wide range of measures to minimise the impact of COVID-19 on our staff, clients and operations, including the following:

Health and safety

- Sanitary measures in accordance with Government and international guidelines.
- Social distancing.
- Recognition of signs of infection (dry cough and/or high temperature), followed by self-isolation.
- Mandatory use of face masks in and outside of our offices and branches.

Stay up-to-date with all government and regulatory developments

- Ensuring proper understanding and full compliance with lockdowns, curfews and other governmental and regulatory restrictions on the movement and congregation of people.
- Working closely with local microfinance associations to promote and defend the interests of the sector.

Maintain an active dialogue with clients

- Maintaining active contact with clients by phone, social media and other means during lockdowns and curfews.
- Preparing staff to restart operations.

FINANCIAL MEASURES

Maximise liquidity

- Seek to maintain adequate liquidity across the Group by ensuring that the holding companies and each of our operating entities have sufficient unrestricted cash and/or access to unconditional funding available during a possible extended period of reduced cash flow.
- As of 28 May 2020, we had USD 91.8m of unrestricted cash and cash equivalents across the Group.
- No material refinancing requirements at the holding companies are anticipated until 2022, subject to final confirmation from one major lender.
- Available liquidity has ensured that each of our operating subsidiaries, except Sri Lanka, have the capacity to pay their regular expenses during the lockdowns for at least 3-4 months while maintaining enough capacity to satisfy high expected demand for new loans after the end of the lockdowns.

Preserve cash and reduce operating costs

- In April 2020, the Group began to implement a cash preservation and cost reduction program which during a lockdown period of up to three months could yield cash reserves and savings of up to USD 6m by year end through the deferral of personnel expenses and the reduction of personnel-related and other operating expenses (including the elimination or postponement of non-essential projects) without adversely affecting the ability of the Group to conduct its regular operations when markets reopen.

Maintain active dialogue with our lenders

- Actively inform our lenders regarding developments in each of our operating countries.
- The Group benefits from strong and established long-term relationships with major, international lenders, including large, global microfinance investment vehicles (MIVs) and government owned development finance institutions, who (i) collectively account for more than 60% of our debt funding and (ii) are as committed as we are to increase financial inclusion.

Evaluate the possible benefits of moratoriums on deferral of principal payments

- The Central Banks in India and Pakistan have established moratoriums on the repayment of principal on existing loans by microfinance institutions for up to six months in the case of India and up to 12 months in the case of Pakistan. The Group's subsidiaries in India and Pakistan are actively engaged in discussions with their lenders with respect to future principal repayments of existing loans and/or the disbursement of new loans provided to the Group's operations in its two biggest markets, and are considering whether to take advantage of these moratoriums.
- The Government of the Philippines instituted a 45-day grace period for the principal repayments by microfinance institutions.

EXPECTED IMPACT OF COVID-19 ON OUR FINANCIAL PERFORMANCE, COVENANTS AND LOAN REPAYMENTS

2020 Q1 Trading update

2020 Q1 operational performance has been in line with expectations with the opening of 42 new branches bringing the total to 1,937, and serving 2.5m clients. Due to a sluggish last two weeks in March, net profits were lower than initially expected in what traditionally is the slowest quarter of the year.

Temporary increase in PAR>30 to 5-10%, but no more than 2-3% expected write-offs

While the impact of COVID-19 on the Group's operations in the first quarter of 2020 was mitigated by lockdowns and related Government measures only coming into force in the final weeks of the quarter, the full impact of these measures has been felt more acutely in the second quarter of 2020. The Group has significant previous experience navigating material business disruptions caused by economic and regulatory disruptions and natural calamities, although none that have impacted all of its businesses at the same time in the way that COVID-19 has.

Since the Group's inception in 2008 until 31 December 2019, the Group only has written-off loans totalling USD 10m (after the recovery of written-off loans), which represents 0.22% of USD 4.5 billion in loans extended. The largest write-off during the last ten years, which amounted to 2% of the Group's loan portfolio, occurred in 2012. This was caused by the microfinance crisis in Andhra Pradesh and a major natural calamity in Manila. At the time India and the Philippines represented 2/3rd of the Group's loan portfolio. At its peak, portfolio at risk over 30 days (i.e. the value of all loans outstanding that have one or more instalments of principal past due more than 30 days, also referred to as "PAR>30") of the Group's total loan portfolio reached 7% and the total write-off amounted to USD 2m.

Based on this and other similar experiences, such as demonetisation in India and various major natural calamities in the Philippines and India, and in light of the more widespread impact of the COVID-19 pandemic on the immediate repayment capacity of our clients as they emerge from the end of the lockdowns and/or moratoriums that have been imposed, we expect that the Group's PAR>30 may temporarily increase to levels between 5-10%, although we do not expect that total write-offs over the life of the loans resulting from the COVID-19 pandemic to be in excess of 2-3%.

As PAR>30 is a common covenant feature in the majority of the loans made to the Group's holding and operating companies, we expect that the temporary increase of PAR>30 in each of the countries in which we operate will result in a technical breach of the applicable threshold (typically 5%) of the PAR>30 covenants in each of such countries loan documentation, as well as that of our holding companies, by the end of June 2020. Therefore, we are in active discussions with our lending institutions to obtain waivers of, and/or amendments to the terms of, such covenants in our financing arrangements. Although no assurance can be provided, we have a high degree of confidence based on prior experience, as well as Central Banks around the world having encouraged lenders to show forbearance with regard to covenant issues that are principally attributable to the impact of COVID-19, that we will obtain the requisite waivers and/or amendments.

In addition, depending on the specific circumstances on (i) how the business environment develops for our clients post-lockdown, (ii) the impact of government imposed moratoriums, (iii) our collection efficiency, (iv) the availability of new funding, and (v) our expectation of high demand for new loans from our clients, we may consider taking advantage of moratoriums in India and Pakistan and request that the lenders to our operations in those countries defer some principal loan repayments until those markets have normalised. However, our intention and focus remains to timely repay existing loan and replace these with new loans.

RESTART OF OUR FIELD ACTIVITIES

Health and safety of our staff and clients

- All of the precautionary measures discussed above will remain mandatory for the foreseeable future.
- Our field staff have been instructed to inform and educate clients of the benefits and protection from health and safety measures instituted by the Group and to encourage clients to comply with the Group's measures while meeting the Group's staff and/or other clients.

Adjustment of field operating procedures

- All client group meetings have been restructured into smaller groups and/or collection via the group leader.
- Based on prior experience with restrictions in our ability to conduct our operations in the customary manner, we expect that the long-term operational and financial impact of these changes in operating procedures will be limited.
- Clients will be encouraged to pay loan instalments online, if possible, a practice which already takes place in Kenya and Tanzania. With the roll-out and implementation of AMBS almost fully completed across all our operating entities, we plan to accelerate the integration of low-cost digital payment platforms with AMBS in many of our operating countries. This will enable us to disburse loans and collect regular loan instalments via mobile phone networks or online. In India we already disburse loans into a client's bank account and now are in the process of formalizing direct debit payments of loan instalments.

Treat lockdowns as a 'payment holiday'

- The lockdown period will be treated as a 'payment holiday' during which only interest will accrue on outstanding loan balances, so that clients will not feel pressure to pay all missed instalments at one time at the end of the lockdown.
- To further facilitate our clients, accrued interest will not need to be paid until or near the end of each client's loan cycle.
- Clients may also be given the opportunity to accelerate the payment of loan instalments near the end of the loan term, which could make them eligible to receive a new and possibly bigger loan sooner.

High expected demand for new loans

- At the end of the lockdown period, it is expected that there will be increased demand for new loans, so that clients can strengthen or recapitalise their businesses.

BUSINESS REVIEW 2019

In 2019 we delivered strong client and portfolio growth, respectively 17% and 24% (28% on a constant currency basis). Net profits expanded by 7% (12% on a constant currency basis). Profit growth was affected due to our actions to reduce lending in the north-eastern Indian market due to overheating of the microfinance market, the worsening security situation and sluggish economic growth in Nigeria, and some other one-off events in other countries. This was partially offset by strong performance of our operations in East Africa and Myanmar.

We continued with the roll-out of AMBS, our proprietary, real-time core banking system, which is expected to be completed by the end of June 2020, in order to improve the quality and efficiency of our client services and in preparation for the gradual introduction of digital financial services benefiting our clients.

We have seen positive developments on the regulatory front with (i) ASA Pakistan securing an in principle approval from the Central Bank to transform into a microfinance bank, (ii) ASA Myanmar receiving approval for taking voluntary savings from clients and (iii) ASHA MFB (Nigeria) obtaining the approval for the acquisition and merging of the activities of ASIEA NGO into its nationwide microfinance bank, with the merger process executed on 1 April 2020.

Besides strong client growth, client retention remained high with the bulk of our clients continuing to generate substantial profits as reflected by our annual client economic yield study.

Staff satisfaction has remained high. We now employ 12,480 staff members, most of whom started post-graduation with ASA International as its first employer.

The competitive environment has not changed much during the year. Competition remains highest in India and the Philippines where our strongest competitors are three microfinance institutions which also follow the ASA model of microfinance as taught by ASA NGO Bangladesh more than 15 years ago. In most other markets, we face less competition of traditional microfinance institutions. As of now, we have experienced limited competition of digital lenders in any of our markets, as the loans and services offered are not particularly targeted to our client base as of yet. Pure digital lenders are often perceived as lenders of last resort by our target client group in view of the very high interest rate and the absence of any connection to the local communities.

We carefully managed our assets and liabilities throughout the year by maintaining (i) a minimum foreign currency mismatch, (ii) a shorter duration of our assets vis-à-vis our liabilities, and (iii) securing an increasing amount of deposits in countries where we are allowed to do so.

Overall forex developments in 2019 were not as tough as in 2018, despite the Pakistani Rupee depreciating by 11% and the Ghanaian Cedi depreciating by more than 16% in 2019.

DIVIDEND

Due to the potential impact of the spread of COVID-19, the Directors have decided to suspend the 2019 dividend until a final decision later in the year.

DIRK BROUWER
CHIEF EXECUTIVE OFFICER
2 June 2020

Investing in our strengths

UNIQUE EMERGING MARKET EXPOSURE

Our risk profile is diversified and managed across 13 high-growth markets in Asia and Africa, with an embedded growth across the branch network, with ~40% of branches less than three years old. In addition, there is a massive market opportunity of ~372 million prospects in existing countries and a significant greenfield opportunity in new markets. Client, branch and net loans growth outlook is strong. Due to the potential impact of the spread of COVID-19, the Directors have decided to suspend the 2019 dividend until a final decision later in the year. **See pages 26, 52 and 53**

~372m

PROSPECTS IN EXISTING COUNTRIES

EXPERIENCED MANAGEMENT TEAM EXECUTES PROPRIETARY ASA MODEL

6.7%

RETURN ON ASSETS ('ROA')

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

1.5%

PAR>30 dpd

PAR > 30 is the percentage of OLP that have one or more instalment repayments of principal past due for more than 30 days divided by total outstanding gross loan portfolio. In 2019, the quality of our portfolio remains high across the board, although in some markets we saw an increase in PAR>30. See the Financial Review on pages 36 to 47.

92%

CLIENT SATISFACTION RATE

Our experienced management makes sure we execute our proprietary microfinance 'ASA Model' in a disciplined way across all markets. The ASA Model is a low-cost, decentralised model, highly scalable and easy to replicate in existing and new markets.

The ASA Model is based on the following principles and executed throughout the Company:

- All entities have the same policy and procedures for client mobilisation, selection, loan disbursement and collection.
- We are convinced that the risk management features embedded within the ASA Model, in particular key features such as 'high-touch' client interaction, income-generating loans only and ongoing assessment of client needs and satisfaction, enable high returns and a low risk profile, with favourable RoAEs and non-performing loan ('NPL') ratios.
- Our risk management framework consists of three lines of defence at both the Group and local entity level and our proprietary global IT platform.
- Our proprietary banking system, has been developed in-house, which supports the scalability and the introduction to digital financial services if and when our clients are ready.

See pages 52 and 53 for more information on our risk management, pages 22 and 23 for more about our IT platform.

SOCIALLY RESPONSIBLE LENDER COMMITTED TO FINANCIAL INCLUSION

$288

AVERAGE DISBURSEMENT FOR 6-12 MONTH LOANS

20-50%

INCREASE IN FOLLOW-ON LOAN SIZE

WE KNOW OUR CUSTOMERS VERY WELL

Managing credit risk is an integral part of our operating methodology. Loan officers are in regular contact with their clients through weekly, bi-weekly or monthly group meetings to collect loan instalments or deposits. This 'high-touch' model fosters close client relationships that allow branch employees to quickly identify any repayment or other issues being experienced by their clients and to target the disbursement of higher value, follow-on loans to clients who have successfully developed and expanded their businesses.

The entire process of client selection and assessment is thorough, based on physical visits to the client's house, business, neighbours and family members and takes 14 days for a first cycle loan. These mechanisms help in preventing 'ghost' or fake loans and ensure that clients are not over-leveraged.

Experience over the years has taught that in collateral free lending situations, one of the key factors that influences timely repayment is the relationship between the clients and the institution.

WE PROVIDE LOW-INCOME FEMALE BUSINESS OWNERS SMALL LOANS AND CHARGE MARKET-BASED INTEREST RATES

Average disbursement is USD 288 for six to 12-month loans. We prevent our clients from over-borrowing by evaluating the loan amount based on each individual borrower's capacity to repay. The Company regularly benchmarks loan interest rates against equivalent providers 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 duration and loan sizes.

COLLATERAL FREE LOANS

The Company provides collateral free loans and offers a moratorium on loan repayments in emergency situations (e.g. natural disasters, death of family member etc.). Where it is customary and allowed under the current license, the Company takes a security deposit.

GROUP SELECTION WITHOUT JOINT-LIABILITY

The Company's lending methodology is without joint-liability. Borrowers receive individual loans. We incorporate the benefits of a group, while preserving each group member's individual aspirations, by making the group co-responsible only for non-financial obligations, such as the screening and selection of potential new clients. In addition, group members help foster financial discipline by encouraging each other to repay loans on a timely basis through social cohesion. Clients who comply with the terms of their loans and involvement within the group are never penalised for the poor performance of defaulting clients.

LOANS FOR INCOME GENERATING ACTIVITY ONLY

We only offer loans to start or grow businesses, rather than for general consumption 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.

FULL REPAYMENT VIA INSTALMENTS BEFORE QUALIFYING FOR NEW LOANS

Only when a loan is repaid will clients be eligible to apply for a new, often larger, loan to further develop their businesses, based on an assessment of client needs and business potential. This is to ensure that clients do not become over-leveraged, and therefore unable to repay an existing loan.

REPEAT LOAN CYCLES WITH SET LIMITS

There is a maximum increment and loan limit for each loan cycle, including follow-on loans, without the 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. These follow-on loans are on average 20% to 50% larger than the previous loan.

OPERATING STAFF ARE NOT INCENTIVISED BY BONUSES

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.
See pages 19, 30 and 31

14 days

CLIENT SELECTION AND ASSESSMENT PROCESS

12,039

FIELD STAFF DEPLOYED

Our responsible business model

RESOURCES AND RELATIONSHIPS

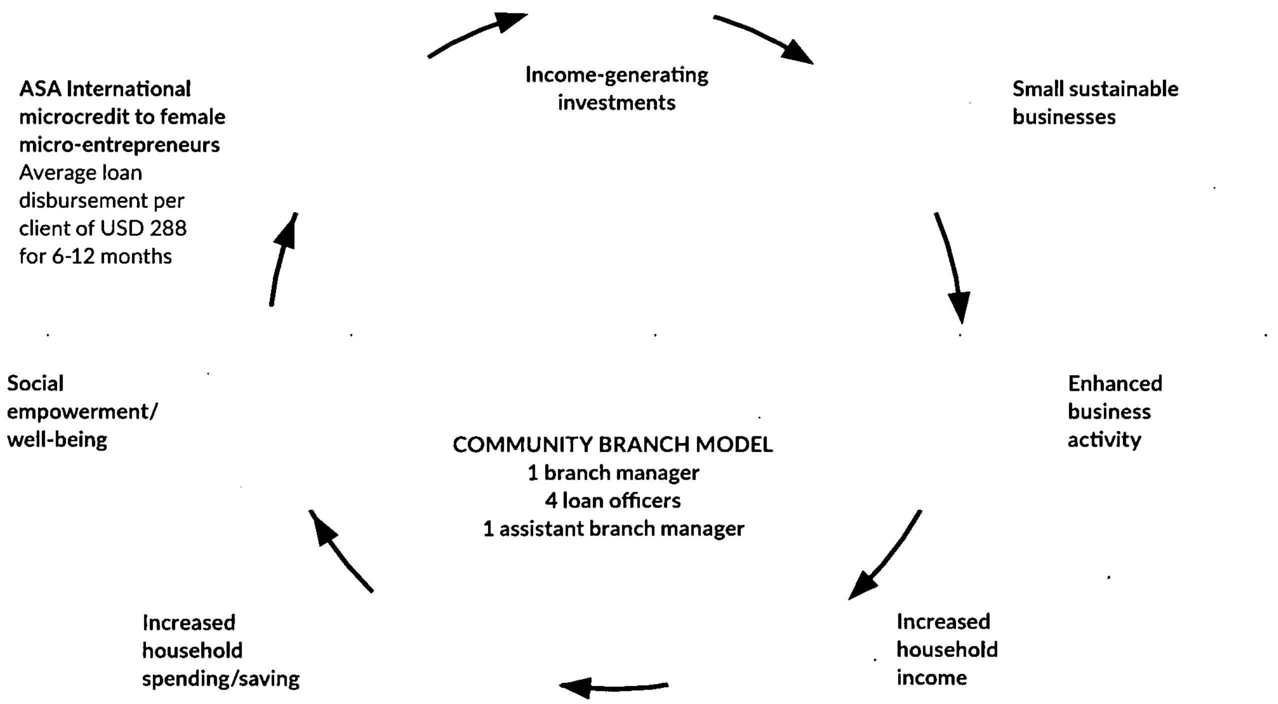
STRONG HERITAGE
Read more on pages 08 and 09

SOCIALLY RESPONSIBLE HIGH-QUALITY LOANS
Read more on pages 15 and 24

EXTENSIVE BRANCH NETWORK
Read more on pages 06 and 07

SKILLED, EXPERIENCED EMPLOYEES
Read more on page 19

SCALABLE, DECENTRALISED BRANCH MODEL



GREENFIELD STRATEGY

We have a well-established greenfield strategy to expand our branch network and continue to create long-term sustainable value.

▶ Read more on pages 34 and 35

PROPRIETARY IT PLATFORM, PROCESSES AND KNOWLEDGE

Read more on pages 22 and 23

STRONG POSITION IN THE COMMUNITIES

Read more on page 20

SOUND GOVERNANCE AND DISCIPLINED RISK

Read more on pages 52 and 53

OUR IMPACT

USD1.1bn
TOTAL LOAN DISBURSED

92%
CLIENT SATISFACTION RATE

More than USD0.5m
COMMUNITY PROJECT SPEND

83%
EMPLOYEE SATISFACTION

88%
SOCIAL PERFORMANCE SP14

COMMUNITY LEVEL

Financial inclusion

Empowering women

Client protection principle

Trading in the community
Clients trade with other businesses: purchasing goods for their shops and for consumption

CSR initiatives
ASAI initiates and invests in community projects, such as boreholes, school materials, mosquito nets, health check-ups etc.

COUNTRY LEVEL

Reporting to regulators and stakeholders. Contributing to microfinance networks and establishment of credit bureaus

Establishment institution with strong governance and high quality reporting

Taxes paid

Job creation
ASAI employs and trains >12,000 staff in Asia and Africa

Increased spending

Fundamental needs
Clients and staff apply their income to fundamental needs: hot water, health, nutrition, education, sanitation and housing.

COMMUNITY LEVEL

Sustainable lending environment
ASAI is part of the conversation with industry bodies, networks and institutions to support a sustainable business environment.

UN SDGS

We have identified the following UN SDGs that align with our strategy and operations to help focus on and measure our impact.

- Eradicate poverty
- End hunger and achieve food security
- Promote health and well-being
- Achieve gender equality
- Promote economic growth and jobs
- Support industry, innovation, and infrastructure
- Reduce inequality

Engaging with our stakeholders

As a Board, we continue to uphold the highest standards of conduct and make decisions for the long-term success of the business.

We understand that our business can only grow and prosper if we understand and respect the views and needs of our stakeholders and the environment.

The disclosures set out on this page demonstrate how we have regard to the matters set out in Section 172(1)(a) to (f). We have also included cross-references to other sections of the report for more information.

A client group meeting in Rwanda.

CLIENTS

HOW WE ENGAGE

Frequent client contact is at the heart of our business: in the branch office where loans are disbursed and in regularly attended client group meetings, where instalments are collected and clients interact with the Company's loan officers and branch managers, but also during regular visits to clients' businesses as part of the loan acceptance process.

Our senior and middle management visit clients as part of their regular duties. Management including Executive Directors also attend group meetings on a regular basis. This offers the opportunity for clients to speak about the use of funds, interest rates and how business is progressing.

A Client Compliant Resolution Committee discusses any client problem, injustice, delay in service or unacceptable behaviour by staff.

WHY WE ENGAGE

Meeting clients in groups is not only an efficient way of collecting small loan repayment instalments, it also encourages social cohesion and promotes responsible payment behaviour. Our regular visits to client's businesses enhances our credit assessment processes and allows us to protect the client by avoiding over-leveraging new and existing clients.

Regular contact in the field and in the branch provides clients the opportunity to give feedback to us.

WHAT IS IMPORTANT TO OUR CLIENTS

For our clients it's important that we understand their needs, and that our loans generate an economic benefit for them.

Our clients don't want to pay high interest rates and therefore it is important to properly explain our products, including interest rates and larger loan sizes.

It's important for our clients that we maintain a relationship with them and are actively present in their communities.

HOW WE CONSIDER AND RESPOND TO OUR CLIENTS

1. We perform assessments of clients' needs and satisfaction on an ongoing basis.
2. We assess a client's repayment capacity to protect them from over-leveraging and offer bigger size loans.
3. We offer moratoria on loan repayments in emergency situations.
4. We conduct an annual survey to assess the economic benefit of our loans in relation to the clients' loan costs. The Client Economic Yield ('CEY') Survey samples approximately 1% of total clients on their third or higher loan cycles. **See KPIs on page 27**
5. We conduct annual client satisfaction surveys. **See KPIs on page 27**
6. We are fully transparent in the pricing, terms and conditions of our loans. We adopted the Client Protection Principles ('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.
7. We perform market assessments and compare rates to those of our competitors.
8. During COVID-19, a lockdown period will be treated as a 'payment holiday' during which only interest will accrue on outstanding loan balances, so that clients will not feel pressure to pay all missed instalments at one time at the end of the lockdown. To further facilitate our clients, accrued interest will not need to be paid until or near the end of each client's loan cycle. Clients may also be given the opportunity to accelerate the payment of loan instalments near the end of the loan term, which could make them eligible to receive a new and possibly bigger loan sooner.

EMPLOYEES

HOW WE ENGAGE

We commonly recruit young college graduates who wish to work with low-income people and communities. Our training programme includes a one to two week in-branch training programme followed by on-the-job training. 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. Our staff generally live in the branch where they are employed.

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. This offers staff transparency in respect of the roles and relates details of duties.

Senior management from headquarters and the Executive Directors participated in local board meetings (as representatives from the Group) and engaged with local staff during regular country visits and scheduled Board meetings.

The Executive Directors have travelled to Africa and Asia to meet and engage with our employees both in the local head office and in the field.

The Chair of the ARC engaged with Group and Country CFOs including Internal Audit through regular calls and face-to-face meetings.

WHY WE ENGAGE

Our microfinance institutions employ well-trained local staff, supported by experienced and highly-skilled senior managers. Over the last decade, this has enabled us to develop a deep pool of experienced local managers and loan officers. We aim to keep a low employee turnover rate by fostering a close working and learning environment which will optimise branch performance. Since the Company's long-term success is highly dependent on our field staff, it is of utmost importance that they have the key skills to grow and develop in their role as they progress in their career. Our extensive and ongoing in-house training is essential in this regard as well as enabling staff to vent their concerns through frequent surveys as well a through other channels (e.g. Grievances Mitigation Committees).

WHAT MATTERS MOST TO OUR EMPLOYEES

The possibility to develop and be promoted within the Company by training on the job is important to our employees. Through our interactions, we assess whether the right training and development structure is in place.

For our employees, a healthy and safe working environment along with the right benefit programme is of the highest priority for them.

HOW WE ARE RESPONDING

1. Training courses and materials are constantly updated to meet the needs of our staff.
2. HR policies including remuneration and fringe benefits are continuously assessed and updated.
3. Health and safety committees are formed to ensure a safe and healthy work space across our branch network and offices.
4. We maintain effective grievance mitigation procedures.
5. Professional certifications are being encouraged.
6. Cross-country training and conference participation has been implemented for local senior management.
7. Career opportunities are regularly assessed.
8. Outline action plan for employee engagement adopted by the Board, including:
   - One independent Director ('INED') appointed per region.
   - Bi-annual meeting Board and country Managing Directors.
   - Annual country visits by INEDs.
   - INEDs to participate in local board meetings as an observer.
   - We conduct annual employee satisfaction surveys which are shared with the Board.

   See KPIs on page 27

Engaging with our stakeholders continued

COMMUNITIES

HOW WE ENGAGE
Our branches are established close to the communities where our clients live and work. We work closely with members of these communities, including community leaders and government officials. Our field staff primarily maintain these relationships.

Group meetings and community referral is an integral part of our model.

WHY WE ENGAGE
Our clients give us positive feedback that we show a responsibility towards the communities in which they live and work.

Since commencement of our operations, we are committed to improving our clients' and their families' socioeconomic progress.

WHAT MATTERS MOST TO THE COMMUNITIES
What matters most is that our clients are doing well, which in turn benefits the communities and this will then benefit our clients.

We are welcomed in the communities in which we are embedded and we engage with them in an open and transparent manner.

HOW WE ARE RESPONDING
We support communities by:

1. Empowering female entrepreneurs.
2. Postponing clients' repayment schedules and offering relief support during natural disasters or other calamities.
3. Investing in communities through community programmes in all markets. **See pages 58 and 59 for annual spend and examples of projects**

LENDERS

HOW WE ENGAGE
Our local and international financiers include commercial banks, development banks, financial institutions and microfinance loan funds.

We meet our lenders locally as well as internationally through various means, such as email, forums and face-to-face meetings at head offices and during field trips.

WHY WE ENGAGE
Access to funding is essential in financing our microfinance loan portfolio. In most countries, third-party funding constitutes a key component of our liabilities.

We seek a maturity profile with long-term funding of typically up to five years. Funding from international lenders at the holding company level is deployed to subsidiaries via intercompany loans to support expansion. Local funding is offered by local banks and local apex organisations.

In countries with deposit-taking licences, savings constitute an increasing part of our funding base.

WHAT MATTERS MOST TO OUR LENDERS
We secure funding from stable and reliable financiers. We negotiate and opt for lower cost of funding at the most suitable terms.

We shall comply with all covenants at all times and avoid breaches of the terms of the loan agreements.

HOW WE ARE RESPONDING

1. We are in constant dialogue with our funding base through regular meetings and update calls. We visit our funders locally or at their offices.
2. We participate in events and conferences to enhance the dialogue with new and existing parties.
3. We secure funding from multiple sources and avoid concentration from sources.
4. We negotiate the best possible terms which should translate to better rates for our clients.

SHAREHOLDERS AND INVESTORS

HOW WE ENGAGE
Twice during the year, we conduct audio webcalls for the investor community to respond to any questions about our results announcements. We publish RNS announcements and presentations on our dedicated investor website.

We participate in several investor conferences, regularly conduct roadshow and field trip visits with our management and have email correspondence and calls to respond to individual questions.

The CEO, CFO, Management Team members and Head of IR meet with investors on a regular basis in face-to face meetings and conference calls.

Topics on which we engage include our results, business strategy, issues, competition and social impact. Best practices from the investor and shareholder perspective are discussed by us. Their viewpoint is essential in formulating our strategy.

WHY WE ENGAGE
Our shareholders and (potential) investors find it important to maintain open and constructive relationships with us. They need to understand our goals, strategy and execution and it's essential for us to receive their feedback and support and maintain our credibility as a Company.

WHAT MATTERS MOST TO OUR SHAREHOLDERS AND INVESTORS
Investor confidence in our goals and strategy is important to all our shareholders and investors.

That we are a socially responsible lender to low-income clients is especially important to our impact investors.

HOW WE ARE RESPONDING
1. Shareholder and investor comments and feedback are adopted in our strategy.
2. Results are detailed and explained to the investment community.
3. The business model and operational issues are explained.
4. A succession plan has been developed and LTIP adopted but no allocations made yet.
5. We keep the highest levels of governance, compliance and transparency to ensure high levels of investor confidence.

REGULATORS AND GOVERNMENTS

HOW WE ENGAGE
We continue to have good working relationships with regulatory bodies such as central banks and securities and exchange commissions through established reporting lines and regular meetings. We also maintain relationships with local town councils, local law enforcement agencies, government agencies and local microfinance practitioner networks through regular meetings and social interactions.

WHY WE ENGAGE
We seek full compliance with local rules and regulations. By being regulated we demonstrate the highest level of governance and compliance.

We meet the regulatory bodies on a regular basis to understand the requirements and ensure our compliance requirements are timely met. We regularly inform the regulator of our business and practices.

We find it important to maintain open and constructive relationships to facilitate a sustainable lending environment for our clients. It also helps us stay on top of the regulatory regime and present our views on new regulations proposed.

WHAT MATTERS MOST TO REGULATORS AND GOVERNMENTS
That we 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 and regulatory bodies.

HOW WE ARE RESPONDING
1. We timely meet our reporting requirements. We actively monitor compliance with prudential regulations including labour, environmental and other laws.
2. Our local corporate secretaries and legal advisers track any relevant changes in laws and regulations to ensure the Company is and will be compliant.
3. We report to local credit bureaus and rely on local credit information to ensure we do not over-leverage our clients.

Sustainable growth

Our objective is to increase financial inclusion through sustainable growth of our loan portfolio while delivering good returns for shareholders.

In 2020, due to the outbreak of the COVID-19 pandemic, the Company focused on the immediate impact of the crisis on its business. The Company has adopted a number of measures to deal with the changes in the different operating environments as a result of the regulatory and securities measures that have been taken by governments. In mitigating the impact of COVID-19, we will be focusing on our clients, delivering operational efficiency and cost savings across our business, as well as preserving cash. At the same time we have developed contingency plans that are adjusted across our regions.

Our priorities in 2020 to address the impact of COVID-19 include:

- Cost cutting measures, such as adjusting field capacity during lockdowns, pay freezes, postponement of non-priority projects and deferral of non-essential operating expenses and increments, postponing travel.
- Staying in contact with our lenders.
- Engaging with landlords to defer rent payments and looking at terminating some leases which may not be necessary at the moment.
- Strengthening client interaction by (smart) phone or other digital devices, collecting through the group leader where possible, increasing digital collections, switching from weekly to bi-weekly or monthly collection where appropriate.
- Maintaining CSR programmes where possible in support of our clients. **See pages 58 and 59**

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**

STRATEGIC PILLARS	2019 PROGRESS
GROW 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 Company increased by 14% from 1,665 to 1,895 enabling the business to reach 2.5 million clients. The number of clients per branch increased to 1,337. The loan portfolio increased to USD 467.4 million. The OLP/Client increased to USD 184.
EXPANDING OUR GEOGRAPHIC FOOTPRINT - Open new branches in existing countries of operation - Gradual expansion of geographical footprint in new countries	- 230 new branches began operations in existing countries. The Company commenced operations in Zambia in January 2019.
ALIGN GROWTH IN 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	- Working with the regulators in Pakistan to secure the microfinance bank licence. - ASA Tanzania was encouraged by the central bank to upgrade its licence to a deposit-taking MFI.
ENHANCE 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, including area and district managers, use tablets which simplify loan administration and allow for the gradual introduction of doorstep banking. - AMBS real-time implementation completed in nine out of 13 countries to gradually introduce doorstep banking and other digital financial services. - A real-time mobile app is rolled-out in countries where real-time AMBS is implemented. It is used for collection, client admission and loan application processing.

2020 PRIORITIES	LONGER-TERM FOCUS	KPIs	LINK TO RISK
- We focus on a wide range of operational and financial measures to minimise the impact of COVID-19 on our staff, clients and operations. In preparation for the restart of our field activities, we continue to focus on the health and safety of our clients, adjust field operating procedures and treat lockdowns as a 'payment holiday'. For more details, see page 12. After the termination of the lockdowns, we will continue growing the branch network, client base and loan portfolio (per client) in existing operating countries at a sustainable rate, making sure that clients continue to be able to repay their loans and branch staff can manage client and loan portfolio growth without impacting negatively the quality of the loan portfolio.	- 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.	75% **CLIENT RETENTION** 2018: 73% 2017: 77% 1.7m **NEW CLIENTS** 2018: 1.5m 2017: 1.4m USD 184 **AVERAGE LOAN PER CLIENT** 2018: USD 174 2017: USD 169	1 2 3 4 5 7 8 11
- Due to COVID-19, the focus in the short term is on fully restoring the business and longer term in continuing to investigate new regions in existing markets and new markets in Africa and Asia as per our eligibility requirements.	- We expect to continue expanding our branch network, in existing countries as well as exploring opportunities in new countries.	230 **NEW BRANCHES** 2018: 278 2017: 210	1 2 3 4 5 7 8 11
- Securing the microfinance bank licence in Pakistan. In January 2020, the Company received a no objection certificate from the State Bank of Pakistan to transform into a microfinance bank, subject to meeting various conditions, within a period of six months. - In addition, the Company received a full deposit-taking licence in Myanmar in 2020 and continues to explore similar options in operating countries in East Africa, in particular Tanzania.	- 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.	USD 467.4m **OLP** 2018: USD 378.5m 2017: USD 313.4m USD 78.1m **GROSS DEPOSITS** 2018: USD 64.0m 2017: USD 53.2m USD 317.8m **TOTAL DEBT** 2018: USD 277.1m 2017: USD 267.9m	1 2 3 4 5 7 8 11
- Implementation in four remaining countries (the Philippines, Pakistan, Sierra Leone and Zambia) of the AMBS Real-time software. - Progress with the finalisation of the integrated financial consolidation package for the Group. - Completing various IT projects including but not limited to: piloting a mobile app for clients, developing an HR management system, asset management system, internal audit management system and continue to improve and build IT infrastructure to meet ISMS as per ISO 27001 standard and strengthen business continuity plan at the country level.	- 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 7 8 11

Our culture

ASA INTERNATIONAL IS COMMITTED TO SOCIO-ECONOMIC PROGRESS

The vision of one of the Group's founders was to improve the lives of underprivileged people and bring about social change, which ultimately led him to create the cost-efficient ASA Model.

ASA International was established with the aim to replicate the ASA Model in densely populated markets in Asia and Africa.

OUR VALUES, BEHAVIOURS, PRACTICES, BELIEFS, TRADITIONS, INTERACTIONS AND ATTITUDES DEFINE OUR CULTURE
The Group's values, practices and beliefs are linked to the vision of its founders and the strength of the ASA Model:

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 the 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.

WE PROMOTE THE FOLLOWING PRINCIPLES IN OUR INTERACTIONS WITH PEOPLE:

1.

Maintain **integrity** which includes being honest, trustworthy, consistent and open as well as always acting in accordance with the highest ethical standards.

2.

Show **respect** to others, actively listen, respond appropriately to what they want to say, work effectively with diverse peoples and be willing to learn from others.

3.

Be **accountable** in responsibilities and committed to ensure quality services, and find solutions through self-initiatives.

Loan officer and client (right) in Kenya.

Loan officer and client (left) in Ghana.

MEASURES WE HAVE TAKEN TO SUSTAIN OUR DESIRED CULTURE

The Company's leadership is well aware that a sound corporate culture helps drive the execution of its strategy and hence grow the business. Talent is crucial to execute its strategy and a strong positive culture helps to attract and retain employees. The Group's *leadership team has been working alongside* the co-founders from the inception of ASA International. They promote desired practices through their day-to-day actions which are an example for the rest of the team. Several specific measures have been taken to further sustain the desired culture:

INDUCTION AND REFRESHER TRAINING
4,612 new employees have undergone induction training in 2019, in which we helped them to settle down with the Company by showing our long heritage in the microfinance industry, our core values, code of conduct, HR policies and our unique processes. A refresher session is arranged for the existing staff at regular intervals.

INFORMAL MENTORING AND COACHING
Staff members are offered coaching and mentoring from the more experienced senior staff members.

DIVERSITY
The Company aspires to be a diverse organisation. At the moment, the Company is focused on gender diversity only but in 2020 and beyond the Company will broaden its focus to include all forms of diversity.
In 2019 the Company had an overall 32% female representation. The female representation at the senior leadership level was 16%.

GRIEVANCE MITIGATION COMMITTEE ('GMC')
The Company has established an effective grievance mechanism for all employees throughout the Company to allow staff to raise concerns without fear of reprisal. It provides a fair and quick means of dealing with complaints. It also serves as an outlet for staff frustrations and disconnects.
The GMC contributes to build and sustain our culture.

WHISTLEBLOWING
The senior management at the country head offices and the branch managers at an entity level listen to and act on concerns expressed by staff about possible violations of Company policies, laws, or regulations such as improper or unethical business practices, and health, safety and environmental issues or violations of our code of conduct. Staff are free to communicate their concerns to the Chairman of the Audit and Risk Committee locally as well as at Group level.

HEALTH AND SAFETY
The Company ensures a safe workplace for its staff. Health and safety issues are being constantly watched by the team. As the third line of defence, the internal Audit function helps to identify health and safety concerns.

OPEN-DOOR POLICY
An open-door policy is practised throughout the Company. It encourages staff to offer suggestions and ideas, provide or solicit feedback, seek personal or professional counsel, or address concerns within the Company.

CULTURE QUESTIONNAIRE
The culture questionnaire is part of the Employee Satisfaction Survey. Survey results for 2019 regarding culture show the average satisfaction rate of 70%, a 3% increase from 2018. Although we are gradually improving compared to 2018 survey results, we still have to improve further.

Our KPIs

Our KPIs represent the activities that the Group sees important to the achievement of its business objectives. The chosen indicators show the progress the Company is making and are divided into financial and non-financial performance indicators. In addition, the non-financial KPIs reflect the Company's impact on key stakeholders, such as our staff, clients and the wider community, by measuring workforce development, portfolio quality, customer satisfaction etc.

FINANCIAL

USD467.4m

OUTSTANDING LOAN PORTFOLIO ('OLP')

The figure depicts net outstanding loan portfolio including offbook net BC and DA loan portfolio in South Asia.

USD184

OLP/CLIENT

Total net average outstanding loan portfolio divided by total number of clients.

68%

TOTAL DEBT/OLP

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

26%

NET INTEREST MARGIN ('NIM')

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.

1.5%

PAR>30 dpd

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

60%

COST TO INCOME RATIO

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

USD34.5m

REPORTED NET PROFIT

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

USD34.5m

NORMALISED NET PROFIT AFTER TAX

Reported net profit adjusted for one-off items:
2018: this mainly relate 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.

6.7%

RETURN ON ASSETS ('ROA')

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

35%

RETURN ON EQUITY ('ROE')

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

USD0.34¢

EARNINGS PER SHARE ('EPS')

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

NIL

DIVIDEND PER SHARE ('DPS')

The figure is calculated by dividing the total dividends paid out by the Company, 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.

The approval of the dividend payment in 2020 is suspended at the time of publication of this report.

NON-FINANCIAL

230

NUMBER OF NEW BRANCHES

The number of new branches in all operating markets.

1,895

NUMBER OF BRANCHES

The number of branches in all operating markets.

1,337

CLIENTS PER BRANCH

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

12,480

NUMBER OF STAFF

The number of staff of the Company.

32%

GENDER DIVERSITY

Number of female employees compared to total employees.

83%

EMPLOYEE SATISFACTION RATE

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

92%

CLIENT SATISFACTION SURVEY

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 ASAI.

75%

CLIENT RETENTION RATE

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).

2.5m

NUMBER OF CLIENTS

The number of clients in all operating markets.

7.1%

CLIENT ECONOMIC YIELD ('CEY')

The Client Economic Yield ('CEY') is calculated by deducting the clients' weekly interest costs from their average weekly income, derived from their business activities.

7,132tonnes CO_2

CARBON FOOTPRINT

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.

88%

SOCIAL PERFORMANCE INDEX ('SP14')

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.

Our client and loan acceptance process

MEET NANETH

Naneth is a former Small Group Loan borrower and now a Small Business Loan borrower. She is on her 15th cycle of loan. Her first loan was PHP 4,000 (USD 79) in 2014 and today it's PHP 39,000 (USD 765).

"I started my banana cue business with an initial capital of PHP 2,00.00 (USD 39). My income was 100% of my capital and it was not enough to support me and my daughter to cover daily expenses and her schooling. I am a single mom. I knew I had to do something and I asked for the Lord's guidance. My prayers were answered when Pagasa Philippines conducted a survey of our place and informed us about the microfinance programme. The products and services offered helped me change things around. We formed a group with 15 members and I vowed to myself that I would use the money wisely and would be a good client of Pagasa.

I owe everything to Pagasa Philippines. Without them my business would still be small and I would not be able to provide a decent life for my daughter.

Mrs. Naneth M. Sadon

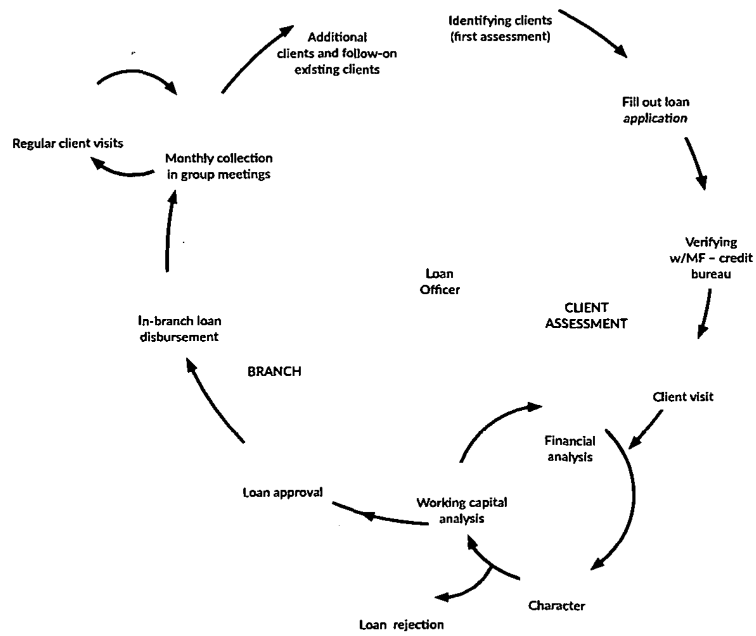
BRANCH

Pagasa Philippines Malita branch in Davao City

BUSINESS

Transformed from banana cue to mini grocery store

“ The staff always treat us with respect. The loan application process was quick. I like the weekly group meeting where we are also informed about Pagasa’s programme. Pagasa really monitors the growth of my business and they always think of our welfare by offering us other services like insurance and assistance through the Corporate Social Responsibility activities. I also enjoy the annual gathering of all clients.



...distinguishes us from the competition

OUR CLIENT AND LOAN ACCEPTANCE PROCESS

All our branches follow the highly efficient and socially responsible ASA Model, a cost-efficient, standardised and sustainable model of microfinance. The ASA Model lies at the heart of our business model. Our staff are relentlessly implementing this model by adjusting local economic and cultural circumstances.

Almost all our branches are identical, operated and managed in the same manner, enabling simple replication, expansion and supervision. Loan disbursements, repayments, record-keeping, etc. are all standardised. Our lean head office and agile field staff facilitate efficient and decentralised decision-making. We actively seek to prevent over-leveraging of clients by capping loan sizes and by not granting new loans before current loans are fully repaid.

Our lending approach is based on individual lending via client groups. Group meetings are held regularly, at a fixed time, day and place and all members are required to attend. Group members are only responsible for non-financial obligations, such as the screening or selecting 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 time.

Before a loan is disbursed, the loan officer and the branch managers carry out a *credit evaluation process*. The loan application must then be approved by the branch manager.

Developing our employees

MEET LUCY

Lucy started as a loan officer after completing her pre-service training. At the same time she received practical training from her branch manager who showed her the responsibilities of a branch manager. She also received training sessions from senior colleagues from the international head office on how to manage the field operations. She then got promoted to branch manager, her first time in a managerial position.

“ The head office arranges training for branch managers. Besides training on regular managerial duties there was a lot of focus on how to manage the field operations including monitoring techniques. I received training from different supervisors on all operational aspects, including risk management, verification procedures, group formation and management, controlling overdue procedures, etc. This helped me to develop my managerial skills and become a more effective manager.

After having served for one and a half years as branch manager, Lucy was promoted to a more senior field position.

LOCATION

Tanzania

JOB TITLE

Regional Manager,
Mwananyamala Region

In 2017, I was promoted to area manager overseeing four to five branches. I received more responsibility than in my previous role. ASA Tanzania provided me with the relevant field training. The monthly training focused on various topics, such as client verification, field monitoring, branch expansion, staff management, client management etc. and supported me in becoming better at my job. These training sessions also gave me the confidence to take on new responsibilities and focus on my career path within the organisation.

Since January 2019, Lucy was given the responsibility of regional manager. She currently supervises between eight to ten branches and provides training to her subordinate staff.

Being a regional manager gives me even more confidence to play an important role in the development of our operations and our Company. Nowadays, I regularly participate in training sessions for our staff. I also attend many job interviews. The work environment at ASA Tanzania is very much training oriented and allows you to further develop your skills as well as preparing you for further career opportunities within ASA International.

Lucy Frank Makyao

OUR EMPLOYEE DEVELOPMENT PROGRAMME

The Company deploys a low-cost and innovative recruitment process, focusing on hiring young college graduates who are interested in working with low-income communities. These recruits are generally from rural or semi-urban backgrounds. Applicants take part in group interviews in which multiple applicants will participate (the groups can consist of anywhere between ten to 50 people). Applicants are given the opportunity to present themselves in various instances during these sessions. They are selected based on communication style, social skills and motivation. Successful candidates will be offered a position with a six to 12-month probationary period. Salaries are based on local market rates.

Training will be primarily on-the-job and the training programmes offered are aimed at nurturing and retaining talented employees. The introductory practical training is generally no longer than 12 days, which is followed by continuous on-the-job training from colleagues, and regular in-branch coaching by regional and district managers. Based on the motto 'Each One, Teach One', which leverages the knowledge and experience of existing well trained staff, the new recruit is primarily trained by his colleagues. This facilitates the training of large numbers of new loan officers to support expansion.

...is key to our growth

82%

EMPLOYEE RETENTION

83%

EMPLOYEE SATISFACTION

Investing in digital...

MEET LUCY

Lucy Njeri has been a client of ASA Kenya since 2013. She started with a Small Loan of KES 30,000 and currently she receives a Small Business Loan of KES 150,000.

On cashless transactions she says:

> **“ASA Limited has done a good job in ensuring that we get money through our mobile account Mpesa. The process of sending money to our mobile phone in the office is quick and very easy. Mobile money is also easy for making payments to our suppliers. It is secure and safe, and no one with bad intentions will know you have money. Paying instalments via Mpesa is convenient for me because I only need to have money on my mobile.**
>
> Lucy Njeri

BRANCH

ASA Kenya
Kangemi Branch

BUSINESS

Hardware

BUSINESS NAME

Danmark

...future-proofs our business

OUR DIGITAL STRATEGY

Our digital strategy has been built around enhancing our digital platform to stay competitive by being at the forefront of any digital finance initiatives and leveraging increasing smartphone/internet coverage amongst our customers.

We aim to adopt and develop relevant digital and other technology offerings to continue to improve customer service and increase client retention and productivity. One of our competitive advantages is our high-touch client model combined with digital services, which increases collection capability and allows for a better balance between higher quality, affordable services at lower cost for our clients and increased efficiency and profitability for the Group.

Our proprietary AMBS system is a strong IT platform and potential enabler for further growth. AMBS is set up to function as a core banking system to our deposit taking institutions.

Our greenfield strategy...

The Company has a well-established greenfield strategy to expand its branch network and export the ASA Model into new countries. We prefer to grow organically rather than through acquisitions because our ASA Model is easy to replicate in different markets. We have a high number of experienced staff, who can continue to train young local recruits to be loan officers according to our ASA Model.

Meet our Country Head of ASA Zambia, Mr. A.B.M. Asaduzzaman, with over 28 years of ASA experience and responsible for setting up ASA Zambia.

“ We experienced a number of challenges from the date of incorporation in August 2014 to the actual establishment of the Company in Zambia in October 2018. The Zambian government has very strict regulatory policies that must be complied with. In addition to the support from our very capable team in the head office, we also engaged a local law firm that supported us in securing the necessary registrations and licences including the Bank of Zambia, Patents and Companies Registration Agency, Workers Compensation Fund, National Pensions Scheme Authority, Zambia Revenue Authority, Zambia Labour Office and the National Health Insurance Management. We found that the cost of living, transportation and administration costs in Zambia are relatively high. Despite these challenges our market survey across Zambia convinced us that ASA Zambia had strong potential.

Securing four employment permits for my colleagues from Bangladesh was also quite challenging. Initially three applications were rejected. I therefore visited the Zambia immigration office and I explained to the officials about the ASA Model and that in order to successfully run a local business we needed microfinance experts to train new staff. This visit prompted the Immigration office to eventually approve two of our applications.

Due to the immigration challenges, we initially only managed to open six branches. However, following rigorous training and the commitment of our new local employees, we successfully rolled out the ASA Model in Zambia.

We take a number of steps before we decide to enter a new market.

LOCATION

Zambia

1

Geo-economic survey of country and region

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

2

Regional assessment

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

From the beginning, the ASA Model and our loan product have been welcomed wholeheartedly by our clients and the Zambian government. Clients like the weekly instalments collection and the fact that we do not ask for collateral. We also offer a competitive interest rate in Zambia compared to other MFIs. The positive feedback encourages us to continue serving the local communities. We are now expanding at a fast rate and I can confidently say we are in a good place now and operating as planned.

Mr. A.B.M. Asaduzzaman

...has proven itself

3

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.

4

Branch opening
We appoint branch and assistant branch managers, and recruit and train around four loan officers. The first branch is at the same location as the head office. Each country has its own head office.

5

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.

6

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.

7

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.

Double-digit growth in clients and loan portfolio

The performance of the Group was good in 2019 with double-digit client and loan growth across all markets.

KEY PERFORMANCE INDICATORS

(AMOUNTS IN USD MILLIONS)	2019	2018	Δ 2018 - 2019	Δ CONSTANT CURRENCY
Number of clients (m)	2.5	2.2	17%	
Number of branches	1,895	1,665	14%	
Net profit	34.5	24.5	41%	49%
Normalised net profit[1]	34.5	32.4	7%	12%
Outstanding Loan Portfolio ('OLP')[2]	467.4	378.5	24%	28%
Dividend per share (in USD¢)[3]	NIL	7.3		
PAR>30 days[4]	1.5%	0.6%		

1 Adjusted for one-off items. For 2018, these mainly relate to IPO costs.
2 Includes off-book Business Correspondence loans and Direct Assignment loans and excludes interest receivable and the unamortised loan processing fee.
3 in view of COVID-19 the decision on the declaration of dividend has been deferred to later in the year
4 PAR>30 is the percentage of OLP that has one or more instalment of repayment of principal past due for more than 30 days divided by the total outstanding gross loan portfolio.

HIGHLIGHTS

- South Asia delivered strong growth with clients up 17%, but with profitability down 5%.
  - Due to signs of the markets overheating in North East India, ASAI India decided to have a more cautious approach to the growth of operations. Consequently, slower OLP growth led to lower interest income growth.
  - Continued adverse political and regulatory conditions in Sri Lanka curbed operational growth and caused a substantial increase of PAR>30 to 10% leading to a higher credit loss expense.
- South East Asia continued to expand with clients up 11% and net profits up by 38%.
  - Myanmar had an improved cost to income ratio. The efficiency gain stems from higher than expected average loan sizes translating into higher interest income while operating expenses remained at budgeted level. Better performance of the MMK vis-à-vis the USD also resulted in higher USD translated results than initially expected.
- West Africa continued to expand with clients up 5%, but with net profit down 6%.
  - Challenging market conditions in Nigeria due to weak economic growth with reduced demand and a more challenging operating environment due to security concerns led to a lower OLP growth and an increase in credit loss expense. Additionally, the implementation of a mandatory employee gratuity scheme, which also covered previous years, had a substantial, adverse, one-off impact on profitability despite the stable rate of the NGN against USD.
  - A significant provision taken on deposits held with a local bank in Ghana which was declared insolvent, and a 16% devaluation of the GHS against the USD resulted in lower USD translated results than expected.
- East Africa delivered strong growth with clients up 44% and net profit up 69%.
  - Uganda more than doubled net profits with high client and loan growth. In addition, the UGX performed better than expected vis-á-vis the USD.
- With the exception of Sri Lanka, the loan portfolios of all MFIs continue to maintain a strong portfolio quality with the overall PAR>30 at 1.5%.
- The roll-out and implementations of real-time AMBS, our proprietary core banking system, continued at a rapid pace and is scheduled to be completed by the end of June 30, 2020.
- Decision on dividend has been deferred until later in the year due to the impact of the COVID-19 outbreak.

OUTLOOK

In view of the uncertainty around the level and duration of the disruption created by the COVID-19 outbreak, and as previously announced in the COVID-19 impact announcement on 30 March 2020, the Company has withdrawn its earnings guidance for 2020.

GROUP FINANCIAL PERFORMANCE

(IN USD THOUSANDS)	2019	2018	Δ 2018 - 2019	Δ CONSTANT CURRENCY
Net profit	34,497	24,454	41%	49%
Normalised net profit[1]	34,497	32,352	7%	12%
Cost/income ratio[1]	60%	55%		
Return on average assets (TTM)[1]	6.7%	7.3%		
Return on average equity (TTM)[1]	34.5%	37.7%		
Earnings growth (TTM)[1]	6.6%	20.1%		
OLP[2]	467,429	378,468	24%	28%
Total assets	559,958	473,055	18%	
Client deposits[3]	78,080	63,944	22%	
Interest-bearing debt[3]	317,810	277,137	15%	
Share capital and reserves	111,169	88,548	26%	
Number of clients	2,534,015	2,174,116	17%	
Number of branches	1,895	1,665	14%	
Average outstanding loan per client (USD)	184	174	6%	
PAR>30 days	1.5%	0.6%		
Client deposits as % of loan portfolio	17%	17%		

1 Adjusted for one-off items. For 2018, these mainly relate to IPO costs.
2 Includes off-book Business Correspondence loans and Direct Assignment loans and excludes interest receivable and the unamortised loan processing fee.
3 Excludes interest payable.

DIRK BROUWER, CHIEF EXECUTIVE OFFICER OF ASA INTERNATIONAL, COMMENTED:

"The performance of the Group was good in 2019 with double-digit client and loan growth. East Africa had an excellent year with client and USD portfolio growth in excess of 40% and 55%, respectively, while keeping PAR>30 at less than 1%. We faced more challenging market conditions in India, Nigeria and Sri Lanka, which caused PAR>30 of the Group to increase to 1.5%, which nevertheless remains best-of-class in the global microfinance sector. With the exception of the Pakistan Rupee and the Ghanaian Cedi which depreciated by 11% and 16% in 2019, our operating currencies depreciated more or less as expected. As a result, the Group's earnings growth for the year was 7%, which, whilst below our initial expectations, in view of the more challenging market circumstances we faced in some countries, slightly exceeded our revised expectations as announced on 25 February 2020.

Whilst there is continuing uncertainty about the duration of the disruption caused by the COVID-19 outbreak, we consider it too early to estimate the full impact of COVID-19 on our business and therefore have withdrawn previous guidance for 2020 until our operations have normalised. However, we are confident that, unless the rate of infection and death caused by COVID-19 accelerates in the countries where we operate, the impact on our operations will be manageable and we expect that we will be able to normalise our activities in most of our operating countries within 3-4 months after the end of the lockdowns without major write-offs of our loan portfolio.

- As of this date, none of our 12,500 staff members and only two out of 2.5 million clients have been confirmed infected by COVID-19. There have been zero known casualties amongst our clients and staff.
- The increase of COVID-19 infections and deaths is much lower in our markets compared to Europe and the U.S.A.
- The average age of our staff and clients is 30 years and 37 years, respectively, which, based of experience in Europe and the U.S.A., has a lower likelihood of death if the virus is contracted
- The lockdowns have primarily been disruptive in reducing the income generating activities of many of our clients
- As a result, some clients will struggle with paying their regular instalments for some time and consequently we anticipate that our PAR>30 will temporarily increase to 5-10% by the end of July; however, we believe that the portfolio quality will return to more normal levels of 2-3% PAR>30 by the end of this year
- Consequently, and consistent with prior experience, we do not expect that total write-offs over the life of the loans resulting from the COVID-19 pandemic will be in excess of 2-3%

In the operating countries that have already emerged from the lockdowns, we have witnessed that many of our clients have the ability to pay their regular instalments as evidenced by the relatively high and increasing collection efficiency.

We are confident that our ability to source funding for our operations will not be jeopardized by COVID-19. We are in active and positive dialogue with all our major lenders and have a high degree of confidence that we will secure the temporary waivers of potential breaches of the PAR>30 covenant in various operating countries. In addition, many of our existing lenders already confirmed that they are ready to continue funding our operations with new loans. Since 1 March 2020, we secured well over USD 25m of new loans to the holding companies and in the countries. Additionally, there is approx. USD 108.3m of loan agreements in the pipeline being negotiated across the Group as of the end of May."

DIVIDEND

In view of the spread of COVID-19 to and the expected disruption of all our markets, the Board has decided to suspend the 2019 dividend approval until a final decision later in the year.

South Asia

(IN USD '000s)	2019	2018	Δ 2018 - 2019	Δ CONSTANT CURRENCY
Net profit	14,098	14,872	-5%	-1%
Cost/income ratio	50%	45%		
Return on average assets (TTM)	6.1%	7.1%		
Return on average equity (TTM)	26.6%	35.3%		
Earnings growth (TTM)	-5%	-2%		
OLP[1]	254,361	211,470	20%	26%
Total assets	252,034	213,570	18%	
Client deposits[2]	2,082	73	2,742%	
Interest-bearing debt[2]	177,257	156,707	13%	
Share capital and reserves	58,703	47,314	24%	
Number of clients	1,234,638	1,053,889	17%	
Number of branches	751	638	18%	
Average outstanding loan per client (USD)	208	202	3%	7%
PAR>30 days	*2.0%*	*0.8%*		
Client deposits as % of loan portfolio	*1%*	*0%*		

1 Includes off-book Business Correspondence loans and Direct Assignment loans and excludes interest receivable and the unamortised loan processing fee.
2 Excludes interest payable.

Client and OLP growth was high in 2019. Due to the substantial currency depreciation in Pakistan (PKR down 11% against USD) and slower than expected growth in India, coupled with disruptions to our business in Sri Lanka (debt relief program, Easter Sunday bombings), South Asia's USD net profits were down 5% (1% down on a constant currency basis).

- Net profit down 5% (1% down on a constant currency basis)
- OLP up 20% (26% up on a constant currency basis)
- Number of clients crossed 1.2 million, up 17%
- Number of branches up 18%
- OLP/Client in USD up by 3%
- The quality of the loan portfolio declined with PAR>30 increasing from 0.8% to 2.0%
- Cost/Income ratio increased by 500 bps to 50% due to (i) rapid branch expansion undertaken in India during the year, (ii) increased funding costs, and (iii) lower than expected performance in Sri Lanka
- Return on average assets was down 1% to 6.1% due to (i) the higher proportionate growth of the Indian operations, (ii) some excess liquidity in Pakistan related to the microfinance bank application and (iii) the increased cost of funding in Pakistan
- Return on average equity down by 8.7% to 26.6% due to lower profits and higher capital

INDIA

ASAI India continued to expand its operations:

- Number of clients up from 563,985 to 732,354 (up 30%)
- Number of branches up from 300 to 399 (up 33%)
- OLP up from INR 6.9 billion (USD 99 million) to INR 9.0 billion (USD 126 million) (up 25% in INR)
- Off-book portfolio grew from INR 2.6 billion (USD 36.7 million) to INR 4.0 billion (USD 55.9 million) (up 56% in INR). This now includes INR 437.5 million (USD 6.1 million) of the portfolio transferred under a direct assignment ('DA') agreement to State Bank of India
- OLP/Client down from INR 13,000 to INR 12,000 (down 3.8% in INR), while PAR>30 increased from 0.7% to 1.5%
- ASAI India continues to benefit from its strong business correspondent relationship with IDFC First Bank and the ongoing support of its many international and local lenders, including State Bank of India
- Due to signs of the markets overheating in North East India, management decided to have a more cautious approach to the growth of ASAI India's operations

PAKISTAN

ASA Pakistan continued to expand its operations:

- Number of clients up from 419,216 to 439,129 (up 5%)
- Number of branches up from 270 to 281 (up 4%)
- OLP up from PKR 9.3 billion (USD 66.9 million) to PKR 9.7 billion (USD 62.5 million) (up 3% in PKR), which was adversely affected by less available funding during Q4
- OLP/Client down from PKR 22,400 (USD 160) to PKR 22,200 (USD 143) (down 1% in PKR)
- PAR>30 increased from 0.3% to 1.9%, due to government restrictions to collect instalments from clients of two branches

SRI LANKA

Lak Jaya experienced a very difficult year due to political activism around a government's debt relief program and the Easter Sunday bombings, which affected the portfolio quality and demand for loans:

- Number of clients down from 70,688 to 63,155 (down 11%)
- Number of branches up from 68 to 71 (up 4%)
- OLP up from LKR 1.68 billion (USD 9.2 million) to LKR 1.7 billion (USD 9.4 million) (up 2% in LKR)
- OLP/Client up from LKR 25,000 (USD 134) to LKR 29,000 (USD 161) (up 19% in LKR)
- PAR>30 increased from 4.1% to 9.7% due to adverse political and regulatory conditions in Sri Lanka which affected client repayment habits across the sector
- Management's primary focus is on client retention, cost control and improving the portfolio quality
- After having become a deposit-taking microfinance company in 2018, deposits increased from LKR 13,400 (USD 73,000) to LKR 377,000 (USD 2.1 million)

South East Asia

(IN USD THOUSANDS)	2019	2018	Δ 2018 - 2019	Δ CONSTANT CURRENCY
Net profit	5,349	3,881	38%	32%
Cost/income ratio	74%	75%		
Return on average assets (TTM)	4.8%	4.4%		
Return on average equity (TTM)	29.1%	25.1%		
Earnings growth (TTM)	38%	10%		
OLP[1]	84,205	62,118	36%	31%
Total assets	**125,750**	**95,015**	**32%**	
Client deposits[2]	22,995	17,801	29%	
Interest-bearing debt[2]	72,419	54,306	33%	
Share capital and reserves	21,453	15,353	40%	
Number of clients	491,813	442,254	11%	
Number of branches	405	369	10%	
Average outstanding loan per client (USD)	173	141	22%	17%
PAR>30 days	*1.0%*	*0.5%*		
Client deposits as % of loan portfolio	**27%**	**29%**		

1 Excludes interest receivable and the unamortised loan processing fee.
2 Excludes interest payable.

Client and OLP growth were high in South East Asia in 2019, supported by the strengthening of both currencies against USD. Myanmar had a particularly strong year increasing its contribution to Southeast Asia's net profit by more than 50%. Earnings growth in the Philippines was held back by an increase in PAR>30 and higher operating expenses.

- Net profit up 38% (32% up on a constant currency basis)
- OLP up 36% (31% up on a constant currency basis)
- Number of clients up 11%
- Number of branches up 10%
- OLP/Client in USD up by 22%
- PAR>30 up slightly from 0.5% to 1.0%
- Cost/Income ratio marginally down from 75% to 74%
- Return on average assets increased from 4.4% to 4.8%
- Return on average equity increased from 25.1% to 29.1%

THE PHILIPPINES

PPFC continued to expand:

- Number of clients up from 314,351 to 339,967 (up 8%)
- Number of branches up from 288 to 315 (up 9%)
- OLP up from PHP 2.1 billion (USD 40.8 million) to PHP 2.7 billion (USD 52.7 million) (up 25% in PHP)
- OLP/Client up from PHP 7,000 (USD 130) to PHP 8,000 (USD 156) (up 16% in PHP)
- PAR>30 increased from 0.4% to 1.3%

MYANMAR

ASA Myanmar achieved strong client and branch growth, increasing:

- Number of clients up from 127,903 to 151,846 (up 19%)
- Number of branches up from 81 to 90 (up 11%)
- OLP up from to MMK 33.0 billion (USD 21.3 million) to MMK 46.8 billion (USD 31.5 million) (up 42% in MMK)
- OLP/Client up from MMK 259,000 (USD 168) to MMK 310,000 (USD 209) (up 20% in MMK)
- PAR>30 decreased from 0.6% to 0.4%

West Africa

(IN USD THOUSANDS)	2019	2018	Δ 2018 - 2019	Δ CONSTANT CURRENCY
Net profit	15,935	16,872	-6%	2%
Cost/income ratio	45%	38%		
Return on average assets (TTM)	17.3%	20.4%		
Return on average equity (TTM)	45.7%	56.6%		
Earnings growth (TTM)	-6%	29%		
OLP[1]	77,200	71,840	7%	18%
Total assets	95,240	88,359	7%	
Client deposits[2]	38,195	35,958	6%	
Interest-bearing debt[2]	11,919	13,315	-10%	
Share capital and reserves	37,452	32,246	16%	
Number of clients	459,022	435,660	5%	
Number of branches	423	414	2%	
Average outstanding loan per client (USD)	170	165	3%	11%
PAR>30 days	1.5%	0.5%		
Client deposits as % of loan portfolio	49%	50%		

1 Excludes interest receivable and the unamortised loan processing fee.
2 Excludes interest payable.

West Africa's performance was lower than expected due to a combination of (i) difficult market conditions in Nigeria with reduced demand and increased security concerns, and (ii) the banking sector crisis in Ghana, which required ASA Savings & Loans to make some provisions on bank deposits, (iii) a one-off provision for employee benefits by ASA Nigeria, and (iv) higher than expected currency depreciation in Ghana.

- Net profit was down 6% (2% up on a constant currency basis)
- OLP up 7% (18% on a constant currency basis), which was affected by (i) higher than expected depreciation of the Ghanaian Cedi (GHS down 16%), and (ii) weak economic growth and increased security concerns in Nigeria
- Number of clients up by 5%
- Number of branches up 2%
- OLP/Client in USD up by 3%
- PAR>30 increased from 0.5% to 1.5%
- Cost/Income ratio up by 769 bps to 45.3%
- Return on average assets down 313 bps to 17.3%
- Return on average equity down by 1,089 bps to 45.7%

GHANA

Despite a banking crisis In Ghana, ASA Savings & Loans continued to successfully expand, while maintaining a high portfolio quality:

- Number of clients up from 149,027 to 164,984 (up 11%)
- Number of branches up from 120 to 123 (up 3%)
- OLP up from GHS 185.2 million (USD 38.1 million) to GHS 237.4 million (USD 41.6 million) (up 28% in GHS)
- OLP/Client up to GHS 1,400 (USD 253) (up 16% in GHS)
- PAR>30 remained low at 0.2%
- ASA S&L Ghana received permission to open additional 10 branches

NIGERIA

ASHA Nigeria and ASIEA ('ASA Nigeria') faced difficult market circumstances and consequently realised little growth in 2019:

- Number of clients up from 258,636 to 259,777 (up 0.4%)
- Number of branches up from 262 to 263 (up 0.4%)
- OLP up from NGN 11.5 billion (USD 31.7 million) to NGN 11.9 billion (USD 32.7 million) (up 3% in NGN)
- OLP/Client increased from NGN 44.8 (USD 123) to NGN 46.7 (USD 129) (up 4% in NGN)
- PAR>30 increased from 0.9% to 2.7%
- ASA Nigeria received approval from the central bank for the acquisition of ASIEA by ASHA Nigeria, which merger was executed on 1 April 2020

SIERRA LEONE

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

- Number of clients up from 27,997 to 34,261 (up 22%)
- Number of branches up from 32 to 37 (up 16%)
- OLP up from SLL 17.4 billion (USD 2.0 million) to SLL 28.1 billion (USD 2.9 million) (up 62% in SLL)
- OLP/Client from SLL 625,000 (USD 73) to SLL 827,000 (USD 85) (up 32% in SLL)
- PAR>30 increased from 1.1% to 5.1%, due to a substantial fraud in one of its branches

East Africa

(IN USD THOUSANDS)	2019	2018	Δ 2018 - 2019	Δ CONSTANT CURRENCY
Net profit	6,160	3,647	69%	67%
Cost/income ratio	62%	64%		
Return on average assets (TTM)	12.6%	11.5%		
Return on average equity (TTM)	51.0%	47.9%		
Earnings growth (TTM)	68.9%	262%		
OLP[1]	51,664	33,040	56%	56%
Total assets	59,356	38,556	54%	
Client deposits[2]	14,808	10,153	46%	
Interest-bearing debt[2]	25,835	17,190	50%	
Share capital and reserves	15,476	8,687	78%	
Number of clients	348,542	242,313	44%	
Number of branches	316	244	30%	
Average outstanding loan per client (USD)	149	137	9%	8%
PAR>30 days	0.6%	0.4%		
Client deposits as % of loan portfolio	29%	31%		

1 Excludes interest receivable and the unamortised loan processing fee.
2 Excludes interest payable.

East Africa realised high growth, while maintaining a high return on assets and a high-quality loan portfolio:

- Net profit up 69% (67% up on a constant currency basis)
- OLP increased by 56% (56% on a constant currency basis), due to the continued expansion of all operations across the segment
- Number of clients up 44%
- Number of branches up 30%
- OLP/Client in USD up by 9%
- PAR>30 increased from 0.4% to 0.6%
- Cost/Income ratio improved by 212 bps to 62%
- Return on average assets up 110 bps to 12.6%
- Return on average equity up 310 bps to 51.0%

KENYA

ASA Kenya substantially increased its operations:

- Number of clients up from 73,524 to 101,326 (up 38%)
- Number of branches up from 70 to 90 (up 29%)
- OLP up from KES 1.2 billion (USD 12.1 million) to KES 1.8 billion (USD 17.6 million) (up 46% in KES)
- OLP/Client slightly increased from KES 17,000 (USD 165) to KES 18,000 (USD 175) (up 6% in KES)
- PAR>30 increased from 0.7% to 1.3%

TANZANIA

ASA Tanzania successfully expanded its operations:

- Number of clients up from 79,005 to 122,749 (up 55%)
- Number of branches up from 76 to 102 (up 34%)
- OLP up from TZS 28.0 billion (USD 12.2 million) to TZS 47.0 billion (USD 20.5 million) (up 68% in TZS)
- OLP/Client up from TZS 355,000 (USD 155) to TZS 384,000 (USD 167) (up 8% in TZS)
- PAR>30 improved from 0.2% to 0.1%

UGANDA

ASA Uganda successfully continued to expand in terms of branches, clients and OLP while maintaining a high-quality loan portfolio:

- Number of clients up from 76,530 to 101,006 (up 32%)
- Number of branches up from 72 to 88 (up 22%)
- OLP up from UGX 25.9 billion (USD 7.0 million) to UGX 38.0 billion (USD 10.4 million) (up 47% in UGX)
- OLP/Client up from UGX 340,000 (USD 91) to UGX 377,000 (USD 103) (up 11% in UGX), which are expected to remain lower than in Kenya and Tanzania due to generally lower income levels in Uganda
- PAR>30 maintained at 0.1%

RWANDA

ASA Rwanda successfully increased its operations and has become profitable in 2019:

- Number of clients up from 13,254 to 21,304 (up 61%)
- Number of branches up from 26 to 30 (up 15%)
- OLP up from RWF 1.6 billion (USD 1.8 million) to RWF 2.8 billion (USD 3.0 million) (up 75% in RWF)
- OLP/Client up from RWF 122,000 (USD 138) to RWF 133,000 (USD 141) (up 9% in RWF)
- PAR>30 increased from 0.7% to 0.8%

ZAMBIA

ASA Zambia commenced operations in January 2019 and successfully established its first branches:

- Number of clients reached 2,157
- Opened six branches in its first year of operations
- Realised OLP of ZMW 2.5 million (USD 179,000)
- OLP/Client reached ZMW 1,200 (USD 86)

REGULATORY ENVIRONMENT

ASA International operates in a wide range of jurisdictions each with their own regulatory regimes applicable to microfinance institutions. The Company continues to pursue deposit-taking licenses in countries such as Pakistan and Tanzania.

Key Events

India

- Additional capital of USD 5 million was injected into ASAI India by its shareholders during the year post receipt of the NBFC MFI registration with the Reserve Bank of India.

Pakistan

- ASA Pakistan submitted final documents as part of the application for the microfinance bank license.

Sri Lanka

- In August 2018, the government of Sri Lanka announced a debt relief program for microfinance loans of less than the equivalent of approximately USD 650 in drought relief affected districts of Sri Lanka. Although the direct impact of this measure on Lak Jaya was limited, political activists have tried to extend the debt relief program to other districts across the country, which eroded the repayment discipline of clients across the country which after-effects still persisted in 2019.
- In April 2019, Lak Jaya received the license under the Microfinance Act. Around the same time, the government of Sri Lanka introduced an interest rate cap of 35% per annum on microfinance loans.

Myanmar

- The Central Bank of Myanmar cut the maximum lending rate on microfinance loans from 30% to 28% per annum.

Nigeria

- The Central Bank approved the merger between ASHA Nigeria and ASIEA.

Tanzania

- ASA Tanzania in the process of finalising application for non-deposit taking microfinance institution under the new Microfinance Act.

Key events after 31 December 2019

- The competition authorities in Nigeria approved the merger between ASHA Nigeria and ASIEA which merger was effective as of 1 April 2020.
- ASA Myanmar received the approval of the Central Bank of Myanmar for a full deposit taking license in January of 2020.
- On 3 January 2020 ASA Pakistan received a no-objection certificate ('NOC') by the State Bank of Pakistan for transforming ASA Pakistan (non-deposit taking) into ASA Microfinance Bank ('MFB'), subject to meeting certain requirements set by the central bank.

REGULATORY CAPITAL

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 31 December 2019, 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 US dollars
- Foreign translation losses affecting the Group's balance sheet are minimised by preventing over-capitalisation of any of the Group's subsidiaries by distributing dividends and/or repaying capital as soon as reasonably possible

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

Funding

The funding profile of the Group has not materially changed during 2019:

IN USD MILLIONS	31 DEC 19	31 DEC 18	31 DEC 17
Local Deposits	78.0	64.0	53.2
Loans from Financial Institutions	260.6	221.2	200.4
Microfinance Loan Funds	27.2	17.8	27.5
Loans from Dev. Banks & Foundations	30.0	40.0	40.0
Equity	111.2	88.4	83.0
Total funding	507.1	431.4	404.1

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

Key events after 31 December 2019

- ASA International signed a loan facility agreement for USD 15 million with the Oesterreichische Entwicklungsbank AG ('OeEB') on 2 March 2020. The term of the loan is five years. The first drawdown of USD 10 million was received on 31 March 2020.
- ASA International N.V. drew an additional USD 5.5 million on 12 March 2020 from the existing facility agreement signed with Symbiotics managed funds in October 2019.

IMPACT OF FOREIGN EXCHANGE RATES

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

The effect of this is that (i) existing and future local currency earnings translate into less US dollar earnings, and (ii) local currency capital of any of the operating subsidiaries will translate into less US dollar capital.

COUNTRIES	2018	2019	Δ 2018 - 2019
Pakistan (PKR)	139.4	154.8	(11%)
India (INR)	69.5	71.3	(3%)
Sri Lanka (LKR)	183.0	181.4	1%
The Philippines (PHP)	52.5	50.7	3%
Myanmar (MMK)	1,543.8	1,487.0	4%
Nigeria (NGN)	364.3	362.5	0%
Ghana (GHS)	4.9	5.7	(16%)
Sierra Leone (SLL)	8,616.8	9,782.7	(14%)
Kenya (KES)	101.8	101.4	0%
Uganda (UGX)	3,715.6	3,665.4	1%
Tanzania (TZS)	2,298.3	2,298.0	0%
Rwanda (RWF)	883.0	943.2	(7%)
Zambia (ZMW)	12.0	14.1	(18%)

During 2019, *the US dollar particularly strengthened against* PKR +11% and Ghana +16.3%, which had a substantial impact of the USD earnings contribution of these subsidiaries to the Group. It also led to a substantial increase in foreign exchange translation losses, particularly due to ASA Pakistan's relatively high capital base related to its planned transformation into a microfinance bank. The total contribution to the foreign exchange loss reserve during 2019 *amounted to* USD 4.8 *million of which* USD 2.4 *million related to the* depreciation of the PKR and USD 2.4 million to depreciation of the GHS.

IMPACT OF IMPLEMENTATION OF IFRS 16

IFRS 16 supersedes IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. ASA International and its subsidiaries have rental lease agreements for 14 group and country head offices as well as for its 1,895 branches. The branch offices are usually simple residential apartments.

The Group applied the practical expedient to the definition of a lease on transition. This means that it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated. The 2018 numbers are presented as previously reported, under IAS 17 and related interpretations. This includes recognising a lease liability at 1 January 2019, measured at the present value of the remaining lease payments and discounted at the incremental borrowing rate. A right-of-use asset has been recognised at 1 January 2019 measured at an amount equal to the lease liability and adjusted by any prepaid or accrued lease payments relating to that lease contained in the statement of financial position immediately before 1 January 2019. There was no material impact on the retained earnings due to the transition.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/decrease) is as follows:

	IAS 17 31.12.2018 USD	IFRS 16 IMPACT USD	IFRS 16 01.01.2019 USD
Statement of Financial Position		USD	USD
Assets			
Right-of-use assets	-	5,553,290	5,553,290
Prepayments	1,773,170	(1,773,170)	-
Total Assets	1,773,170	3,780,120	5,553,290
Liabilities			
Lease liabilities	-	3,723,124	3,723,124
Prepayments owing	-	56,996	56,996
Total Liabilities	-	3,780,120	3,780,120

	IAS 17 31.12.2019 USD	IFRS 16 31.12.2019 USD
Statement of Profit or Loss		
Rent expense	4,178,140	-
Depreciation of right-of-use assets for existing contracts	-	3,892,323
Total operating expenses	4,178,140	3,892,323
Interest expense of lease liability for existing contracts	-	395,186
Deferred tax impact	-	43,479
Total	4,178,140	4,330,988

Our international presence

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

SOUTH ASIA

1,234,638

CLIENTS

751

BRANCHES

$254.4m

OLP*

INDIA
ASAI India commenced operations in 2008 as a non-banking financial company. IDFC FIRST Bank owns 9.99%. ASAI India has branches in West Bengal, Tripura, Assam, Bihar, Meghalaya, Uttar Pradesh and Odhisa state.

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.

PAKISTAN
ASA Pakistan has branches in two provinces (Punjab and Sindh), with the largest number in Punjab Province.

REGULATORY ENVIRONMENT
ASA Pakistan is supervised by the Securities and Exchange Commission of Pakistan, and operates as a lending company. ASA Pakistan submitted an application for a microfinance bank licence to the State Bank of Pakistan 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. On 3 January 2020, it received a no-objection from the State Bank of Pakistan for a microfinance bank subject to compliance with legal and regulatory requirements. The final licence can be issued after compliance with the conditions specified in the no-objection letter.

SRI LANKA
Lak Jaya's branches are generally equally distributed among 24 districts, with Colombo having the largest number of branches.

2.86% of the share capital in Lak Jaya is held by local investors.

REGULATORY ENVIRONMENT
Following receipt of the microfinance company licence on 3 April 2019, the Company is subject to certain prudential capitalisation and liquidity requirements and is regulated by the Central Bank in Sri Lanka. A 35% interest rate cap applies to loans by microfinance institutions.

* Includes offbook BC and DA loan portfolio in South Asia.

SOUTH EAST ASIA

491,813
CLIENTS

405
BRANCHES

$84.2m
OLP

THE PHILIPPINES

Pagasa Philippines has branches in eight regions (South Luzon, NCR, Central Luzon, North Luzon, North Mindanao, South Mindanao, West Mindanao and Visayas), with the largest number of branches in Luzon.

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.

MYANMAR

ASA Myanmar has branches in five States (Bago, Yangon, Magway, Mon and Sagaing), with most branches located in Bago State.

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 Microfinance 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 and approval for the same was received in February 2020. This will allow the Company to collect voluntary savings.

Our international presence continued

WEST AFRICA

459,022
CLIENTS

423
BRANCHES

$77.2m
OLP

NIGERIA

In Nigeria, the Company established two legal entities that for operational purposes are managed as one. 'ASIEA' (NGO) was established in November 2008, which commenced operations in February 2009, with three branches. In October 2009, the Company established ASA Nigeria (ASHA Microfinance Bank Limited) as a microfinance bank, which commenced operations in November 2010. ASA Nigeria's branches are currently located in 19 States (Lagos, Kano, Kaduna, Abia, Enugu, Ogun, Oyo, Kwara, Osun, Ondo, Ekiti, Kogi, Benue, Abuja, Niger, Nasarawa, Edo, Imo and Anambra).

REGULATORY ENVIRONMENT

ASA Nigeria is regulated by the Central Bank Nigeria ('CBN') under the Bank and other Financial Institutions Act No. 25 of 1991, and has a nationwide microfinance bank licence. It is licensed to take deposits from its clients. ASIEA is an association managed and controlled by the Company, and operates most of the Company's branches outside Lagos State.

The merger of the two entities was completed on 1 April 2020 following receipt of all regulatory approvals.

GHANA

The Company 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 nine regions (Greater Accra, Ashanti, Central, Western, Ahafo, Eastern, Bono, Bono East, Western North) with the largest number of branches in the Greater Accra Region.

REGULATORY ENVIRONMENT

ASA Savings & Loans is regulated by the 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 Company established ASA Sierra Leone in May 2015, which commenced operations in July 2016. 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.

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

348,542
CLIENTS

316
BRANCHES

$51.7m
OLP

KENYA
ASA Kenya has a widespread regional presence in 31 out of 47 counties.

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.

TANZANIA
ASA Tanzania has branches in eight regions (Dar es Salaam, Morogoro, Tanga, Arusha, Kilimanjaro, Dodoma, Mpwani and Mwanza) out of 28 regions in Tanzania, with the largest number of branches in Dar es Salaam.

REGULATORY ENVIRONMENT
ASA Tanzania is operating as a lending company. The new Microfinance Act 2018 was passed in November 2018 and pursuant to the Microfinance (Non-Deposit-Taking Microfinance Service Providers) Regulations, which were published on 13 September 2019, ASA Tanzania is preparing an application to the Central Bank for securing a licence in accordance with the requirements under the said Act which is expected to be submitted in 2020.

UGANDA
ASA Uganda has branches in the entire country, in all five regions, with the largest number of branches in the Central Region.

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 microfinance company. In 2018 the Company received a lending-taking MFI licence, which was renewed in January 2020 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.

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 operates as a non-deposit-taking microfinance institution.

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).

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.

RISK MANAGEMENT FRAMEWORK

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. 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 has adopted the Three Lines of Defence model.

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 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.

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.

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.

Second line of defence

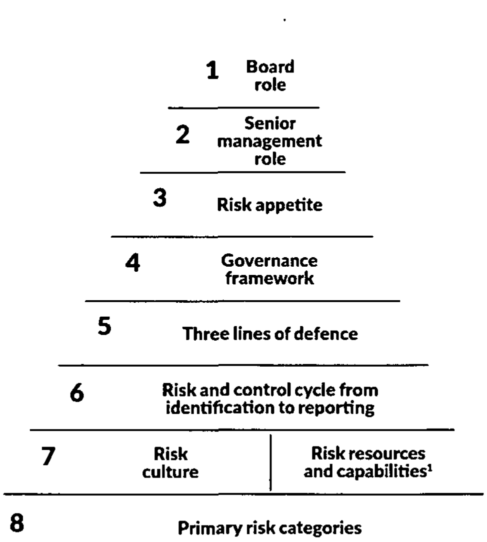
The second line of defence is comprised of the management of the respective

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

1. Defines high-level strategy. Ensures the Group has effective risk management policies in place. Approval of the risk management framework and risk principles
2. Sets risk appetite and strategy, frameworks and principles to be recommended to the Board. Identifies new risks
3. Management determines risk appetite
4. Management defines governance, risk and compliance framework including principal processes and procedures
5. Three lines of defence model implemented at all levels of the Group
6. 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
7. Development of risk culture throughout the organisation
8. Day-to-day management of risks as per three lines of defence model



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

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 as 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.

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; and assisting management in designing and developing processes and controls to measure risk.

Finally, the nature of the Group's business means that it operates in low-income communities around the world with a low-cost structure. This structure exposes the Group to operational risk associated with fraud and misappropriation. The most common types of fraud and misappropriation that the Group experiences include direct theft of funds by staff, misleading statements, bribes and kickbacks, loan sharing with borrowers and ghost loans and loan syndications by borrowers.
To mitigate these operational risks, the Group has established operational policies and practices to prevent fraud, including training and orientation on fraud and misrepresentation, staff background checks and client verification. It has also established a Fraud and Misappropriation Prevention Unit for each of its microfinance institutions. The objective of this unit is to reduce the financial risk and losses caused by fraud/misappropriation through the review and investigation of any suspicious or unusual branch activity and/or client complaints through unannounced branch inspections, and reports to the managing director of the microfinance institution (with a reporting line to the group).

THREE LINES OF DEFENCE

BOARD OF DIRECTORS

Board establishes the risk strategy and regularly reviews risk appetite

Approves frameworks, methodologies, policies and responsibilities

OPERATIONAL MANAGEMENT	RISK MANAGEMENT	INTERNAL AUDIT
FIRST LINE OF DEFENCE	**SECOND LINE OF DEFENCE**	**THIRD LINE OF DEFENCE**
Line management in each business area	Independent risk management function	Internal audit function
Primary responsibility for systems, controls and risk management	Provides specialist advice, governance and oversight	Independent assurance and reporting line
	Supports and challenges the first line	

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

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.

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:

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 54 to 57.
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.

Principal risks

During the year, we continued to face a challenging external environment, particularly from regulation and currency depreciation in several countries 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 2019.

LEVEL OF CHANGE

Risk environment improving

Risk environment remains stable

Risk environment worsening

Below we address 11 principal risks faced by the Group considered most relevant for 2019.

In 2020, following the outbreak of COVID-19, the Company expects significant impact on its risk profile. The Company has pro-actively taken action to mitigate the impact of COVID-19 and will continue to revise its strategy due to changes in the operating environment. In mitigating the impact of COVID-19, we are focusing on our clients and delivering operational efficiency and cost savings across our business. **See pages 11, 12 and 37**

FINANCIAL RISKS

1. REGULATORY RISK

The Company 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

While the microfinance bank licence application in Pakistan is still under consideration, the Company received a No-Objection Certificate on 3 January 2020 from the central bank of Pakistan. Following receipt of the microfinance deposit-taking licence in Sri Lanka, the Company is subject to stricter central bank regulation. In 2019, Sri Lanka introduced an interest rate cap of 35% on microloans. In Myanmar, the central bank increased compliance requirements for opening new branches.

In Nigeria, the capital requirement for microfinance banks will increase to around USD 14 million in 2021. In India, the non-banking finance sector may undergo a review due to stress in the industry and some countries may see tighter regulations including Kenya and Ghana. Tanzania intends to apply for a non-deposit-taking licence in 2020 following positive feedback from the central bank in 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.

2. CREDIT RISK

Risk that the Company 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 a minimum percentage at all times.

CHANGE IN YEAR

The quality of our portfolio remained high across the board yet in some markets we saw an increase in PAR>30. Notably, Sri Lanka saw a sharp increase in PAR>30 due to political intervention in the form of a debt relief programme, the impact of the Easter church bombing, followed by the economic slow-down as a result of these events. Sierra Leone has also experienced increased PAR due to heavy rainfall affecting client businesses and recovery initiatives.

In India we have observed some over-leveraging of clients due to aggressive microfinance lenders and as a result PAR>30 increased.

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 external 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 taking a security deposit where it is customary and allowed under the current license, prevent over-borrowing and to prevent excessive geographic concentration. We continuously monitor changes in the portfolio and will take immediate action when changes occur.

RISK ASSESSMENT AND THEIR CHANGE IN 2019

01. Regulatory risk	05. Growth risk	09. Interest rate risk
02. Credit risk	06. Information and technology risk	10. Social and environmental risk
03. Liquidity risk	07. Human resources risk	11. Reputational risk
04. Exchange rate/currency risk	08. Competition risk	

FINANCIAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
3. LIQUIDITY RISK **Our operations may be impacted if the Company 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.	The Company faced no concerns in meeting its liquidity and funding requirements despite its expanding operations. The Company maintained solid relationships with its debt providers who continued to show strong interest to fund our operations both locally and at the holding level.	While economic uncertainty has the potential to impact funding markets, overall the Company 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 Company 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 Company 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 are unpredictable. The currencies of some of our operating countries including Pakistan, Ghana, Sierra Leone and Zambia 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, and by obtaining funding denominated in local currency. We will continue to try to ensure that close to 100% of our currency exposure will continue to be fully hedged. Although we aim to hedge close to 100% of our currency exposure to the best of our ability, the currency movements of our operating currencies vis-à-vis the USD remain unpredictable.

Principal risks continued

OPERATIONAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
5. GROWTH RISK **All risk and challenges associated with the Company's operational expansion.** **OBJECTIVE** We aim to meet our business plan in a controlled manner.	Growth was controlled in 2019. However, we experienced difficulty relating to expansion in some countries due to market instability in Sri Lanka, FRD restriction in Myanmar and security concerns in Nigeria.	When setting our growth targets, we remain prudent as high growth may lead to increasing balances overdue in our loan portfolio. The Company has established a fraud and misappropriation unit to combat fraud and misappropriation.
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.	In 2019 the Company transitioned its AMBS system into a real-time system. This introduced efficiency gains while it may potentially increase external threats to IT systems. The Company has implemented disaster management strategies and ensured that it has data security policies in place. Eight countries started to establish Data Centres ('DC') in the cloud with 99.99% availability and on-premise Disaster Recovery Services ('DRS'). India completed establishment of DC in the private cloud with 99.98% availability and DRS on the premises.	Expect to complete by Q2 of 2020 the completion of establishment of DC in the cloud with 99.99% availability and on-premise DRS. Pakistan, Uganda, Tanzania and Rwanda will establish in-country DC-DRS in 2020. 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 Company 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 Company is already anticipating the challenges of an ever-increasing digital world.
7. HUMAN RESOURCES RISK **Our strategy may be impacted by not having sufficient skilled 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 personnel to ensure we can meet our growth objectives.	We developed and further strengthened our staff remuneration packages in certain jurisdictions and continue to invest in training. Staff drop out in the Philippines is commonly high and received our extra attention in 2020.	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 Company evaluates its human resource risk by observing the availability of skilled staff within its compensation bands as well as compliance and regulatory issues that impact staff, including visas or employment permits needed for its expatriate staff.
8. COMPETITION RISK **We may suffer losses or fail to optimise profitable growth by not responding well 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.	Competition varies by market. We have seen competition changing in a number of Asian countries. In Myanmar there are a large number of licences granted to various local and international players. In Kenya, the number of fintech and digital services are increasing at a high pace. In Nigeria, government-owned microfinance banks may be emerging.	We focus on developing and maintaining strong client relationships and tailor our products and services to specifically meet clients' needs. We continuously monitor client satisfaction. We are designing our digital platform and when our clients are ready we plan to introduce mobile applications that meet clients' needs and expectations.

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.	Pakistan saw an increase in cost of funding due to the depreciation of the local currency against the USD combined with the increase in overall funding in USD from foreign sources. An interest rate cap was introduced in Sri Lanka (35%) and Myanmar (28%), which was a decrease to the rate previously charged.	The Company's strategy in evaluating and managing its interest rate risk is to conduct a cost of funds analysis and to especially monitor interest rates in those countries, where there is a limit on the amount of interest it may charge, such as in India, Sri Lanka and Myanmar or possibly over time in certain countries in Africa.

OPERATIONAL RISKS	CHANGE IN YEAR	HOW WE MITIGATE OUR RISKS/NEXT STEPS
10. SOCIAL AND ENVIRONMENTAL 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. Significant weather-related impact in 2019 including floods in India (Assam, Bihar, North Bengal), floods in parts of Myanmar, heavy rainfall in Sierra Leone and typhoons and floods in the Philippines. There were no effects on the business in 2019 following the outbreak of COVID-19 late 2019.	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. We develop action plans proactively in situations of expected calamities such as the global COVID-19 outbreak. The Group generates reports on any social and environmental policy outcomes and the number of client and staff complaints it receives and resolves.

FINANCIAL 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 investments in some of our operating countries through various community projects, 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 inadvertent over-borrowing. 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 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.

How we invest in communities

As part of the Group's commitment to contributing to the general improvement of society in the communities in which it operates, the Group's regulated microfinance institutions engage in a variety of social initiatives in their communities.

To this end, also in 2019 we have invested in a number of community programmes that deliver a true value to our clients and to the broader community where they live and work. The Company's microfinance institutions allocate between 0.5% and 1% of their profit (except where regulation requires otherwise, as in the case of India where it is 2%) to these activities. In 2019, the Company spent more than USD 500,000 on community programmes, which benefited close to 130,000 people, in the field of education, healthcare and disaster and other activities related to distress.

Our borrowers from the Camalaniugan branch, North Luzon, in the Philippines and members of the Manzanilla group received relief goods, such as two kilogrammes of rice, three pieces of canned goods, six pieces of noodles and ten pieces of three in one coffee.

“ We are thankful to Pagasa. They have been very helpful and generous at a difficult time when we were affected by flooding due to Typhoon Tisoy. We are grateful they are always willing to help at times of distress or calamities.

INDIA

In India, we established a coaching and study centre named ASA Pathsala or 'Centre for Excellence'. It started with a coaching class in 2015 and has grown to 85 Pathsalas in 2019. The Pathsalas are aimed at educating both the children of clients and their peers in the community. This programme is run in different regions and reaches more than 3,000 students on a regular basis. All Pathsalas employ five teachers. The centres are well-equipped with study rooms and a library. Subjects include mathematics, science, including computer science, arts and linguistics. Participants can study at their own pace.

NIGERIA

In Nigeria, we installed a water borehole for the community in Papa Ashafa, Agege, Lagos State, generating access to clean drinking water for over 400 people. Each family now saves about 1 USD daily as well as the time to collect the water on a daily basis. The clean water also helps to reduce water-related diseases such as typhoid, cholera and diarrhoea, thereby reducing medical expenses. Ultimately, this improves the health and productivity of the entire community.

MYANMAR

In Myanmar, we donated school bags with educational materials in Thannatpin area, Bago, Myanmar. Our Country Head, Md. Anisur Rahman explains:

> **“In Myanmar the word ‘donation’ is a symbol of humanity, social work and progress. We supported schoolchildren that could not afford to purchase school bags or educational materials.**

ASA distributed over 400 school bags and school materials. For this event ASA Myanmar worked together with the Minister of Education, members of parliament, the central bank, local community leaders and law enforcement authorities.

KENYA

In Kenya we supported an orphanage with 265 children whose parents have succumbed to HIV and Aids. The school is located in a drought-affected area where food and water supply is irregular. We donated mattresses, blankets, food and school materials. As a result, school attendance increased and the children were able to be fed at school. The mattresses allowed the children to each have their own bed.

GHANA

In Ghana, we provided scholarships to well over 400 needy and brilliant students, being children of our clients. As a result, the students were able to attend school regularly and continue their studies. Each scholarship amounted to around USD 90 per student per academic year. The award pays for school fees as well as books and materials.

THE PHILIPPINES

In the Philippines, we distributed relief goods in over 100 climate-related events throughout the year, thereby supporting 14,937 people affected in communities in Luzon, Visayas and Mindanao. Relief goods often include dry foods, such as lentils, rice, noodles, salt or canned food.

Non-financial information statement

As a socially responsible lender, we have a wide range of policies and procedures, as well as surveys in place 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.

OUR POLICIES	POLICY DESCRIPTION
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 ensures a working environment that is safe and without risk to the health and welfare of our employees and visitors. We monitor and control health and safety risks, regularly provide safety and awareness training to employees, take preventive measures and corrective action on workplace accidents/incidents and cases of work-related illness with emergency responses and reporting and maintain safe equipment and infrastructures at the workplaces. Each entity has formed a Health and Safety Committee and an integrated Occupational Health & Safety ('OHS') Checklist with Risk Categories to ensure regular supervision and monitoring of OHS throughout the Company.
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.

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 showed that also in 2019 our surveyed clients financially benefited from our loan programmes. The survey samples approximately 1% of total clients on their third or higher loan cycles. **See KPIs on page 27**

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. **See KPIs on page 27**

EMPLOYEES AND CLIENT SATISFACTION SURVEYS
We conduct these on an annual basis.
See KPIs on page 27

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.
See www.asa-international.com

DIVERSITY AND GENDER
Our workforce remains diverse, with 32% female employees. We are also diverse in terms of age, with 59% 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]	38	9
Number of senior employees,[4] other than Board Directors[3]	97	12
Number of employees, other than Board Directors and senior employees	8,357	4,014

1 Includes Non-Executive Directors, excluded from Group headcount calculations. Figures as at 31 December 2019.
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.

Non-financial information statement continued

GREENHOUSE GAS ('GHG') EMISSIONS

In line with the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, ASA International is required to report its annual global GHG emissions.

We report carbon dioxide emissions (CO_2) resulting from energy use across: Scope 1: Direct GHG emissions from owned assets (combustion of fuel from owned generators and owned vehicles) and Scope 2: GHG emissions from supplied electricity (across operational branches). Our GHG emissions calculations and reporting follows the Greenhouse Gas Protocol ('operational control' approach) covering our energy usage over the 2019 reporting year.

In 2019, we continued to collect data on energy use and business travel for operations covering 15 regions (14 in 2018), including 12,835 full-time employees ('FTEs') and 1,893 branches (including our headquarters in the Netherlands and Bangladesh). The table on the right includes combustion of fuel (Scope 1) and purchased electricity (Scope 2) at our offices and in our company vehicles.

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 ASI International.

Following the introduction of the Streamlined Energy and Carbon Reporting ('SECR') regulations in the UK, we are also required to disclose our energy use. In 2019, we used 8,283,338 kWh of electricity to power our 1,893 branches.

	2018	2019	UNIT
EMISSIONS TYPE (ABSOLUTE VALUES)			
Scope 1 emissions[1]	3,600	3,461	tCO_2e
Scope 2 emission[2]	2,799	3,671	tCO_2e
Total	6,399	7,132	tCO_2e
INTENSITY FACTORS			
Total headcount[4]	11,091	12,835	FTE
Total area[3]	246,606	284,193	Square metres
CARBON INTENSITY 1: AREA[3]			
Scope 1	0.0146	0.0122	Tonnes of CO_2 per m^2
Scope 2	0.0114	0.0129	Tonnes of CO_2 per m^2
Total	0.0260	0.0251	Tonnes of CO_2 per m^2
CARBON INTENSITY 2: HEADCOUNT[4]			
Scope 1	0.3246	0.4373	Tonnes of CO_2 per FTE
Scope 2	0.2524	0.2861	Tonnes of CO_2 per FTE
Total	0.5770	0.7234	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 headquarters 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 284,193m^2 over 1,893 offices and branches (as of year-end 2019).
4 Total headcount includes 12,835 employees (on a full-time equivalent basis at time of data collection – Feb/March 2020).

Our awards

The Group is delighted to have won the Financial Services Company of the Year award at the Evening Standard Business Awards 2019. Judges said about ASA International: "Tiny loans can make a difference to a person's life if they're running a market stall in a poor part of the world."

Many of ASA International's microfinance institutions are recognised for both their business achievements as well as their contributions to society. The Group is delighted to have won the Financial Services Company of the Year award at the Evening Standard Business Awards 2019. Judges said about ASA International: "Tiny loans can make a difference to a person's life if they're *running a market stall in a poor part of the* world". In Ghana, ASA Savings & Loans achieved sixth position in the 'Ghana Club 100'.

"We are extremely proud and happy that ASA S&L has become the highest ranked financial institution in Ghana in 2019. This is an important recognition for each and everyone in the Company. It's a prestigious award from the government of Ghana through the Ghana Investment Promotion Center. We have done better every year and with this overall sixth position out of Ghana's 100 most successful businesses is a fantastic accomplishment.

Mr. Aourongjeb
Country Head ASA Savings & Loans

Mr Aourongjeb of ASA Savings & Loans receives the award from the Foreign Minister of Ghana.

COUNTRY	NAME OF ACCOLADE	YEAR	AWARDER
GHANA	Ghana Club 100, placed sixth, prestigious award with all leading companies in Ghana participating	2019	Ghana Investment Promotion Center on behalf of the Government of Ghana
KENYA	Best Financial Services Company of the Year, sixth in overall category	2019	Top 100 mid-sized companies award by Business Daily and KPMG
INDIA	Winner of Social Impact Initiatives	2019	Association of Microfinance Institutions – West Bengal
	SKOCH Order-of-Merit, semi-finalist in the category for Strategic Transformation and Socially Relevant Initiatives	2019	SKOCH Group
NIGERIA	Banking & Finance Leadership Excellence of the Year	2019	African Institute for Leadership Excellence
PHILIPPINES	Second position Number of Lives Insured, third position in the Total Contributions Made	2019	Insurance Commission (Department of Finance of Philippines)
UGANDA	Uganda Top 100, 13th position	2019	Top 100 mid-sized companies award by Daily Monitor and KPMG

Chairman's Introduction

> **"Being a socially responsible enterprise, stakeholder engagement is a key part of our community-oriented business model**
> MD. Shafiqual Haque Choudhury
> Chairman, ASA International

MD. SHAFIQUAL HAQUE CHOUDHURY
CHAIRMAN, ASA INTERNATIONAL GROUP PLC

As Chairman 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.

An important part of my role as Chairman is to oversee the governance of the Group. This year we focused on the new UK Corporate Governance Code 2018 ('the Code') which is effective from the beginning of the 2019 financial year. The Board actively discussed its key elements and adopted several actions including the steps to be taken towards further stakeholder engagement.

The Board remains committed to the principles set out in the Code, which are reproduced 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 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. 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.

Good corporate governance includes how the Board manages the affairs of the Group and its accountability to shareholders and other stakeholders. We have an effective corporate governance framework including 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.

There were five regular meetings of the Board in 2019. 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 2020 Annual General Meeting will take place on 30 June 2020. Due to the impact of COVID-19 and under current UK Government guidance you will not be permitted to attend the meeting in person. However, the Board takes seriously its duty to engage with shareholders, and will consider holding a meeting with shareholders, subject to demand, once restrictions have been lifted.

Given my age and limitations to international travel, I had informed the Board of my desire to step down as Chairman and had planned to announce my retirement prior to the AGM this year. However, the Board requested me to continue my role as Chairman for the duration of COVID-19 crisis. I have therefore accepted.

MD. SHAFIQUAL HAQUE CHOUDHURY
CHAIRMAN, ASA INTERNATIONAL
2 June 2020

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 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 (through the Nomination Committee) on ensuring that a diverse pool of candidates is considered. By a process of annual review the Board ensures that it continues to consist of members who have the relevant knowledge, skills and expertise to undertake their duties as Directors in such a way as to ensure proper corporate governance and help to generate sustainable long-term value for shareholders.

Biographical details of the Directors at the date of this report are set out on pages 74 and 75 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 five Non-Executive Directors, including the Non-Executive Chairman, and two 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.

SENIOR INDEPENDENT DIRECTOR

As recommended by the Code, the Board has appointed one of the Non-Executive Directors to be the Senior Independent Director to provide a "sounding board" for the Chairman in matters of governance and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director meets the other Non-executive Directors once a year to appraise the performance of the Chairman, and is available to shareholders if they have concerns which contact through the normal channels of the CEO and the Chairman 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. All the Directors of the Company were re-elected in the AGM held on 29 May 2019.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 ('THE CODE')

The Board has complied with the Code during 2019 and intends to continue to comply with it, save that Md. Shafiqual Haque Choudhury, the Chairman, did not meet the independence criteria set out in the Code upon his appointment as Chairman. 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 at least for the initial years following the listing in July 2018. The position of the Chairman is kept under review by the Nomination Committee.

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 also approve changes relating to the Group's capital structure, including reductions of capital, share issues and share buybacks. 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.

Leadership of the Board continued

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 concerning the need to have regard to the interests of the Company's various stakeholders.

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 holds 34.55% (of which 4.15% held on behalf of some former CMI shareholders, who opted for distribution of underlying shares of the Company)) and Catalyst Continuity (currently holding 16,9%) 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 the 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).

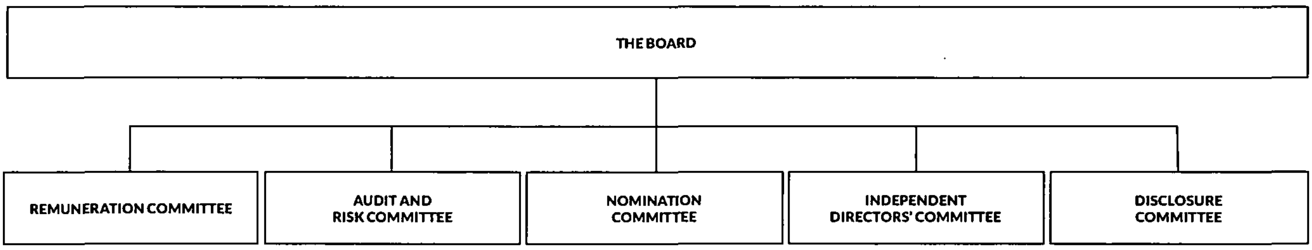
ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

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	5	5								
Aminur Rashid	5	5								
Non-Executive Director										
Md. Shafiqual Haque Choudhury	1	5					0	3		
Guy Dawson	5	5	5	5			3	3	2	2
Gavin Laws	5	5	5	5	4	4			2	2
Praful Patel	5	5			4	4	3	3	2	2
Hanny Kemna	4	5	4	5	3	4			2	2

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. Reports on the Committees' activities in 2019 appear later in this Report.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in fulfilling 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 meets at least three times a year, and met four times in 2019.

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 meets at least four times a year, and met five times in 2019.

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 meets at least twice a year, and met three times in 2019.

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 and generally monitoring compliance with the Relationship Agreement (see page 66)).

The Independent Directors' Committee comprises all of the independent Non-Executive Directors, being Gavin Laws, Guy Dawson, Praful Patel and Hanny Kemna. It is chaired by Guy Dawson. The Independent Directors' Committee meets at least twice a year. It met twice in 2019.

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.

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 compliance, 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 and updates related to IT systems of the Company are provided by Asifur Rahman, CTO of the Company.

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 met five times in 2019.

Attendance by Directors at Board meetings and Board Committee meetings is shown in the table on page 67.

At its meetings in 2019 the Board reviewed operating reports from the CEO, finance reports from the CFO, the financial statements and interim financial statements, and 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, IT 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.

The Board actively discussed purpose, value and strategy and agreed to further focus on this topic in 2020. 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 Non-financial statement and Investments in the community on pages 58 to 62.)

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 74. The Board is satisfied that his other commitments do not restrict him from carrying out his duties effectively.

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.

Governance framework continued

The Company's independent Non-Executive Directors are Praful Patel, Gavin Laws, Guy Dawson and Hanny Kemna. 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. All the Directors of the Company were re-elected at the AGM held on 29 May 2019. In accordance with the Code, all Directors retire and submit themselves for reappointment at each AGM.

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 2020 AGM

The Board carried out a self-assessment in 2019 and overall, the review showed that the Board and its Committees and Directors have functioned well since the IPO on 13 July 2018. The Board has confirmed its view that each of the Directors 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:

- the two Executive Directors, the Chairman and the other current Non-Executive Directors, Hanny Kemna, Guy Dawson, Praful Patel and Gavin Laws be proposed for reappointment at the AGM.

The Board has determined that the Non-Executive Directors meet the independence criteria set out in the Code.

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 the relevant 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 or the General Counsel, 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

The Board carried out a self-assessment in 2019 on 22 September 2019. The procedure followed was that each Board and Committee member completed a questionnaire, adding comments where appropriate, which were then submitted on an anonymised, aggregated basis to the Committee chairmen and the Senior Independent Director. The Senior Independent Director then held discussions with the other independent Directors and with the Executive Directors about the performance of the Board, the Committees and the individual Directors.

Overall, the review showed that the Board and its Committees and Directors have functioned well since the IPO. The Board agreed that there are areas where enhancements could be made, including devoting more time to longer term strategic issues; developing detailed senior management succession plans, including at Group level for the Chairman and Chief Executive; and developing a plan for the refreshment of the Independent Directors group over time.

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 an individual's honesty, integrity and reputation; financial and commercial acumen; competence and capability; and continuing professional development. This review will commence in 2020.

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 corporate headquarters in Amsterdam (the Netherlands) and supporting office in Dhaka (Bangladesh) to each of its microfinance institutions. The Dhaka office is managed by Aminur Rashid, Executive Director, and a team of other seasoned microfinance experts who have previously held senior positions in the industry and have many years of expertise in managing and/or supporting microfinance institutions across Asia and Africa as well as professionals who previously worked in the financial and legal industry.

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 management, IT, human resource management and corporate secretarial functions for the Group. The Amsterdam office is the base of Dirk Brouwer, CEO, and other senior managers, and provides specialised accounting, finance, legal, corporate and compliance functions along with investment, treasury, (international) tax structuring, funding, investor relations, FX management, and the management of business development projects. The offices of Amsterdam and Dhaka are functionally integrated.

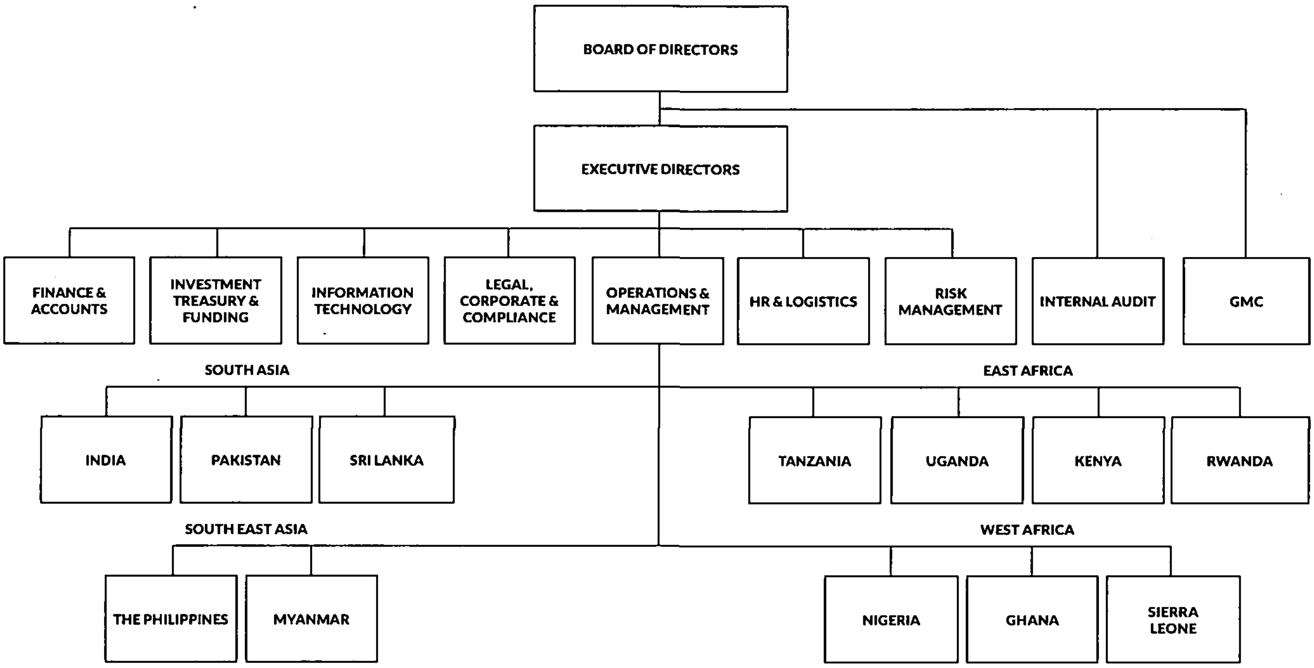
The following chart sets out a simplified overview of the Group's management structure as well as the Group's operating structure, which is based on geographical proximity and associated cultural similarities and is, therefore, segmented into four regions: South Asia, South East Asia, East Africa and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

The Group's microfinance institutions operate a total of 1,895 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 international corporate headquarters. 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's 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 the international corporate headquarters.

The field staff of each microfinance institution comprises mid-level management and branch staff. The mid-level managers of each microfinance institution travel across their respective branch networks and perform their supervisory functions in the branch offices, as they generally do not have separate offices. Mid-level management generally comprises 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 its 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 (based in the branches) comprises a branch manager, an assistant branch manager, loan officers and supporting staff members.

The table below sets out details of the interests in voting rights of 3% or more notified to the Company as at 31 December 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[1,2]	1,401,810	1.4%
Dirk Brouwer[1,2]	20,214,497	20.2%
Aminur Rashid[1]	373,178	0.37%

1 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.
2 Dirk Brouwer holds his 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 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, 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, often accompanied with the Executive Director, Aminur Rashid, and the CFO, meet with the Group's major institutional shareholders on a regular basis. In addition, the Chairman is available to meet or speak to 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 IR, 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. In normal years all shareholders have the opportunity to raise questions with the Board at the AGM, either in person or by submitting written questions in advance, and the Chairmen of all of the Board Committees and the other Directors attend the meeting; in 2020, however, other arrangements will have to be made because of the impact of COVID-19 (see the Chairman's introduction on page 64).

Board of Directors

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

MD. SHAFIQUAL HAQUE CHOUDHURY
NON-EXECUTIVE CHAIRMAN

N

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

N

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 29 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.

PRAFUL PATEL
INDEPENDENT NON-EXECUTIVE DIRECTOR

R ID

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.

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).

GAVIN LAWS
INDEPENDENT NON-EXECUTIVE DIRECTOR

A/R R ID

Gavin Laws has been a Non-Executive Director of ASA International since 2013, a position he also holds at Finablr PLC. 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

A/R N ID

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

A/R R ID

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.

COMMITTEE

A/R Audit and risk

N Nomination

R Remuneration

ID Independent Directors

C 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).

Management team

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

JOINT CORPORATE HEADQUARTERS IN DHAKA AND AMSTERDAM

DIRK BROUWER
CHIEF EXECUTIVE OFFICER
Joined: 2007
Years of MFI Experience: 13

AMINUR RASHID
EXECUTIVE DIRECTOR, OPERATIONS
Joined: 2011
Years of MFI Experience: 30

TANWIR RAHMAN
CHIEF FINANCIAL OFFICER
Joined: 2017
Years of MFI Experience: 10

MARTIJN BOLLEN
GENERAL COUNSEL
Joined: 2007
Years of MFI Experience: 13

KAMAL KUMAR SARKER
CHIEF GROUP INTERNAL AUDITOR
Joined: 2018
Years of MFI Experience: 7

MD. ENAMUL HAQUE
CHIEF OPERATING OFFICER
Joined: 2008
Years of MFI Experience: 37

AZIM HOSSAIN
DIRECTOR INVESTMENTS, TREASURY AND RISK MANAGEMENT
Joined: 2007
Years of MFI Experience: 36

MISCHA ASSINK
CHIEF ACCOUNTANT
Joined: 2011
Years of MFI Experience: 9

MD. ASIFUR RAHMAN
CHIEF TECHNOLOGY OFFICER
Joined: 2018
Years of MFI Experience: 21

REGIONAL DIRECTOR

EAST AFRICA
MOSHARROF HOSSAIN

Years of MFI Experience: 30

COUNTRY HEADS

PAKISTAN
SAEED UDDIN KHAN

Years of Microfinance Experience: 1
Years of Banking Experience: 34
(including Microfinance)

GHANA
MD. AOURONGJEB

Years of Microfinance Experience: 13

INDIA
ANJAN DASGUPTA

Years of Microfinance Experience: 12
Years of Banking Experience: 36
(including Microfinance)

NIGERIA
MD. AMINUL HAQUE BHUIYA

Years of Microfinance Experience: 27

PHILIPPINES
T. I. M. FAKRUZZAMAN

Years of Microfinance Experience: 28

MYANMAR
MD. ANISUR RAHMAN

Years of Microfinance Experience: 24

SRI LANKA
MANATUNGA ATTANAYAKE

Years of Microfinance Experience: 12
Years of Banking Experience: 40
(including Microfinance)

UGANDA
NURUL ISLAM CHOWDHURY

Years of Microfinance Experience: 25

TANZANIA
MUHAMMAD SHAH NEWAJ

Years of Microfinance Experience: 8

SIERRA LEONE
SHARIFUL ISLAM KHAN

Years of Microfinance Experience: 28

KENYA
MOHAMMAD MISHU MAHMUD

Years of Microfinance Experience: 19

RWANDA
JAMILUR RAHMAN CHOWDHURY

Years of Microfinance Experience: 28

ZAMBIA
A B M ASADUZZAMAN

Years of Microfinance Experience: 29

Directors' report

The Directors of the Company present their report for the year ended 31 December 2019. 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 01 to 63 of this Annual Report, and Corporate Governance Report, Committee reports and the Directors' Remuneration Report, set out on pages 64 to 99 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 inside back cover page of this Annual Report.

RESULTS AND DIVIDENDS

The consolidated results for the year are shown on page 110 of the financial statements. Due to the potential impact of the spread of COVID-19, the Directors have decided to suspend the 2019 dividend until a final decision can be made later in the year.

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.

DIRECTORS

The names of the Directors of the Company at the date of this report, together with biographical details, are given on pages 74 and 75 of this Annual Report. All of them served throughout the 2019 financial year. In accordance with the UK Corporate Governance Code, all Directors will retire at the 2020 AGM and offer themselves for re-election at that meeting.

Further details on the Directors' remuneration and service contracts or appointment letters (as applicable) can be found in the Directors' Remuneration Report on pages 92 to 97 of this Annual Report.

Directors' interests

The Directors' interests in the share capital of the Company as at 31 December 2019 are set out on page 95 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 (during the COVID-19 period while there are restrictions on movement, a copy of the Articles may be obtained on request to the Company Secretary at the Registered Office). Further details on the powers, appointment and removal of Directors are set out in the Corporate Governance Report on pages 70 and 78 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 GBP 100,050,000, comprising 100,000,000 ordinary shares of GBP 1 each and 50,000 redeemable preference shares of GBP 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.

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 GBP 100,050,000 to GBP 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 GBP 1.00 to GBP 0.01. The purpose of the reduction of share capital was to create a reserve in the books of the Company (the 'Reserve') which would 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.

50,000 fully paid redeemable preference shares of GBP 1 each were issued to CMI on 15 May 2018 (the 'Redeemable Preference Shares') pursuant to an application for shares dated 15 May 2018.

On 30 May 2019, all of these redeemable preference shares were redeemed by the Company in compliance with the requirements of the Company's articles of association and the Companies Act 2006.

The share capital of the Company as of 31 December 2019 therefore consists of 100,000,000 ordinary shares of GBP 0.01 each.

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.

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 30 June 2020, 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. 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.

The Company will make awards under the Plan once the necessary terms and conditions have been developed, approved by the Remuneration Committee, and presented to shareholders for approval.

SUBSTANTIAL SHAREHOLDINGS

Details of substantial shareholdings in the Company are set out in the Corporate Governance Report on page 73 of this Annual Report.

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 on request to the Company Secretary at the registered office of the Company.

Directors' report continued

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, who are named on pages 74 and 75, 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 and Transparency Rules and Guidance 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 82 to 99 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 01 to 63 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 Stakeholder engagement on pages 18 to 21 and Non-financial statement on pages 60 to 62 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 2.2.3 and 36 to the financial statements. The notes begin on page 117.

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 52 to 57, and the risks associated with the Group's financial instruments are analysed in note 30.4 on pages 153 to 159 of the financial statements.

POST-BALANCE SHEET EVENTS

In recent weeks the number of known infections of COVID-19 started to increase in many of our operating countries, which led governments in these countries to take stringent measures to halt the further spread of COVID-19, including, amongst others, lockdowns, curfews, self-isolation, mandatory quarantine, the closure of public places (markets), restrictions on public gatherings and travel. Some of these measures, in particular the imposition of a temporary lockdown, are expected to materially impact the income generating capacity of our clients and reduce the ability of our staff to conduct regular client meetings and collect loan instalments. In mitigating the impact of COVID-19, we will be focusing on our clients and delivering operational efficiency and cost savings across our business:

- Clients: strengthening client interaction by (smart) phone or other digital devices, collecting through group leader where possible, increasing digital collections (m-pesa, bank transfer or other payment platform), switching from weekly to bi-weekly or monthly collection where appropriate, while maintaining CSR programmes where possible in support of our clients.
- Cost savings: adjusting field capacity during lockdowns, pay freezes, postponement of non-priority projects and deferral of non-essential operating expenses Operating performance was in-line with our expectations during the first two months of 2020 without any discernible impact of COVID-19 on our loan portfolio. However, given the recent measures that governments have put or are planning to put in place to prevent the spread of COVID-19 in an increasing number of our operating countries, we expect that our business will be adversely impacted. While it is too early to quantify, we expect it will materially impact our financial performance.

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 92, 94, 96 and 97
9.8.4 (5) - (6)	Details of any waiver of emoluments by a Director	Remuneration Report on page 95
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 66

RESOLUTIONS AT THE 2020 AGM

The Company's AGM will be held on 30 June 2020. 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.

The full text of each of the resolutions to be proposed at the 2020 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 2020 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
2 June 2020

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 ended 31 December 2019.

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.

In our second year as a listed company, the Committee focused on the internal controls systems and processes. The Committee is actively working with management to further improve the risk-based internal audit process. The Committee will continue to be focused on the key responsibilities listed above, and in particular on oversight of Internal Audit and the risk control framework, 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 stakeholder engagement, 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 strategies and 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 myself, and the other members are Guy Dawson and Hanny Kemna, both of whom are independent Directors and have attended each meeting to date (other than the meeting in December 2019 when Hanny was absent).

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 and re-appointed at the AGM held in 2019 . The qualifications of each of the members are outlined in the biographies on pages 74 and 75. 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.

In 2019, the Committee met on five occasions. Full details of attendance by the Non-Executive Directors at these meetings during the year are set out on page 67. 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 (EY) 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. The CFO and the CFOs of the Company's individual country operating entities attended a conference to discuss the Finance & Accounts function and related duties across the Group. EY, as well the senior accountant in the Netherlands and the senior financial analysts in the Netherlands, as well as the senior finance team from Dhaka participated. I addressed the CFOs and the other attendees during that meeting. Those that attended the CFO conference were: group CFO, CFO's of the six largest countries, director accounts, director finance, chief accountant, partner and senior manager of EY UK and local EY partners and senior managers of ten countries.

Since the Committee has responsibility for both 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 took place as part of the wider Board evaluation during 2019. The main areas of planned enhancement include: providing inputs on strategy, developing a succession plan for the CEO and Chairman, phasing retirement of existing independent Directors and appointing a new independent Director. Please refer to pages 71 and 91 on Board Effectiveness.

AUDIT: ACTIVITY IN THE 2019 FINANCIAL YEAR

Since 1January 2019, the Committee has:
- reviewed the 2018 financial statements and 2019 interim financial statements and the auditor's findings in relation to them, as well as the responses by management to the recommendations of the auditor;
- considered new international reporting standards, in particular IFRS 9 and IFRS 16;
- Considered the EY audit planning report 2019;
- 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 IT strategy and IT policies of the Company
- reviewed staffing and recruitment arrangements for the IT department;
- reviewed the risk framework and made recommendations;
- reviewed KPIs and the risk appetite;
- reviewed the health and safety policy of the Company and approved it after revision and discussions;
- reviewed pension policies;
- discussed and considered succession planning for the Board and CEO;
- reviewed the training plan for employees;
- reviewed key legal and regulatory concerns;
- considered the implementation of the compliance framework including whistleblowing arrangements (all whistleblowing reports will be routinely referred to the Chairman of the Committee) and other key compliance policies;
- reviewed the transfer pricing structure proposed for 2020 and onwards;
- considered treasury and debt management arrangements, including the Business Correspondence portfolio in India;
- reviewed the performance of the current auditors of the Company;
- Audit Committee self-assessment;
- reviewed and considered the new requirements under the UK Corporate Governance Code including adoption of the outline of an action plan to engage shareholders and workforce. As part hereof the Board will appoint one INED per region. They shall engage with local management and staff, including participating in client events and local board meetings. INEDs will also join the bi-annual Group wide management meeting, receives annual staff and client surveys, and will be offered the opportunity to meet regulators and lenders.

International reporting standards

The Committee has considered at a number of its meetings the action being taken for the implementation of the 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. On IFRS 9, the auditor is of the view that the credit model remains largely unchanged. On IFRS 16, the management had engaged Duff & Phelps to determine key judgments and the auditor had found their observations to be correct.

Audit and Risk Committee report continued

Reporting by the external auditor
The Committee received detailed reporting from the external auditor in respect of the final and half yearly results. The Committee and the external auditor discussed the key areas of review focus including the risk drivers, the significant risks being valuation of loan impairment provisions and the risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers. They also discussed other key areas of focus including business correspondence and securitisation accounting in India, forward contract valuations, IFRS 16 standard, foreign exchange accounting, compliance with laws and regulations, transfer price policy. The Committee also received the audit planning report from the external auditor for the 2019 audit.

The Committee specifically spoke to the external auditor about revenue recognition and loan loss provision and management override in IT. The external auditor reported that the significant audit risks in relation to income recognition and loan loss provision had been reported at each stage and they had not found any material or reportable differences or fraud after extensive testing in relation to interest income. EY suggested that more recent data should be looked at for credit loss computations.

The Committee also discussed the listing requirements to which the Company is subject, 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.

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. The Committee reviewed the significant accounting judgments made during the year, the risks to which the Company was exposed and the systems in place to mitigate or manage them and the overall system of internal controls within the Company. 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'). The auditor recommended that management should ensure there was segregation of duties within the change environment (between development testing and application servers) in relation to AMBS. Following recommendations by the auditor the weaknesses were addressed by management, but the controls will continue to be tested and reported on to the Committee.

The Committee noted that there had been significant improvements in observing timelines for provision of information by management to the auditor and the Company had learnt from the experience during the 2018 audit.

The Committee noted that all key external audit findings in 2018 and H1-2019 findings had been resolved by management other than a few findings in relation to IT which were still being addressed.

The Committee further discussed credit loss computation, debt equity ratios, the business correspondence model and the financial statement consolidation project with the auditor and management.

External audit
The Committee assessed the external audit report and audit plan for 2019.

The auditor identified three significant risks for the FY19 audit:
- Risks in relation to going concern as a result of the COVID-19 pandemic.
- Valuation of expected credit loss provision.
- The risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers.

For the 2019 audit, the areas of focus have been: Business Correspondence contracts accounting, Securitisation contracts accounting, Foreign exchange accounting, IFRS 16, valuation of forward and swaps contracts and compliance with laws and regulations.

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

The Committee discussed the increase in audit fee with EY and post discussions regarding increase in scope of audit recommended that the increase be accepted.

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, impact of forex on cost base, Group guarantees, other operating income, currency depreciation in Asian countries, financial timetable, preparations for half-year review and year-end audit, cost to income ratio and increase in costs, and market expectations.

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

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POLICY OVERSIGHT AND REVIEW

Whistleblowing

The Committee reviewed and adopted the Group's updated 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. In respect of all operating entities all concerns shall be reported directly to the Head of Audit and Risk Committee ('ARC') of that country and in respect of all headquarters/holding Company staffs (in Dhaka and the Netherlands) any instances shall be directed to me as the Chairman of the Group Audit Committee. The Chairman shall pass the concern(s) to the Head of Internal Audit.

Other policies

Emphasis was placed on regular review by the Board of policies such as anti-bribery and corruption, 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 prepared a systematic compliance framework, identifying gaps in the existing framework, and has been instructed to further develop all manuals and carry 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 and the entities' head offices were audited twice. In addition, the head office functions of the Company's holdings (such as IT, HR and accounts) were audited, as previously planned.

Internal audit also focused on health and safety issues, compliance matters and IT audit requirements.

IT ORGANISATION AND STRATEGY

The Committee also spent considerable time on the IT organisation and the IT strategy. The Committee established a sub-committee chaired by Hanny Kemna as independent Director. The sub-committee held several meetings and discussions on the IT strategy, current IT projects as well as the concerns identified by internal audit regarding IT. The sub-committee carried out discussions on the design of the IT risk framework, IT governance and the IT strategy. Hanny Kemna attended meetings in Dhaka and elsewhere with the IT team and management to further develop the same. The sub-committee reported to the Audit and Risk Committee.

The Committee also discussed the recommendations by the auditor. Certain improvements were introduced as a result in IT including the separation of access and administration rights and regular cyber penetration testing.

The Committee had discussions with management to ensure adequate staffing of the Internal Audit department. 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 2020

Key audit priorities for the coming year include:

- monitoring the actions taken by management to combat the challenges posed on the business by COVID-19;
- reviewing the results announcement for 2019 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 and new auditor independence rules;
- looking into the adequacy and security of the Company's AML policy and requirement whistleblowing arrangements;
- implementing the new transfer pricing policy across the Group;
- reviewing the value statement of the Company and focusing on engagement with shareholders and the workforce;
- reviewing the half yearly report from the external auditor of the Company as well as the 2019 report and management letter by the auditor;
- reviewing the management representation letter and reports from the Internal Audit function;
- 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.

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.

Audit and Risk Committee report continued

Management provides risk reports to the Board on a 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 were in place and functioning effectively in 2019. The Board emphasised that Internal Audit function should perform risk-based audits and recommended steps to improve the Internal Audit function.

RISK MANAGEMENT: ACTIVITY IN FINANCIAL YEAR 2019

The Risk function continued to evolve in 2019. 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.

Health and safety and IT risks were a standing item for discussion in meetings held in 2019 and will continue to be discussed in 2020. The new Health and Safety Policy was approved during 2019 and details of health and safety issues are to be provided on a rolling basis at each meeting to the Committee. Assessment of emerging risks (required under the 2018 Code) will be a standing agenda item for the Committee's discussion in 2020.

Our focus on strengthening the IT system increased during 2019, as we recognise the need for strong cyber defences to protect our systems and customer data and prepare the Company for a digital financial services environment. There has been a further investment in the HR capacity of the IT team including establishment of a quality control 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. IT capability will continue to be assessed in the context of risk appetite, being part of the Company's operational risk. The Committee considered the effectiveness of the internal control systems and believes that they are adequate. The IT sub-committee established by the Board focused on ensuring that the right IT strategy is in place and that adequate steps are being undertaken to implement the strategy and related plans. The Committee also discussed the IT risk heat map and discussed with the management the transitional risks connected with AMBS being moved onto a real-time basis.

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

LOOKING AHEAD TO 2020

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;
- improving internal audit to allow for more effective risk-based internal audit controls;
- annual review of the anti-money laundering and anti-bribery and corruption policies and procedures and increase in awareness by training the staff with respect to the same;
- implementation and monitoring 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 as well as further implementing measures for stakeholder engagement by the Board;
- monitoring the actions taken by management to combat the challenges posed on the business by COVID-19;
- we believe Brexit will have limited impact our on business as we have no business activities in the European Union and/or the United Kingdom.

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. As part of the annual Board performance evaluation the ARC went through the procedure described under "Board and Committee Effectiveness" on pages 71 and 91 of this report.

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 2020.

Other matters discussed were:
- redesigning of risk heat map and actions taken for managing top five risks;
- strengthening the Finance and Tax function at the Group level;
- the resourcing of the accounts and finance teams are 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; 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 as of 2010. Despite the outbreak of the COVID-19 pandemic, we are of the view that the Company is well positioned in each of its core businesses, well capitalised, soundly funded and has adequate access to liquidity both at the holding level and at the level of the main operating subsidiaries.

In the period between 15 March 2020 until 6 April 2020, the Governments of all our operating countries, except for Sierra Leone and Zambia, announced lockdowns, curfews or other measures to mitigate the spread of COVID-19. Apart from the health and safety risks, the COVID-19 crisis has primarily been disruptive to our operations due to the imposition of these lockdowns, curfews, restrictions on movement and congregation of people, and the general fear and uncertainty caused by COVID-19, which adversely affected the business activities of our clients in the countries in which we operate.

As soon as the implications of the potential spread of COVID-19 became clear, we promptly implemented a wide range of measures to minimize the impact of COVID-19 on our staff, clients and operations, including the necessary health and safety measures and steps to ensure we maintain an active dialogue with our clients, staff and other stakeholders. We also made sure all regulatory measures were well understood and implemented across each jurisdiction.

For the purpose of the going concern of the Group the Board considered the following:

1. The Group is proactively managing the impact of COVID-19 on our operations, focused on the health and safety of our staff and clients as well as maintaining and fostering a close relation with clients, staff and stakeholders in countries under lock down or similar restrictions.

2. During Q1-2020 the impact of COVID-19 was limited to the last two weeks of March and primarily affected client growth and outstanding loan portfolio ('OLP'). 42 new branches were opened in Q1 (up 11% Y-o-Y, up 2.2% Q-o-Q) with 1,937 branches serving 2.5 million clients (up 13.4% Y-o-Y, flat Q-o-Q), OLP of USD 393m (up 11.1% Y-o-Y, down 4.5% Q-o-Q) and PAR>30 at 2.1% (up from 1.3% Y-o-Y, up from 0.6% Q-o-Q).

3. The Company is adjusting its operating processes and procedures to meet the COVID-19 operating environment by adopting social distancing and hygiene measures as well as observing regulatory and security measures imposed.

4. COVID-19 related restrictions in many of the countries where we operate have led to more challenging trading conditions in Q2 2020, leading to lower collections and limited new loans disbursed. In view hereof the Company took a number of measures including (i) the implementation of cash preservation and cost cutting measures which during a lockdown period of up to three months could yield cash reserves and savings of up to USD 6m through the deferral of personnel expenses and the reduction of personnel-related and other operating expenses, and (ii) if necessary, benefit from the government announced moratoriums on the repayment of debt, by requesting for the deferral of principal repayments in certain jurisdictions.

5. Based on our experience with past disruptive events, we expect that total write offs due to COVID-19 will be no more than 2-3% of the outstanding loan portfolio.

   Since the Group's inception in 2008 until 31 December 2019, the Group has written-off loans totalling USD 10m (after the recovery of written-off loans), which represents 0.22% of USD 4.5 billion in loans disbursed. The largest annual write-off, which amounted to 2% of the Group's loan portfolio, occurred in 2012. This caused by (i) the Andhra Pradesh crisis in India in 2010 and (ii) major natural calamities in the limited areas we operated in the Philippines at the time, some overleveraging of clients, combined with relatively high staff turnover, when both countries represented more than 2/3 of the Company's portfolio at time of the build-up of the non-performing loans. At its peak, PAR>30 of the Group's total loan portfolio reached 7% at that time and the total write-off amounted to USD 2m, which represented 2% of the outstanding loan portfolio in 2012.

   Based on this and other similar experiences and in light of the more widespread impact of the COVID-19 pandemic on the immediate repayment capacity of our clients as they emerge from the end of the lockdowns and/or moratoriums that have been imposed, we expect that the Group's PAR>30 may temporarily increase to levels between 5-10%.

Audit and Risk Committee report continued

6. Possible limited moratoriums on principal repayments of borrowed funds in India, Pakistan and Sri Lanka may be available, which, dependent on the availability of new funding, the Group may seek to utilise to help mitigate the repayment challenges some of its clients may face and meet expected increased demand for loans.

7. Liquidity position remains strong: as of 28 May 2020, we had USD 91.8m of unrestricted cash and cash equivalents across the Group. The available liquidity ensures that each of our operating subsidiaries, except Sri Lanka, have the capacity to pay their regular expenses during the lockdowns for at least 3-4 months: (i) interest on all outstanding loans, (ii) all personnel and other operating expenses, and (iii) while maintaining sufficient capacity to satisfy high expected demand for fresh loans after the end of the lockdowns.

8. We have been in continuous contact with our local and international funders. Since 1 March 2020, we secured well over USD 25m of new loans to the holding companies and in the countries. Additionally, there is approx. USD 108.3m of loan agreements in the pipeline being negotiated across the Group as of the end of May.

9. Due to the impact of the COVID-19 pandemic on the Group's ability to collect all dues from its clients and the more limited repayment capacity as they emerge from the end of the lockdowns and/or moratoriums, we expect that the PAR>30 in each of the countries in which we operate may temporarily increase and result in technical covenant breaches in the majority of the loans made to our holding and operating companies by the end of June 2020. We are in discussions with our lending institutions and, based on these discussions, prior experience, the recent coordination Memorandum of Understanding of microfinance investment vehicles and commitments received since the outbreak of COVID-19, we have a high degree of confidence that we will secure and maintain the requisite waivers and/or amendments to our financing arrangements.

10. Lockdowns in Pakistan and Ghana were lifted gradually as of late April. Lockdowns in Kenya, Nigeria, and Myanmar, have gradually begun to be relaxed by early May and by the end of May the lockdowns were lifted in Tanzania and Rwanda, which has allowed our field operations in these countries to re-open their branches. The offices in India have opened since early May but field collections will start as of June. Sierra Leone was only locked down for 3 days and Zambia has remained open. Operating performance has been in line with expectations, with collections gradually returning to customary levels.

11. Based on the 30+ year experience of our senior management as well as our experience since the inception of the Company in 2007, we believe that microfinance is an essential service to the low-income entrepreneurs that we service. We therefore believe that demand for microfinance loans will not dry up in the current environment.

12. Finally, we do not foresee a large number casualties amongst our staff and clients in view that the estimated average age and approximate age range of our field staff is 30 years and 18-45 years, respectively; more than 98% of our clients are women with an average age of 37 years and an approximate age range of 18-55 years. Based on publicly available data the spread of the disease in our operating countries does not reflect the explosive growth in confirmed cases and casualties as has been seen in Europe and the U.S.A.

In view of the financial impact of the spread of COVID-19, management analysed the Group's financial position and ran several scenarios in a detailed and monthly financial model including scenarios with extensive lock downs in most markets. This resulted in three scenarios: (i) base case, (ii) worse case, and (iii) worse case with mitigating actions ("Viability Models"). The assumptions and outcomes of these scenarios for the period up to December 2021 are as follows:

I. Base Case assumptions:
- One-month lockdown in all operating countries in April 2020
- No disbursements and collections during the lock down period
- Lockdown period treated as a payment holiday, but interest on outstanding loan balances accrued and collected in the last loan instalment
- Continue to pay operating expenses except the cost relates to travelling
- 2% of OLP to be written-off due to lock down
- 20%- deferral of salary during the lock down period
- Debt servicing limited to payments of interest and deferral of principal repayments for the lock down period i.e. 1 month

Base Case outcomes:
(i) PAR>30 increasing from 2.1% before the lockdowns to a maximum of 7.7% by end of June 2020, after which overdue starts reducing with PAR>30 of 2.8% by year-end 2020 and 1.0% by year-end 2021
(ii) Aggregate write-off of 1.8% for period April 2020 through December 2022 of which an estimated COVID-19 write-off of USD 7.8m, which represents 1.7% of OLP as of 31 March, 2020
(iii) Breaches of loan covenants mainly relating to PAR >30, write offs and loan loss reserve and open credit exposure ratio for one loan in respect of loans at the holding

II. Worse Case assumptions:
- Three months lockdown in eight major operating countries from April through June 2020 without any disbursements and collections
- Lockdown period treated as a payment holiday, but interest on outstanding loan balances accrued and collected in the last loan instalment
- Continue to pay operating expenses except costs related to travel
- 5% OLP to be written off due to lock down impact
- 20% deferral of Salary during the lock down period

- Payment of interest on debt to be continued and principal repayment for only 50% of the existing loans can be deferred for period of 2 months
- 50% of the expected new debt financing by third parties until December 2020

Worse Case outcomes:

(i) PAR>30 increasing from 2.1% before the lockdowns to a maximum of 11.2% by end of August 2020, after which overdue starts reducing with PAR>30 of 4.4% by year-end 2020 and 1.1% by year-end 2021

(ii) Aggregate write-off of 3.7% for period April 2020 through December 2022 of which an estimated COVID-19 write-off of USD 17.8m, which represents 3.8% of estimated OLP as of 31 March, 2020

(iii) Breaches of loan covenants mainly relating to PAR >30, write offs and loan loss reserve

(iv) Liquidity shortages in certain countries which can be mitigated

III. Worse Case with Mitigating Actions assumptions:

- The above worse-case scenario including various mitigating actions focused on preserving liquidity in relation to:
  - Curtailing of disbursement as necessary
  - Dividend distribution postponed from the countries

Worse Case with Mitigating Actions outcomes:

Lender covenant breaches relating to PAR >30 and write-offs can be mitigated. These breaches of technical covenants usually do not result in the immediate repayment requests from lenders. The Company has reached out to its lenders to seek waivers or no action letters regarding prospective covenant breaches. By the end of May the Company received indications that most of the international funders are in principle willing to grant waivers subject to formal internal committee approvals. These lenders constitute about 60% of the total aggregated funding provided by third party lenders (local and international) portfolio of the Company. Based on these discussions, prior experience, the recent coordination memorandum of understanding of microfinance investment vehicles and commitments received since the outbreak of COVID-19, we have a high degree of confidence that we will obtain the required waivers, but it is acknowledged that this carries an inherent uncertainty. Further the Group may seek to utilise earlier mentioned moratoriums on principal repayments of borrowed funds in India, Pakistan and Sri Lanka. As a last resort the Company can always shrink operations in a certain country in number of clients and branches by focus on collection of existing loans and further curtailing disbursements as we did in India during the Andhra Pradesh crisis. This is not a preferred action, but can be utilised to rescue any country operation when unexpected repayments are requested by lenders. Further the holding entities within the Company did not provide parent guarantees to funders of the operating entities, which protects the Company against cross defaults.

The Board extensively challenged the Viability Scenarios and its underlying assumptions including the above considerations and factors. On the basis hereof, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors have concluded that the potential impact of the COVID-19 pandemic, described above, and the uncertainty over possible mitigating actions represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Nevertheless, having assessed the scenarios and mitigations described above the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

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 three-year period up to 2022.

The Directors' assessment has been made with reference to:

- the Group's current position and prospects – please see the Financial review on pages 36 to 47;
- the Group's business model and strategy – please see Our sustainable growth, Business model and Key performance indicators on pages 16 and 17; 22 and 23; and 26 and 27;
- the Group's measures taken following the spread of COVID-19 on pages 11 and 12, 22 and 37;
- The Group's recent cash position as per 28 May 2020 including access to funding from local and international sources on page 88;
- the Board's risk appetite, and the robust assessment of the Group's principal risks and how these are managed on pages 52 to 57;
- the material uncertainty in relation to going concern as detailed in note 2.1; and
- Risk management approach on pages 52 and 53.

Finally, the Directors reviewed the Viability Scenarios as well as the Group's strategy and five-year business plan on an annual basis pre COVID-19. The Viability Scenarios sets forth the Group's monthly projections of profitability, cash flows, capital requirements and resources and other key financial and regulatory ratios for the period until December 2021.

GAVIN LAWS
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE
2 June 2020

Nomination Committee report

GUY DAWSON
CHAIRMAN OF THE NOMINATION COMMITTEE

This is the second Annual Report of the activities of the Nomination Committee following the listing of the Company.

The Committee has 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. In addition, diversity was and will continue to 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 2019 financial year
During the year the Committee discussed:
- Board composition and succession, including the position of the Chairman;
- executive management succession planning;
- the Board self-assessment; 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 and HR 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. The Committee met three times during the year in April, September and December 2019. The details of members' attendance are set out on page 67.

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 74 and 75.

DIRECTORS' SKILL-SETS

The Committee 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 close to 40 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 13 years of experience in microfinance as Director of ASA International.

Aminur Rashid has over 29 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 pages 74 and 75.

SUCCESSION PLANNING – BOARD AND MANAGEMENT

The Committee considered the Group's succession planning at Board and senior management level including in the various countries. This included a high-level review of senior management succession planning for the coming years, which in our view can be further refined.

The Committee discussed back-ups for the position of CEO which requires a number of well-developed skills, as it is a complex role. The Committee recommended that active steps should be taken to ensure that timely succession can be implemented. The Committee will monitor progress regularly.

The Committee also discussed a timetable for the refreshment of the independent Director group over time. The Committee agreed that management's succession would again be placed on the agenda for 2020.

The Committee focused on the reinforcement of the accounts and finance functions and how to best embed various roles within the Group.

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.

The Committee noted that diversity in the field is fairly even and there was no difference of pay according to gender. The Committee also encouraged management to appoint more women in senior management roles and to step up the hiring of women across the board. Progress on this front will be tracked by the Committee. Further measures are expected to be developed in 2020 to ensure gender balance at various levels within the Group. Kindly refer to page 61 in the Non-financial statement.

NON-DISCRIMINATION POLICY

Unfair discrimination in any form 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 Non-financial statement on pages 60 to 62.

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 had made as the Company's Chairman.

The Committee recommends the AGM to reappoint Mr. Choudhury as Chairman.

Following this year's review in advance of the 2020 AGM, the Committee will recommend to the Board that all other serving Directors be recommended to the shareholders for reappointment at the AGM.

COMMITTEE EFFECTIVENESS

An evaluation of the Committee's effectiveness has been 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 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
2 June 2020

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 2019 financial year.

The Remuneration Committee met four times during the year in March, April, September and December 2019.

REMUNERATION POLICY

The Remuneration Policy under which we operated during the year was approved by the shareholders at the 2019 AGM and is set out later in this report. Unless changed earlier (with the approval of the shareholders) it will apply to Board and executive remuneration for three years from the date of approval.

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 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 again achieved a strong performance in the 2019 financial year.

3 KEY ACTIVITIES IN THE 2019 FINANCIAL YEAR

During the year the Committee:
- discussed the Directors' Remuneration Policy; incentive structures and LTIP;
- reviewed employee satisfaction survey;
- discussed the UK Corporate Governance requirements in terms of workforce engagement and agreed on the outline of an action plan for 2020.

REMUNERATION IN 2019

There have been no significant changes to the pay or benefits structures for employees during the course of the year.

The Committee discussed staff remuneration and the existing incentive structures. Management is adopting a cautious approach for fear of introducing perverse incentives into the system. Currently ASAI does not pay cash bonuses or rewards to loan officers in order to incentivise them to sell more loans. The Committee supports management's belief that compensation should be focused on the retention of staff in critical roles, particularly at the level of country senior management.

The Committee also noted that upon the completion of the IPO, the salaries of senior management in Dhaka and the Netherlands were reset and increased to bring them into line with market rates. The Committee supported management's desire to keep existing remuneration policies in place for the time being. Average total compensation for employees across the Group increased by 11%. The Committee believes that taking into account company strategy and performance, employee pay and shareholder experience, the overall pay for the directors is appropriate, including the salary increase for the Executive Director Operations. However, the Board is of the view that the Remuneration Policy framework, including the design of terms and conditions for future awards to Executive Directors and key senior country staff under the Long-Term Incentive Plan, should be further developed and refined in 2020 and then submitted to shareholders for approval. Further details will be considered and discussed in due course.

Meanwhile, the Committee will not make any LTIP awards until a clear plan has been agreed upon (with all relevant terms and conditions), which will be presented to shareholders for approval.

This report was approved by the Board of Directors on 2 June 2020 and signed on its behalf by:

PRAFUL PATEL
CHAIRMAN OF THE REMUNERATION COMMITTEE

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;
- address the requirements as specified in the Corporate Governance Code for clarity, transparency, simplicity, mitigation of reputational risk, proportionality and alignment to culture and strategy; and whether the remuneration policy operates as intended in terms of company performance and quantum and if not what changes are necessary; 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. All of them are independent. Details of members' attendance at meetings in 2019 are set out on page 67.

3. THIRD-PARTY ADVISERS
In 2019 the Company consulted Willis Towers Watson ('WTW') to assist in preparing terms and conditions for awards under the LTIP.

WTW was engaged by the CEO with the approval of the Committee and is a well-known adviser in the industry. WTW charged GBP 1,500 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. The remuneration of Mr. Aminur Rashid increased by 3% in 2019. The salaries and fees of all Directors will remain unchanged in 2020.

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.

The salary levels for senior managers responsible for managing the group were set in 2018 based on advise received by WTW performed a benchmarking study of salaries in Dhaka and the Netherlands at the time of the IPO in 2018. Senior management was rewarded at the time of the IPO through the exercise of stock options. See page 94. At a country level salaries are set by country management. Through our employee surveys management collects insights on salary expectations. The Company also considers salary levels paid in the markets including salary of staff of competitors. The average percentage change from the financial year preceding the relevant financial year in respect of the employees of the company taken as a whole is 11% and actual increase in expenditure is 29% over the previous year.

PARTICULARS	TOTAL (2019) USD	TOTAL (2018) USD	INCREASE IN USD	%
Employees remuneration	47,157,912	36,538,412	10,619,499	29%

The Company has adopted a long-term incentive plan as more fully described on page 97. 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 have yet been awarded under this plan.

Annual percentage change in CEO's pay compared to employees:

	REMUNERATION		
PARTICULARS	2019	2018	% CHANGE
Average remuneration of Group employees	3,779	3,392	11%
Total Remuneration of the CEO	425,000	425,000	0%

Remuneration Committee report continued

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, as approved at the AGM in 2019. Further developments are expected to be made in 2020 (to include performance based elements) and submitted to shareholders for approval in due course. The policy aims 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 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 well-being 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 the future) Long-term incentives for country key executives to be determined in the future Certain additional country-specific requirements may apply

SHAREHOLDING (BENEFICIAL INTEREST IN ASAI SHARES) FOR KEY MANAGERS

On 18 July 2018 a number of the senior managers (including 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 6.7% 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. *This plan is not yet in effect and implementation will be considered in due course.*

5. DIRECTORS' REMUNERATION REPORT 2019

This section of the report explains how the Group's Remuneration Policy for Directors, as approved at the Annual General Meeting in 2019, was applied during the year.

The report also summarises the fees paid to Directors in 2019 as well as the current shareholding of the Chairman and the Executive Directors in the Company.

The Remuneration Policy was approved by 92.80% votes at the AGM held in 2019 and the remuneration report was approved by 99.99% votes at the same AGM.

A table with audited Director pay data is shown below.

NAME	POSITION	ANNUAL SALARY/FEE	BENEFITS	BONUS	TOTAL FIXED PAY (2018)	TOTAL FIXED PAY (2019)	TOTAL VARIABLE PAY (2018)	TOTAL VARIABLE PAY (2019)
Md. Shafiqual Haque Choudhury	Chairman and Non-Executive Director	USD 250,000	Travel expenses on actuals	0	USD 250,000	USD 250,000	0	0
Dirk Brouwer	Chief Executive Officer – Executive Director	USD 425,000	Travel expenses on actuals	0	USD 425,000	USD 425,000	0	0
Aminur Rashid	Executive Director – Operations	USD 167,328	Travel expenses on actuals	0	USD 165,000	USD 167,328	0	0
Non-Executive Directors								
Praful Patel	Non-Executive Director	GBP 60,000	Travel expenses on actuals	0	GBP 60,000	GBP 60,000	0	0
Gavin Laws	Non-Executive Director	GBP 60,000	Travel expenses on actuals	0	GBP 60,000	GBP 60,000	0	0
Guy Dawson	Non-Executive Director	GBP 60,000	Travel expenses on actuals	0	GBP 60,000	GBP 60,000	0	0
Hanny Kemna	Non-Executive Director	GBP 50,000	Travel expenses on actuals	0	GBP 50,000	GBP 50,000	0	0

DIRECTORS' SHAREHOLDINGS

The shareholding of Directors in the Company as of 31 December 2019. There were no changes in the shareholdings between 31 December 2019 until 2 June 2020:

NAME OF DIRECTOR	NUMBER OF SHARES	% HOLDING
Md. Shafiqual Haque Choudhury[1]	1,401,810	1.4
Dirk Brouwer[1,2]	20,266,146	20.27%
Aminur Rashid[1]	373,178	0.4

1 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.

2 Dirk Brouwer holds his 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.

Remuneration Committee report continued

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 page 97. It was agreed to design the allocation in due course and no time frame has yet been agreed upon. No shares or options were awarded to Directors under this plan in 2019.

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 Hanny 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 2019

Details of Directors' pay are stated on page 95. 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. There has been no change in pay for Directors other than an increase of 3% for Mr. Aminur Rashid.

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 167,328 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 GBP 60,000 per annum (including a GBP 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 GBP 60,000 per annum (including a GBP 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 GBP 60,000 per annum (including a GBP 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 GBP 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 The Company is still to design the allocation mechanism as well as design the features for an incentive plan for key staff in the microfinance subsidiaries. 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. It was agreed to design the allocation in due course and no timeframe has yet been agreed upon. As part of this policy the Company may wish to design a separate performance-based incentive scheme for the key managers in the countries.

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 Committee agrees that any Company LTIP awards will only be presented to shareholders until a clear plan has been agreed upon (with all relevant terms and conditions).

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 meets at least twice a year and at such other times as may be necessary or appropriate, as determined by the Chair of the Independent Directors' Committee. It met in April, September and December 2019.

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).

After due consideration of the matters placed before it, the Committee concluded that there were no conflicts or other relevant issues to be managed.

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 conference calls and meetings through the year in 2019 to assess developments in the Company and concluded on each occasion that there was no matter which could be considered as inside information or thought to be capable of becoming inside information.

There have been no changes in the interests held by Directors or key managers since the listing of the Company on 13 July 2018 other than indirect shareholding held by Dirk Brouwer and Md. Shafiqual Haque Choudhury.

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

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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 2019 and of the Group's and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; 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 profit or loss and other comprehensive income for the year then ended	Statutory statement of profit or loss and other comprehensive income for the year then ended
Consolidated statement of financial position as at 31 December 2019	Statutory statement of financial position as at 31 December 2019
Consolidated statement of changes in equity for the year then ended	Statutory statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Statutory statement of cash flows for the year then ended
Notes 1 to 39 to the financial statements, including a summary of significant accounting policies	Notes 40 to 48 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 (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 the 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

Material uncertainty related to going concern

We draw attention to the Basis of preparation disclosure in note 2.1 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. With the current outbreak of COVID-19 across the world there is a risk that the restrictions on the movement of people leads to a decline in the business activities of the Group's borrowers and the Group's ability to collect on its loans. This could lead to increased credit losses on the loan portfolio and cause the Group to breach covenants on its borrowings. Unless covenant breach waivers are obtained the debt may be called due which could materially impact the ability of the Group to meet its debt obligations. Although the Group has a history of negotiating covenant waivers and recovering from natural disasters and debt relief programmes, across particular locations, the unprecedented nature of the COVID-19 pandemic makes it difficult to assess its likely scale of debt covenant breaches and whether the waivers necessary to avoid the immediate repayment of debt will be forthcoming.

Our opinion is not modified in respect of this matter.

We describe below how the scope of our audit has responded to the material uncertainty related to going concern:
- We obtained management's going concern assessment, supporting budget and cashflow analysis, including stress scenarios covering 12 months from the date of signing the financial statements. From this we understood management's expectation of the potential impact on the Group's financial performance of the COVID-19 outbreak.
- We challenged the Board of Directors in respect of the assumptions used in the going concern assessment and the stress tests applied with

a particular focus on the timing of debt repayments and potential debt covenant breaches.

- We agreed the Group's borrowing analysis to supporting evidence, including satisfying ourselves that there were no material intra-group liabilities in the form of parental guarantees or letters of support.
- We established the accuracy and reasonableness of the budget and cashflow forecasts across the going concern period under normal conditions and under a series of stress and severe stress scenarios, including performing independent reverse stress testing.
- We reviewed a sample of debt agreements across the Group in order to establish the existence of covenants and considered the risk of covenant breaches on the timing of the Group's debt repayment obligations.
- We reviewed the historical impact of natural disasters or other significant events on the business, including the recoverability of the loan portfolio, in order to assess the historic resilience of the Group to periods of stress.
- We considered the reasonableness of the disclosures in the notes to the financial statements.

We draw attention to the Viability Statement in the Annual Report at page 89 which indicates that an assumption to the statement of viability is in respect of going concern in light of the material uncertainty arising out of the COVID-19 outbreak.

Conclusions relating to principal risks, going concern and viability statement
Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, 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 page 54 to 57 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 53 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;
- whether the Directors' statements in relation to going concern and their assessment of the prospects of the Group 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 89 in the Annual Report as to how they have assessed the prospects of 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 incorrect recording of revenue arising from fictitious loans and advances to customers - Valuation of expected credit loss provisions
Audit scope	- We performed an audit of the complete financial information of 13 components of which 11 are trading entities. - The components where we performed full specific audit procedures accounted for 103.3% of Profit before tax, 97.9% of Revenue and 97.5% of Total assets.
Materiality	- Overall Group materiality of \$2.6m which represents 5% of profit before tax (2018: \$2.6m)

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.

In addition to the matter described in the material uncertainty relation to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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
The risk of fraud in revenue recognition through the incorrect recording of revenue arising from fictitious loans and advances to customers. (2019: $156m, 2018: $133m). *Refer to the Audit Committee Report (page 84); Accounting policies (page 120); and Note 4.1 of the Consolidated Financial Statements (page 133)* The income recognised may be fraudulently misstated due to the incorrect recording of interest income arising from loans being disbursed to fictitious borrowers, or otherwise fraudulently recorded, 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 11 trading full scope components, we independently recalculated the interest income using contractual terms from borrower agreements and agreed them through to the amounts recorded in the financial statements. For a sample of borrowers across the 11 trading full scope 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 reported to the Audit Committee our conclusion 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.
Valuation of expected credit loss provisions (2019: $4.2m, 2018: $1.8m) *Refer to the Audit Committee Report (page 84); Accounting policies (page 126); and Note 14.1 of the Consolidated Financial Statements (page 140)* The valuation of expected credit loss (ECL) 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 outstanding loan portfolio and the impact on these assumptions from future events, including but not limited to natural disasters or governmental interventions. The vast majority of the Group's lending is short-term, low in value, unsecured (except for security deposits paid in certain territories) 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 the Group 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 ECL model, we used EY credit modelling specialists to support the review of model methodology, including the reasonableness of key assumptions, perform sensitivity analysis and to determine whether any indications of model weakness exist which could reasonably be expected to give rise to a material misstatement. We performed a test of the dataflows into the ECL model, including testing historical loss rates and loan arrears and staging. In order to assess the accuracy of the Group's calculation of ECL we performed a substantive recalculation using the complete loan portfolio. We considered the completeness and accuracy of model overlays through a review of post balance sheet events and a consideration of historical loss patterns and produced an independent ECL challenger overlay in order establish the reasonableness of management's ECL overlay.	We reported to the Audit Committee our conclusion that the expected credit loss provision held by the Group was reasonably estimated. We highlighted the following matters: - Based on our reperformance of the ECL calculation we did not identify any material differences in the provision. - We found the ECL model overlays to be materially complete and reasonably estimated. - 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 13 components covering entities within India, Pakistan, Ghana, Philippines, Nigeria, Myanmar, Sri Lanka, Uganda, Kenya and Tanzania, which represent the principal business units within the Group and the holding entities in Mauritius and the United Kingdom.

We performed an audit of the complete financial information of all 13 components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100.8% of the Group's Profit before tax measure used to calculate materiality, 97.9% of the Group's Revenue and 98.2% of the Group's Total assets. For the current year, the full scope components contributed 103.3% of the Group's Profit before tax measure used to calculate materiality, 97.9% of the Group's Revenue and 97.5% of the Group's Total assets. There were no specific scope components. We also performed specified procedures over two further components, being the intermediate holding company in The Netherlands and the service company in Bangladesh.

Of the remaining 15 components that together represent 0.8% of the Group's Profit before tax, none are individually greater than 5.0% of the Group's Profit before tax. 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.

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, the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 13 full scope components, audit procedures were performed on two of these directly by the primary audit team. For the remaining 11 full 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 primary team led a Group audit conference, where members of each component team attended in person to discuss the key audit risks and planned audit approach and to obtain input from each component team. The primary team instructed component auditors as to the significant areas to be covered, including the key audit matters given above, materiality levels to be used and the specific information to be reported back to the primary team. In addition, the primary team led group planning, execution and completion video conference meetings, alongside regular update meetings in order to direct and supervise the work performed by the component teams.

For each of the 11 full scope trading components the primary team had access to the audit working papers and performed a detailed review.

The primary audit team visited the three new full scope components being, Uganda, Kenya and Tanzania alongside visits in 2019 to India, Nigeria and the Philippines. These visits involved discussing the audit approach with the component teams and any issues arising from their work. Due to the Covid-19 outbreak in early 2020 the primary team was unable to complete planned visits to four components and instead held additional video conference calls to supervise the work performed and conclusions reached with the component teams.

This programme of meetings, visits and review, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the Group financial statements.

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

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.

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 $2.6m (2018: $2.6m) which is 5% of profit before tax (2018: 5% of adjusted profit before tax). Materiality was determined on an adjusted basis in 2018 due to non-recurring initial public offering costs in that year. 2019 materiality was determined on an unadjusted basis. We consider that profit before tax is the most appropriate basis for the Group as a profit-orientated 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.

We determined materiality for the Parent Company to be $700k (2018: $700k) which is 0.5% of total assets (2018: 0.5% of total assets). We consider that, in respect of the Parent Company, total assets is most relevant to the stakeholders and is 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% (2018: 50%) of our planning materiality, namely $1.3m (2018: $1.3m). We have set performance materiality at this percentage due to our experience with the Group and the history of misstatement identified in prior periods.

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 $250k to $688k.

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 them all uncorrected audit differences in excess of $130k (2018: $129k), which is set at 5% (2018: 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 63.
- Governance section, including Chairman's Introduction, Leadership of the Board, Governance Framework, Board of Directors, Management Team, Directors' Report including Statement of Directors' Responsibilities, Audit and Risk Committee Report, Nomination Committee Report, Remuneration Committee Report, Independent Directors' Committee Report and Disclosure Committee Report, set out on pages 64 to 99.
- Additional information, including Alternative Performance Measures and Abbreviations, set out on pages 178 to 181.

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 80 – 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 82 to 89 – 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 65 – 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 80, 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 the 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 an 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, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Group's methods of enforcing and monitoring compliance with such policies, 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 https://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 two years, covering the years ending 31 December 2018 and 2019.

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.

Ernst & Young LLP

STEPHEN LITTLER
(SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR
London, 2 June 2020

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 auditors does not involve consideration of these matters and, accordingly, the auditors accept 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 2019

	NOTES	2019 USD	2018 USD
Interest income calculated using Effective Interest Rate (EIR)	4.1.	**156,559,814**	132,855,138
Other interest and similar income	4.2.	**9,691,923**	8,583,631
Interest and similar income		**166,251,737**	141,438,769
Interest and similar expense	5.	**(39,199,949)**	(31,906,092)
Net interest income		**127,051,788**	109,532,677
Other operating income	6.	**13,621,072**	9,921,946
Total operating income		**140,672,860**	119,454,623
Credit loss expense	7.	**(4,248,982)**	(1,782,117)
Net operating income		**136,423,878**	117,672,506
Personnel expenses	8.	**(48,324,539)**	(37,076,458)
Depreciation on property and equipment	17.	**(1,897,294)**	(1,422,791)
Depreciation on right-of-use assets	18.	**(3,892,323)**	-
Other operating expenses	9.	**(27,679,590)**	(25,543,844)
IPO expenses		**-**	(7,958,972)
Exchange rate differences		**(294,871)**	(989,539)
Total operating expenses		**(82,088,617)**	(72,991,604)
Profit before tax		**54,335,261**	44,680,902
Income tax expense	12.	**(18,594,391)**	(18,314,679)
Withholding tax expense	12.6.	**(1,243,819)**	(1,912,675)
Profit for the period		**34,497,051**	24,453,548
Profit for the period attributable to:			
Equity holders of the parent		**34,011,096**	23,978,080
Non-controlling interest		**485,955**	475,468
		34,497,051	24,453,548
Other comprehensive income:			
Foreign currency exchange differences on translation of foreign operations		**(4,347,247)**	(10,006,995)
Movement in hedge accounting reserve	23.	**(281,376)**	(120,285)
Others		**341,179**	280,314
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**(4,287,444)**	(9,846,966)
(Loss)/Gain on revaluation of MFX investment	16.	**(6,475)**	38,786
Actuarial gains and losses on defined benefit liabilities	8.1.	**(217,101)**	(181,473)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**(223,576)**	(142,687)
Total comprehensive income for the period, net of tax		**29,986,031**	14,463,895
Total comprehensive income attributable to:			
Equity holders of the parent		**29,053,040**	13,577,310
Non-controlling interest		**932,991**	886,585
		29,986,031	14,463,895
Earnings per share	39.		
Equity shareholders of the parent for the period:			
Basic earnings per share		**0.34**	0.24
Diluted earnings per share		**0.34**	0.24

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

Consolidated statement of financial position

For the year ended 31 December 2019

	NOTES	2019 USD	2018 USD
ASSETS			
Cash at bank and in hand	13.	**84,526,403**	72,945,586
Loans and advances to customers	14.	**412,303,869**	343,127,939
Due from banks	15.	**37,259,173**	37,625,570
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	16.	**232,311**	238,786
Property and equipment	17.	**5,331,132**	4,505,677
Right-of-use assets	18.	**5,881,898**	-
Deferred tax assets	12.2.	**3,865,414**	2,588,335
Other assets	19.	**10,523,882**	9,676,629
Derivative assets	20.	-	2,312,647
Goodwill	21.	**33,710**	33,423
TOTAL ASSETS		**559,957,792**	473,054,592
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	22.	**1,310,000**	1,310,000
Redeemable preference shares		-	65,500
Retained earnings	23.	**147,864,172**	121,316,849
Foreign currency translation reserve	24.	**(41,043,768)**	(36,249,485)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**108,130,404**	86,442,864
Total equity attributable to non-controlling interest	32.6	**3,038,491**	2,105,500
TOTAL EQUITY		**111,168,895**	88,548,364
LIABILITIES			
Debt issued and other borrowed funds	25.	**322,836,716**	280,082,198
Due to customers	26.	**78,108,467**	63,985,973
Retirement benefit liability	8.1.	**3,374,076**	1,469,468
Current tax liability	12.1.	**6,415,831**	7,263,468
Deferred tax liability	12.3.	**76,282**	69,113
Lease liability	18.	**3,980,934**	-
Derivative liabilities	20.	**1,822,599**	-
Other liabilities	27.	**32,079,553**	30,482,598
Provisions	28.	**94,439**	1,153,410
TOTAL LIABILITIES		**448,788,897**	384,506,228
TOTAL EQUITY AND LIABILITIES		**559,957,792**	473,054,592

Approved by the Board of Directors on 2 June 2020

Signed on behalf of the Board

DIRK BROUWER
CEO

TANWIR RAHMAN
CFO

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

Consolidated statement of changes in equity

For the year ended 31 December 2019

	NOTES	ISSUED CAPITAL USD	REDEEMABLE PREFERENCE SHARES USD	MERGER RESERVE USD	RETAINED EARNINGS USD	FOREIGN CURRENCY TRANSLATION RESERVE USD	NON-CONTROLLING INTEREST USD	TOTAL USD
At 1 January 2018[1]		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		-	-	-	(181,473)	-	-	(181,473)
Foreign currency translation of assets and liabilities of subsidiaries						(10,418,112)	411,117	(10,006,995)
Movement in hedge accounting reserve		-	-	-	(120,285)			(120,285)
Other comprehensive income		-	-	-	319,100	-	-	319,100
Total comprehensive income for the period		-	-	-	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		-	65,500	-	-	-	-	65,500
Dividend from ASAIH to CMI		-	-	-	(8,700,000)	-	-	(8,700,000)
Capital reduction	22.	(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
At 1 January 2019		**1,310,000**	**65,500**	-	**121,316,849**	**(36,249,485)**	**2,105,500**	**88,548,364**
Profit for the year		-	-	-	**34,011,096**	-	**485,955**	**34,497,051**
Other comprehensive income:								
Actuarial gains and losses on defined benefit liabilities		-	-	-	**(217,101)**	-	-	**(217,101)**
Foreign currency translation of assets and liabilities of subsidiaries		-	-	-	-	**(4,794,283)**	**447,036**	**(4,347,247)**
Movement in hedge accounting reserve		-	-	-	**(281,376)**	-	-	**(281,376)**
Other comprehensive income (net of tax)		-	-	-	**334,704**	-	-	**334,704**
Total comprehensive income for the period		-	-	-	**33,847,323**	**(4,794,283)**	**932,991**	**29,986,031**
Redemption of redeemable preference shares		-	**(65,500)**	-	-	-	-	**(65,500)**
Dividend		-	-	-	**(7,300,000)**	-	-	**(7,300,000)**
At 31 December 2019		**1,310,000**	-	-	**147,864,172**	**(41,043,768)**	**3,038,491**	**111,168,895**

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

1 The balance of 1 January 2018 is for ASA International Holding consolidated as the Company was incorporated on 14 May 2018.

Consolidated statement of cash flows

For the year ended 31 December 2019

	NOTES	2019 USD	2018 USD
OPERATING ACTIVITIES			
Profit before tax		**54,335,261**	44,680,902
Adjustment for movement in:			
Operating assets	29.1.	**101,289,505**	(108,665,094)
Operating liabilities	29.2.	**24,721,120**	37,337,026
Non-cash items	29.3.	**17,400,761**	3,912,021
Income tax paid		**(21,601,168)**	(18,707,525)
Net cash flows used in operating activities		**(26,433,531)**	(41,442,670)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17.	**(2,613,119)**	(2,122,452)
Proceeds from sale of property, plant and equipment		**(196,303)**	(282,093)
Net cash flow used in investing activities		**(2,809,422)**	(2,404,545)
FINANCING ACTIVITIES			
Proceeds from debt issued and other borrowed funds		**221,294,712**	189,343,204
Payments of debt issued and other borrowed funds		**(171,562,796)**	(152,622,543)
Payment of principal portion of lease liabilities		**(4,227,276)**	-
Dividend paid		**(7,300,000)**	(8,700,000)
Net cash flow from financing activities		**38,204,640**	28,020,661
Cash and cash equivalents at 1 January[1]		**58,105,817**	79,831,522
Net increase in cash and cash equivalents		**8,961,687**	(15,826,554)
Foreign exchange difference on cash and cash equivalents		**(1,522,072)**	(5,899,151)
Cash and cash equivalents as at 31 December	29.4.	**65,545,432**	58,105,817
Operational cash flows from interest			
Interest received		**165,549,374**	140,190,630
Interest paid		**41,268,001**	32,102,989

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

1 The balance of 1 January 2018 is for ASA International Holding consolidated as the Company was incorporated on 14 May 2018.

Notes to the consolidated financial statements
For the year ended 31 December 2019

1. CORPORATE INFORMATION
ASA International Group plc ('ASA International', 'Group', 'ASAIG', 'ASAI' or '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.

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
ASA	ASA Bangladesh
ASA Consultancy Limited	ASA Consultancy
ASA International Cambodia Holdings	ASAI Cambodia Holdings
ASA International Group plc	ASAIG
ASA International Holding	ASAIH
ASA International India Microfinance Limited	ASAI India
ASA International N.V.	ASAI NV
ASA Leasing Limited	ASA Leasing
ASA Limited	ASA Kenya
ASA Lanka Private Limited	ASA Lanka
ASA Microfinance (Myanmar) Ltd	ASA Myanmar
ASA Microfinance (Rwanda) Limited	ASA Rwanda
ASA Microfinance (Sierra Leone)	ASA Sierra Leone
ASA Microfinance (Tanzania) Ltd	ASA Tanzania
ASA Microfinance (Uganda) Limited	ASA Uganda
ASA Microfinance Zambia Limited	ASA Zambia
ASA Pakistan Limited	ASA Pakistan
ASA Savings & Loans Limited	ASA S&L
ASAI Investments & Management B.V.	ASAI I&M
ASAI Management Services Limited	AMSL
ASHA Microfinance Bank Limited	ASHA Nigeria
Association for Social Improvement and Economic Advancement	ASIEA
Bill & Melinda Gates Foundation	Gates Foundation
C.M.I. Lanka Holding (Private) Limited	CMI Lanka
Catalyst Continuity Limited	Catalyst Continuity
Catalyst Microfinance Investment Company	CMIC
Catalyst Microfinance Investors	CMI
CMI International Holding	CMII
Lak Jaya Micro Finance Limited	Lak Jaya
State Bank of India	SBI
Reserve Bank of India	RBI
Microfinance Institution	MFI
Pagasa ng Masang Pinoy Microfinance, Inc.	Pagasa
PagASA ng Pinoy Mutual Benefit Association, Inc.	MBA Philippines
Pagasa Consultancy Limited	Pagasa Consultancy
Pagasa Philippines Finance Corporation	PPFC
Pinoy Consultancy Limited	Pinoy
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

These financial statements have been prepared on a going concern basis. In assessing going concern and in view of the financial impact of the spread of COVID-19, which is expected to impact the Group, management has analysed the Group's financial position and ran several scenarios in a detailed monthly financial model for the period up to December 2021 including scenarios with extensive lockdowns in most markets. This resulted in three scenarios: (i) base case, (ii) worse case, and (iii) worse case with mitigating actions.

The assumptions in these scenarios consider one to three-month lockdowns in the operating countries in April through June 2020, no disbursements and collections during the lock down period, lockdown period treated as a payment holiday, but interest on outstanding loan balances accrued and collected in the last loan instalment. They further assume continued payment of operating expenses except costs related to travel, a 20% salary deferral, debt servicing limited to payment of interest and deferral of principal repayments for the lock down period and 50% of expected new debt financing by third parties until December 2020 in the worse case. The ultimate write-offs are expected to be 2% of the outstanding loan portfolio ("OLP") in the base case and stressed to 5% of the OLP in the worse case. The worse-case scenario including mitigating actions focuses on preserving liquidity in relation to curtailing of disbursements as necessary and postponement of dividend distributions from the countries to the holding entities. The worse case scenario is management's view of a possible worse case, but given the level of uncertainty, the impact could be more significant than currently predicted.

The outcome of the base case scenarios shows an increase in arrears levels over 30 days (portfolio at risk or PAR>30) from 2% to over 7% by the end of June 2020 which reduces down to normal operational levels by the end of 2021. This results in breaches of loan covenants which mostly relate to arrears, write-off levels, loan loss reserves and open credit exposure ratios for a loan at the holding company level.

The worse case scenario shows PAR>30 increasing to over 11% by the end of August 2020 and then reducing to more normal operational levels by the end of 2021. This results in breaches of lender covenants also mainly relating to arrears, write-off levels and loan loss reserves but in addition liquidity shortages in certain countries which would need to be mitigated. Although such mitigating actions are reflected within the worse case with mitigating actions scenario, only the liquidity shortages are fully mitigated, other breaches would remain.

The Group expects it will be able to mitigate the above-mentioned prospective covenant breaches. These breaches of technical covenants usually do not result in the immediate repayment requests from lenders. Due to the unprecedented situation of the COVID-19 pandemic the Company has reached out to its lenders to seek waivers or no action letters regarding the prospective covenant breaches. By the end of May the Company received indications that most of the international funders are in principle willing to grant waivers subject to formal internal committee approvals. These lenders constitute about 60% of the total aggregated funding provided by third party lenders (local and international) portfolio of the Company. Based on these discussions, prior experience, the recent coordination memorandum of understanding of microfinance investment vehicles and commitments received since the outbreak of COVID-19, we have a high degree of confidence that we will obtain the required waivers. In the event the waivers are not provided by the funders, there may be cases where covenant breaches are considered as events of defaults under the loan agreements. However, given the unprecedented worldwide situation of COVID-19 and based on prior experience and recent discussions, we expect that a time period would be provided by the funders for rectifying the breach of covenants before calling a default under the loan agreement. Further the Group may seek to utilise possible limited moratoriums on principal repayments of borrowed funds in India, Pakistan and Sri Lanka dependent on the availability of new funding. As a last resort the Company can always shrink operations in a certain country in number of clients and branches by focus on collection of existing loans and further curtailing disbursements as we did in India during the Andhra Pradesh crisis. This is not a preferred action, but can be utilised to rescue any country operation when unexpected repayments are requested by lenders. Further the holding entities within the Company did not provide parent guarantees to funders of the operating entities, which protects the Company against cross defaults. The total outstanding debt at the holding level is 62.2 million from international funders as at 31st December 2019 and the covenants under the respective loan agreements are based on consolidated group statements. Waivers have also been requested by the Company in respect of loans to the holding companies. As stated above international funders have shown willingness to grant waivers subject to formal internal committee approvals. In the absence of waivers, breach of covenants which are not rectified within time specified in the respective agreements, as applicable, would cause an event of default under the loan agreements.

The Company remains compliant to the regulatory requirements in the operating countries where these are applicable under the above scenarios.

Management and the Board of Directors extensively challenged the above scenarios and its underlying assumptions including the above considerations and factors. It also considered the remaining uncertainties around possible lockdown periods longer than three months, write-offs higher than 2 to 5% and the risk of not obtaining waivers for prospective covenant breaches. It also considered that in recent weeks lockdowns and other restrictions were lifted or relaxed in various of its countries, which has allowed the field operations in these countries to re-open their branches, with collections gradually returning to customary levels.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

2. ACCOUNTING POLICIES CONTINUED
Whilst the three scenarios are formed from management's best estimation of the potential impact on the Group of the current outbreak, it is acknowledged that there remains significant uncertainty as to how the COVID-19 pandemic will affect borrowers, businesses and lenders across its operating countries. This uncertainty is compounded by the uncertainty regarding the future trajectory of the virus outbreak and what future measures, if any, may need to be introduced in order to bring the situation under control. This could lead to increased loan overdues, write-offs on customer loans, delays in debt repayments and resulting breaches of loan covenants beyond what is forecast in management's worse case scenario.

The Directors have concluded that the potential impact of the COVID-19 pandemic, described above, and the uncertainty over possible mitigating actions represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Nevertheless, having assessed the scenarios and mitigations described above the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

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 (ASAIH) 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. Comparative figures have been rearranged where necessary to conform with the current year's presentation.

The comparative 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. Continuation of accounting has been applied in 2018.

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

2.1.1 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 presented. The financial statements of subsidiaries are similarly prepared for the year ended 31 December 2019 applying similar accounting policies. All intragroup balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full.

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

The results of subsidiaries acquired or disposed of during the year are included (if any) in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate. No subsidiaries were acquired or disposed in 2019.

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

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

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

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

2.2.1 Foreign currency translation
The consolidated financial statements are presented in USD, which 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 by the Group's entities at their respective functional currency at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to 'Exchange rate differences' in the statement of profit or loss and other comprehensive income.

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

(2) *Group companies* — As at the reporting date, the assets and liabilities of subsidiaries are translated into the Group's presentation currency (USD) at the rate of exchange ruling at the reporting date except investment in subsidiaries and issued capital which are translated at historical rate, and their 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 Group's consolidated statement of financial position as foreign currency translation reserve through other comprehensive income.

2.2.2 Fair value measurement
The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

A) FINANCIAL ASSETS — INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT
(1) DATE OF RECOGNITION
Purchases or sales of financial assets that require the delivery of assets within the 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 AND MEASUREMENT
The Group recognises a financial asset in its statement of financial position, when, and only when, the entity becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

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

(3) SUBSEQUENT MEASUREMENT
For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortised cost (Loans and advances to customers, other loans and receivables, cash at bank and in hand and due from banks);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (derivatives).

FINANCIAL ASSETS AT AMORTISED COST
Financial assets at amortised cost are subsequently measured using the effective interest ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes Loans and advances to customers, other loans and receivables, cash and cash equivalents and due from banks.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING (EQUITY INSTRUMENTS)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis. Investments at FVOCI are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the Investments at FVOCI reserve. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

DERECOGNITION
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the right to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

B) IMPAIRMENT OF FINANCIAL ASSETS
The Group recognises an allowance for expected credit losses ('ECLs') on Loans and advances to customers, Related party receivables, Cash at bank and Due from banks.

LOANS AND ADVANCES TO CUSTOMERS
Given the nature of the Group's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12M ECL) and stage 2 loans (lifetime ECL) for the ECL calculation.

For avoiding complexity of calculating separate probability of default and loss given default, the Group uses a 'loss rate approach' for the measurement of ECLs. The 'loss rates' are a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to economic environment.

The Group considers significant increase in credit risk when contractual payments are 30 days past due. In addition, Loans and advances are treated as credit impaired (stage-3) when contractual payments are 180 days past due. The time line has been determined based on the historical trend and industry practice where the Group operates.

WRITE-OFF

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group considers financial assets as bad when those are over 365 days past due. As per the Group policy all bad assets are written off. The write-offs occur mainly two times in a year (June and December). Management monitors post write-off amounts for the previous two years to determine whether any of such amounts are recoverable. Any recovered amount is recognised as other income.

CASH AT BANK, DUE FROM BANKS AND RELATED PARTY

For Due from banks and related party receivables, the Group uses a matrix of Standard & Poor's (S&P) to determine the default rate per bank and a probability of default based on the sector it operates. Management collects the credit ratings of the banks where the funds are deposited and related parties (where applicable) on a quarterly basis and calculates the ECL on such based using the default rate identified as above. The Group considers credit risk to have significantly increased when the credit ratings of the bank and the related parties have increased which in turn increase the probability of default. The Group consider closure of the banks, dissolution of the related parties or a significant liquidity crisis or any objective evidence of impairment such as bankruptcy to be indicators of Stage 3.

C) FINANCIAL LIABILITIES- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(1) INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include Debt issued and other borrowed funds, Due to customer, Lease liabilities, Other liabilities and Derivative financial instruments.

(2) SUBSEQUENT MEASUREMENT

For the purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at amortised cost (Debt issued and other borrowed funds, Due to customer and Lease liabilities); and
- Financial liabilities at FVOCI (Derivative instruments).

FINANCIAL LIABILITIES AT AMORTISED COST

'Debt issued and other borrowed funds', 'Other liabilities' and 'Due to customers' are classified as liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

DERECOGNITION

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.2.4 Derivative instruments and hedge accounting

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

2. ACCOUNTING POLICIES CONTINUED

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group uses forward currency contracts and swap agreements as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The forward points and interest basis spreads are amortised through out the contract tenure and reclassified out of OCI into P&L as interest expenses.

2.2.5 Recognition of income and expenses

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

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

(1) INTEREST AND SIMILAR INCOME AND EXPENSE

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income based on the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate of a financial instrument including transaction costs, and all other premiums or discounts.

The Group recognises interest income on the stage 3 loans as per the contracts based on the agreed schedule on gross loans. The impact of not recognising the interest income on the net loan balance has been assessed as immaterial.

(2) DIVIDEND INCOME

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

(3) AMORTISATION OF LOAN PROCESSING FEES

Revenue from amortisation of loan processing fee is recognised on accrual basis in the period to which they relate. The loan processing fee charged to customers is allocated to the total loan period and recognised accordingly.

(4) OTHER INCOME

Other income includes member's admission, document fees, sale of passbook, income on death and multipurpose risk funds and service fee from off-book loans under BC model.

Member's admission fee, document fees and sale of passbook fees are recognised on receipt as the then admission and sale can constitute as satisfactory performance obligation.

The Group collects fees for the 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 collections are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds. The judgement used to recognise the liability is disclosed in note 2.6.5

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

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

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

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

2.2.7 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 depreciation 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.

2.2.8 Taxes

2.2.8.1 CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

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

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

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

2.2.11 Post-employment benefits
2.2.11.1 DEFINED BENEFIT PLAN
The Group maintains a defined benefit plan in some subsidiaries which leads to retirement benefit obligations. The defined benefit obligation and the related charge for the year are determined using assumptions required under actuarial valuation techniques. These benefits are unfunded.

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'Operating expenses in the consolidated statement of comprehensive income (i) service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and (ii) net interest expense or income. Reference is made to note 2.6.4.

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

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

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

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

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

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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.

2.2.14 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.

2.2.15 Liability for death and multipurpose risk funds
The Group collects 1-2% of disbursed loan amounts for Death Risk Funds or Multipurpose Risk Funds in certain markets (the Philippines, Myanmar, 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. Reference is made to note 2.6.5 on the key judgement used.

2.3 New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied, for the first time, IFRS 16 Leases. IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

IFRS 16 Leases
The Group applied IFRS 16 Leases for the first time on 1 January 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. Previously the Group used to charge the consideration paid in its books as rent expenses. IFRS 16 introduced a single, on balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use underlying assets and lease liabilities representing its obligation to make lease payments. The Group applied IFRS 16 on 1 January 2019 for the existing lease contracts.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

2. ACCOUNTING POLICIES CONTINUED
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 were classified as operating leases, which under IFRS 16 are required to be recognised on the Group's statement of financial position. The Group has performed an assessment of the impact of the adoption of IFRS 16 on its financial statements. The standard has an impact on the financial statements. The nature and timing of expenses related to those leases has changed as IFRS 16 replaced the straight-line operating lease expense (as per IAS 17) with a depreciation charge for the right-of-use assets and interest expense on lease liabilities.

The Group has elected not to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. ASA International does not apply any exemptions because the majority of the lease terms are 12 months or more and the fair value of the assets are higher than USD 5,000.

TRANSITION
The Group applied the practical expedient to the definition of a lease on transition. This means that it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated. The 2018 numbers are presented as previously reported, under IAS 17 and related interpretations. This includes recognising a lease liability at 1 January 2019, measured at the present value of the remaining lease payments and discounted at the incremental borrowing rate. A right-of-use asset has been recognised at 1 January 2019 measured at an amount equal to the lease liability and adjusted by any prepaid or accrued lease payments relating to that lease contained in the statement of financial position immediately before 1 January 2019. There was no material impact on the retained earnings due to the transition.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

STATEMENT OF FINANCIAL POSITION	IAS 17 31-DEC-18 USD	IFRS 16 IMPACT USD	IFRS 16 01-JAN-19 USD
Assets			
Right-of-use assets	-	5,553,290	**5,553,290**
Prepayments	1,773,170	(1,773,170)	-
Total assets	1,773,170	3,780,120	**5,553,290**
Liabilities			
Lease liabilities	-	3,723,124	**3,723,124**
Prepayments owing	-	56,996	**56,996**
Total liabilities	-	3,780,120	**3,780,120**

STATEMENT OF PROFIT OR LOSS	IAS 17 31-DEC-19 USD	IFRS 16 31-DEC-19 USD
Rent expense	**4,178,140**	-
Depreciation of right-of-use assets for existing contracts	-	**3,892,323**
Total operating expenses	**4,178,140**	**3,892,323**
Interest expense of lease liability for existing contracts	-	**395,186**
Deferred tax impact		**43,479**
Total	**4,178,140**	**4,330,988**

A) NATURE OF THE EFFECT OF ADOPTING IFRS 16
ASA International is impacted from a lessee perspective due to having rental agreements at its head offices and branches. In the case of ASA International all contractual payments to the lessor contains only fixed amounts of lease payment and no variable lease payments are embedded with the lease payments. Rental contracts are typically made for fixed periods of six months to five years. Before adopting IFRS 16, the Company classified its leases at the inception date as operating leases as all of the risks stayed with the lessor. The leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and other payables, respectively.

Upon adoption of IFRS 16, ASA International applied a single recognition and measurement approach for all leases as a lessee.

ASA International applied the available practical expedients wherein it:
- used a single discount rate to leases with reasonably similar characteristics;
- decided not to apply any exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- decided not to apply any exemptions to leases with low value assets at the date of initial application;
- used hindsight in determining the lease term where the contract contains an option to extend or terminate the lease. Refer to the accounting judgement and estimate note 2.6.1 Determining the lease term of contracts with renewal and termination options;
- non-lease components are excluded from lease components during determination of lease liabilities;

In addition, the lease payments made by ASA International do not include any VAT; leases do not have any residual payment guarantee; and there are no restrictions or covenants imposed by leases.

B) SUMMARY OF NEW ACCOUNTING POLICIES

RIGHT-OF-USE ASSETS

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2.2.13 Impairment of non-financial assets.

LEASE LIABILITIES

(1) Initial measurement

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less (if any) lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. There are no obligatory extension clauses in the rental agreements. Although some lease contracts comprise the optional extension clauses, these are not included on initial recognition because it is not always reasonable certain that the Group will take the option.

In calculating the present value of lease payments, ASA International uses the incremental borrowing rate at the lease commencement date due to the reason that the interest rate of implicit in the lease is not available. The incremental borrowing rate is calculated using a reference rate (derived as country specific risk-free rate) and adjusting it with company specific financing spread and integrating lease specific factors. Refer to section 2.6.10 on accounting estimates and assumptions used to determine the IBR rates.

(2) Subsequent measurement

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

C) AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION AND PROFIT OR LOSS

Set out below, are the carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the period.

	RIGHT-OF-USE ASSETS USD	LEASE LIABILITIES USD	DEFERRED TAX LIABILITIES USD
As at 1 January 2019	**5,553,290**	**3,723,124**	-
Additions of right-of-use assets	**4,167,200**	**4,166,582**	-
Depreciation expense of right-of-use assets	**(3,892,323)**	-	-
Interest expense of lease liabilities	-	**395,186**	-
Payment of lease liabilities	-	**(4,227,276)**	-
Exchange rate difference	**53,731**	**(76,682)**	-
Deferred tax impact on IFRS 16	-	-	**52,777**
As at 31 December 2019	**5,881,898**	**3,980,934**	**52,777**

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

2. ACCOUNTING POLICIES CONTINUED

Set out below, are the amounts recognised in profit or loss:

	31-DEC-19 USD	31-DEC-18 USD
Depreciation expense of right-of-use assets	**3,892,323**	-
Interest expense of lease liabilities	**395,186**	-
Rent expense	-	4,030,795
Deferred tax impact	**43,479**	-
Total amounts recognised in profit or loss	**4,330,988**	4,030,795

D) THE LEASE LIABILITIES AS AT 1 JANUARY 2019 CAN BE RECONCILED TO THE OPERATING LEASE COMMITMENTS AS OF 31 DECEMBER 2018 AS FOLLOWS:

	USD
Operating lease commitments as of 31 December 2018	2,808,957
Add: Payments in optional extension periods not recognised as at 31 December 2018	1,418,915
Total lease commitments as on 1 Jan 2019	**4,227,872**
Weighted average borrowing rate	**9%**
Discounted lease commitments as of 1 Jan 2019	**3,723,124**

E) THE GROUP LEASE LIABILITIES FUTURE CASH FLOWS AS AT 31 DECEMBER 2019 ARE AS FOLLOWS:

	2019 USD	2018 USD
Within one year	**498,458**	-
After one year but not more than five years	**2,893,478**	-
More than five years	**588,998**	-
	3,980,934	-

2.4 Standards issued but not yet effective

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.

Interest Rate Benchmark Reform ('IBOR reform') Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an 'RFR'). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The impact on the Group's financial statement of such amendment is considered immaterial.

2.5 Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

2.6 Significant accounting judgements and estimates

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

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

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

2.6.2 Allowance for expected credit loss (ECL) in loans and advances

The Group uses a provision matrix to calculate ECLs for its loans and advances. The ECL rates are based on days past due of the loans outstanding.

The Group reviews its non-performing loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statement. 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 industry the Group operates, 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 lead the Group to use a provisioning methodology based on a collective assessment of similar loans. The amount of collateral or security deposits received from the respective borrowers are deducted from the outstanding loan before applying the rate percentage. The Group's management reviews the rates applied to calculate the ECL on a regular basis and adjusts as deemed necessary based on market circumstances.

The percentages applied at 31 December 2019 and 2018 are shown in the table below:

LOAN CLASSIFICATION	DAYS OF ARREARS	RATE FOR 2019	RATE FOR 2018
Standard	Current (No past due)	0.03%	0.22%
Watch list	1-30	5%	5%
Substandard	31-90	20%	20%
Substandard	91-180	50%	50%
Doubtful	181-365	100%	100%
Loss	Above 365	100%	100%

The provision matrix is initially based on the Group's historical observed write-off rates for the last five years. Later these rates adjusted by incorporating the forward-looking element by looking at the write-off trends in the most recent three-year period. In addition, the Group also considers significant socio-economic 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

The credit methodologies and operating procedure developed by the Group are applied in the subsidiaries adjusted to local circumstances, if necessary. The Group and its subsidiaries also have access to the knowledge and data of ASA Bangladesh, one of the world's largest microfinance services provider, which has well over 30 years of experience in the microfinance industry. ASA Bangladesh provides technical guidance to the Group, including knowledge and experience on the assessment of the actual portfolio at risk.

2.6.3 Write-off

The Group uses judgement to determine bad loans which are written off. Based on management experience in the local market and the microfinance industry practice, any loans over 365 days past due are bracketed as bad as there is no reasonable expectation of recovery. All bad loans are written off for accounting purposes. From an operational perspective all overdue loans are monitored for recovery up to two years overdue.

2.6.4 Defined benefit plans

The cost of the defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff turnover and retirement age. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions used in December 2019 and December 2018 are as follows:

	2019					2018			
ASSUMPTIONS DEFINED BENEFIT PLAN	LAK JAYA	ASA PAKISTAN	ASAI INDIA	ASA NIGERIA	PPFC	LAK JAYA	ASA PAKISTAN	ASAI INDIA	PPFC
Discount rate	**10.0%**	**11.3%**	**7.1%**	**14.0%**	**5.2%**	13.1%	13.3%	7.6%	7.6%
Salary increment	**10.0%**	**10.3%**	**9.5%**	**11.5%**	**5.0%**	10.0%	12.3%	9.2%	3.0%
Staff turnover	**21.0%**	**31.0%**	**24.6%**	**6.3%**	**53.0%**	28.0%	26.0%	20.5%	20.0%
Retirement age	**60 years**	**60 years**	**55-65 years**	**60 years**	**60 years**	55 years	60 years	55-60 years	60 years

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

2. ACCOUNTING POLICIES CONTINUED

The parameter most subject to change is the discount rate. Management engages third-party actuaries to conduct the valuation. The Group introduced a defined benefit plan in AMSL and ASA Sierra Leone at the later stage of the year. No actuarial valuations were performed of those as the impact is minimal. The defined benefit costs have been disclosed in note 8.2. The sensitivity analysis of the plan on account of any change in discount rate and salary increment is disclosed in note 8.3. Sensitivity analysis for changes in other two assumptions were not done as the effect is determined immaterial.

2.6.5 Liability for death and multipurpose risk funds

At the end of each period, management uses significant assumptions to reassesses the adequacy of the liability provided. These include estimated number of borrowers' deaths among the total number of borrowers by applying the local mortality rates at the end of the period, outstanding loan amount per borrower and other financial assistance to the family where applicable. The mortality rate is based on historical mortality rates of the borrower for last three years for the specific countries. As of December 2019, mortality rates were 0.37% in Sri Lanka, 0.18% in Myanmar, 0.24% in Ghana, 0.16% in Uganda, 0.26% in Tanzania and 0.22% in Kenya. The liability is disclosed under note 27 "Deferred Income". No sensitivity analysis is done as the amount is not material.

2.6.6 Fair value measurement of financial instruments

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

2.6.7 Business Correspondence and partnership models

The portfolios under the Business Correspondence and partnership models ('BC') in ASAI India are recognised on the statement of financial position when the agreed exposure to credit risk on these portfolios exceeds expected credit risk. The Group performs a sensitivity analysis to estimate the expected credit risk considering various adverse situations in India, probability of occurrence for these situations and three scenarios (optimistic, realistic and pessimistic) for the estimated write-offs for each situation. The overall credit risk on loans managed by ASAI India is analysed below 5%. Based on this analysis the portfolios for MAS, Reliance and IDBI are recognised on the statement of financial position as the agreed exposure is higher than 5%, while the portfolio for IDFC is not recognised on the balance sheet due to the fact that the agreed exposure is below the expected credit risk. More information is available in note 14.

2.6.8 Securitisation agreements

ASAI India has entered into several securitisation agreements during 2018 and 2019. 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 under Loans and advances to customers and the purchase consideration is presented under borrowings.

Interest income from the customers continues to be recognised as interest income and the related portion of the interest which is transferred to the counterparty is presented as interest expense. The outstanding loan portfolio as per end of 2019 under the securitisation agreements amounts to USD 3.2 million (31 December 2018: USD 5.6 million) and the related liability amounts to USD 4.3 million (31 December 2018: USD 6.7 million). The loan portfolio is disclosed under note 14 'Loans and advances' and the liability is disclosed under note 25 'Debt and other borrowed funds'. The loan portfolio balance at the start date of the relevant securitisation agreements as per end of 2019 amounts to USD 23.1 million (31 December 2018: USD 16.4 million) and the related liability amounts to USD 23.1 million (31 December 2018: USD 16.4 million). The cash collateral provided under these agreements amounts to USD 1.77 million (31 December 2018: USD 0.97 million) is disclosed under note 13 "Cash at bank and in hand".

2.6.9 Direct Assignment

ASA India has also entered into a Direct Assignment agreement ('DA') with State Bank of India ('SBI'), through which the entity has sold a pool of customers loans amounting to USD 8.3 million against a purchase consideration of USD 7 million. The balance is kept as minimum retention as per guideline issued by Reserve Bank of India ('RBI'). The loans are derecognised on the books on the grounds that the entity transferred substantially all the risks and rewards of ownership of financial assets. Further information is available in note 14.

2.6.10 Leases – estimating the incremental borrowing rate ('IBR')

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

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

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

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

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

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

COUNTRY	LEASE CURRENCY	CREDIT RATING	APPROACH REFERENCE RATE	IBR AT DIFFERENT LEASE DURATION (YEAR)			
TENURE OF LEASE				1	2-4	5-6	7-9
Ghana	GHS	BBB+	Local	20.4%	21.0%	21.4%	21.9%
Nigeria	NGN	BBB+	Local	16.8%	16.6%	15.7%	16.1%
Sierra Leone	SLL	BB-	Build-Up	22.6%	22.9%	22.9%	22.7%
Kenya	KES	BBB	Local	10.0%	11.9%	11.2%	12.6%
Rwanda	RWF	BB	Build-Up	6.4%	7.9%	9.1%	9.4%
Tanzania	TZS	BBB	Build-Up	6.6%	7.4%	7.5%	7.6%
Uganda	UGX	BBB	Local	11.8%	17.0%	16.7%	17.4%
Zambia	ZMW	BB-	Local	30.6%	25.1%	29.0%	29.1%
Bangladesh	BDT	B+	Build-Up	11.4%	11.9%	12.6%	12.5%
India	INR	BBB	Local	7.5%	7.9%	8.1%	8.3%
Pakistan	PKR	BBB+	Build-Up	11.5%	10.9%	10.6%	10.9%
Sri Lanka	LKR	BB+	Local	12.6%	13.0%	13.5%	13.8%
Myanmar	MMK	BB	Build-Up	11.4%	12.2%	12.8%	12.9%
Philippines	PHP	BBB	Build-Up	5.6%	5.8%	5.8%	6.0%

2.6.11 Taxes

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

As of 1 January 2019, the Group had carried forward a tax loss of USD 3,483,618. These losses are related to subsidiaries in Sierra Leone, Rwanda, Zambia, Netherlands and the UK. Previously the Group did not recognise any deferred tax assets on such tax losses as some entities were new and the Group could not estimate the probability that future taxable profits against which the unused tax losses can be set off.

Based on the latest five-year business plan and result of 2019 it is now expected that the subsidiaries in Sierra Leone and Rwanda will be generating taxable profit, which can be used to set-off the tax losses. Based on that, ASAIG has used unused tax losses of USD 1,013,981 in deferred tax calculation in 2019.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

2. ACCOUNTING POLICIES CONTINUED
As of 31 December 2019, ASAIG's unused tax losses of USD 6,631,944 were not recognised to calculate the deferred tax asset as it is not probable when ASAIG can expect that these subsidiaries will generate taxable profit. The Company has concluded that the subsidiaries in question do not have a taxable temporary difference and at the moment future taxable profit for these subsidiaries cannot be readily ascertained. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by USD 1,395,437.

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

3. SEGMENT INFORMATION
For management purposes, the Group is organised into reportable segments based on its geographical areas and has five reportable segments, as follows:
- West Africa, which includes Ghana, Nigeria and Sierra Leone.
- East Africa, which includes Kenya, Uganda, Tanzania, Rwanda and Zambia.
- South Asia, which includes India, Pakistan and Sri Lanka.
- South East Asia, which includes Myanmar and the Philippines.
- Non-operating entities, which includes holding entities and other entities without microfinance activities.

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2019 or 2018.

The following table present operating income and profit information for the Group's operating segments for the year ended 31 December 2019

AS AT 31 DECEMBER 2019	WEST AFRICA USD	EAST AFRICA USD	SOUTH ASIA USD	SOUTH EAST ASIA USD	NON-OPERATING ENTITIES USD	TOTAL SEGMENTS USD	ADJUSTMENTS AND ELIMINATIONS USD	CONSOLIDATED USD
External interest and similar income	45,678,446	24,531,707	62,558,140	33,458,255	24,347	166,250,895	842	166,251,737
Inter-segment interest income	-	-	-	-	2,593,485	2,593,485	(2,593,485)	-
External interest expense	(3,276,996)	(3,089,829)	(23,824,676)	(5,550,102)	(3,457,397)	(39,199,000)	(949)	(39,199,949)
Inter-segment interest expense	(495,116)	(604,978)	(443,090)	(840,111)	(210,297)	(2,593,592)	2,593,592	-
Net interest income	**41,906,334**	**20,836,900**	**38,290,374**	**27,068,042**	**(1,049,862)**	**127,051,788**	**-**	**127,051,788**
External other operating income	2,008,911	2,332,477	4,751,378	4,469,362	416,009	13,978,137	(357,065)	13,621,072
Inter-segment other operating income	-	-	-	-	69,229,649	69,229,649	(69,229,649)	-
Other inter-segment expense	-	-	(77,222)	(2,868,701)	(3,821,991)	(6,767,914)	6,767,914	-
Total operating income	**43,915,245**	**23,169,377**	**42,964,530**	**28,668,703**	**64,773,805**	**203,491,660**	**(62,818,800)**	**140,672,860**
Credit loss expense	(1,322,210)	(207,829)	(2,835,913)	(611,791)	(112,314)	(5,090,057)	841,075	(4,248,982)
Net operating income	**42,593,035**	**22,961,548**	**40,128,617**	**28,056,912**	**64,661,491**	**198,401,603**	**(61,977,725)**	**136,423,878**
Personnel expenses	(12,418,078)	(8,635,543)	(12,754,451)	(10,555,223)	(4,022,151)	(48,385,446)	60,907	(48,324,539)
Exchange rate differences	(208,346)	(38,695)	10,211	198,990	(257,031)	(294,871)	-	(294,871)
Depreciation of property and equipment	(493,719)	(365,016)	(598,893)	(297,851)	(141,815)	(1,897,294)	-	(1,897,294)
Amortisation of right-of-use assets	(764,746)	(802,702)	(1,202,128)	(858,937)	(263,810)	(3,892,323)	-	(3,892,323)
Other operating expenses	(5,594,907)	(4,333,265)	(5,563,116)	(9,031,828)	(3,498,576)	(28,021,692)	342,102	(27,679,590)
Tax expenses	(7,178,587)	(2,626,470)	(5,922,634)	(2,162,944)	(1,640,901)	(19,531,536)	(306,674)	(19,838,210)
Segment profit	**15,934,652**	**6,159,857**	**14,097,606**	**5,349,119**	**54,837,207**	**96,378,441**	**(61,881,390)**	**34,497,051**
Total assets	**95,240,459**	**59,356,107**	**252,034,192**	**125,750,969**	**320,075,813**	**852,457,540**	**(292,499,749)**	**559,957,791**
Total liabilities	**57,788,230**	**43,879,685**	**193,331,166**	**104,298,084**	**109,554,007**	**508,851,172**	**(60,062,275)**	**448,788,897**

Explanation: Segment profit is net profit after tax

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

3. SEGMENT INFORMATION CONTINUED

The following table presents operating income and profit information for the Group's operating segments for the year ended 31 December 2018

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	ADJUSTMENTS AND 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	(70,829,271)	-
Other inter-segment expense	-	-	(26,764)	(2,287,442)	(3,024,801)	(5,339,007)	5,339,008	-
Total operating income	39,789,576	14,529,403	41,936,752	21,088,398	67,611,486	184,955,615	(65,500,991)	119,454,623
Credit loss expense	(407,914)	74,034	(1,287,820)	(160,417)	-	(1,782,117)	-	(1,782,117)
Net operating income	39,381,662	14,603,437	40,648,932	20,927,981	67,611,486	183,173,498	(65,500,991)	117,672,506
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)
Depreciation of property and equipment	(299,714)	(281,863)	(625,129)	(196,055)	(20,029)	(1,422,790)	-	(1,422,790)
Amortisation of right-of-use assets	-	-	-	-	-	-	-	-
Other operating expenses	(5,516,403)	(3,248,385)	(5,983,655)	(6,825,306)	(11,939,796)	(33,513,545)	10,728	(33,502,817)
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	89,943,812	(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

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

4. INTEREST AND SIMILAR INCOME

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

	NOTES	2019 USD	2018 USD
Interest income calculated using EIR	4.1.	**156,559,814**	132,855,138
Other interest and similar income	4.2.	**9,691,923**	8,583,631
		166,251,737	141,438,769

4.1. Interest income calculated using EIR

	2019 USD	2018 USD
Interest income on loans and advances to customers	**155,893,810**	129,533,839
Interest income from clients from on-book BC model (ASAI India)	**666,004**	3,321,299
	156,559,814	132,855,138

4.2. Other interest and similar income

	2019 USD	2018 USD
Interest income on short-term deposits	**3,114,940**	2,767,816
Amortisation of loan processing fees	**6,192,103**	5,777,714
Other interest income	**384,880**	38,101
	9,691,923	8,583,631

5. INTEREST AND SIMILAR EXPENSE

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

	NOTES	2019 USD	2018 USD
Interest expense on loans		**(31,483,828)**	(2,6478,499)
Interest expense on security deposits & others		**(3,920,847)**	(3,110,736)
Interest expense on lease liability		**(395,186)**	–
Commitment and processing fees		**(274,095)**	(143,925)
Amortisation forward points of forward contracts and currency basis spread of swap contracts	37.	**(3,125,993)**	(2,172,932)
		(39,199,949)	(31,906,092)

6. OTHER OPERATING INCOME

	2019 USD	2018 USD
Member's admission fees	**1,719,234**	1,472,176
Document fees	**980,288**	709,602
Proceeds from sale of pass-books	**185,264**	157,959
Income on Death and Multipurpose Risk Funds	**5,245,875**	4,123,304
Service fees income from off-book BC model (ASAI India)	**3,902,723**	2,503,425
Distribution fee MBA Philippines	**744,883**	558,150
Other	**842,805**	397,330
	13,621,072	9,921,946

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

7. EXPECTED CREDIT LOSS EXPENSE

	NOTES	2019 USD	2018 USD
Customer expected credit loss expense	14.1.	**(3,188,057)**	(1,233,284)
Expected credit loss recovered/(expensed) on on-book BC model	14.2.	**46,214**	87,608
Impairment loss	7.1.	**(444,925)**	(212,511)
Other expected credit loss expense		**(662,214)**	(423,930)
		(4,248,982)	(1,782,117)

Other expected credit loss includes loss allowance provided against interest receivable from customers and BC model which are off-book (ref. note 14) and loan and interest exemptions for settlement of customer loans in case of death or disability.

7.1. Impairment loss

	2019 USD	2018 USD
Impairment of bank balance	**(284,648)**	(162,833)
Impairment of due from bank	**(31,978)**	-
Impairment of receivable from related parties	**(128,299)**	(49,678)
	(444,925)	(212,511)

Impairment loss includes impairment of receivable for ASAI Cambodia Holdings, ASA Leasing, ASA Lanka, and the bank balance with GN bank in Ghana. Apart from that there was no material change in credit risk in any banks or related party balances.

The following table provides the movement of the ECL:

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Opening Balance during the period	(650,050)	(426,193)	(739,678)	(1,815,921)
Charge during the year	(300,052)	(900,016)	(1,941,777)	(3,141,846)
Transfer:				
Stage 1 to Stage 2	8,287	(8,287)		-
Stage 1 to Stage 3	6,263		(6,263)	-
Stage 2 to Stage 3		82,548	(82,548)	-
Write off			878,750	878,750
Fx impact	20,378	27,270	41,201	88,849
Closing Balance during the period	**(915,174)**	**(1,224,679)**	**(1,850,315)**	**(3,990,167)**

8. PERSONNEL EXPENSES

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

	NOTES	2019 USD	2018 USD
Personnel expenses		**(43,520,148)**	(33,963,785)
Defined contribution plans		**(2,864,906)**	(2,483,160)
Defined benefit plans	8.2.	**(1,939,485)**	(629,513)
		(48,324,539)	(37,076,458)

8.1. Retirement benefit liability

	NOTES	2019 USD	2018 USD
Retirement benefit liability as at beginning of period		**1,469,468**	943,302
Payments made during the period		**(176,646)**	(48,288)
Charge for the period	8.2.	**1,939,485**	629,513
Actuarial gains and losses on defined benefit liabilities ('OCI')		**217,101**	181,472
Foreign exchange differences		**(75,332)**	(236,531)
Retirement benefit liability as at end of the period		**3,374,076**	1,469,468

ASAI India, ASA Pakistan, Lak Jaya , PPFC, ASA MFB and ASIEA are maintaining defined benefit pension plans in the form of gratuity plans at retirement, death, incapacitation and termination of employment for eligible employees. The funds for the plans in ASA Pakistan, PPFCI and Lak Jaya, ASA MFB and ASIEA 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. ASA Nigeria (ASIEA and ASA MFB) has also started employees' retirement benefits in the form of gratuity in 2019 which has been accrued with retrospective effect. There are no other post-retirement benefit plans available to the employees of the Group.

8.2. Charge for the period

	2019 USD	2018 USD
Current service cost for the period	**(1,793,397)**	(534,801)
Interest cost for the period	**(146,088)**	(96,421)
Impact from change in assumptions (see note 2.2.12)	-	1,709
	(1,939,485)	(629,513)

ASA Nigeria has started an employees' retirement benefits plan in the form of gratuity this year which has been accrued fully in 2019 including the entitlements relating to the previous years.

8.3. Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 and 31 December 2018 is shown below.

Assumptions

		DISCOUNT RATE		FUTURE SALARY INCREASE	
SENSITIVITY LEVEL	YEAR	1% INCREASE USD	1% DECREASE USD	1% INCREASE USD	1% DECREASE USD
Impact on defined benefit obligation	2019	**(291,248)**	**345,047**	**354,780**	**(313,884)**
	2018	(185,391)	174,140	199,650	(196,743)

9. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	NOTES	2019 USD	2018 USD
Administrative expenses	9.1.	**(22,295,013)**	(20,742,860)
Professional fees	9.2.	**(3,043,562)**	(3,068,130)
Audit fees	9.3.	**(1,166,808)**	(976,998)
International travel		**(624,219)**	(309,701)
Other		**(549,988)**	(446,155)
		(27,679,590)	(25,543,844)

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

9. OTHER OPERATING EXPENSES CONTINUED

9.1. Administrative expenses

	2019 USD	2018 USD
Rent	-	(4,030,795)
Office expenses	**(3,077,387)**	(2,517,653)
Transport and representation expenses	**(7,847,734)**	(5,784,133)
Gas, water and electricity	**(1,224,851)**	(1,015,096)
Telecommunications and internet expenses	**(1,937,321)**	(1,372,590)
VAT/Output tax/Service tax	**(3,143,668)**	(1,563,191)
Bank charges	**(1,692,581)**	(738,431)
Other administrative expenses	**(3,371,471)**	(3,720,971)
	(22,295,013)	(20,742,860)

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

9.2. Professional fees

	2019 USD	2018 USD
Technical assistance fees to ASA Bangladesh	**(61,294)**	(1,266,698)
Legal services fees	**(416,790)**	(376,286)
Other professional fees	**(2,565,478)**	(1,425,176)
	(3,043,562)	(3,068,130)

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

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

	NOTES	2019 USD	2018 USD
Fees payable to the Group's auditor for the audit of the Group's annual accounts		**780,272**	676,483
Fees payable to the Group's auditor for the other services:			
Audit of the accounts of subsidiaries		**199,884**	167,403
Audit related assurance services		**181,452**	128,162
Total audit and audit related assurance services		**1,161,608**	972,048
Other assurance services		**5,200**	4,950
Non-audit services - IPO reporting accountant	10.	-	2,878,336
		1,166,808	3,855,334

10. IPO EXPENSES

	NOTES	2019 USD	2018 USD
Reporting accountant	9.3.	-	(2,878,336)
Other IPO expenses		-	(5,080,636)
		-	(7,958,972)

The IPO expenses relate to advisory fees to prepare for its premium listing on the main market of the London Stock Exchange in July 2018.

11. EXCHANGE RATE DIFFERENCES

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

	2019 USD	2018 USD
Foreign currency losses	**(1,933,635)**	(1,965,148)
Foreign currency gains	**1,638,764**	975,609
	(294,871)	(989,539)

12. INCOME TAX AND WITHHOLDING TAX EXPENSE

	2019 USD	2018 USD
Income tax expense		
Current income tax	**(19,788,681)**	(19,473,206)
Income tax for previous period	**(142,795)**	(24,614)
Changes in deferred income tax	**1,337,085**	1,183,141
	(18,594,391)	(18,314,679)

12.1. Current tax liability

	2019 USD	2018 USD
Balance as at beginning of period	**7,263,468**	3,841,338
Tax charge:		
Current Period	**19,788,681**	19,473,206
Previous Period	**142,795**	24,614
Tax paid	**(20,423,279)**	(15,534,223)
Foreign exchange adjustment	**(355,834)**	(541,467)
Balance as at end of period	**6,415,831**	7,263,468

12.2. Deferred tax assets

	2019 USD	2018 USD
Balance as at beginning of period	**2,588,335**	1,527,394
Change during the period	**1,429,965**	1,201,653
Foreign exchange adjustment	**(152,886)**	(140,712)
Balance as at end of period	**3,865,414**	2,588,335

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 2019

12. INCOME TAX AND WITHHOLDING TAX EXPENSE CONTINUED

12.3. Deferred tax liability

	2019 USD	2018 USD
Balance as at beginning of period	**69,113**	60,425
Change during the period	**40,264**	18,512
Foreign exchange adjustment	**(33,095)**	(9,824)
Balance as at end of period	**76,282**	69,113

12.4. Deferred tax relates to:

	2019			2018		
DEFERRED TAX RELATES TO:	DEFERRED TAX ASSETS USD	DEFERRED TAX LIABILITIES USD	INCOME STATEMENT USD	DEFERRED TAX ASSETS USD	DEFERRED TAX LIABILITIES USD	INCOME STATEMENT USD
Allowance for ECL	**1,100,411**	**-**	**696,689**	295,393	-	(57,086)
Provision for retirement liabilities	**1,065,834**	**-**	**583,657**	385,089	-	69,842
Provision on FX loss	**883,517**	**-**	**(367,174)**	1,953,618	-	1,314,988
Unused tax losses	**304,194**	**-**	**304,249**	-	-	-
Other temporary differences	**463,467**	**23,505**	**163,142**	381,423	69,113	311,606
IFRS 16 Lease	**-**	**52,777**	**(43,479)**	-	-	-
Other comprehensive income/Revaluation of cash flow hedge	**47,990**	**-**	**52,616**	(427,188)	-	(456,209)
	3,865,413	**76,282**	**1,389,700**	2,588,335	69,113	1,183,141

12.5. Reconciliation of the total tax charge

	2019 USD	2018 USD
Accounting result before tax	**54,335,261**	44,680,902
Income tax expense at nominal rate of consolidated entities	**(16,571,858)**	(15,495,906)
Over/(under) provision for income tax previous year	**(142,795)**	(24,614)
Net allowable/(non-allowable) expenses	**(352,708)**	(1,676,384)
Deferred tax recognised/(not recognised) on losses	**(466,630)**	(472,554)
Exempt income	**125,354**	450,610
Other permanent differences	**(1,185,754)**	(1,095,832)
Total income tax expense for the period	**(18,594,391)**	(18,314,680)
Weighted average nominal rate of consolidated entities	**30%**	35%
Consolidated effective tax rate	**34%**	41%

12.6. Withholding tax expense

	2019 USD	2018 USD
Withholding tax on interest income, dividend, royalties and service fees	**(1,243,819)**	(1,912,675)
Total withholding tax expense	**(1,243,819)**	(1,912,675)

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.

13. CASH AT BANK AND IN HAND

	2019 USD	2018 USD
Cash at bank	**84,397,641**	72,769,662
Cash in hand	**128,762**	175,924
	84,526,403	72,945,586

An amount of USD 18,980,971 (2018: USD 14,839,769) 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.

14. LOANS AND ADVANCES TO CUSTOMERS

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

	NOTES	2019 USD	2018 USD
Loan portfolio	14.3.	**415,348,476**	336,452,085
Allowance for expected credit loss	14.1.	**(4,227,567)**	(1,836,865)
Interest receivable on loans to customers		**3,889,696**	3,255,362
Unamortised processing fee		**(2,868,472)**	(1,842,914)
Loan portfolio on-book BC model (ASAI India)		**171,939**	7,158,849
Allowance for expected credit loss on-book BC model (ASAI India)	14.2.	**(10,203)**	(58,578)
Net loan portfolio		**412,303,869**	343,127,939

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

During 2016 and 2017 ASAI India started to operate under Business Correspondent and partnership model ('BC') for four BC Partners: Reliance Capital, IDBI, MAS and IDFC bank. 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 to its own loan portfolio and funding thereof. The service fees for the IDFC portfolio are reported under 'Other operating income' in note 6. Interest income and interest expense for the other three loan portfolios are presented in line with its own portfolio.

Under the agreements with the BC loan 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 27. This liability for the other three BC Partners is deducted from the related loan portfolio. This liability is based on Group ECL policy as explained in note 2.6.2 taking into account any limits in the liability towards the BC Partners, because it is the best estimate for the expected outflow of cash at reporting date. The related expense is reported under credit loss expenses in note 7.

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

ASAI India has entered a DA agreement with SBI where the entity transferred a pool of its loans to customers amounting to USD 8.3 million to the SBI. As per the DA arrangement, ASAI India has transferred all rights, interest and benefit of the concerned loan portfolio to SBI and received purchase consideration of USD 7 million which is equivalent to the 85% of the loan portfolio. 15% is retained by ASAI India as the Minimum Retention Rate ('MRR') as per the guidance of Reserve Bank of India (RBI). ASAI India will continue to collect the instalments from all the borrower and transfer the amount to the SBI where the SBI will retain collections from 85% of the clients and adjust that with the purchase consideration (borrowings) and repay collections from 15% of the customers to ASAI India. The 85% of the pool is hence not recognised in the books of ASAI India as the company transferred all significant risks and rewards of such loans to the SBI. The gain on transfer amounting to USD 375,537 is recognised as other interest income in note 4.2.

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14. LOANS AND ADVANCES TO CUSTOMERS CONTINUED
The outstanding loans to borrowers under the BC model and DA model which are not recognised on the balance sheet at 31 December 2019 amounted to USD 49.8 million and USD 6.1 million respectively (31 December 2018: USD 36.6 million and USD NIL).

14.1. Expected credit loss

	NOTES	2019 USD	2018 USD
Balance as at beginning of the period		**(1,836,865)**	(1,210,439)
Impact of adopting IFRS 9		-	(339,136)
Adjusted balance as at beginning of the period		**(1,836,865)**	(1,549,575)
Credit loss expense	7.	**(3,188,057)**	(1,233,284)
ECL for overdue interest receivable on loans from customers		**(168,083)**	(79,522)
Exchange rate differences		**86,688**	194,076
Write-off of loans		**878,750**	831,440
Balance at end of the period		**(4,227,567)**	(1,836,865)

The Group recognises interest on the loan as per contract based on agreed schedule irrespective of stages . At the reporting date credit loss is provided on any overdue interest as per Group policy disclosed in note 2.6.2.

14.2. ECL on-book BC model

	NOTES	2019 USD	2018 USD
Balance as at beginning of the period		**(58,578)**	(110,655)
Impact of adopting IFRS 9		-	(51,903)
Adjusted balance as at beginning of the period		**(58,578)**	(162,558)
Credit loss (expense)/recovered	7.	**46,214**	87,608
Exchange rate differences		**2,161**	16,372
Balance at end of the period		**(10,203)**	(58,578)

14.3. The following table explains the changes in the gross loan portfolio to help explain their significance to the changes in the loss allowance for the same.

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Gross carrying value at the beginning of the period	**341,357,612**	**1,417,718**	**835,603**	**343,610,933**
New assets originated	965,352,111	-	-	**965,352,111**
Assets realised	(878,056,461)	(1,143,105)	(567,519)	**(879,767,085)**
Transfers :				
Stage 1 to Stage 2	(4,351,848)	4,351,848	-	-
Stage 1 to Stage 3	(3,288,732)	-	3,288,732	-
Stage 2 to Stage 3	-	(274,592)	274,592	-
Write off	-	-	(878,750)	**(878,750)**
Fx impact	(12,621,742)	(144,475)	(30,577)	**(12,796,794)**
Gross carrying value at the closing of the period	**408,390,940**	**4,207,394**	**2,922,081**	**415,520,415**

15. DUE FROM BANKS

	NOTES	2019 USD	2018 USD
Due from banks		**16,826,977**	17,487,649
Escrow bank account at Citibank	15.1.	**20,432,196**	20,137,921
		37,259,173	37,625,570

15.1. Escrow bank account at Citibank

In certain countries in which the Group operates, non-resident capital gains tax ('NRCGT') regimes have been enacted in recent years which may give rise to an NRCGT liability if there is a change of control (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 year (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'.

16. EQUITY INVESTMENTS AT FVOCI

	2019 USD	2018 USD
MFX Solutions, LLC		
Balance at the beginning of the period	**238,786**	200,000
(Loss)/Gain on revaluation	**(6,475)**	38,786
Balance at the end of the period	**232,311**	238,786

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.

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17. 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.

	2019 FURNITURE & FIXTURES USD	2019 VEHICLES USD	2019 OFFICE EQUIPMENT INCLUDING IT USD	2019 BUILDINGS USD	2019 TOTAL USD	2018 FURNITURE & FIXTURES USD	2018 VEHICLES USD	2018 OFFICE EQUIPMENT INCLUDING IT USD	2018 BUILDINGS USD	2018 TOTAL USD
Cost at the beginning of the period	**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 beginning of the period	**(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 beginning of the period	**577,292**	**97,445**	**2,971,246**	**859,694**	**4,505,677**	428,542	113,390	2,502,784	837,481	3,882,197
Additions during the period at cost	**383,739**	**57,758**	**1,991,870**	**179,752**	**2,613,119**	383,434	48,947	1,604,116	85,955	2,122,452
Foreign currency adjustment	**(19,902)**	**(12,392)**	**(214,932)**	**34,367**	**(212,859)**	(99,904)	(32,836)	(464,270)	(45,373)	(642,383)
Disposal during the period	**(33)**	**(10,329)**	**(39,412)**	**-**	**(49,774)**	-	(9,875)	9,755	-	(120)
Depreciation during the period	**(240,690)**	**(42,811)**	**(1,590,091)**	**(23,702)**	**(1,897,294)**	(209,830)	(59,577)	(1,132,321)	(21,063)	(1,422,791)
Adjustment of depreciation for disposals	**33,836**	**23,581**	**188,660**	**-**	**246,077**	12,941	12,485	256,787	-	282,213
Foreign currency differences	**9,572**	**8,182**	**111,627**	**(3,195)**	**126,186**	62,109	24,911	194,395	2,694	284,109
Carrying value at the end of the period	**743,814**	**121,434**	**3,418,968**	**1,046,916**	**5,331,132**	577,292	97,445	2,971,246	859,694	4,505,677
Cost at the end of the period	**1,866,443**	**370,013**	**8,043,247**	**1,148,778**	**11,428,481**	1,502,639	334,976	6,305,721	934,659	9,077,995
Accumulated depreciation at the end of the period	**(1,122,629)**	**(248,579)**	**(4,624,279)**	**(101,862)**	**(6,097,349)**	(925,347)	(237,531)	(3,334,475)	(74,965)	(4,572,318)
Carrying value at the end of the period	**743,814**	**121,434**	**3,418,968**	**1,046,916**	**5,331,132**	577,292	97,445	2,971,246	859,694	4,505,677

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

	NOTES	2019 USD	2018 USD
Right-of-use assets at the beginning of the period	2.3	**5,553,290**	-
Additions during the period		**4,167,200**	-
Amortisation during the period		**(3,892,323)**	-
Exchange rate differences		**53,731**	-
Right-of-use assets at the end of the period		**5,881,898**	-

	NOTES	2019 USD	2018 USD
Lease liability at the beginning of the period	2.3	**3,723,124**	-
Interest expense of lease liability		**395,186**	-
Additions of lease liabilities during the period		**4,166,582**	-
Payment of lease liabilities		**(4,227,276)**	-
Exchange rate differences		**(76,682)**	-
Lease liability at the end of the period		**3,980,934**	-

19. OTHER ASSETS

The other assets comprise of the following:

	NOTES	2019 USD	2018 USD
Receivables from related parties	19.1.	**720,197**	466,711
Prepayments		**2,378,463**	3,340,703
Employee advances		**1,826,950**	1,322,684
Advance income tax		**1,800,025**	1,865,955
Security deposit		**101,436**	92,417
Receivables under on-book and off-book BC model (ASAI India)		**450,684**	703,564
Insurance claim receivable		**569,943**	420,381
Interest receivable on due from banks		**603,115**	535,086
Securitisation and DA gain receivable		**376,077**	211,917
Other receivables	19.2.	**1,696,992**	717,211
		10,523,882	9,676,629

Prepayments and employee advances are in line with security against housing contracts, funding agreements and employee.receivables. Advance income tax will be set off against current tax payable after completion of the tax assessment.

19.1 Receivables from related parties

	2019 USD	2018 USD
CMI	**172,845**	238,344
ASA Bangladesh	**189,028**	3,231
Sequoia BV	-	57,679
MBA Philippines	**219,529**	71,144
ASAI Cambodia Holdings	**107,660**	-
CMII	-	96,313
Catalyst Continuity	**16,390**	-
Continuity EBT Ltd.	**200**	-
ASA Social Services Ltd.	**13,445**	-
CMI Partners Limited	**200**	-
CMIMC	**200**	-
CMIC	**700**	-
	720,197	466,711

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19. OTHER ASSETS CONTINUED

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

19.2 Other receivables includes various advances to employees' insurance and other parties, receivable from VAT and service tax authorities etc. Individually, none of the advances are over USD 150,000.

20 FAIR VALUE DERIVATIVES

	NOTES	2019 USD	2018 USD
Forward contracts		-	2,312,647
Derivative assets total		-	2,312,647
Forward contracts		**(1,658,568)**	-
Swap agreements		**(164,031)**	-
Derivative liabilities total		**(1,822,599)**	-
Total Derivatives at Fair Value		**(1,822,599)**	2,312,647

20.1 The Group is holding the following foreign exchange forward contracts:

	MATURITY				
AS OF 31 DECEMBER 2019	<30 DAYS	1-3 MONTHS	3-12 MONTHS	>12 MONTHS	TOTAL
Pakistan					
Notional amount (in USD)	**666,670**	**4,000,000**	**21,841,666**	-	**26,508,336**
Average forward rate (USD/PKR)	**169**	**148**	**169**	-	
Carrying amount (in USD)	**(29,195)**	**202,515**	**(890,506)**		**(717,186)**
Myanmar					
Notional amount (in USD)	**3,000,000**	-	**3,500,000**	**3,800,000**	**10,300,000**
Average forward rate (USD/KYAT)	**1,628**	-	**1,717**	**1,839**	
Carrying amount (in USD)	**(284,986)**	-	**(352,022)**	**(227,769)**	**(864,777)**
Tanzania					
Notional amount (in USD)	-	-	**2,500,000**	-	**2,500,000**
Average forward rate (USD/TZS)	-	-	**2,482**	-	
Carrying amount (in USD)	-	-	**(76,605)**	-	**(76,605)**
Philippines					
Notional amount (in USD)	-	-	-	-	-
Average forward rate (USD/PHP)	-	-	-	-	-
Carrying amount (in USD)	-	-	-	-	-

	MATURITY				
AS OF 31 DECEMBER 2018	<30 DAYS	1-3 MONTHS	3-12 MONTHS	>12 MONTHS	TOTAL
Pakistan					
Notional amount (in USD)	6,166,666	-	26,958,336	-	33,125,002
Average forward rate (USD/PKR)	126	-	-	-	
Carrying amount (in USD)	899,825	-	1,126,072	-	2,025,897
Myanmar					
Notional amount (in USD)	-	-	5,000,000	4,500,000	9,500,000
Average forward rate (USD/KYAT)	-	-	1,646	1,695	
Carrying amount (in USD)	-	-	59,450	132,112	191,562
Tanzania					
Notional amount (in USD)	-	-	-	-	-
Average forward rate (USD/TZS)	-	-	-	-	
Carrying amount (in USD)	-	-	-	-	-
Philippines					
Notional amount (in USD)	1,000,000	-	-	-	1,000,000
Average forward rate (USD/PHP)	49	-	-	-	
Carrying amount (in USD)	95,188	-	-	-	95,188

20.2 The Group also holds the below swap contracts

	NOTIONAL AMOUNT USD	CARRYING AMOUNT USD
Cross-currency interest rate swap	16,140,608	(164,031)

At 31 December 2019, the Group had two cross-currency interest rate swap agreements in place.

1) A swap agreement with a notional amount of USD 3,000,000 was entered on 25 July 2019 by the ASAI India whereby the ASAI India pays a fixed rate of interest of 11.8% in Indian Rupee (INR) and receives interest at a variable rate equal to 6 months LIBOR+4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 6 months LIBOR+4.3% USD loan.

2) A swap with a notional amount of Euro 10,000,000 on 9 December 2019 by the same whereby the ASAI India pays a fixed rate of interest of 12.55% in Indian Rupee and receives interest at a variable rate equal to 6 months EURIBOR+4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 6 months EURIBOR+4.3% Euro loan.

The applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows using future exchange rates and discounting them with the appropriate interest rate curves. These derivative contracts are classified as Level 2 financial instrument.

21. GOODWILL

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

	2019 USD	2018 USD
Balance at the beginning of the period	**33,423**	39,845
Foreign exchange differences during the period	**287**	(6,422)
Balance at the end of the period	**33,710**	33,423

For the year 2019, *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.

22. ISSUED CAPITAL

	2019 USD	2018 USD
ASA International Group plc 100 million shares of GBP 0.01 each	**1,310,000**	1,310,000
	1,310,000	1,310,000
Movements in issued capital		
Capital at the beginning of the period	**1,310,000**	36,273,490
Issue of capital	-	94,726,510
Capital reduction	-	(129,690,000)
Capital at the end of the period	**1,310,000**	1,310,000

Notes to the consolidated financial statements continued

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23. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	NOTES	2019 USD	2018 USD
Balance at the beginning of the period		**121,316,849**	71,321,318
Impact of adopting IFRS 9, net of tax		-	(263,381)
Adjusted balance at the beginning of the period		**121,316,849**	71,057,937
Actuarial gains and losses on defined benefit liabilities	8.1.	**(217,101)**	(181,473)
Movement in hedge accounting reserve		**(281,376)**	(120,285)
(Loss)/Gain on revaluation of MFX investment	16.	**(6,475)**	38,786
Others		**341,179**	280,314
Dividend declared		**(7,300,000)**	(8,700,000)
Capital reduction		-	34,963,490
Result for the period		**34,011,096**	23,978,080
Balance at the end of the period		**147,864,172**	121,316,849
Profit for the period			
Attributable to equity holders of the parent		**34,011,096**	23,978,080
Non-controlling interest		**485,955**	475,468
		34,497,051	24,453,548

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 17,215,575 at 31 December 2019 (2018: USD 14,746,610).

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 11,619,217 in December 2019 (2018: USD 9,872,828).

The dividend was declared on 16 April 2019.

24. FOREIGN CURRENCY TRANSLATION RESERVE

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

	2019 USD	2018 USD
Balance at the beginning of the period	**(36,249,485)**	(25,831,373)
Translation of assets and liabilities of subsidiaries to USD	**(4,794,282)**	(10,418,112)
Balance at the end of the period	**(41,043,768)**	(36,249,485)

25. DEBT ISSUED AND OTHER BORROWED FUNDS

	NOTES	2019 USD	2018 USD
Debt issued and other borrowed funds by operating subsidiaries	25.1	**260,642,987**	219,303,331
Loan from Bill & Melinda Gates Foundation (ASAIH)	25.2	-	20,000,000
Participation agreements Blue Orchard-managed funds (ASAIH)	25.3	**3,500,000**	3,500,000
Loan from Symbiotics-managed funds (ASAIH/ASAI NV)	25.4	**14,500,000**	5,000,000
Loan from Oikocredit (ASAIH)	25.5	**9,166,669**	7,333,333
Loan from Incofin CVBA (ASAIH)	25.6	-	2,000,000
Loan from OPIC (ASAIH)	25.7	**20,000,000**	20,000,000
Loan from BIO (ASAIH)	25.8	**10,000,000**	-
Interest payable on third-party loans		**5,027,060**	2,945,534
		322,836,716	280,082,198

25.1 The break down of borrowings by operating subsidiary is shown below:

	2019 USD	2018 USD
ASAI India	**130,653,557**	93,693,454
PPFC	**52,270,832**	39,485,319
ASA Pakistan	**35,899,211**	51,458,949
ASA Tanzania	**8,413,873**	3,605,307
ASA Kenya	**8,357,796**	4,504,222
ASA S&L	**6,559,748**	4,510,168
ASA Myanmar	**5,852,746**	6,534,816
ASA Uganda	**4,600,937**	3,563,269
Lak Jaya	**4,429,257**	6,054,290
ASIEA	**2,951,384**	5,607,967
Others	**653,646**	285,570
	260,642,987	219,303,331

Some of the subsidiaries loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in contracts for credit lines of in total USD 8,462,550, which are fully drawn. Due to these breaches of covenant clauses, the lenders are contractually entitled to request for immediate repayment of the outstanding loan amounts. The outstanding balance is presented as on demand as at 31 December 2019.

The lenders have not requested any early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management has received waiver certificates from the lenders for loans amounting to USD 6,973,904 after the balance sheet date and is in the process of renegotiating to get waivers for the remaining balance and expects that waivers will be in place in the second quarter of 2020.

25.2 Loan from Bill & Melinda Gates Foundation (ASAIH)

ASAIH 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. This loan has been repaid on 24 December 2019.

25.3 Participation agreements Blue Orchard-managed funds (ASAIH)

ASAIH entered into three participation agreements with MIFA – a fund managed by BlueOrchard ('MIFA') – pursuant whereto ASAIH sold and assigned the interest in its shareholder loans to ASAI 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 ASAIH and from ASAIH to MIFA, whereby ASAIH is only acting as a pass-through. The amount will be repaid in 2020. Interest is LIBOR plus 4.5%.

25.4 Loan from Symbiotics-managed funds (ASAIH/ASAINV)

ASAIH entered into loan agreements with three investment funds managed by Symbiotics SA in November 2018 for a total amount of USD 5 million (the 'Symbiotics loans'). ASAIH took a new loan of USD 5 million on July 2019 at 6.25%. In October 2019, ASAI NV entered into a loan agreement with one investment fund managed by Symbiotics SA for a total amount of USD 4.5 million at 6.15%. The principal can be extended up to USD 10 million upon the request of ASAI NV. All the loans will be repaid within three years of disbursement.

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25. DEBT ISSUED AND OTHER BORROWED FUNDS CONTINUED

25.5 Loan from Oikocredit (ASAIH)

ASAIH 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'). The term of the Oikocredit loans is five years. As of 31 December 2019, the outstanding balance was USD 1.7 million. On 12 July 2018, ASAIH entered into a new agreement with Oikocredit for a credit line of USD 7.5 million which has been fully drawn as of December 2019. The term of this credit line is five years. Interest on the loans is six month LIBOR or 3.5% whichever is lower plus a margin of 3% for the direct loan and 2,5% for the credit line.

25.6 Loan from Incofin CVBA (ASAIH)

ASAIH 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. The loan was repaid in 2019. Interest is 6.5% per annum.

25.7 Loan from OPIC (ASAIH)

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

25.8 Loan from BIO (ASAIH)

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

26. DUE TO CUSTOMERS

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

	2019 USD	2018 USD
Clients' security deposits	**66,279,287**	52,183,131
Clients' voluntary savings	**11,800,976**	11,761,164
Interest payable on deposits and savings	**28,204**	41,678
	78,108,467	63,985,973

Clients can deposit voluntary savings where the subsidiary has a licence to do so. The rate of interest on client security deposits and client voluntary savings amount to 8% in Ghana and 7% in Nigeria. In ASA Myanmar the interest rate on voluntary savings is 10% and for compulsory savings 15%. ASA Rwanda provides 6% interest on voluntary savings.

27. OTHER LIABILITIES

Other liabilities are as follows:

	NOTES	2019 USD	2018 USD
Security deposits		**1,539,441**	1,217,904
Other deposits		**806,067**	588,139
Deferred income		**253,502**	274,163
Accrued expenses		**885,879**	1,046,589
Accrued audit fees		**890,646**	846,975
Taxes payable, other than corporate income tax		**1,780,535**	2,146,451
Amount due to employees		**1,530,182**	1,295,157
Amount due to related parties	27.1.	**1,049,801**	1,327,927
Liability to CMI regarding Escrow Account at Citibank		**20,432,196**	20,137,921
Liabilities under on-book and off-book BC model (ASAI India)		**701,442**	701,830
Other liabilities	27.2.	**2,209,862**	899,542
		32,079,553	30,482,598

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.

27.1 Amount due to related parties

	2019 USD	2018 USD
CMI	**746,976**	880,599
Sequoia BV	**68,390**	40,524
MBA Philippines	**125,210**	79,061
CMIMC	**109,226**	75,158
CMIC	**-**	138,178
ASA Bangladesh	**-**	114,414
	1,049,802	1,327,934

27.2 Other liabilities include various smaller accruals and provisions for various entities in the Company. Individually none of the payables are over USD 150,000.

28. PROVISIONS

The movement in provisions during 2019 and 2018 is as follows:

	PROVISION FOR VAT (PPFC) USD	PROVISION FOR FINANCIAL GUARANTEES UNDER OFF-BOOK BC MODEL (ASAI INDIA) USD	PROVISION FOR SERVICE TAX (ASAI INDIA) USD	TOTAL USD
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 2019	**833,138**	**7,465**	**312,807**	**1,153,410**
At 1 January 2019	**833,138**	**7,465**	**312,807**	**1,153,410**
Arising during the year	39,895	14,368	16,323	**70,586**
Utilised	(873,033)	-	(251,404)	**(1,124,437)**
FX difference	-	(367)	(4,753)	**(5,120)**
At 31 December 2019	**-**	**21,466**	**72,973**	**94,439**

The liability regarding VAT (PPFC) has been paid in 2019.

The provision for financial guarantee under the off-book BC model is made based on the risk percentage of the Group on such portfolio. ASA India uses the risk percentage for each BC contract to determine the risk for the entity and then uses the Group provisioning policy on such risk adjusted amount to calculate the provision required.

29. ADDITIONAL CASH FLOW INFORMATION

29.1 Changes in operating assets

	2019 USD	2018 USD
Loans and advances to customers	**(87,553,786)**	(81,716,287)
Movement in due from banks	**205,449**	(23,689,982)
Movement in restricted cash	**(3,530,271)**	(1,419,298)
Movement in right-of-use assets	**(9,720,490)**	-
Other assets excluding income tax advances	**(690,407)**	(1,839,527)
	(101,289,505)	(108,665,094)

Notes to the consolidated financial statements continued

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29. ADDITIONAL CASH FLOW INFORMATION CONTINUED

29.2 Changes in operating liabilities

	2019 USD	2018 USD
Due to customers	**17,019,009**	13,512,337
Other liabilities	**1,042,902**	23,872,977
Retirement benefit	**(176,646)**	(48,288)
Movement in lease liability	**7,889,706**	-
Movement in provisions	**(1,053,851)**	-
	24,721,120	37,337,026

29.3 Non-cash items included in the statement of comprehensive income

	2019 USD	2018 USD
Depreciation on:		
- Property and equipment	**1,897,294**	1,422,791
- Right-of-use assets	**3,892,323**	-
Interest expense on lease liability	**395,186**	-
Credit loss expense	**4,248,982**	1,569,606
Write-off of loans	**878,750**	831,440
Fair value movement of forward contracts	**3,853,870**	(1,530,868)
Charge against defined benefit plan	**1,939,485**	629,513
Foreign exchange result	**294,871**	989,539
	17,400,761	3,912,021

29.4 Reconciliation of cash and cash equivalents

	2019 USD	2018 USD
Cash and cash equivalents as per cash flow	**65,545,432**	58,105,817
Restricted cash for Loan Collateral Build Up ('LCBU') in PPFC	**18,980,971**	14,839,769
Cash at bank and in hand as per balance sheet	**84,526,403**	72,945,586

30. RISK MANAGEMENT

30.1 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.

30.2 Risk management structure

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

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 risk. The Group encounters impacts on the Group's earnings	*Credit risk*	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations
		Interest rate risk	Risk that the Group's profitability or result of operations will be affected by fluctuations in interest rates
		Liquidity risk	Risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances
		Exchange rate/ currency risk	Possibility of financial loss to the Group arising from adverse movements in foreign exchange rates

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

30. RISK MANAGEMENT CONTINUED

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 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 decisions, improper implementation of decisions or lack of responsiveness to changes in the environment	*Competition risk*	Risk that Group might face by not responding to the competitive environment or failing to ensure our proposition meets customer needs
		Reputational risk	Risk to earnings or capital arising from negative public opinion

30.3 Operational Risk

Information and technology risk

Information and technology risks 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, quality control 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.

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).

30.4 Financial risk
30.4.1 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 except off-book BC portfolio where the risk is determined as per contract with BC Partners. 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.

	2019 USD	2018 USD
Cash and cash equivalents (excluding cash in hand)	**84,397,641**	72,769,662
Loans and advances to customers	**412,303,869**	343,127,939
Customer security deposit	**(66,279,287)**	(52,183,131)
Off-book portfolio (BC model)[1]	**2,488,017**	1,833,638
Due from banks	**37,259,173**	37,625,570
Other assets	**6,345,394**	6,782,618
Maximum credit exposure	**476,514,807**	409,956,296

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

30. RISK MANAGEMENT CONTINUED

There are no significant concentrations of credit risk, whether through exposures to individual customers, specific industry/sectors and/or countries. Management regularly monitors the concentration risk and manages loan distribution if required.

GEOGRAPHIC DISTRIBUTION OF MAXIMUM CREDIT EXPOSURE AS AT 31 DECEMBER 2019.

	CASH AND CASH EQUIVALENTS (EXCLUDING CASH IN HAND) USD	LOANS AND ADVANCES TO CUSTOMERS USD	CUSTOMER SECURITY DEPOSIT USD	DUE FROM BANKS USD	OTHER ASSETS USD	OFF-BOOK PORTFOLIO (BC MODEL) USD	TOTAL USD
West Africa	**9,307,598**	**77,537,652**	**(27,349,969)**	**4,084,428**	**1,026,004**	**-**	**64,605,713**
East Africa	**4,671,219**	**50,932,550**	**(14,040,199)**	**1,085,079**	**186,471**	**-**	**42,835,120**
South Asia	**31,543,946**	**198,847,674**	**(2,082,324)**	**11,657,470**	**3,054,322**	**2,488,017**	**245,509,105**
South East Asia	**35,123,327**	**84,985,993**	**(22,806,795)**	**-**	**1,244,795**	**-**	**98,547,320**
Non-operating entities	**3,751,551**	**-**	**-**	**20,432,196**	**833,801**	**-**	**25,017,548**
Maximum credit exposure	**84,397,641**	**412,303,869**	**(66,279,287)**	**37,259,173**	**6,345,393**	**2,488,017**	**476,514,806**

GEOGRAPHIC DISTRIBUTION OF MAXIMUM CREDIT EXPOSURE AS AT 31 DECEMBER 2018.

	CASH AND CASH EQUIVALENTS (EXCLUDING CASH IN HAND) USD	LOANS AND ADVANCES TO CUSTOMERS USD	CUSTOMER SECURITY DEPOSIT USD	DUE FROM BANKS USD	OTHER ASSETS USD	OFF-BOOK PORTFOLIO (BC MODEL) 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	32,572,232	(9,677,475)	134,567	123,216	-	27,607,161
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	63,018,864	(17,137,021)	-	1,367,935	-	75,114,704
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

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 AS AT 31 DECEMBER 2019

				TOTAL DIRECT LENDING/IFRS 9 STAGES				
				STAGE 1	STAGE 2		STAGE 3	
	DUE FROM BANKS[1] USD	LOANS AND ADVANCES TO CUSTOMERS USD	TOTAL LENDING USD	NEITHER PASSED DUE NOR IMPAIRED USD	<30 OVERDUE USD	30<90 USD	90<180 USD	>180 USD
West Africa	**4,084,428**	**78,078,364**	**82,162,792**	**76,360,150**	**294,344**	**431,698**	**228,226**	**763,946**
East Africa	**1,085,079**	**51,877,735**	**52,962,814**	**51,481,503**	**46,594**	**86,750**	**128,411**	**134,477**
South Asia	**11,657,470**	**200,678,525**	**212,335,995**	**193,066,857**	**3,163,349**	**1,708,257**	**1,247,691**	**1,492,371**
South East Asia	**-**	**84,885,791**	**84,885,791**	**83,882,281**	**95,862**	**195,560**	**180,801**	**531,287**
Non-operating entities	**20,432,196**	**-**	**20,432,196**	**-**	**-**	**-**	**-**	**-**
Total	**37,259,173**	**415,520,415**	**452,779,588**	**404,790,791**	**3,600,149**	**2,422,265**	**1,785,129**	**2,922,081**
ECL provisioning rate				**0.030%**	**5%**	**20%**	**50%**	**100%**
ECL provision			**3,990,168**	**92,979**	**172,198**	**435,756**	**788,923**	**2,500,312**

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

CREDIT RISK FROM LENDING AS AT 31 DECEMBER 2018

				TOTAL DIRECT LENDING/IFRS 9 STAGES				
				STAGE 1		STAGE 2	STAGE 3	
	DUE FROM BANKS[1] USD	LOANS AND ADVANCES TO CUSTOMERS USD	TOTAL LENDING USD	NEITHER PASSED DUE NOR IMPAIRED USD	<30 OVERDUE USD	30<90 USD	90<180 USD	>180 USD
West Africa	6,561,479	72,074,785	78,636,264	71,515,044	149,877	227,469	84,992	97,403
East Africa	134,567	33,163,918	33,298,485	32,998,402	19,532	25,097	35,241	85,646
South Asia	10,791,603	176,011,261	186,802,864	174,243,657	370,103	393,364	454,509	549,627
South East Asia	-	62,360,970	62,360,970	62,010,429	50,568	96,674	100,372	102,927
Non-operating entities	20,137,921	-	20,137,921	-	-	-	-	-
Total	**37,625,570**	**343,610,934**	**381,236,504**	**340,767,532**	**590,080**	**742,604**	**675,114**	**835,603**
ECL provisioning rate				**0.220%**	**5%**	**20%**	**50%**	**100%**
ECL provision			**1,815,921**	624,025	26,025	126,038	300,155	739,678

1 Due from Banks are neither past due nor credit impaired.

30.4.2 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. Most subsidiaries of ASAI are now able to attract third-party funding and various local currency and USD loans are in place.

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

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

- The main class of assets are loans to customers. Due to the nature of the microfinance business the Company is engaged in these loans to customers have short-term maturities, hence the Company is in a position to generate a constant stream of cash inflows. The Company is in the position to accumulate sufficient funds to cover its obligations, although this may entail limitations on new loan disbursements.
- As at 31 December 2019 the Company had a cash balance of USD 84,526,403 (2018: USD 72,945,586).
- 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.

Notes to the consolidated financial statements continued
For the year ended 31 December 2019

30. RISK MANAGEMENT CONTINUED

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

LIABILITIES FY 2019	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Debt issued and other borrowed funds	10,383,456	12,956,552	125,107,842	148,447,850	174,388,866	-	174,388,866	-	322,836,716
Due to customers	7,941,207	27,086,449	42,914,326	77,941,982	166,485	-	166,485	-	78,108,467
Lease liability	-	27,451	471,007	498,458	2,893,478	588,998	3,482,476	-	3,980,934
Derivative liabilities	-	111,666	1,319,132	1,430,798	391,801	-	391,801	-	1,822,599
Other liabilities	441,648	4,238,957	4,089,993	8,770,598	117,370	-	117,370	23,191,585	32,079,553
Provisions	-	-	72,973	72,973	21,466	-	21,466	-	94,439
Total liabilities	18,766,311	44,421,075	173,975,273	237,162,659	177,979,466	588,998	178,568,464	23,191,585	438,922,708

LIABILITIES FY 2018	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Debt issued 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
Due to customers	4,020,933	39,434,811	20,530,229	63,985,973	-	-	-	-	63,985,973
Other liabilities	2,100,845	884,523	7,122,806	10,108,174	130,034	-	130,034	20,244,390	30,482,598
Provisions	-	-	1,153,410	1,153,410	-	-	-	-	1,153,410
Total assets	17,976,164	59,884,433	160,367,264	238,227,861	111,219,271	3,596,976	114,816,247	22,660,071	375,704,179

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

ASSETS FY 2019	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Cash at bank and in hand	63,966,460	-	20,269,335	84,235,795	290,608	-	290,608	-	84,526,403
Loans and advances to customers	1,278,389	65,412,326	305,769,866	372,460,561	39,843,308	-	39,843,308	-	412,303,868
Due from banks	-	3,918,929	9,399,909	13,318,838	3,508,138	-	3,508,138	20,432,197	37,259,173
Equity investments at FVOCI	-	-	-	-	-	-	-	232,311	232,311
Other assets	-	371,246	8,086,907	8,458,153	1,939,328	112,633	2,051,961	13,768	10,523,882
Total assets	65,244,829	69,702,501	343,526,017	478,473,347	45,581,382	112,633	45,694,015	20,678,276	544,845,637

ASSETS FY 2018	ON DEMAND	<3 MONTHS	3-12 MONTHS	SUB-TOTAL 1-12 MONTHS	1-5 YEARS	OVER 5 YEARS	SUB-TOTAL >12 MONTHS	NO FIXED MATURITY	TOTAL
Cash at bank and in hand	56,554,685	-	14,990,965	71,545,650	1,399,936	-	1,399,936	-	72,945,586
Loans and advances to customers	-	52,213,998	232,194,531	284,408,529	58,719,410	-	58,719,410	-	343,127,939
Due from banks	-	-	35,497,788	35,497,788	2,127,782	-	2,127,782	-	37,625,570
Equity investments at FVOCI	-	-	-	-	-	-	-	238,786	238,786
Derivative assets	-	-	2,312,647	2,312,647	-	-	-	-	2,312,647
Other assets	9,402	1,718,208	7,637,861	9,365,471	311,158	-	311,158	-	9,676,629
Total assets	56,564,087	53,932,206	292,633,792	403,130,085	62,558,286	-	62,558,286	238,786	465,927,157

Changes in liabilities arising from financing activities in 2019.

FY 2018	1 JANUARY 2018 USD	CASH FLOWS USD	NON CASH MOVEMENT	FOREIGN EXCHANGE MOVEMENT 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

FY 2019	**1 JANUARY 2019 USD**	**CASH FLOWS USD**	**NON CASH MOVEMENT**	**FOREIGN EXCHANGE MOVEMENT USD**	**31 DECEMBER 2019 USD**
Debt issued and borrowed funds	**280,082,198**	**47,650,390**	-	**(6,977,398)**	**320,755,190**
Lease liabilities	**3,723,124**	**(4,227,276)**	**4,561,768**	**(76,682)**	**3,980,934**
Total liabilities from financing activities	**283,805,322**	**43,423,114**	**4,561,768**	**(7,054,080)**	**324,736,124**

30.4.3 Foreign exchange rate risk

Currency risk is the possibility of financial loss to the Company arising from adverse movements in foreign exchange rates. Currency risk is a substantial risk for the Company, as most loans to MFIs and borrowers are in local currency in countries where 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. 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 India ASA Pakistan, PPFCI, ASA India, ASA Myanmar, ASA Kenya and ASA Tanzania entered into hedging agreements during 2018 and 2019. The Company applies hedge accounting to the USD loans and related hedge contracts. Reference is made to note 37.

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 to secure local currency loans (instead of foreign currency loans) to the extent possible or deemed commercially advantageous.

SIMULATION: FOREIGN CURRENCY TRANSLATION RESERVE

	FX TRANSLATION RESERVE ACTUAL 2019 USD	FX TRANSLATION RESERVE AFTER -10% RATE 2019 USD	MOVEMENT 2019 USD	FX TRANSLATION RESERVE ACTUAL 2018 USD	FX TRANSLATION RESERVE AFTER -10% RATE 2018 USD	MOVEMENT 2018 USD
West Africa	**(20,997,535)**	**(24,392,261)**	**(3,394,726)**	(18,592,807)	(21,374,561)	(2,781,754)
East Africa	**(839,275)**	**(2,246,221)**	**(1,406,946)**	(735,727)	(1,549,483)	(813,756)
South Asia	**(16,862,510)**	**(21,987,284)**	**(5,124,774)**	(14,301,552)	(19,430,480)	(5,128,928)
South East Asia	**(2,034,720)**	**(3,984,981)**	**(1,950,261)**	(2,677,591)	(4,073,321)	(1,395,731)
Non-operating entities	**(309,728)**	**(314,445)**	**(4,717)**	58,192	40,955	(17,237)
Total	**(41,043,768)**	**(52,925,192)**	**(11,881,424)**	(36,249,485)	(46,386,890)	(10,137,406)

Analysis of the actual exchange rate fluctuations against the USD for the period 2010-2018 shows different trends for the all operating currencies. The annual exchange rate fluctuations are between -1% and 18%, but most moved within -1% to 3%. 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 2019 as well as the simulation of the impact of a 10% downward movement of the FX rates on the foreign exchange results.

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30. RISK MANAGEMENT CONTINUED

As at 31 December 2019 a 10% downward movement of FX rates against the USD has a negative impact on the foreign currency exchange result of USD (1,541,610) (2018: USD (905,812)). The higher impact on the result of the Company results from increase in short term intercompany USD loans which cannot be hedged.

SIMULATION: FOREIGN EXCHANGE PROFIT AND LOSS

	FOREIGN EXCHANGE PROFIT AND LOSS ACTUAL 2019 USD	FOREIGN EXCHANGE PROFIT AND LOSS AFTER -10% RATE 2019 USD	MOVEMENT 2019 USD	FOREIGN EXCHANGE PROFIT AND LOSS ACTUAL 2018 USD	FOREIGN EXCHANGE PROFIT AND LOSS AFTER -10% RATE 2018 USD	MOVEMENT 2018 USD
West Africa	**(207,966)**	**(448,924)**	**(240,958)**	(125,288)	(385,695)	(260,407)
East Africa	**(38,695)**	**(346,816)**	**(308,121)**	(97,465)	(454,469)	(357,004)
South Asia	**10,211**	**153,909**	**143,698**	(309,015)	(321,224)	(12,209)
South East Asia	**198,990**	**(455,185)**	**(654,175)**	(104,404)	(264,719)	(160,315)
Non-operating entities	**(257,411)**	**(739,465)**	**(482,054)**	(353,367)	(469,244)	(115,877)
Total	**(294,871)**	**(1,836,481)**	**(1,541,610)**	(989,539)	(1,895,351)	(905,812)

30.4.4 Interest rate risk

Interest rate risk is the risk that profitability is affected by fluctuations in interest rates. The greatest interest rate risk the 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 of between one and three years. 27% of the consolidated debt has variable interest rates. Depending on the extent of the exposure and hedging possibilities with regard to availability of hedging instruments and related pricing, the 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. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

			2019		2018	
			EFFECT ON PROFIT BEFORE TAX		EFFECT ON PROFIT BEFORE TAX	
	INCREASE IN BASIS POINTS	DECREASE IN BASIS POINTS	**USD**	**USD**	USD	USD
USD	+100	-100	**526,750**	**(526,750)**	289,583	(289,583)
PKR	+100	-100	**136,909**	**(136,909)**	388,339	(388,339)
INR	+100	-100	**213,372**	**(213,372)**	140,716	(140,716)

30.5 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 the regulatory and legal environment, through inter alia tier-one law firms and the local corporate secretaries and compliance officers in certain countries. In most countries the relevant microfinance subsidiary also maintains direct relationships with the regulator, including central banks. In addition, the 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, Deputy General Counsel and Group Compliance Manager establish and maintain an operationally independent Compliance function at the corporate level led by the Group. Whilst the General Counsel bears overall responsibility for the Compliance function, the General Counsel has delegated day-to-day responsibility for managing the Compliance function to the Group Compliance Manager who performs the compliance duties independently. The Group Compliance Manager is responsible for overseeing and implementing the Group compliance framework, including the Group compliance policy (the Compliance Policy). The Compliance Policy sets out the principles and standards for compliance and management of compliance risks in the Group. The Group seeks to reduce compliance risks taking into account the nature, scale and complexity of the business and ensures the policies are in alignment with the Group strategy and its core values. The new Group Compliance Manager was appointed in 2019.

30.6 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.

31. COMMITMENTS

The Group agreed certain commitments to BC Partners under the BC model in ASAI India. Reference is made to note 14. As per the current model ASAI India holds 5% risk on the portfolio managed on behalf of IDFC. Similar commitments were agreed with MAS Financial Services Ltd in India. As of 31 December 2019 the risk of the Group on such BC portfolio stands at USD 2,483,400 (2018: USD 5,527,569).

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

32. RELATED PARTY DISCLOSURES

32.1 Key management personnel

In 2017 ASAI Management Services Ltd ('AMSL') was incorporated by the Company in Bangladesh and from 1 April 2018 all staff deployed in Dhaka are on the pay-roll of AMSL or ASAIH. AMSL is majority owned and controlled by ASAI NV. 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. All Amsterdam based staff are on the payroll of ASAI NV.

The remuneration for the Non-Executive Chairman Mr. Shafiqual Haque Choudhury, CEO Mr. Dirk Brouwer and Executive Director Mr. A.K.M. Aminur Rashid are paid by ASA International Group plc.

Remuneration of Directors

In 2019, the Directors of the Company received total compensation of USD 1,166,628 (2018: USD 538,045).

Total remuneration to key management personnel of the Company

	2019	2018
Short-term employee benefits	**1,918,919**	1,632,167
Post-employment pension and medical benefits	-	-
Termination benefits	-	-
Share-based payment transaction	-	-
	1,918,919	1,632,167

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32. RELATED PARTY DISCLOSURES CONTINUED
Total remuneration takes the form of short-term employee benefits. In 2019, total remuneration paid to key management personnel of the Company amounted to USD 1,918,919 (2018: USD 1,632,167).

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 425,000.

32.2 Reporting dates of subsidiaries
All of the Company's subsidiaries have reporting dates of 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.

32.3 Subsidiaries

	COUNTRY OF INCORPORATION	2019 OWNERSHIP	2018 OWNERSHIP
ASAIH subsidiaries:			
ASA Consultancy	Ghana	**100%**	100%
ASAI India	India	**74.70%**	72.60%
Pagasa Consultancy	India	**99%**	99%
Pinoy	India	**99.99%**	99.99%
Proswift Consultancy:	India	**99.99%**	99.99%
ASAI India	India	**15.31%**	17.40%
Pagasa	The Philippines	**N/A[1]**	N/A[1]
PT PAGASA Consultancy	Indonesia	**99.99%**	99.99%
A1 Nigeria	Nigeria	**100%**	100%
ASHA Nigeria	Nigeria	**99.99%**	99.99%
ASIEA	Nigeria	**N/A[2]**	N/A[2]
ASA Pakistan	Pakistan	**99.99%**	99.99%
ASA Tanzania	Tanzania	**99.99%**	99.99%
ASA Myanmar	Myanmar	**99.99%**	99.99%
ASA Zambia	Zambia	**99.99%**	99.99%
ASA Rwanda	Rwanda	**99.99%**	99.99%
ASA Sierra Leone	Sierra Leone	**99.99%**	99.99%
ASAI NV subsidiaries:	The Netherlands	**N/A**	N/A
PPFC	The Philippines	**100%**	100%
ASA Leasing	Sri Lanka	**100%**	100%
ASA S&L	Ghana	**100%**	100%
CMI Lanka	Sri Lanka	**99.99%[3]**	99.99%
Lak Jaya	Sri Lanka	**97.14%**	97.14%
ASA Lanka	Sri Lanka	**100%**	100%
ASA Kenya	Kenya	**100%[4]**	100%[4]
ASA Uganda	Uganda	**99.99%**	99.99%
AMSL	Bangladesh	**95%**	95%
ASAI I&M	The Netherlands	**100%**	100%

1 CMI officials/representatives control the governing body and the Board.
2 ASAI controls the governing body and the Board (through its officials/representatives).
3 This refers to the beneficial ownership only. The legal ownership is held by CMI.
4 ASAIH holds 0.5% of the shares.

Relationship agreement with the Controlling Shareholder Group

The Company, CMI, Catalyst Continuity 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 (i) a majority of not less than 75% of the votes attaching to the shares voted on the resolution and (ii) 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 CMI and Catalyst Continuity has, and will have, the same voting rights attached to the shares as all other shareholders.

32.5 Other related parties

A list of related parties with which ASA International has transactions is presented below. The transactions in 2019 and 2018 and the balances per the end of the year 2019 and 2018 with related parties can be observed in notes below. Related party transactions take place at arm's length conditions.

NAME OF RELATED PARTY	RELATIONSHIP
CMI	Major shareholder (2019: 30.4%, 2018: 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

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32. RELATED PARTY DISCLOSURES CONTINUED

		INCOME FROM RELATED PARTIES	EXPENSES TO RELATED PARTIES	AMOUNT OWED BY RELATED PARTIES	AMOUNT OWED TO RELATED PARTIES
CMI	31 December 2019	–	–	172,845	21,179,172
	31 December 2018	28,979	–	238,344	21,018,520
CMIC	31 December 2019	–	–	700	–
	31 December 2018	–	34,408	–	138,178
Sequoia	31 December 2019	108,739	126,617	–	68,390
	31 December 2018	–	91,792	57,679	40,524
ASA Bangladesh	31 December 2019	–	61,294	189,028	–
	31 December 2018	–	1,266,698	3,231	114,414
MBA Philippines	31 December 2019	744,883	–	219,529	125,210
	31 December 2018	558,510	–	71,144	79,061
ASAICH	31 December 2019	–	–	107,660	–
	31 December 2018	–	–	–	–
CMIMC	31 December 2019	–	–	200	109,226
	31 December 2018	–	–	–	75,158
CMIIH	31 December 2019	–	–	–	–
	31 December 2018	4,685	–	96,313	–
IDFC	31 December 2019	3,902,723	–	449,545	701,442
	31 December 2018	2,503,425	–	627,545	555,626
Catalyst Continuity	31 December 2019	–	–	16,390	–
	31 December 2018	–	–	–	–
Continuity EBT	31 December 2019	–	–	200	–
	31 December 2018	–	–	–	–
ASA Social Services	31 December 2019	–	–	13,445	–
	31 December 2018	–	–	–	–
CMI Partners	31 December 2019	–	–	200	–
	31 December 2018	–	–	–	–

32.6 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 9.99%. ASAI India did not pay any dividend in 2019. The NCI in Lak Jaya, having its principal place of business in Sri Lanka, amounts to 2.86%. Lak Jaya did not declare any dividend in 2019.

The summarised financial information of Lak Jaya and ASAI India as at 31 December 2019 is as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
	LAK JAYA USD	ASAI INDIA USD	LAK JAYA USD	ASAI INDIA USD
Current assets	**12,195,608**	**164,317,522**	11,844,201	117,446,342
Non-current assets	**516,762**	**2,435,588**	227,396	1,025,899
Current liabilities	**7,680,627**	**135,724,251**	7,481,988	98,116,861
Non-current liabilities	**440,148**	**1,939,683**	169,720	574,546
Net operating income	**3,480,972**	**16,589,237**	3,673,369	13,968,981
Profit	**136,295**	**4,823,468**	404,647	4,641,733
Non-controlling interest	**131,320**	**2,907,171**	126,409	1,976,897

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

	31 DECEMBER 2019		31 DECEMBER 2018	
	LAK JAYA	ASAI INDIA	LAK JAYA	ASAI INDIA
Total no. of shares	**10,704,955**	**195,950**	10,704,955	195,950
Shares held by ASAI Group	**10,398,950**	**176,369**	10,398,950	176,369
Shares held by NCI	**306,005**	**19,581**	306,005	19,581
NCI %	**2.860%**	**9.994%**	2.860%	9.994%

	31 DECEMBER 2019		31 DECEMBER 2018	
	LAK JAYA USD	ASAI INDIA USD	LAK JAYA USD	ASAI INDIA USD
Summarised statement of financial position:				
Net assets	**4,591,595**	**29,089,176**	4,419,889	19,780,834
Net assets attributable to NCI	**131,320**	**2,907,171**	126,409	1,976,897
Summarised statement of profit or loss and other comprehensive income:				
Net operating income	**3,480,972**	**16,589,237**	3,673,369	13,968,981
Profit after tax	**136,295**	**4,823,468**	404,647	4,641,733
Profit allocated to NCI	**3,898**	**482,057**	11,573	463,895
Dividend paid to NCI	–	–	–	–
Summarised statement of cash flow:				
Cash flow from operation activities	**1,660,455**	**(22,052,852)**	(86,600)	(2,854,177)
Cash flow from investing activities	**(28,754)**	**(325,886)**	(104,213)	(210,544)
Cash flow from financing activities	**(1,611,681)**	**42,394,768**	1,030,942	3,615,029
Net cash flow attributable to NCI	**573**	**2,000,402**	24,028	54,998

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

33. SUBSEQUENT EVENTS DISCLOSURE

On 3 January 2020 ASA Pakistan Limited received the No objection ('NOC') from the State Bank of Pakistan for a microfinance bank subject to compliance with legal and regulatory requirements. The final licence can be issued after compliance with the conditions specified in the NOC.

On 11 March 2020 ASAI India received clearance from National Law Tribunal, Kolkata branch to amalgamate its business with Proswift consultancy private limited. The formalities of merger is expected to complete by June 2020.

ASA Savings and Loans limited had GHS 3.6 million (USD 650,000) with GN Bank, Ghana. In August 2019 the bank went into receivership and accordingly the full amount was impaired in the financial statement of the company. On 12 March 2020, the Company received GHS 1.8 million (USD 314,000) as a first tranche from the receiver. The management concludes the event as an adjusting event and impairment was reversed by the receipt amount accordingly.

Some of the subsidiaries loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the subsidiary is required to meet certain key financial ratios. Some subsidiaries did not fulfil some of the ratios as required in contracts for credit lines of in total USD 8,462,550, which are fully drawn. Due to these breaches of covenant clauses, the lenders are contractually entitled to seek acceleration of the loan subject to certain requirements. The outstanding balance is presented as on demand as at 31 December 2019. The lenders have not requested any early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management has received waiver certificates from the lenders for loans amounting to USD 6,973,904 after the balance sheet date and is in the process of renegotiating to get waivers for the remaining balance and expects that waivers will be in place in the second quarter of 2020.

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33. SUBSEQUENT EVENTS DISCLOSURE CONTINUED
The COVID-19 pandemic is impacting all of the Group's clients and staff across the world. In the period between 15 March 2020 until 6 April 2020, the governments of all operating countries, except for Sierra Leone and Zambia, announced lockdowns, curfews or other measures to mitigate the spread of COVID-19. The COVID-19 crisis has been disruptive to our operations due to the restrictions on movement and congregation of people, and the general fear and uncertainty caused by COVID-19, which has adversely affected the business activities of our clients in the countries in which we operate.

As soon as the implications of the potential spread of COVID-19 became clear, we promptly implemented a wide range of measures to minimize the impact of COVID-19 on our staff, clients and operations, including the necessary health and safety measures and steps to ensure we maintain an active dialogue with our clients, staff and other stakeholders.

Lockdowns in various countries including Pakistan, Ghana, Kenya, Nigeria and Myanmar have gradually begun to be lifted or relaxed in May, which has allowed our field operations in these countries to re-open their branches – however it is not possible to predict with certainty any future measures that may need to be introduced or the impact of the outbreak on society and health more widely.

The COVID-19 pandemic will have a material impact on the future financial performance of the Group in terms of expected increase in overdues and write-offs on the loan portfolio, the disbursement of new loans and the future profitability of the Group. Based on past experience and in light of the more widespread impact of the COVID-19 pandemic on the immediate repayment capacity of our clients as they emerge from the end of the lockdowns and/or moratoriums that have been imposed, we expect that the Group's PAR>30 may temporarily increase to levels between 5-10%. We expect that total write offs due to COVID-19 will be between 2-3% of the outstanding loan portfolio, although this is uncertain at the time of writing and may be materially different. At the current time it is not possible to estimate the financial impact on the Group of these post balance sheet events. The Group has performed a number of scenario forecasts in order to establish its going concern assessment and these are detailed in note 2.1.

The COVID-19 pandemic has been treated as a post balance sheet non-adjusting event.

34. CONTINGENT LIABILITIES
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 USD 357,000. The Appellate Tribunal has granted a Stay Order on the claim. Recently the Government of India introduced a scheme to resolve all legacy disputes. ASAI India has applied under the scheme and a revised claim was raised of USD 87,000 for closure of the case. ASAI India has paid the claim on 14 February 2020.

Demand was raised by income tax authorities after disallowance of some expenditures such as misappropriation of funds, gratuity etc. for the assessment years ('AY') 2011-2012 and 2012-2013. The disallowance amount for AY 2011-2012 is USD 177,000 and for AY 2012-2013 is USD 69,000. Matters are pending before Commissioner of Taxes (Appeals) and no provision has been created.

A demand has been raised by the income tax authorities for USD 1,130,000 for the AY 2012-13 in December 2019 which has been challenged before the concerned assessing officer. ASAI India has also applied for a stay of the demand. No provision is created for such demand.

Lak Jaya
Demand was raised by the Department of Inland Revenue ('IRD') for 2016-2017 and 2017-2018 amounting to USD 332,000 and USD 412,000 respectively by disallowing certain expenses. The Company has filed an appeal and submitted necessary documentation. The matter is pending to commissioner of IRD. No provision is taken in the financial statement against such demand as management concludes the merit of such demand is low.

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

36. FINANCIAL INSTRUMENTS

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

	CARRYING VALUES		FAIR VALUES	
	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
ASSETS				
Equity investments at FVOCI	**232,311**	238,786	**232,311**	238,786
Derivative assets	–	2,312,647	–	2,312,647
Loans and advances to customers	**412,303,869**	343,127,939	**412,303,869**	343,127,939
Due from banks	**37,259,173**	37,625,570	**37,259,173**	37,625,570
Other assets	**5,399,374**	3,837,673	**5,399,374**	3,837,673
Cash at bank and in hand	**84,526,403**	72,945,586	**84,526,403**	72,945,586
LIABILITIES AND EQUITY				
Financial liabilities measured at amortised cost				
Debt issued and borrowed funds	**322,836,716**	280,082,198	**322,836,716**	280,082,198
Due to customers	**78,108,467**	63,985,973	**78,108,467**	63,985,973
Derivative liabilities	**1,822,599**	–	**1,822,599**	-
Other liabilities	**32,079,553**	28,061,984	**32,079,553**	28,061,984

- The carrying amounts of Cash and cash equivalents, Due from banks, Due to customers, Other assets and Other liabilities approximate the fair value due to the very short-term maturities of these items;
- Loans and advances to customers are carried at amortised cost net of ECL. Furthermore, the term of the loans to the microfinance borrowers is short (six to 12 months). Due to these circumstances, the carrying amount approximates fair value;
- Regarding the 'Debt issued and other borrowed funds', this amount reflects the loans from third parties on holding level as well as the loans provided by third parties directly to the subsidiaries of ASA International. The loans are held at amortised cost. The carrying amount is the best approximation of the fair value.

37. HEDGE ACCOUNTING

Forward contracts

The Group applies hedge accounting to USD 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.

Swap

At 31 December 2019, the Group had two cross-currency interest rate swap agreements in place.

1) A swap with a notional amount of USD 3,000,000 was entered on 25 July 2019 by ASAI India whereby the ASAI India pays a fixed rate of interest of 11.8% in Indian Rupee ('INR') and receives interest at a variable rate equal to 6 months LIBOR+4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its 6 months LIBOR+4.3% USD loan.

2) Another swap with a notional amount of Euro 10,000,000 on 9 December 2019 by the same whereby the ASAI India pays a fixed rate of interest of 12.55% in INR and receives interest at a variable rate equal to 6 months EURIBOR+4.3% on the notional amount. The swap is being used to hedge the exposure to changes in the cash flow of its 6 months EURIBOR+4.3% Euro loan.

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37. HEDGE ACCOUNTING CONTINUED

The Group applies the qualitative approach for prospective testing effectiveness because the critical terms of the hedged items and hedging instruments are identical. The Company applies a rollover hedge strategy when no forward instruments are available at reasonable pricing for the full term of the hedged item. In those cases the Company accepts a rollover risk. Retrospective effectiveness is measured by comparing the change in the fair value of the actual derivative designated as the hedging instrument and the change in the fair value of a hypothetical derivative representing the hedged item. There is an economic relationship between the hedged item and the hedging instrument as the terms of the forward contracts and swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap and forward contracts are identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:
- Different interest rate curve applied to discount the hedged item and hedging instrument.
- Differences in the timing of the cash flows of the hedged items and the hedging instruments.

The Group assessed it had no ineffectiveness during 2019 in relation to the foreign currency hedges.

Reference is made to note 30.4.4 for the strategy for currency exchange risk. Additional information on the hedged items and hedging instruments as per 31 December 2019 is provided below:

AS AT 31 DECEMBER 2019	ASA PAKISTAN USD	PPFC USD	ASA MYANMAR USD	ASA TANzANIA USD	ASAI INDIA USD	TOTAL USD
Fair value of Derivative assets	–	–	–	–	–	–
Fair value of Derivative liabilities	**717,186**	-	**864,777**	**76,605**	**164,031**	**1,822,599**
Notional amount hedged foreign currency loans	**26,508,336**	-	**10,300,000**	**2,500,000**	**16,140,608**	**55,448,944**
Period in which the cash flows are expected to occur:	-					
cash flows in 2020	**26,508,336**	-	**6,500,000**	**2,500,000**	**643,870**	**36,152,206**
cash flows in 2021	–	-	**1,800,000**	-	**640,561**	**2,440,561**
cash flows in 2022	–	-	**2,000,000**	-	**14,856,176**	**16,856,176**
Total cash flows	**26,508,336**	-	**10,300,000**	**2,500,000**	**16,140,607**	**55,448,943**
Expected period to enter into the determination of profit or loss:						
amortisation of forward points in 2020	**1,420,457**	-	**590,026**	**80,283**	**32,723**	**2,123,489**
amortisation of forward points in 2021	-	-	**265,695**	-	**32,634**	**298,329**
amortisation of forward points in 2022	-	-	**32,401**	-	**29,578**	**61,979**
Total amortisation of forward points	**1,420,457**	-	**888,122**	**80,283**	**94,935**	**2,483,797**
Amounts recognised in OCI during the period:						
for amortisation of forward points/currency basis spread	**1,932,221**	**423**	**989,805**	**203,530**	**3,063**	**3,129,042**
for adjustment of net interest on swap	-	-	-	-	**117,278**	**117,278**
for changes in fair value of the forward contracts/swaps	**1,482,302**	**(36,787)**	**(1,254,543)**	**(262,258)**	**(163,652)**	**(234,938)**
for recycling of FX result of foreign currency loans	**(3,488,014)**	**2,800**	**381,103**	**101,584**	**(290,231)**	**(3,292,758)**
Total amounts recognised in OCI during the period	**(73,491)**	**(33,564)**	**116,365**	**42,856**	**(333,542)**	**(281,376)**

AS AT 31 DECEMBER 2019	CHANGES IN FAIR VALUE OF HEDGING INSTRUMENTS TOTAL USD	EFFECTIVE PORTION: RECOGNISED IN OCI USD	HEDGE INEFFECTIVENESS: RECOGNISED IN INCOME STATEMENT USD
Cash flow hedge			
Forward contracts	**52,166**	**52,166**	–
Cross-currency interest rate swap	**(333,542)**	**(333,542)**	–
	(281,376)	**(281,376)**	–

AS AT 31 DECEMBER 2018	ASA PAKISTAN USD	PPLCI USD	ASA MYANMAR USD	ASA TANZANIA USD	TOTAL USD
Fair value of forward contract assets	(2,025,897)	(95,188)	(191,562)	-	(2,312,647)
Notional amount hedged foreign currency loans	33,125,002	1,000,000	9,500,000	-	43,625,002
Period in which the cash flows are expected to occur:					
cash flows in 2019	33,125,002	1,000,000	5,000,000	-	39,125,002
cash flows in 2020	-	-	3,500,000	-	3,500,000
cash flows in 2021	-	-	1,000,000	-	1,000,000
Total cash flows	33,125,002	1,000,000	9,500,000	-	43,625,002
Expected period to enter into the determination of profit or loss:					
amortisation of forward points in 2019	897,557	420	673,587	-	1,571,564
amortisation of forward points in 2020	-	-	161,622	-	161,622
amortisation of forward points in 2021	-	-	5,270	-	5,270
Total amortisation of forward points	897,557	420	840,479	-	1,738,456
Amounts recognised in OCI during the period:					
for amortisation of forward points	1,352,661	65,881	689,407	64,982	2,172,932
for changes in fair value of the forward contracts	6,461,393	187,701	227,684	(33,455)	6,843,323
for recycling of FX result of USD loans	(7,848,692)	(221,881)	(1,009,692)	(56,274)	(9,136,539)
Total amounts recognised in OCI during the period	(34,638)	31,701	(92,601)	(24,747)	(120,285)

AS AT 31 DECEMBER 2018	CHANGES IN FAIR VALUE OF HEDGING INSTRUMENTS TOTAL USD	EFFECTIVE PORTION: RECOGNISED IN OCI USD	HEDGE INEFFECTIVENESS: RECOGNISED IN INCOME STATEMENT USD
Cash flow hedge			
Forward contracts	(120,285)	(120,285)	–
Cross-currency interest rate swap	–	–	–
	(120,285)	(120,285)	–

Notes to the consolidated financial statements continued

For the year ended 31 December 2019

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

AS AT 31 DECEMBER 2019	WITHIN 12 MONTHS USD	AFTER 12 MONTHS USD	TOTAL USD
Assets			
Cash at bank and in hand	**84,235,795**	**290,608**	**84,526,403**
Loans and advances to customers	**372,460,561**	**39,843,308**	**412,303,868**
Due from banks	**13,318,838**	**23,940,335**	**37,259,173**
Equity investment at FVOCI	**-**	**232,311**	**232,311**
Property and equipment	**-**	**5,331,132**	**5,331,132**
Right-of-use assets	**1,085,523**	**4,796,375**	**5,881,898**
Deferred tax assets	**-**	**3,865,414**	**3,865,414**
Derivative assets	**-**	**-**	**-**
Other assets	**8,458,153**	**2,065,729**	**10,523,882**
Goodwill	**-**	**33,710**	**33,710**
Total assets	**479,558,870**	**80,398,922**	**559,957,791**
Liabilities			
Debt issued and other borrowed funds	**148,447,850**	**174,388,866**	**322,836,716**
Due to customers	**77,941,982**	**166,485**	**78,108,467**
Retirement benefit liability	**31,830**	**3,342,246**	**3,374,076**
Current tax liability	**6,415,831**	**-**	**6,415,831**
Deferred tax liability	**7,443**	**68,839**	**76,282**
Lease liability	**498,458**	**3,482,476**	**3,980,934**
Derivative liabilities	**1,430,798**	**391,801**	**1,822,599**
Other liabilities	**8,770,598**	**23,308,955**	**32,079,553**
Provisions	**72,973**	**21,466**	**94,439**
Total liabilities	**243,617,763**	**205,171,134**	**448,788,897**
Net	**235,941,107**	**(124,772,212)**	**111,168,894**

AS AT 31 DECEMBER 2018	WITHIN 12 MONTHS USD	AFTER 12 MONTHS USD	TOTAL USD
Assets			
Cash at bank and in hand	71,545,650	1,399,936	72,945,586
Loans and advances to customers	284,408,529	58,719,410	343,127,939
Due from banks	35,497,788	2,127,782	37,625,570
Equity investment at FVOCI	-	238,786	238,786
Property and equipment	753,850	3,751,827	4,505,677
Right-of-use assets	-	-	-
Deferred tax assets	676,696	1,911,639	2,588,335
Derivative assets	2,312,647	-	2,312,647
Other assets	9,416,971	259,658	9,676,629
Goodwill	-	33,423	33,423
Total assets	404,612,131	68,442,461	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	144,999,234	(56,450,870)	88,548,364

39. EARNINGS PER SHARE

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

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

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

	31-DEC-19 USD	31-DEC-18 USD
Net profit attributable to ordinary equity holders of the parent	**34,011,096**	23,978,080
Weighted average number of ordinary shares for basic earnings per share	**100,000,000**	100,000,000
Earnings per share		
Equity shareholders of the parent for the year:		
Basic earnings per share	**0.34**	0.24
Diluted earnings per share	**0.34**	0.24

The Company has applied the number of shares issued by ASA International Group plc as at 31 December 2019 and 31 December 2018.

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

The Company has recognised the amount of dividends to be distributed to shareholders USD 7.3 million for 2019 and USD 8.7 million for 2018.

The following table shows the dividend per share:

	31-DEC-19 USD	31-DEC-18 USD
Dividend per share	**0.07**	0.09

Statutory statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	NOTES	2019	PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018 USD
Interest and similar income		**15,288**	-
Dividend income		**30,683,000**	2,000,000
Net revenue		**30,698,288**	2,000,000
Personnel expenses	40	**(1,166,628)**	(538,046)
Professional fees	40.1	**(1,429,541)**	(772,166)
Administrative expenses	40.2	**(102,994)**	(60,200)
Exchange rate differences		**118,588**	(3,776)
Total operating expenses		**(2,580,575)**	(1,374,188)
Profit before tax		**28,117,713**	625,812
Profit/Total comprehensive profit for the period, net of tax		**28,117,713**	625,812

The notes 40 to 48 form an integral part of these financial statements.

Statutory statement of financial position

As at 31 December 2019

	NOTES	2019 USD	2018 USD
ASSETS			
Cash at bank and in hand		**1,345,347**	-
Due from banks	15.1	**20,432,196**	20,137,921
Investment in subsidiaries	41	**120,684,381**	120,684,381
Other assets	42	**126,759**	2,111,984
TOTAL ASSETS		**142,588,683**	142,934,286
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	43	**1,310,000**	1,310,000
Redeemable preference shares	44	-	65,500
Retained earnings	45	**95,328,592**	74,510,879
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**96,638,592**	75,886,379
LIABILITIES			
Other liabilities	46	**45,950,091**	67,047,907
TOTAL LIABILITIES		**45,950,091**	67,047,907
TOTAL EQUITY AND LIABILITIES		**142,588,683**	142,934,286

Approved by the Board of Directors on 2 June 2020

Signed on behalf of the Board

DIRK BROUWER
CEO

TANWIR RAHMAN
CFO

The notes 40 to 48 form an integral part of these financial statements.

Statutory statement of changes in equity

For the year ended 31 December 2019

	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	44	-	**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**
At 1 January 2019		**1,310,000**	**65,500**	**74,510,879**	-	**75,886,379**
Profit for the period		-	-	**28,117,713**	-	**28,117,713**
Total comprehensive loss for the period		**1,310,000**	**65,500**	**102,628,592**	-	**104,004,092**
Redemption of redeemable preference shares		-	**(65,500)**	-	-	**(65,500)**
Dividend		-	-	**(7,300,000)**	-	**(7,300,000)**
At 31 December 2019		**1,310,000**	-	**95,328,592**	-	**96,638,592**

The notes 40 to 48 form an integral part of these financial statements.

Statutory statement of cash flows
For the year ended 31 December 2019

	NOTES	2019 USD	PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018 USD
OPERATING ACTIVITIES			
Profit before tax		**28,117,713**	625,812
Adjustment for movement in:			
Operating assets	47	**1,625,450**	(22,184,405)
Operating liabilities	47	**(21,097,816)**	21,554,817
Non-cash items	47	**-**	3,776
Net cash flows used in operating activities		**8,645,347**	-
FINANCING ACTIVITIES			
Dividend paid		**(7,300,000)**	-
Net cash flows used in financing activities		**(7,300,000)**	-
Net increase in cash and cash equivalents		**1,345,347**	-
Cash and cash equivalents at the beginning of the period		**-**	-
Cash and cash equivalents as at 31 December		**1,345,347**	-

The notes 40 to 48 form an integral part of these financial statements.

Notes to the statutory financial statements
For the year ended 31 December 2019

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.

40. TOTAL OTHER OPERATING EXPENSES
Total operating expenses include the following items:

	NOTES	2019 USD	PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018 USD
Personnel expenses		**(1,166,628)**	(538,046)
Professional fees	40.1	**(1,429,541)**	(772,166)
Administrative expenses	40.2	**(102,994)**	(60,200)
		(2,699,163)	(1,370,412)

40.1. Professional fees

	2019 USD	PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018 USD
Audit service fee	**(989,215)**	(443,000)
Other professional fees	**(440,326)**	(329,166)
	(1,429,541)	(772,166)

40.2. Administrative expenses

	2019 USD	PERIOD FROM 14 MAY 2018 TO 31 DECEMBER 2018 USD
Other administrative expenses	**(102,994)**	(60,200)
	(102,994)	(60,200)

41. INVESTMENTS IN SUBSIDIARIES

	2019 USD	2018 USD
Investments in subsidiaries		
ASA International Holding	**75,195,066**	75,195,066
ASA International NV	**45,489,315**	45,489,315
	120,684,381	120,684,381

NAME OF COMPANY	COUNTRY	NATURE OF BUSINESS	2019 OWNERSHIP	2018 OWNERSHIP
ASA International Holding	Mauritius	MFI Holding Company	100%	100%
ASA International NV	Netherlands	MFI Holding Company	100%	100%

42. OTHER ASSETS

The other assets comprised the following:

	2019 USD	2018 USD
Other receivables	**103,856**	2,065,500
Advances and prepayments	**22,903**	46,484
	126,759	2,111,984

43. ISSUED CAPITAL

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

	2019 USD	2018 USD
Movements in issued capital		
Capital at the beginning of the period	**1,310,000**	1
Issuance of capital	-	130.999,999
Capital reduction	-	(129,690,000)
Capital at the end of the period	**1,310,000**	1,310,000

44. REDEEMABLE PREFERENCE SHARES

50,000 redeemable preference shares of GBP 1.00 each.

	2019 USD	2018 USD
Movements in redeemable preference shares		
Amount at the beginning of the period	**65,500**	-
Issuance of redeemable preference shares	**(65,500)**	65,500
Balance at the end of the period	-	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. On 30 May 2019, all of these redeemable preference shares were redeemed by the Company in compliance with the requirements of the Company's articles of association and the Companies Act 2006.

45. RETAINED EARNINGS

Total retained earnings are calculated as follows:

	2019 USD	2018 USD
Balance at the beginning of the period	**74,510,879**	-
Capital reduction	-	73,885,067
Dividend	**(7,300,000)**	-
Result for the period	**28,117,713**	625,812
Balance at the end of the period	**95,328,592**	74,510,879
Profit for the period		
Attributable to equity holders of the parent	**28,117,713**	625,812

Notes to the statutory financial statements continued

For the year ended 31 December 2019

46. OTHER LIABILITIES

	NOTES	2019 USD	2018 USD
Short-term liabilities			
Accrued audit fees		**489,070**	443,000
Accrued cost		**76,091**	41,929
Other payables intercompany		**1,746,419**	935,742
		2,311,580	1,420,671
Long-term liabilities			
Escrow liability to CMI	15.1	**20,432,196**	20,137,921
Purchase price for ASAI NV to ASAIH		**23,206,315**	45,489,315
		43,638,511	65,627,236
		45,950,091	67,047,907

47. ADDITIONAL CASH FLOW INFORMATION

	2019 USD	2018 USD
Changes in operating assets		
Due from banks	**(294,275)**	(20,137,921)
Other assets	**1,919,725**	(2,046,484)
	1,625,450	(22,184,405)
Changes in operating liabilities		
Other liabilities	**(21,097,816)**	21,554,817
	(21,097,816)	21,554,817
Changes in non-cash items		
Foreign exchange result	**-**	3,776
	-	3,776

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

AS AT 31 DECEMBER 2019	WITHIN 12 MONTHS USD	AFTER 12 MONTHS USD	TOTAL USD
Assets			
Cash at bank and in hand	**1,345,347**	**-**	**1,345,347**
Due from banks	**-**	**20,432,196**	**20,432,196**
Investment in subsidiaries	**-**	**120,684,381**	**120,684,381**
Other assets	**126,759**		**126,759**
	1,472,106	**141,116,577**	**142,588,683**
Liabilities			
Other liabilities	**2,311,580**	**43,638,511**	**45,950,091**
Net	**(839,474)**	**97,478,066**	**96,638,592**

AS AT 31 DECEMBER 2018	WITHIN 12 MONTHS USD	AFTER 12 MONTHS USD	TOTAL USD
Assets			
Due from banks	-	20,137,921	20,137,921
Investment in subsidiaries	-	120,684,381	120,684,381
Other assets	2,111,984	-	2,111,984
	2,111,984	140,822,302	142,934,286
Liabilities			
Other liabilities	1,420,671	65,627,236	67,047,907
Net	691,313	75,195,066	75,886,379

Alternative performance measures

KPI	2019	2018	DEFINITION
OLP	**USD 467.4 M**	**USD 378.5 M**	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	**184**	**174**	Total outstanding loan portfolio divided by total number of clients.
Total debt/OLP	**68%**	**73%**	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 34.5m**	**USD 24.5m**	Consolidated profit for the year as reported in the financial statement.
Normalised net profit	**USD 34.5m**	**USD 32.4m**	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	**6.7%**	**7.3%**	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	**34.5%**	**37.7%**	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)	**0.3**	**0.2**	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)	**TBD**	**7.3**	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	**60.1%**	**54.9%**	Cost to income ratio is calculated by dividing total operating expenses by total net operating income on consolidated basis.
Client Economics Yield (CEY)	**7.1%**	**9.2%**	The Client Economic Yield (CEY) is calculated by deducting the clients' weekly interest costs from their average weekly income, derived from their business activities.
Client retention rate	**73.0%**	**72.6%**	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 (six, ten or 12 months).
Number of new branches	**230**	**278**	The number of new branches commencing operations in the period in all operating markets.
Satisfaction Survey	**92%**	**87%**	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.

KPI	2019	2018	DEFINITION
Carbon footprint	**7,032 tonnes CO_2**	**6,399 tonnes CO_2**	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.
Social Performance Index (SP14)	**88%**	**91%**	*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	**2.5m**	**2.2m**	The number of clients in all operating markets.
Number of branches	**1,895**	**1,665**	The number of branches in all operating markets.
PAR>30	**1.5%**	**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	**12,480**	**10,771**	The number of staff of the Company.
Clients per branch	**1,337**	**1,306**	Clients per branch is the total number of customers divided by the total number of branches.
Employee Recruitment	**43%**	**49%**	Number of staff hired in current period/number of staff at beginning of current period.
Employee satisfaction rate	**83%**	**81%**	Using qualitative methods, staff satisfaction analyses employee satisfaction rate in three main areas: professional satisfaction, facility satisfaction and department service satisfaction.

IN USD '000	2019	2018
Net profit after tax	34,497	24,454
Non-recurring items	-	
Incidental credit loss items		-
Provision for fees charged in Nigeria		(502)
Reversal for worker welfare fund provision in Pakistan		-
Transfer of Cambodia and other		-
Tax adjustments in previous years		-
Tax impact adjustment		-
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
Normalised net profit after tax	34,497	32,352

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-MFI 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
FSMA	The Financial Services and Markets Act 2000, as amended

ABBREVIATION	DEFINITION
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.
Pagasa	Pagasa ng Masang Pinoy Microfinance, 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