Agora Microfinance

BANKING FOR CHANGE

Annual Report 2017

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Message from the Principals

Gerhard Bruckermann

Tanmay Chetan

The markets we operate in are as diverse as one can imagine. Our products reached urban settlements in Mumbai, small farmers in Zambia, and pretty much all segments of the Cambodian population. So our challenge is always to ensure consistent success in such different markets. A focus on the client and a desire to create standalone, strong local institutions lies at the heart of our work and enables our success in diverse environments.

The year 2017 was a milestone year for the Agora Group. After an association lasting 15 years, since inception, we determined that our subsidiary AMK MFI Plc was now ready to be handed over to a mainstream banking institution owing to size and complexity of its operations. After going through an intensive process to identify the best fit for AMK, we are happy to report that we found a large established bank which valued AMK's social footprint and was willing to further its imprint and impact. At the time of going to print in 2018, we have concluded a partial divestment and are happy to welcome The Shanghai Commercial and Savings Bank to AMK as the new principal shareholder. We (Agora) however continue with AMK as a minority shareholder for some more time to ensure a smooth transition.

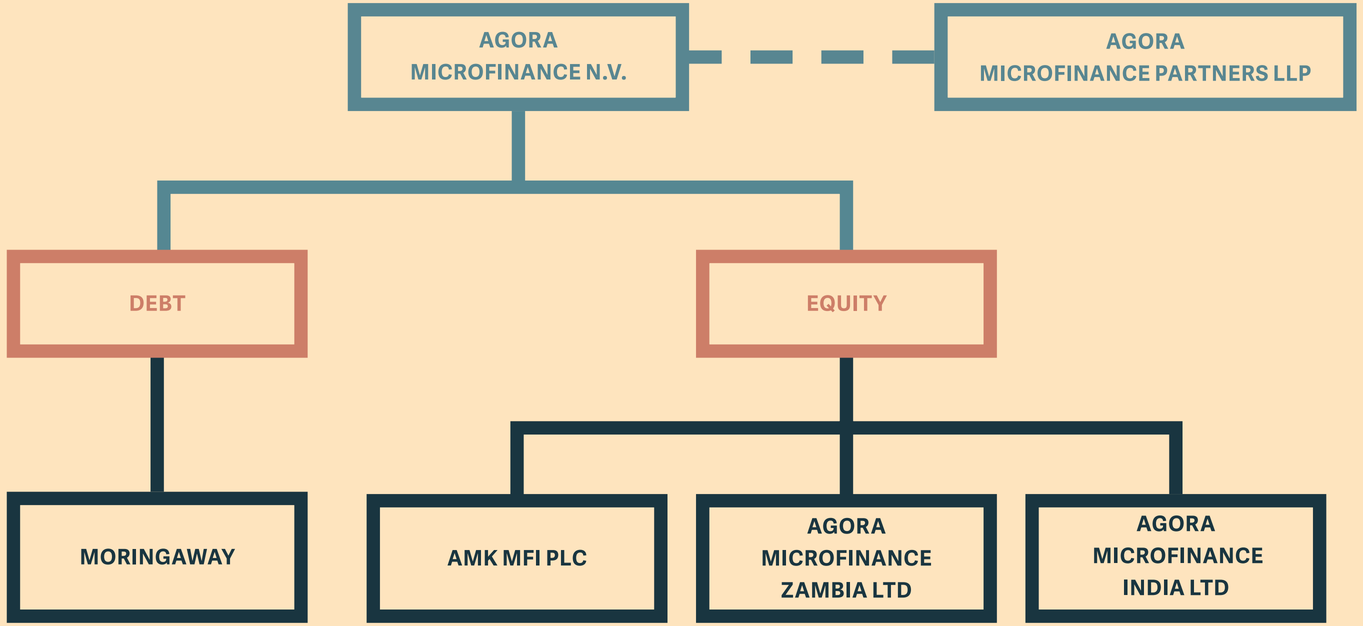
Elsewhere, our operations in Zambia continued their remarkable forward march, with robust results for the year. With a ROE touching 20%, substantial growth continuing across all rural regions and new product lines added during the year, AMZ looks and feels ready to start thinking about a deposit license and further geographic expansion. We expect the strong operating performance to continue and for AMZ to emerge as not only the country's largest but also the most valued rural MFI from now on.

In India, we were on a path to full recovery from the impacts of demonetisation and related shocks to our operations felt during 2016-2017. We finished the year well, with normalised loan loss rates (from a high of 3.5%) and with full financial recovery. With a substantial effort during the year we expect a return to a strong financial and operational position during 2018.

Clients' well-being remains at the core of everything we do. AMK is already a pioneer in this area, and AMZ and AMIL will soon begin to enhance their own capacities and establish a scientific system for social performance management.

At the group level, we finished a strong year with a 10% ROE for the holding company and a consolidated balance sheet of USD 295 million, an increase of 32% over the previous year. Our overall return stayed within our target range of 8%-12% despite an interest rate cap introduced in Cambodia, thereby highlighting again our efficiency improvements. All our MFIs operate at levels of efficiency well in excess of industry standards, reach deeper into their markets, offer very competitive pricing on their products, all this while remaining financially attractive.

We have exciting new developments in the pipeline for 2018. They include the formal launch of a new debt facility focusing on Africa, expansion of product lines and preparations for deposit license in Zambia, and geographical consolidation in India. Beyond 2018, we are looking at further expansion of our operational (equity) work in other markets in the African continent.



Investing companies: Agora Microfinance N.V.

Agora Microfinance N.V., a Dutch domiciled holding company invests in equity of financial institutions.

Debt investee: Moringaway (a Mauritius GBL1 Company providing short-to-medium term debt to microfinance institutions)

Equity investees: AMK MFI Plc (Cambodia), Agora Microfinance Zambia Ltd., Agora Microfinance India Ltd.

Financial advisor: Agora Microfinance Partners LLP is a financial advisor registered with the Companies House and regulated by the Financial Conduct Authority in the United Kingdom.

** Moringaway is owned 100% by Agora Microfinance N.V. as of 18 September 2018*

Mission

The mission of the group is to maximise the social returns in microfinance while providing a fair and attractive financial return to its investors.

Agora Microfinance N.V. Financial and Operational Highlights

AMNV CONSOLIDATED FIGURES

	2016	2017
Total Equity (USD)	$41.7m	$46.1m
Total Assets (USD)	$223.5m	$295.4m
Return on Equity	14.3%	10.0%

AMNV STAND-ALONE FIGURES

	2016	2017
Assets under Management (AUM) (USD)	$24.4m	$26.1m
Management Cost / Average AUM	3.5%	2.7%
Return on Equity	11.2%	7.0%

TOTAL CLIENTS

	2016	2017
Borrowers	376,044	380,072
Depositors	271,077	575,471
Micro-insurance Clients	182,309	284,957

AVERAGE LOAN SIZES (USD)

	2016	2017
AMK	$433	$596
AMIL	$337	$385
AMZ	$96	$161

Moringaway Financial Highlights

Loans Outstanding (USD)

2016	2017
$0.8m	$0.9m

Gross Interest Yield

2016	2017
7.4%	9.9%

Operating Expenses / Average Total Assets

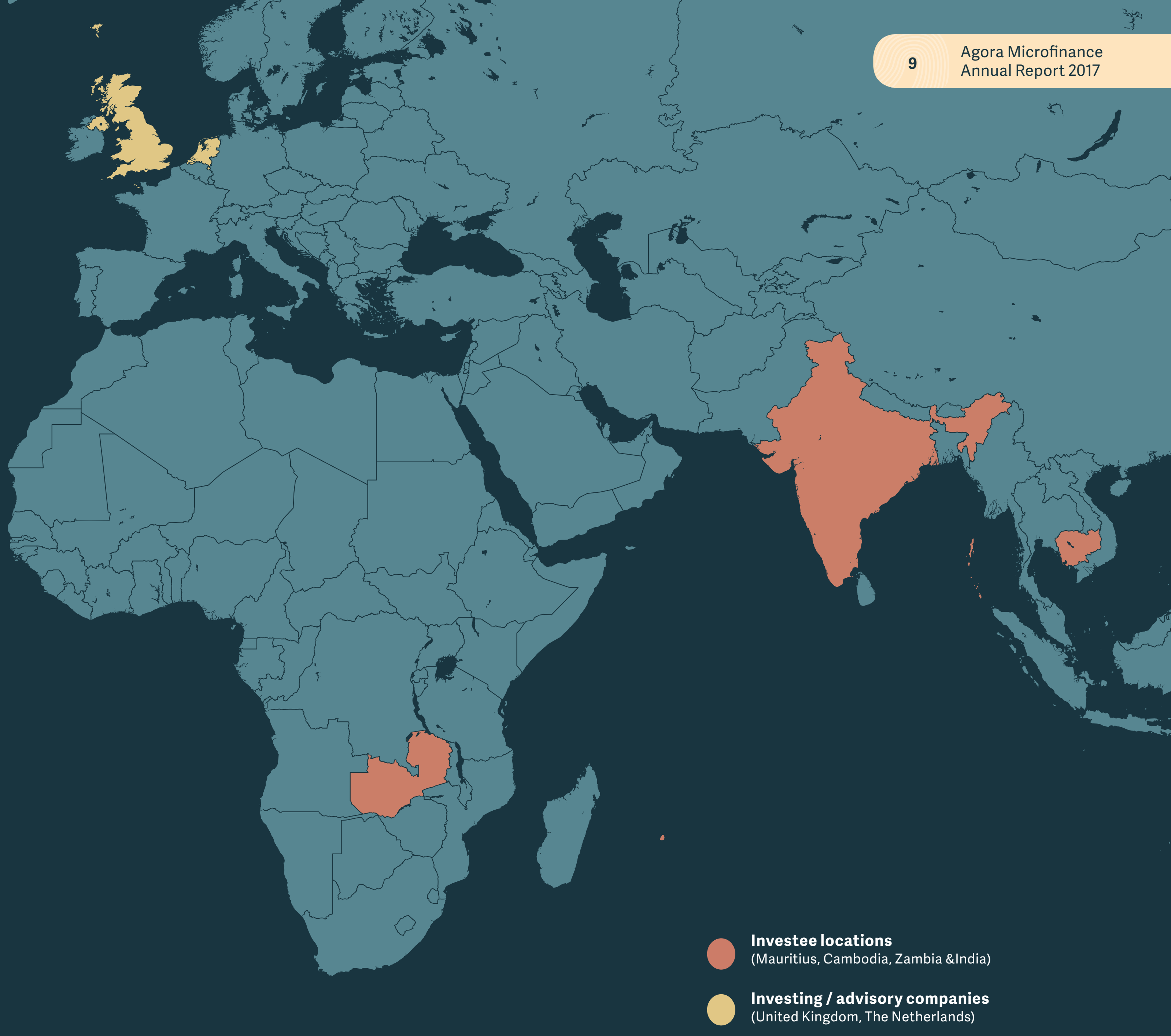
3

2016	2017
3.4%	3.3%

Return on Equity

2016	2017
8.2%	10.2%

*Moringaway was purchased by AMNV on 18th September 2018



Highlight of 2017: Partial exit from AMK MFI Plc

The partial sale of our shares in AMK was concluded in 2018. Much of the negotiations and structuring of the transaction took place in 2017. Here are some highlights of the process.

- Determining the timing of exit/sale
- Exit priorities: mission, management, expertise
- Setting up the process: who does what
- Building a long-list: interested candidates
- Trimming down a short-list: box check on priorities
- Reverse due diligence and fitness and suitability: what and how to do it
- Negotiations: who and what
- Elections in Cambodia
- Communication: regulators, media
- The day after: Continuity in action

In the case of AMK, the timing of the exit presented itself to most shareholders in the form of enhanced regulations for deposit taking institutions (minimum capital requirement was increased from USD 3 million to USD 30 million) as well the increased complexity of AMK as a banking institution (deposits, joint ventures, agent-network and complex risk and ALM requirements akin a commercial bank).

Once it was clear, AMK shareholders agreed on a few non-negotiable aspects up-front. The main ones related to the continuation of AMK's mission and its management, and the commitment of incoming shareholders' willingness to capitalise AMK further. In addition, we also agreed that any incoming shareholder should have deep and long expertise in retail banking, which is how AMK has evolved and will benefit from. These were deemed absolutely necessary for the next phase of AMK's development.

The shareholders then went about determining whether they wanted to hand over the process to an investment bank or were willing to manage it themselves. After some deliberation it was decided that the benefits of managing the process internally were substantial, in the form of getting to know interested parties well enough, and therefore opted to allocate internal rather than external resources to the process. A committee representing all 5 shareholders was constituted, with the Secretariat being the promoter shareholder (Agora). Two sub-committees were created, one to assess the suitability of candidates (Fitness and Suitability Committee) and the other to negotiate the terms and conditions of the sale (Negotiations Committee).

Even before actively seeking candidates, AMK had been approached by a number of prospective candidates. On a preliminary scan it appeared that interested parties were substantially diverse, including investment vehicles, leasing companies as well as commercial banks. Based on the above established non-negotiable criteria the list was quickly brought down to two real candidates, both of whom were large commercial banks active globally.

The Fitness and Suitability committee then went about their due diligence of the two candidates. Through a painstaking process they tried to determine the motivation behind the two candidates, their match with AMK's mission, their views on social impact, management styles, financial soundness, reputation in Cambodia and elsewhere and other such indicators.

The above process was carried out in parallel with the work of the Negotiations Committee, which looked into and discussed key aspects of the sale with both candidates.

After initial consultations, AMK shareholders determined that one of the two candidates was a preferred option. This was a bank that had outperformed the other candidate on both the fitness as well as the preliminary negotiation aspects, and therefore AMK shareholders then went into a short period of exclusive consultations with the preferred bank. It was not surprising that the preferred bank, which was over a 100 years old, also had its roots in community banking in the early 1900s.

During the preliminary consultations both candidates had put forward their price range for the transaction. Since both offers were attractive to the AMK shareholders, there wasn't much negotiation involved. Indeed the AMK shareholders could focus more on the Fitness and Suitability aspects of the candidates because price was not a big differentiator.

> "AMK shareholders agreed on a few non-negotiable aspects up-front. The main ones related to the continuation of AMK's mission and its management, and the commitment of incoming shareholders' willingness to capitalise AMK further. In addition, we also agreed that any incoming shareholder should have deep and long expertise in retail banking, which is how AMK has evolved and will benefit from."

However in the middle of this process, the National Bank of Cambodia suddenly imposed an interest rate cap on the microfinance industry, mindful of the risks of over-indebtedness as well as the potential impact on the approaching elections. This was an unseen scenario and quickly turned into a litmus test for the two candidates.

First of all, both candidates were requested to give AMK some time to recalibrate its own business plan and strategies in light of the new regulations. Over an intense 4 weeks, AMK re-drew its projections which showed a short-term lowering of returns while maintaining a healthy long-term outlook given its diverse range of products whereby lending rate impact could be mitigated by expanding other business lines further.

The two candidates reacted quite differently to each other on this new development. While one immediately lowered the price offer – in effect re-opening the negotiations – the other decided to not change the price offer as long as AMK continued to perform within an agreed range of its new financial projections.

Interestingly, the candidate that had scored higher on the Fitness test was also the one less rattled by the new price cap in the country, which provided AMK shareholders the assurance that the candidate was invested in AMK from a long-term view and understood its business model well.

One last point on the process: The view of the AMK management was sought at every stage of the process and all decisions were made in consultation and only after the AMK management agreed with them.

Therefore, the decision was made to invite the Shanghai Commercial and Savings Bank (SCSB) as the principal shareholder. AMK made this request to the regulators and was advised to maintain strict confidentiality until a formal approval had been obtained.

During the regulatory approval process, AMK shareholders put in place a careful transition process that included inviting SCSB to board meetings as observers, carrying out induction trainings for new Directors, and ensuring a high degree of contact between SCSB and AMK management.

At the end of August 2018, the transaction was finally completed, allowing for a strong future of AMK as a subsidiary of one of the most respected banks in Greater China. As of 1st September 2018, SCSB and Agora work together as AMK shareholders.

"During the regulatory approval process, AMK shareholders put in place a careful transition process that included inviting SCSB to board meetings as observers, carrying out induction trainings for new Directors, and ensuring a high degree of contact between SCSB and AMK management."

AMK Microfinance Institution Plc

2017 STATISTICS

97%
Share of Rural Borrowers

82%
Share of Women Borrowers

37%
Share of Small Loans (<$500)

$596
Average Loan Balance / Customer

$205
Average Deposit Balance / Customer

Borrowers

2016	345,126
2017	344,754

Depositors

2016	271,077
2017	575,471

Micro-insurance Clients

2016	182,309
2017	284,957

Operating Cost Ratio

2016	2017
18.4%	16.4%

Return on Equity

2016	2017
20.9%	13.9%

Average Cost of Funds

2016	2017
9.5%	7.8%

Portfolio at Risk, 30 days

2016	2017
1.2%	1.5%

Agora Microfinance India Limited

2017 STATISTICS

88%
Share of Women Borrowers

90%
Share of Small Loans (<$500, ₹35k)

₹15,000
Average Loan Balance / Customer

11
Branches

66
Staff

* AMIL's financial year runs from 1st April - 31 March. Above ratios are indicators for the period Jan - Dec based on management accounts

Borrowers

2016	15,120
2017	16,805

Loans Outstanding

2016	₹218m
2017	₹247m

	2016	2017
Operating Cost Ratio	13.9%	13.3%
Return on Equity	3.2%	1.0%
Average Cost of Funds	17.2%	18.5%
Portfolio at Risk, 30 days	1.9%	3.8%

*2016 Ratios are for the period 1st April 2016 - 31 March 2017

Agora Microfinance Zambia Limited

AMZ
AGORA MICROFINANCE ZAMBIA

2017 STATISTICS

85%
Share of Rural Borrowers

62%
Share of Women Borrowers

96%
Share of Small Loans (< $500)

ZMW 1,479
Average Loan Balance / Customer

72
Staff

Borrowers

2016	14,989
2017	16,756

Loans Outstanding

2016	ZMW 14.2m
2017	ZMW 24.8m

Operating Cost Ratio

2016	2017
71.0%	53.4%

Return on Equity

2016	2017
2.9%	19.3%

Average Cost of Funds

2016	2017
20.2%	22.5%

Portfolio at Risk, 30 days

2016	2017
0.2%	0.5%

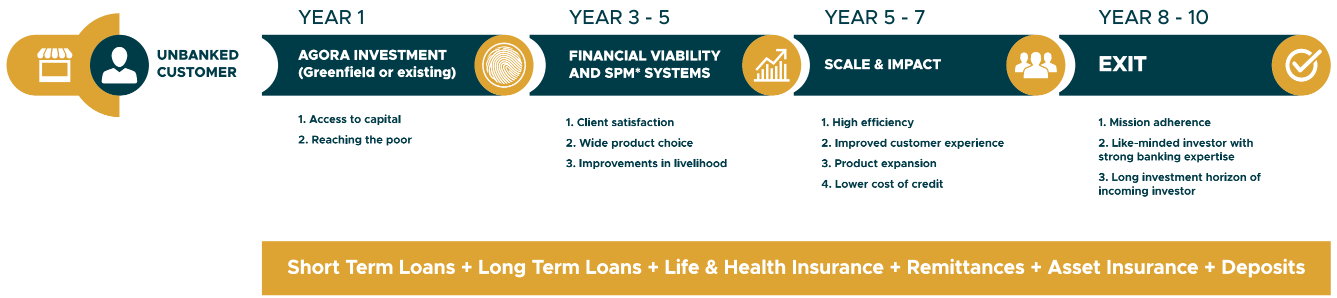
Our Investment Cycle

The full cycle of our investments is a culmination of many years of diligent pursuance of multiple goals. By the time we consider an investment successful and opportune for exits, we would like to see the following having been achieved.

- A stable, large and independent financial institution that has substantial relevance for the economy of the market/country (scale, depth and breadth of operations)
- Complete integration of client well-being into the ethos of the institution through a well-established social performance management system
- Strong and stable financial performance with high operating efficiency
- A full/complete range of products on offer: loans, deposits, insurance, leasing and remittances, amongst others as relevant in the respective markets

From Agora's perspective, the mechanism and organisational structure to achieve the above is situated firmly within the governance structures of the companies, with hardly any centralised processes. Each institution develops as an independent entity rather than a subsidiary of a global operation to the extent possible.

In terms of timing, the general thumb rule of our investment cycle looks somewhat like the below



* Social Performance Management Systems

Phase 0: Selection of an investment/green-field opportunity and operationalisation of investment/green-field

This stage is focused on market research, due diligence and in obtaining a deep understanding of opportunities and risks involved with an investment proposition. During this phase detailed conversations are conducted with regulators, microfinance associations, donors, MFIs and other key players. As well, sufficient time is spent with prospective clients in villages/towns/market centres to gain some understanding of key livelihoods, cashflows and financing needs and availability. This research feeds into a baseline strategic and business plan for the investment.

Phase 1: Operating efficiency, break-even/profitability, systems and processes

During the initial operational phase, the methodology is fine-tuned to achieve the desired efficiency and financial performance in operations. This involves the establishment of appropriate systems and processes to achieve the right balance between quality and efficiency. Typically, a low touch but flexible MIS is installed, loan assessment frameworks and processes tested, internal audit function is created, and branch operations are streamlined. This phase lasts until the operations achieve a basic scale of ~20,000 clients and USD 5m in loan portfolio, along with an attractive profitability performance.

Phase 2: Product and branch expansion, scale and social performance

Once the critical mass is in place upon achievement of the above, our investee companies are expected to begin expanding their product range as well as geographic coverage. This could be within the loan products (where more flexible products can be introduced) but importantly also in the form of insurance and deposit products. Usually the transition to a deposit taking status involves an investment into a substantial upgrade of systems and risk procedures. This is also the stage where internal research capabilities are established with an eye on the social performance goals of the institution.

Phase 3: Scale and impact

Generally speaking we aim to get to this stage between 5-7 years of our involvement. During this phase the organisations aim to achieve substantial scale in their operations while also tracking social performance and impact through scientific, independent and quantitative analysis of data obtained from clients (and often from non-clients as control groups) over time. Social performance data is presented continuously to the management and the expectation is to keep improving our products and processes based on the information being supplied by internal research.

With scale often the financial performance attains a very solid and predictable state with profitability in the target range (12% RoE in USD terms).

Phase 4: Exit

This is the point at which we determine that we have accomplished our goal of establishing a strong, stable and responsible financial institution in the market which is a key part of the financial structure of the country/market. At this stage the incremental value of our involvement begins to follow a diminishing pattern and the search for a suitable handover begins. This could be in the form of a strong banking institution, listing on the stock exchange, or a sale to other likeminded financial investor(s) that is active in the market. Mission, management protection and employee stock options are some of the things that we seek alignment on before exiting, and if useful are willing to exit in phases to ensure continuity and a smooth transition.

Investee MFI Leadership

Kea Borann

CEO, AMK MFI PLC

Borann was appointed as CEO of AMK in 2012 and has been with AMK since 2004. During his time with AMK, he has held various leadership roles throughout the development of the organization such as: Finance Manager, CFO, and Deputy CEO. Prior to joining AMK, he worked for another MFI as Finance Director. Borann is also the Dy-Chair of the Cambodian Microfinance Association, CMA.

Borann holds a BBA in Finance and received ACCA (Association of Chartered Certified Accountants) accreditation and was accepted as an ACCA member in 2008.

Meenal Patole

CEO, AMIL

Menal is the promoter CEO of AMIL and has managed the operations of the organisation since its inception in 2011. Prior to her role at AMIL, Meenal came with with over a decade of experience in Microfinance and livelihood promotion. She has been involved in several international organisations in India, Sri Lanka, Indonesia, Thailand, and Myanmar.

Meenal holds an MA in Political Science from Jawaharlal Nehru University and an M.Phil in Planning & Development from IIT Bombay.

Abdukodir Sattorov

CEO, AMZ

Abduqodir (Abdu) has more than 13 years' experience in Microfinance and oversees AMZ as its CEO. Prior to joining AMZ, Abdu worked for over 4 years for FINCA International in Uganda, Zambia and Azerbaijan. He also worked as an SME Advisor for an EBRD (European Bank for Reconstruction and Development) funded project, on SME Lending and MCFF Advisory Services with a Swiss based consulting company, BFC Consulting to develop small and medium lending practices in 5 different commercial banks. Prior to that he worked for over 4 years in "LFS Financial System Gmbh", a German consulting and Management Company specialised in micro and small business finance projects in developing and transition countries.

Abdu holds a Bachelor's degree in Accounting and Audit from Tajik State University of Commerce.

Investment Management

Tanmay Chetan

GROUP CEO

Tanmay is one of the founding promoters of Agora, and oversees its operations as the Group CEO. In his current role he manages the equity investments (Chair of Boards of the three investees) and also handles the Advisory Company as its Managing Partner.

His additional roles include Chairing the Supervisory Board of AMNV and he is also a Director of Moringaway. In his role Tanmay focuses mainly on the development and execution of strategy at different levels of the structure. He brings considerable prior experience of microfinance operations, consulting and ratings.

Tanmay holds a Master's in Public Administration from the Harvard Kennedy School and an MBA from IIFM, Bhopal (India).

Roanna Peat

CHIEF FINANCIAL OFFICER, AMNV

Roanna is responsible for the financial control of AMNV as its Managing Director. She has been with Agora since 2017 and is based in The Netherlands. She brings many years of international experience across a range of industries including Financial Services, Oil & Gas, Energy and Real Estate.

Roanna is a Chartered Accountant with the Institute of Chartered Accountants of Australia and New Zealand and holds a Bachelor in Accounting and Economics and Diploma for Graduates from the University of Otago, New Zealand.

Cathy McConnell

HEAD OF COMMUNICATIONS, LLP

Cathy has been with Agora since its inception and is currently responsible for the operations of the advisory company as its Partner. This includes liaison within the Group, communications and other investor relations support. Cathy possesses substantial experience in marketing, communications and enterprise management.

Cathy holds a NHD (Diploma) in Marketing from Natal Technikon, South Africa.

Directors' Report and Audited Financial Statements 2017

Agora Microfinance N.V.

Agora
Microfinance N.V.
BANKING FOR CHANGE

Directors' Report

The Board of Directors of Agora Microfinance N.V. (hereinafter referred to as the "Company") herewith presents the annual report for the accounting year ending on 31 December 2017.

General

The Company was incorporated on 9 December 2011 by the founding shareholders. The Company thereafter invited new investors during 2012-2014 and at present has four shareholders, three individual persons and Stichting Agora Microfinance, a Foundation registered under the laws of the Netherlands.

The equity portfolio of the Company for the year consisted of the following three subsidiaries:

- AMK MFI Plc, Cambodia ("AMK")
- Agora Microfinance India Limited ("AMIL")
- Agora Microfinance Zambia Limited ("AMZ")

Mission

The Company's mission is to maximise the social returns in microfinance while providing a fair and attractive financial return to its investors.

Principal objectives

The Company's objectives are:

A to make microfinance investments by:

1 establishing, acquiring and disposing of microfinance companies and enterprises, acquiring and disposing of interests in them and administering them or having them administered, conducting or having the management of companies and enterprises conducted and financing them or having them financed;

2 acquiring, possessing, managing, selling, exchanging, transferring, alienating, issuing shares and other certificates of participation, bonds, funds, promissory notes, debentures, convertible loans, bills of exchange and other evidences of indebtedness and other securities;

B to contract, and to grant money loans and to give security for the fulfilment of the obligations of the corporation or of third parties;

C to enter into risk management transactions, including exchange traded and over the counter derivatives to hedge risks the Company or microfinance institutions affiliated with the Company are exposed to;

D the representation and the management of the interests of third parties;

E as principal agent, commission agent, manager and/or administrator, everything that is related to the foregoing.

Overview of activities

During the year the Company continued its management of its investment portfolios in Cambodia, India and Zambia. It made successive investments in India and Zambia during the year, and through its role in the governance of the investees continued to guide them towards optimum financial and social performance in their work. Its portfolio grew as a result of the successive investments as well as a result of the appreciation in value of its investments, most notably in Cambodia. Both its green-field investments in Zambia and India performed well during the year and continued to record annual net profits. Its Cambodian subsidiary continued its strong financial performance during the year. However, the impact of an lending interest rate cap introduced in Cambodia had a negative impact on profits, which declined while still remaining healthy in absolute terms.

During the year Ms. R. McKenzie and Mr. S.P. de Haseth resigned as Managing Directors of the Company and Ms. R. Peat was appointed. There were no changes to its Supervisory Board during the year.

The overall organisational structure of the Company comprised of a Supervisory Board (2 members), and a Management Board (2 members). Members of the Management Board oversee the overall operations, and in their investments are advised by the Financial Advisor (Agora Microfinance Partners LLP).

Staffing

As at the end of the year the group had a total staff strength of 2,633 [2016: 2,450], 2,494 staff in AMK (2016: 2,349), 66 in AMIL (2016: 54), 72 in AMZ (2016: 47) and 1 staff member employed by the Company (2016: 0).

Investment and Management Policies

The Company pursues investment management policies based on its objective of balancing its social and financial goals. Its investment policy includes the maintenance of healthy solvency and adequate leverage levels in its subsidiaries, and could include a mix of its own investments as well as facilitation of capital through new investors depending on the level of capital and expertise required. New investments are backed by detailed due diligence and valuations are carried out using DCF and/or Net Asset based valuation models.

Once an investment is made, the Company assigns its key resources to the active management of the investees through their role in the Boards and Committees of the subsidiaries. The investment management is carried out through hands-on governance support and oversight on strategy development and execution, as well as on compliance, risk management, ALCO, Nominations and Remunerations, Social Performance and other related aspects of the business.

Risks and Risk Management

The Company's activities are exposed to a variety of risks, the main ones being currency, political/regulatory, operational and market risks. In addition, capital and liquidity risks also have a bearing on the Company's ability to continue its investments. The Company monitors these risks as part of its core activity, and has various strategies in place to mitigate such risks.

The Company's Directors are responsible for risk identification, monitoring and control. In particular the risks that arise within its investees also have a direct bearing on the Company. Each of its investees manages their risks through the involvement of staff and management, their Boards of Directors and associated committees. In mature institutions such as AMK, a separate risk department of the management also exists with the mandate of prompt identification and redressal of risks as and when they arise. In less mature investees the identification and mitigation of risks usually lies within the mandate of the senior management and the internal audit/control departments, and is overseen by the Board of Directors and the Risk or Audit and Finance Committees.

Overall Risk Profile 2017

Operational & Credit Risks: These risks manifest mainly in the form of loan losses, as the loan book of the investees is the main income-earning asset. Such risks are managed through the systems and structures at the investees, overseen by their respective Boards and committees. For the year being reported, the portfolio quality of all three investees was very good, with portfolio at risk (>30 days) at 1.52% (AMK), 3.83% (AMIL) and 0.53% (AMZ).

Political & Regulatory Risks: During the year, the most significant regulatory development was positive and was in India, where 100% foreign ownership in non-banking finance companies was allowed for the first time. Because of this the Company was able to increase its shareholding in AMIL to 90%. In March 2017, Cambodia introduced an interest rate cap to a nominal rate of 18%. This has been manageable but has shown a material negative impact on the bottom-line of AMK for the 2017 year.

Currency Risks: None of the Company's operating currencies showed considerable volatility during the year. Net currency impact was therefore positive for 2017.

Capital and Liquidity Risks: The Company's business of private equity investments depends on a mix of dividends, borrowings and equity capital raises to fund operations. The Company has sufficient liquidity for its short-to-medium term operational needs. The Company's investees manage their liquidity through a range of instruments, including equity, external borrowings and customer deposits. As on the report date all investee companies maintain capital adequacy levels well in excess of their respective national regulations (typical CAR requirement is 15%).

Market Risks: Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. While we discuss currency risks separately, interest-rate risks can potentially also create some uncertainty in the business. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. On the asset side, this relates to the loan pricing methods followed by the group's subsidiaries. On the liabilities within the Group, there is no current exposure to floating interest rates and the primary risk lies with interest rate movements for its subsidiaries at the time of their renewal of existing borrowing lines.

Such market risks can manifest themselves in the loss of clientele, downward pressure on pricing or in extreme cases to client over-indebtedness

Risk Management Structure and Systems

Operational and credit risks: The first line of defence within the investees is their management along withthe respective internal audit and risk departments. The management is regularly monitoring operational risks and disclosures its risk profile and mitigation strategies to the board on an on-going basis. The Board and their relevant committees, especially the Risk Committee, Audit and Finance Committee and the Asset-Liability Committee are tasked to provide oversight on the risk management practices of the management. All investee companies have an Audit and Finance Committee of the Board, and more mature investments such as AMK also have a Risk Committee and a Board Asset-Liability committee to better supervise risk management.

Currency Risks: Due to the nature of its business the Company is exposed to currency risks in its investments. The Company monitors its currency exposure on a regular basis but there are no hedging or other arrangements deployed in its private equity portfolio, as these mechanisms will only come into play once the portfolio of investments has grown to a considerable size

Directors' Report (continued)

and when hedging options can be cost effective. For the time being, over 90% of the Company's portfolio is in the dollarized economy of Cambodia and therefore its currency risks are limited. Moreover, strong operational results are also a way of compensating for potential currency losses, as is happening in all parts of the operations.

Capital and Liquidity Risks: The Company manages its operations within its revenue and capital framework. Its strong operations provide attractive investment options to investors and its investees are geared to generate positive returns. Liquidity management in its investees is carried out by specialised teams and asset-liability management is a care function.

Market & Interest rate risk: To manage the interest-rate risks arising on the asset side of the business, the Company's subsidiaries keep a close watch on market developments and the interest-rate movements through their respective market research functions. For example, the Board and the ALCO in AMK provides the management with an interest-rate band for many products within which AMK can amend interest rates in response to market pressures or opportunities. The interest-rate risk in India is limited on account of a hard interest-rate cap that exists at present, and which results in relatively uniform pricing of loans in the market. In Zambia, on the other hand, AMZ remains a leader in pricing of small rural loans on account of its efficiency, increased scale and careful product design.

On the liability side of the subsidiaries' balance sheet, floating interest rates are currently not in force on any of the borrowings, and therefore the fluctuations in interest rates manifest primarily at the time of loan renewals. While this can potentially be a real risk for subsidiaries, our experience has shown that the movements are typically on account of hedging costs (FX risk) rather than significant changes to the underlying pricing mechanism used by lenders (LIBOR + margin). Interest rates quoted in USD/EUR have been consistent over the last 5 years for both Cambodia and Zambia, though this does not provide guarantees for the future. Therefore at pre sent the subsidiaries' focus their efforts of managing hedging costs more carefully, through back-to-back arrangements and cross-currency swaps (in Cambodia) or sometimes taking on USD/EUR exposure for short periods (in Zambia) due to prohibitive hedging costs.

Risk Mitigation

Established microfinance strategy: The Company has been in the business of microfinance since 2011, and has an established and a proven track-record. Its operations have now reached optimum scale in Cambodia and are growing rapidly in both India and Zambia. The Company (and its investees') approach to microfinance is to establish operating systems that mitigate risk exposure in operations. Its long-term loan losses as well as profitability profile confirms that its approach to microfinance is viable and is managed within acceptable risk levels.

Systems and processes: The Company ensures, through its role in the governance of the investees, that appropriate levels of risk management processes and systems are in place. The establishment of such systems is relevant to the context and complexity in each investee but the focus on risk management remains dear within these institutions. AMK has relatively more extensive structures in place and the other two investees also follow processes appropriate to their size, scale and complexity. The Company oversees this aspect closely through its representation on the governance of the investee companies.

Operating policies: The Company ensures that its investees follow responsible lending practices and thereby maintain the credit risk in their operations within acceptable limits. Each of the investee companies work with established policies for lending, which includes amongst other things, a focus on geographical and market diversification, risk exposure limits by sector, cash-flow based loan assessments, checks and balances in lending decisions and ongoing monitoring/audits. These practices help in managing the credit risk inherent in the business, and the Company's overall portfolio consistently performs with long-term weighted average loan losses below 2% per annum.

Post balance sheet events

The post balance sheet events are described under the Notes to the financial statements. See Note 28 for further detail.

Result for the period

During the year under review, the Company recorded a profit of USD 1,738,271, wherein all of its investees registered profits for the year. Its two green-field operations in Zambia and India continued to show a profit for the 2017 year: this is of particular significance to the group and helps create a healthy overall group structure.

The Company had adequate liquidity during the year which allowed for follow-on investments as well as operating expenses. Its financing requirements in the short-term are limited, as it only foresees geographic expansion after 2-3 years. Current liquidity will be sufficient for operations and investments for the coming year. Solvency is not a concern at the holding level since the Company does not carry borrowings on its balance sheet and the entire asset base is funded by shareholder capital. The subsidiaries have comfortable solvency levels in excess of the regulatory requirements in their countries of operations.

Management opinion on-going concern

The Company shows an improved and strong financial position for the year ended 2017, boosted by the achievement of profits of all its subsidiaries. In the opinion of the management there is sufficient certainty around the going-concern nature of the Company's business.

Financial and Non-Financial (Social Performance) Indicators

The principal financial indicators relevant to the Company's operations relate to efficiency, portfolio quality, solvency and liquidity. Most of these indicators are applicable more to the subsidiaries than to the Company itself. Through their reporting systems, the performance of the subsidiaries on their key financial indicators is reviewed and monitored on a monthly basis. The Company monitors its own stand-alone performance on profitability and tracks indicators such as Return on Equity and Return on Assets.

The Company translates its social objectives into its non-financial Indicators and monitors aspects such as outreach to the unbanked/rural populations, and over time aims to evaluate the impact of its financial services on the income or consumption levels of end-users (clients). In addition it monitors other social performance aspects such as client satisfaction and retention, staff satisfaction, and gender representation amongst clients and staff. Some of the above indicators are not easily quantifiable and are evaluated through qualitative assessments.

Environmental Factors

The Company's subsidiaries are signatories of environmental exclusion lists as part of their borrowing contracts with lenders. These exclusion lists usually prohibit lending to polluting industries. Since the typical customer of the subsidiaries is a small farmer, there is little risk of the Company's investments leading to the financing of polluting industries. The subsidiaries also pro-actively lend to clean energy related livelihoods when the opportunity arises. In Cambodia, it works with an international charity to provide loans for clean water (water purifiers).

Codes of Conduct

The Company is a signatory to the Universal Standards of the Social Performance Task Force. The Company and its subsidiaries are signatories to the Client Protection Principles of the SMART Campaign.

In addition, AMK has been certified by the SMART Campaign for the implementation of the Client Protection Principles, and is a signatory to the responsible lending guidelines endorsed by the Cambodia Microfinance Association. AMIL is a signatory to the Fair Practices Code of the Microfinance Association of India (MFIN), a self-regulatory body recognised by the Reserve Bank of India. Each of the subsidiaries also follow their own, voluntary code of conduct that guides their work.

Gender Distribution

50% of the Company's Management Board (1/2) is female. None of the two members of the Supervisory Board are women. This imbalance will be addressed in the near future once the Company introduces independent Directors on the Supervisory Board. Due to the limited scale of operations thus far, the Company has not invited independent Directors on the Supervisory Board but expects to do so in the near future.

Future developments

The Company will continue its microfinance investment activities and expects its current investments to grow organically while at the same time looking for new opportunities as and when they arise. The expected future developments for 2018 include amongst other things, further equity investments into AMIL and AMZ, one partial exit, one new acquisition, and further development and diversification of the portfolio.

In particular, the Company expects that in 2018 it will achieve a partial exit from one of its investments, thereby creating value for shareholders as well as capital for continued growth in financial inclusion. If the partial exit is concluded it would have a material impact on the Balance Sheet and Profit and Loss account but no impact on the actual financial position of the Company as a whole. Alongside, it expects to continue investing judiciously to support the strong growth and operating performance of its subsidiaries in India and Zambia both of whom are now on a growth trajectory seen in early stage enterprises.

The Company will continue looking for new investment opportunities, and plans one new acquisition during the year.

Based on the pace of the above activities, the Company is likely to add to its staff strength during the forthcoming 12-18 month period.

Managing Directors:	Supervisory board:
Ms. R. Peat	Mr. T. Chetan
Mr. R.W. van Hoof	Mr. G.E. Bruckermann

Amsterdam, The Netherlands

30 June 2018

Consolidated Balance Sheet

as at 31 December 2017

(before proposed appropriation of net result and expressed in USD)

		31 Dec 2017 USD	31 Dec 2016 USD
ASSETS			
FIXED ASSETS			
Intangible fixed-assets	1	2,490,574	3,393,058
Tangible fixed-assets	2	6,566,738	6,620,636
Financial fixed-assets	3	87,279,370	63,662,381
Total fixed assets		**96,336,682**	**73,676,075**
CURRENT ASSETS			
Short-term loans and advances	4	165,124,424	119,401,829
Interest receivable	5	2,259,506	2,408,279
Trade and other receivables	6	2,521,882	1,852,098
Cash and cash equivalents	7	29,182,046	26,167,807
Total current assets		**199,087,858**	**149,830,012**
TOTAL ASSETS		**295,424,540**	**223,506,087**

Consolidated Balance Sheet (continued)

as at 31 December 2017

(before proposed appropriation of net result and expressed in USD)

		31 Dec 2017 USD	31 Dec 2016 USD
EQUITY AND LIABILITIES			
GROUP EQUITY	8		
Issued and paid-up share capital		306,872	269,718
Share premium		25,445,232	25,445,232
Other reserves		(1,639,854)	(4,111,592)
Unappropriated result for the year		1,738,271	2,459,704
Minority interests	8e)	20,225,219	17,679,756
Shareholders' equity		**46,075,740**	**41,742,818**
NON-CURRENT LIABILITIES			
Non-current borrowings	9	66,401,572	58,963,157
Staff pension fund	10	3,491,555	2,882,677
Term and contractual deposits	11	68,469,205	58,998,425
Total non-current liabilities		**138,362,332**	**120,844,258**
CURRENT LIABILITIES			
Interest payable	12	4,504,548	4,188,880
Current liabilities	13	48,856,256	23,705,374
Demand deposits	14	49,209,391	28,165,281
Accrued expenses and other liabilities	17	8,416,273	4,859,477
Total current liabilities		**110,986,468**	**60,919,011**
TOTAL EQUITY AND LIABILITIES		**295,424,540**	**223,506,087**

Consolidated Profit and Loss account

for the year ended 31 December 2017

		2017 USD	2016 USD
Financial income			
Interest and dividend income	18	49,059,350	49,052,689
		49,059,350	49,052,689
Financial expenses			
Interest expense	19a)	(15,588,004)	(12,962,358)
Other financial income	19b)	8,330,229	3,359,190
Other financial expenses	19c)	(4,156,242)	(3,712,606)
		(11,414,017)	(13,315,775)
Net interest margin		**37,645,333**	**35,736,914**
Operating expenses			
General and administrative expenses	20	(31,493,948)	(28,670,208)
		(31,493,948)	(28,670,208)
Result before tax		6,151,385	7,066,706
Tax on result	24	(1,781,220)	(1,582,191)
Result after tax		**4,370,165**	**5,484,515**
Result minority interest			
Result minority interest on investments	27	(2,631,894)	(3,024,812)
Group net result for the year		**1,738,271**	**2,459,704**
Translation differences on foreign operations	8	49,188	(77,108)
Total of items recognised directly in shareholders' equity		**49.188**	**(77,108)**
Total result of the legal entity		**1,787,459**	**2,382,596**

Consolidated Statement of Cashflows

for the year ended 31 December 2017

		2017 USD	2016 USD
Operating activities			
Result before tax		6,151,385	7,066,706
Adjusted for:			
Depreciation and amortisation	1 & 2	1,869,544	2,588,114
Other movements in depreciation and amortisation		419,977	159,828
Operating cashflows before changes in operating assets and liabilities		**8,440,906**	**9,814,647**
Changes in operating assets and liabilities			
Balances with central banks	3	(12,556,797)	(23,552,566)
Deposits/Guarantees/Short-term investments		-	573,489
Loans to customers	3 & 4	(56,182,993)	(24,016,007)
Other assets		(1,119,807)	(770,012)
Financial fixed assets		-	395,892
Deposits from customers	11 & 14	30,514,890	23,128,661
Staff pension fund	10	608,878	600,439
Other liabilities		4,061,864	690,781
		(26,234,059)	(13,134,676)
Income tax paid		(1,970,619)	(1,572,126)
Cash from operating activities		**(28,204,678)**	**(14,706,802)**

Consolidated Statement of Cashflows

for the year ended 31 December 2017

		2017 USD	2016 USD
Investing activities			
Acquisition of property and equipment	2	(1,467,957)	(4,475,346)
Acquisition of software	1	(27,939)	(109,316)
Proceeds from disposal of property and equipment		162,757	-
Cash from investing activities		**(1,333,139)**	**(4,584,661)**
Financing activities			
Proceeds from borrowings	9 & 13	60,404,037	49,720,889
Repayment of borrowings	9 & 13	(27,814,740)	(23,777,934)
Dividends paid		-	(247,952)
Proceeds from equity contributions		-	1,638,056
Cash from financing activities		**32,589,297**	**27,333,059**
Net increase in cash and cash equivalents		**3,051,480**	**8,041,595**
Cash and cash equivalents at the beginning of the year	7	26,167,807	18,146,393
Exchange rate & translation differences on cash and cash equivalents		(37,241)	(20,180)
Cash and cash equivalents at the end of the year		**29,182,046**	**26,167,807**

Notes to the consolidated financial statements

The notes to the consolidated financial statements are numbered i) to viii), followed by 1 to 28.

i) Group affiliation and principal activity

Agora Microfinance N.V. (hereinafter referred to as the "Company") was incorporated under Dutch law on 9 December 2011 and is registered under number 54114268 in the Trade Register, having its legal address in Strawinskylaan 3127, 1077 ZX Amsterdam, The Netherlands. The principal activity of the Company is to make microfinance investments. The Company's shareholders are Stichting Agora Microfinance and individual investors. These financial statements contain the financial information of both the Company and the consolidated companies of the Company ('the Group').

ii) Basis of presentation

The consolidated financial statements of the Company are part of the statutory financial statements of the Company and are in compliance with the provisions of the Netherlands Civil Code, Book 2, Part 9.

The financial statements of the Company have been prepared on the basis of the going concern assumption.

iii) Basis of consolidation

The consolidated financial statements include the financial data of the company and its group companies as at 31 December 2017. Group companies are legal entities and are fully consolidated as from the date on which control is obtained and until the date that control no longer exists.

Group companies are participating interests in which the Company has a majority interest, or in which it can exercise decisive influence (control) by other means. In assessing whether the Company has control, potential voting rights are taken into account that can be exercised in such a way that they will provide the Company with more or less influence. For an overview of the consolidated group companies, please refer to note 29 'Financial fixed assets'.

Minority interests in group equity and group net income are disclosed separately. Prior year data is presented as per audited accounts.

Business combinations

A business combination is a transaction whereby the group obtains control over the assets and liabilities and the activities of the acquired party. Business combinations are accounted for using the 'purchase accounting' method on the date that control is transferred to the group (the acquisition date). The transaction price is the cash consideration or equivalent agreed as part of the acquisition, or the fair value of the consideration transferred at the acquisition date. Transaction costs that are directly attributable to the business combination are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration. The group recognises the identifiable assets and liabilities of the acquiree at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (liabilities), and the cost or fair value of it can be measured with reliability. Refer to the accounting policy under the heading 'Intangible fixed assets' for the recognition of positive or negative goodwill resulting from a business combination.

An agreed possible adjustment to the purchase price that is contingent on future events is included in the purchase price if the adjustment is probable and the amount can be measured reliably. It is also possible that a previous estimate of the adjustment to the purchase price must be revised. Such adjustments to the purchase price, that are recorded as changes in estimates, will also result in an adjustment to (positive or negative) goodwill. The adjusted goodwill is amortised prospectively from the date of the adjustment of the purchase price. Comparative figures are not adjusted.

Consolidation method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of result of the group. In the consolidated financial statements, intragroup shareholdings, liabilities, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Company has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company. Subsidiaries are consolidated in full, whereby minority interest is presented separately within group equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder, except to the extent that the minority shareholder has the obligation to, and is able to, compensate for the losses. The minority interest in the result is deducted from group result on a separate line item in the consolidated profit and loss account.

Notes to the consolidated
financial statements (continued)

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iv) General

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction. If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed. Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises, of which the size can be measured with sufficient reliability. Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Company has transferred the significant risks and rewards of ownership to the buyer.

The financial statements are presented in United States Dollars ('USD'), which is the Company's functional currency.

v) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit & Loss statement. Non-monetary balance sheet items, which are valued at cost and resulting from transactions in foreign currencies, are translated at the rate prevailing on the date of the transaction.

The assets and liabilities that are part of the net investment in a foreign operation are translated into the Company's reporting currency at exchange rates ruling on 31 December of the year. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designed as hedges of such investments, are taken directly to the legal reserve for translation differences within shareholder's equity. When a foreign entity is sold, such exchange differences are recognised in the Profit and Loss statement as part of the gain or loss on sale. The revenues and expenses of such a foreign operation are translated into the functional currency at the exchange rate on the transaction date. Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into the functional currency at the exchange rate at the reporting date.

The following rates have been applied for the various currencies:

	2017	2016
EUR/USD	1.199	1.053
USD/KHR	4037	4037
USD/THB	32.55	35.76
USD/INR	63.93	67.95
USD/ZMW	9.968	9.892

USD: United States Dollar; EUR: Euro; KHR: Khmer Riel; THB: Thai Baht; INR: Indian Rupees; ZMW: Zambian Kwacha

vi) Estimates

The preparation of financial statements, in conformity with the relevant rules, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. If necessary for the purposes of meeting the requirements under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

vii) Accounting policies

a) Financial fixed assets - Participating interests

Participating interests over whose financial and operating policies the group exercises significant influence are valued using the net asset value method. Under this method, participating interests are carried at the group's share in their net asset value plus its share in the results of the participating interests and its share of changes recognized directly in the equity of the participating interests as from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements, less its share in the dividend distributions from the participating interests. The group's share in the results of the participating interests is recognized in the Profit & Loss statement. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve.

If the value of the participating interest under the net asset value method has become nil, this method is no longer applied, with the participating interest being valued at nil if the circumstances are unchanged. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the participating interest, are included. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

A subsequently acquired share of the profit of the participating interest is recognized only if and to the extent that the accumulated share of the previously unrecognized loss has been reversed.

b) Intangible fixed assets

An intangible fixed asset is recognized in the balance sheet if:

It is probable that the future economic benefits that are attributable to the asset will accrue to the Group; and the cost of the asset can be reliably measured.

Costs relating to intangible fixed assets not meeting the criteria for capitalization are taken directly to the Profit & Loss statement.

Intangible fixed assets are measured at acquisition or construction cost, less accumulated amortisation and impairment losses. Intangible fixed assets are amortized on a straight-line basis over their expected useful economic lives, subject to a maximum of twenty years. The economic useful life and the amortization method are reviewed at each financial year-end.

Intangible fixed assets obtained on the acquisition of a group company are carried at the fair value ruling at the acquisition date.

Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortisation/depletion. The management estimates the date of the useful life of the asset based on the useful life of the asset's technical, technological and other obsolesces.

Amortization of the intangible fixed assets is recognized under 'general and administrative expenses' in the Profit & Loss statement.

Goodwill

Amounts by which the purchase price exceeds the interest of the company in the fair values of the acquired identifiable assets and liabilities at the time of the acquisition of a participating interest are capitalized in the balance sheet as goodwill taking into account cumulative amortisation and impairment losses. Internally generated goodwill is not capitalised.

Goodwill paid upon the acquisition of foreign group companies and subsidiaries is translated at the exchange rates at the date of acquisition. The capitalised positive goodwill is amortised on a straight-line basis over the estimated useful life, determined at 5-10 years. In case of a full or partial sale of a participating interest, the positive goodwill that can be allocated to the sold part is written off proportionally (in case of capitalised goodwill) or reversed (in case of goodwill charged directly against shareholders' equity) and is charged to the book result. In the latter case, a useful life of 10 years is assumed in determining the amount to be reversed.

Negative goodwill (i.e., the surplus of the interest in fair values of the identifiable assets and liabilities at the acquisition date over the cost of acquisition) is recognised as a separate accrual. To the extent that negative goodwill relates to expected future losses and expenses that are identified in the acquisition plan and that can be determined reliably, that portion of the negative goodwill is credited to the profit and loss account when those future losses and expenses occur.

Notes to the consolidated
financial statements (continued)

vii) Accounting policies (continued)

c) Tangible fixed assets

All fixed assets are stated at historical costs less accumulated depreciation and impairment loss if any. Costs comprise the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Depreciation is provided on a pro-rata basis from the date of which the asset is ready for commercial use on written down value method as per useful lives of the assets estimated by the management.

Depreciation of the tangible fixed assets is recognized under 'general and administrative expenses' in the Profit & Loss statement.

Tangible fixed assets in use by the company are carried at the cost or production net of accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over their expected useful economic lives, taking into account their residual value. Depreciation starts as soon as the asset is available for its intended use.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful economic lives. A tangible fixed asset is derecognized upon sale or when no further economic benefits are expected from its continued use or sale. Assets returned from active use are measured at the lower of book value or net realisable value.

d) Impairments and disposal of fixed assets

Impairments of fixed assets

Tangible and intangible fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash- generating unit to which the asset belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. If there is an impairment loss for a cash-generating unit, the loss is first allocated to goodwill allocated to the cash-generating unit. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated. Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash- generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

An impairment loss of goodwill is not reversed in a subsequent period. Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

— intangible assets that have not been put into use yet;

— intangible assets that are amortised over a useful life of more than 20 years

Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

e) Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: loans and receivables and other financial liabilities. The Company normally does not use derivatives except when lending in local currencies, however the subsidiaries make use of market instruments to lower their currency exposures. The Company does not hold a trading portfolio.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Upon initial recognition the loans granted and other receivables are valued at fair value. After initial recognition the loans receivable and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any,

Cash at bank

Cash at bank and in hand are carried at face value.

If cash and cash equivalents are not readily available, this fact is taken into account in the measurement. Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies. Cash and cash equivalents that are not readily available to the Company within 12 months are presented under financial fixed assets.

Non-current and current liabilities and other financial commitments

Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account. Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Impairment of financial assets

A financial asset that is not measured at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

Trade and other receivables found not to be individually impaired are collectively assessed for impairment by grouping together receivables with similar risk characteristics. The carrying amount of receivables is reduced by an allowance for doubtful debts. Receivables that appear to be irrecoverable are written off against the allowance. Other additions to and withdrawals from the allowance are recognised in the profit and loss account. When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution. Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense. The purchase of own shares is deducted from the other reserves.

Share premium

Amounts contributed by the shareholders of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire or acquire shares of the Company. Costs and capital taxes associated with the issue of shares that are not capitalized are deducted from share premium, after taken into account tax effects. If the share premium is insufficient for such deductions, the amounts are deducted from Other reserves.

f) Provisions

A provision is recognised if the following applies:

- the Company has a legal or constructive obligation, arising from a past event; and
- the amount can be estimated reliably;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

g) Minority interest

Minority interests are valued at the proportionate share of third parties in the net value of the assets and liabilities, determined in accordance with the Company's measurement principles.

h) Non-current liabilities

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

i) Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

viii) Principles of determination of result

a) Interest income and expense

Interest income and expense are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Period interest charges and similar charges are recognized in the year in which they fall due.

b) Employee benefits / pensions

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the liability as at balance sheet date. This liability is measured on the basis of an actuarial measurement principle generally accepted in the Netherlands.

c) Corporate income tax

The corporate income tax position is calculated over the results before taxation, taking into account tax exempt items and non-deductible expenses, and using current tax rates.

The Company acts as the holding Company of investments in selected microfinance companies in Africa and Asia. From a Dutch corporate income tax perspective income, including capital gains arising from the investments are tax exempt pursuant to the participation exemption. All investees are subject to tax on profit in their respective jurisdictions.

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences. For taxable temporary differences, a provision for deferred tax liabilities is recognised. For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax liability is recognised, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised. The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

d) Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value. Cash flows in foreign currency are translated into USD using the weighted average exchange rates at the dates of the transactions. Foreign exchange differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

e) Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

- The fair value of listed financial instruments is determined on the basis of the exit price.
- The fair value of non-listed financial instruments is determined by discounting the expected cas flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

f) Related parties

Transactions with related parties are disclosed if they have not been entered into at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

g) Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

1 Intangible fixed-assets

Goodwill

(in USD)	31 Dec 2017	31 Dec 2016
Goodwill as at 1 January	4,299,142	4,071,574
Additional goodwill acquired during the year *	52,286	227,568
Negative goodwill acquired during the year **	(502,990)	-
Goodwill as at 31 December	3,848,438	4,299,142
Accumulated amortisation as per 1 January	1,197,539	782,289
Amortisation for existing goodwill during the year	429,914	407,157
Amortisation for goodwill acquired during the year	3,921	8,093
Amortisation for negative goodwill acquired during the year	(46,107)	-
Accumulated amortisation as at 31 December	1,585,267	1,197,539
Balance as at 31 December	2,263,171	3,101,603

Goodwill summarised per investment

(in USD)	Total	AMK	AMIL	AMZ
Goodwill	**3,848,438**	3,276,611	436,178	135,649
Accumulated amortisation	**1,585,267**	1,310,644	260,281	14,342
Goodwill as at 31 December	**2,263,171**	1,965,967	175,897	121,307
Amort. goodwill during the year ***	**387,728**	327,661	47,809	12,258

*During 2017 the company obtained goodwill on additional investments in AMZ in March and October. In accordance with Dutch GAAP goodwill is capitalized and amortized linearly over the expected lifecycle of the investment to which it is related. The company has decided to amortise the goodwill over a 10 year life cycle.

** On 13 January 2017 the company purchased a further 39% share in AMIL for a discounted amount of USD 490,676. The negative goodwill has been offset against previous goodwill and amortised linearly over a 10 year life cycle.

*** Amortisation start dates for new goodwill: 1 February for AMIL and 1 April for AMZ.

1 Intangible fixed-assets (continued)

Software

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Balance as at 1 January	291,455	389,984
Translation differences	326	5,516
Additions during the year	68,159	164,500
Disposals/write-offs/write-backs	-	(1,884)
Amortization during the year	(132,537)	(266,660)
Balance as at 31 December	227,403	291,455

There are no limited property rights to the intangible fixed assets and no security in the form of intangible fixed assets has been provided for liabilities. Nor are there any obligations relating to the acquisition of intangible fixed assets. The useful life of intangible fixed assets is between 2-3 years (AMIL & AMZ) and 5 years (AMK). Amortization is charged on a straight-line basis.

	Total	AMK	AMIL	AMZ
Software at cost	1,718,196	1,658,549	20,152	39,495
Accumulated amortization	(1,490,793)	(1,448,036)	(15,196)	(27,561)
Balance as at 31 December	227,403	210,513	4,956	11,934

Total Intangible fixed-assets	2,490,574	3,393,058

2 Tangible fixed-assets

Fixed assets (Furniture, fixture, vehicles and equipment)

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Balance as at 1 January	6,620,636	4,567,240
Translation differences	(253)	62,155
Additions during the year	1,467,957	4,475,346
Disposals/write-offs/write-backs	(174,233)	(1,145,506)
Depreciation during the year	(1,347,369)	(1,338,599)
Closing balance of fixed assets as at 31 December	6,566,738	6,620,636

There are no limited property rights to the tangible fixed assets and no security in the form of tangible fixed assets has been provided for liabilities. Nor are there any obligations relating to the acquisition of tangible fixed assets. The useful life of the Fixed Assets is as below.

Computer and office equipment	2 to 4 years
Motor vehicles	8 years
Motorcycles	5 years
Leasehold improvements	4 years

2 Tangible fixed-assets (continued)

Fixed assets (Furniture, vehicles and equipment)

(in USD)

Movements in tangible fixed assets were as follows:

	Leasehold Improvements	Motor Vehicles	Motorcycles	Computer and Office Equipment	Construction in Progress	Total
Cost						
At 01 Jan 2017	820,025	1,026,540	3,301,309	3,522,661	2,484,711	11,155,246
Additions	110,825	100,969	371,145	405,532	479,486	1,467,957
Disposals	2,638	-	(420,261)	9,215	(141,577)	(549,985)
At 31 Dec 2017	**933,488**	**1,127,509**	**3,252,193**	**3,937,408**	**2,822,620**	**12,073,218**
Accumulated depreciation						
At 01 Jan 2017	407,058	517,985	1,492,715	2,116,852	-	4,534,610
Depreciation	195,241	70,817	382,144	699,167	-	1,347,369
Disposals	(450)	-	(337,758)	(37,291)	-	(375,499)
At 31 Dec 2017	**601,849**	**588,802**	**1,537,101**	**2,778,728**	**-**	**5,506,480**
Net book value						
At 31 Dec 2017	331,639	538,707	1,715,092	1,158,680	2,822,620	6,566,738
At 31 Dec 2016	412,967	508,555	1,808,594	1,405,809	2,484,711	6,620,636

3 Financial fixed-assets

Regulatory reserve AMK

(in USD)	31 Dec 2017	31 Dec 2016
Balance as at 1 January	29,400,092	5,847,526
Movements during the year	12,557,797	23,552,566
Balance as at 31 December	41,957,889	29,400,092

Under NBC Prakas No. B7-00-06 on Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit and NCD earn annual interest at 3.00% (2016: 3.00%) and at rates ranging from 0.96% - 1.40% in 2017 (2016: 1.00% - 2.00%), respectively. Current accounts do not earn interest.

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by NBC Prakas B7-07-163 on Licensing of MDIs. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

3 Financial fixed-assets (continued)

Loans and advances

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Long-term Loans and advances		
Balance as at 1 January	36,363,033	33,333,785
Movement during the year	12,044,295	3,029,248
Balance as at 31 December	48,407,328	36,363,033
Less provision for bad debts		
Balance as at 1 January	(2,980,549)	(1,655,551)
Provision during the year	(3,225,600)	(2,158,107)
Write-offs during the year	1,641,702	833,109
Balance as at 31 December	(4,564,447)	(2,980,549)
Long-term Loans and advances, net	43,842,881	33,382,484

Regarding AMK, on 13 March 2017, the National Bank of Cambodia issued Prakas B7-017-109 requiring all microfinance institutions to observe a maximum interest rate of 18.00% per annum on all loans issued, restructured or refinanced from 1 April 2017. For this reason the interest on loans for AMK ranged from 17.40% - 36.00% per annum and from April 2017 from 15.60% - 18.00% per annum and the terms of the loans and advances range from 1 - 5 years. The borrowings due within one year are shown in Note 4 - Short-term Loans and advances.

3 Financial fixed-assets (continued)

AMIL charges interest at 26% per annum and the terms of the loans and advances range from 1 - 2 years. Long term loans and advances include group and individual loans to clients. Other short term loans also include salary loans to staff members of the subsidiary companies and have an estimated maturity shorter than one year. The carrying values of the recognised receivables approximate their respective fair values, given the short maturities of the positions and the fact that allowances for doubtful debts have been recognised, if necessary. The borrowings due within one year are shown in Note 4 - Short-term Loans and advances.

AMZ has different loan products ranging from 1-3 years. The loan products include group and individual loans to clients with some products requiring a guarantor(s) and collateral. The borrowings due within one year are shown in Note 4 - Short-term Loans and advances.

Deffered tax

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Allowance for loan losses	504,533	308,716
Provision for staff pension fund	487,191	403,834
Unamortised loan processing fees	378,601	-
Accruals	165,411	125,339
Unrealized loss on foreign exchange	-	86,801
Property and equipment	(57,136)	(44,885)
Balance as at 31 December	1,478,600	879,805
Total Financial fixed-assets	**87,279,370**	**63,662,381**

4 Short-term loans and advances

(in USD)	31 Dec 2017	31 Dec 2016
Balance as at 1 January	119,437,035	97,111,248
Movement during the year	45,791,726	22,325,787
Balance at 31 December	165,228,761	119,437,035
Less provision for bad debts	(104,337)	(35,206)
Short-term loans and advances, net	165,124,424	119,401,829

For details on the borrowings see Note 3 - Long-term loans and advances.

5 Interest receivable

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Interest receivable	2,259,506	2,408,279
Balance as at 31 December	2,259,506	2,408,279

6 Trade and other receivables

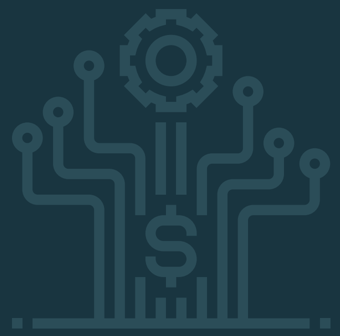
(in USD)	31 Dec 2017	31 Dec 2016
Holding company		
VAT receivables	7,057	2,796
Other receivables	-	7,425
Consolidated subsidiaries		
Other receivables and prepayments	2,514,825	1,841,877
Balance ast at 31 December	2,521,882	1,852,098

ll receivables have an estimated maturity shorter than one year.

7 Cash and cash equivalents

(in USD)	31 Dec 2017	31 Dec 2016
Holding company		
Deutsche Bank AG, Amsterdam, Current Account	443,752	1,576,036
Consolidated subsidiaries		
AMK - Cash at bank	27,507,591	18,288,906
AMK - Deposits with banks	-	5,449,591
AMIL - Cash at bank	123,948	164,660
AMIL - Deposits with banks and financial institutions	531,854	559,194
AMZ - Cash at bank	424,417	129,421
AMZ - Deposits with banks	150,484	-
Balance as at 31 December	29,182,046	26,167,807

Cash at banks is available on demand and is held in current accounts or savings accounts. In Deposits with banks and financial institutions, an amount of USD 117,725 (2016: USD 360,534) is included with a maturity longer than 1 year. All other deposits have an estimated maturity shorter than one year.



8 Capital and reserves

The authorised share capital of the Company comprises different share series: Ordinary shares, Series A and Series B shares and Share Classes Ordinary, A1, A2, A3, B1, B2 & B3 shares. The different share classes provide investors with flexibility to choose the use of their investments by type and geography of investments. The total authorised share capital of the Company is as follows: 10 million ordinary shares of nominal value of EUR 0.10 per share; 10 million Class A shares of nominal value EUR 0.01 per share; and 10 million Class B shares of nominal value EUR 0.01 per share. Therefore the total authorised share capital of the Company is EUR 1.2 million.

(in USD)	Issued and paid-up share capital	Share Premium	Other reserves	Unappropriated result for the year
Opening balance as at 1 Jan 2017	269,718	25,445,232	(4,111,592)	2,459,704
Transfer to other reserves	-	-	2,459,704	(2,459,704)
Other reserves (subsidiaries)	-	-	-	-
Other reserves	37,154	-	12,034	-
Result for the period	-	-	-	1,738,271
Balance at 31 December 2017	306,872	25,445,232	(1,639,854)	1,738,271

8 Capital and reserves (continued)

8a) Share Classes*

	# Authorised Shares (#Shares)	Authorised capital (EUR)	# Issued & paid-up (#Shares)	Nominal Value (EUR)
Ordinary Shares	10,000,000	1,000,000	2,550,557	255,056
Series A Shares				
Class A1 Shares	6,000,000	60,000	82,030	820
Class A2 Shares	2,000,000	20,000	-	-
Class A3 Shares	2,000,000	20,000	-	-
Series B Shares				
Class B1 Shares	6,000,000	60,000	-	-
Class B2 Shares	2,000,000	20,000	-	-
Class B3 Shares	2,000,000	20,000	-	-
	30,000,000	1,200,000	2,632,587	255,876

* The different share classes and their definitions are as follows:

Ordinary Shares reflect the entire business of the Company and each share carries one vote.

Series A Shares reflect the business of the Company in Asia and each share carries one-tenth of one vote.

Series B Shares reflect the business of the Company in Africa and each share carries one-tenth of one vote.

Class A1 Shares reflect the part of the Company's overall Asia business.

Class A2 Shares reflect the part of the Company's Asia business designated to greenfield investments.

Class A3 Shares reflect the part of the Company's Asia business designated to non-greenfield investments.

Class B1 Shares reflect the part of the Company's overall Africa business.

Class B2 Shares reflect the part of the Company's Africa business designated to greenfield investments.

Class B3 Shares reflect the part of the Company's Africa business designated to non-greenfield investments.

8 Capital and reserves (continued)

8b) Other reserves

(in USD)	31 Dec 2017	31 Dec 2016
Opening balance as at 1 January 2017	(846,455)	(836,950)
Revaluation of share capital - Holding company	(37,154)	67,603
Revaluation of equity - AMK	(627)	(208,264)
Revaluation of equity - AMIL	70,208	54,467
Revaluation of equity - AMZ	(20,393)	76,689
Balance as at 31 December 2017	(834,421)	(846,455)

8c) Appropiation of result

The result after tax for 2017 is USD 1,738,271 and is included in the item unappropriated result within equity. The result after tax for 2016 of USD 2,459,704 has been appropriated to Other reserves by the General Meeting.

8d) Proposal for profit appropriation

The General Meeting will be proposed to appropriate the profit after tax for 2017 to the Other reserves. The 2017 result after tax is presented as unappropriated result in shareholders' equity. The Company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

8 Capital and reserves (continued)

8e) Minority interest

(in USD)	31 Dec 2017	31 Dec 2016
Minority interest AMK	17,240,009	13,945,832
Result minority interest AMK	2,600,499	3,003,759
Minority interest AMIL	194,310	639,714
Result minority interest AMIL	1,633	18,331
Minority interest AMZ	159,006	69,398
Result minority interest AMZ	29,762	2,722
Balance as at 31 December 2017	20,225,219	17,679,756

The Company acquired majority (controlling) stakes in AMIL in 2013, in AMK in 2014 and in AMZ in 2016. The 2016 result on minority interest for AMK is after netting off dividends received by the Company. During 2017 the Company made additional investments into AMZ and the new investments increased the Company's equity stake from 74.8% to 75.5%. During 2017 Company made an additional investment into AMIL and the new investment increased the Company's equity stake from 51% to 90%.

9 Non-current borrowings

(in USD)	31 Dec 2017	31 Dec 2016
Holding company		
Loan with Grameen-Credit Agricole	-	315,768
Consolidated subsidiaries		
AMK	64,182,699	57,636,897
AMIL	727,550	674,655
AMZ	1,491,323	335,837
Balance as at 31 December 2017	66,401,572	58,963,157

AMK has subordinated debt from Société de Promotion et de Participation pour la Coopération Economique ("PROPARCO") of USD 4,805,945 (2016: USD 6,007,431). This subordinated debt has a five year term maturing on 15 September 2021. All other AMK borrowings other than USD 22,789,200 (2016: USD 5,945,009) with the National Bank of Cambodia (Note 3) are unsecured and are repayable in 1-5 years. The borrowings due within one year are shown in Current borrowings.

AMIL has secured debt repayable in eighteen and twenty four equated monthly instalments from the date of disbursement at a rate of 15.30% per annum. The debt is secured by first pari passu charge over all loan receivables and margin money deposit. The borrowings due within one year are shown in Current borrowings.

AMZ has unsecured debt, with interest rates ranging from 7.5% to 25% per annum. The borrowings due within 1 - 3 years. Any borrowings due within one year are shown in Current borrowings.

10 Staff pension fund

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Staff pension fund AMK	3,491,555	2,882,677
Balance as at 31 December	3,491,555	2,882,677

Staff pension fund, AMK	2017	2016
Opening balance	2,882,677	2,282,237
Addition during the year	928,154	831,162
Interest earned	215,074	175,644
Paid during the year	(476,124)	(195,430)
Reversal	(58,226)	(218,286)
Currency translation	-	7,350
	3,491,555	2,882,677

AMK provides its employees, who complete three months of service with the Company, with benefits under the staff pension fund policy. The staff pension fund will be paid to employees upon their retirement, resignation or termination of employment. The contribution consists of 3% of the employee's salary and AMK contributes 6%. AMK pays 7% interest per annum on the cumulative balance. The defined benefit is unknown. The funds are contribution benefits. It is therefore different from defined benefit plans which require actuarial assumptions and may require experts.

AMIL and AMZ provide defined contribution pension schemes for their employees. The are no obligations, other than the contribution payable to the pension provider and the employee state insurance.

11 Term and contractual deposits

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Deposits from customers, AMK	68,469,205	58,998,425
Balance as at 31 December	68,469,205	58,998,425

Only one of the Company's subsidiaries, AMK, is a deposit taking institution. Term deposits include USD, KHR and THB currencies, and terms of between 3 months and 36 months. Depending on their tenure, currency and size, term deposits are paid annual interest rates of between 1.00% and 12.50%. Deposits due within one year are shown as a current liabilities in Demand deposits . AMK did not provide collateral relating to these demand deposits.

12 Interest payable

(in USD)	31 Dec 2017	31 Dec 2016
Holding company		
Interest on other borrowings	320	879
Consolidated subsidiaries		
Borrowings, AMK	1,696,899	1,689,819
Borrowings, AMZ	76,448	11,520
Consolidated subsidiaries		
Customer deposits, AMK	2,730,881	2,485,783
Balance as at 31 December	4,504,548	4,188,880

13 Current liabilities

(in USD)	31 Dec 2017	31 Dec 2016
Holding company		
Loan with Grameen-Credit Agricole	119,930	-
Consolidated subsidiaries		
AMK	46,026,733	21,157,740
AMIL	1,855,147	1,969,621
AMZ	854,446	578,014
Balance as at 31 December	48,856,256	23,705,374

The Holding Company obtained a loan from Grameen-Credit Agricole of EUR 300,000 in 2016 and the funds were on-lent to AMZ. The remaining loan amount is repayable on 15 June 2018 and the interest rate is 6% per annum. See note 8 for further detail on the current liabilities for AMK, AMIL and AMK.

14 Demand deposits

(in USD)	31 Dec 2017	31 Dec 2016
Consolidated subsidiaries		
Easy savings and other accounts on demand, AMK	49,209,391	28,165,281
Balance as at 31 December	49,209,391	28,165,281

Easy savings accounts are low yielding current and demand deposit accounts and can be denominated in KHR, USD or THB currencies. These accounts can be transacted through mobile agents, offices or ATMs. The interest rate on such accounts was 0.5%- 5% during the year, varying with amounts and currencies.

15 Financial instruments

General

During the normal course of business, the Company uses various financial instruments that expose it to market, currency, interest, cash flow, credit and liquidity risks. To control these risks, the Company has risk management structures and systems in place that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

Operational & Credit Risks: These risks manifest mainly in the form of loan losses, as the loan book of the investees is the main income-earning asset. Such risks are managed through the systems and structures at the investees, overseen by their respective Boards and committees. For the year being reported, the portfolio quality of all three investees was very good, with portfolio at risk (>30 days) at 1.52% (AMK), 3.83% (AMIL) and 0.53% (AMZ).

Currency Risks: None of the Company's operating currencies showed considerable volatility during the year. Net currency impact was therefore positive for 2017.

Capital and Liquidity Risks: The Company's business of private equity investments depends on a mix of dividends, borrowings and equity capital raises to fund operations. The Company has sufficient liquidity for its short-to-medium term operational needs. The Company's investees manage their liquidity through a range of instruments, including equity, external borrowings and customer deposits. As on the report date all investee companies maintain capital adequacy levels well in excess of their respective national regulations (typical CAR requirement is 15%).

Market Risks: Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. While we discuss currency risks separately, interest-rate risks can potentially also create some uncertainty in the business. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. On the asset side, this relates to the loan pricing methods followed by the group's subsidiaries. On the liabilities within the Group, there is no current exposure to floating interest rates and the primary risk lies with interest rate movements for its subsidiaries at the time of their renewal of existing borrowing lines.

Such market risks can manifest themselves in the loss of clientele, downward pressure on pricing or in extreme cases to client over-indebtedness.

Risk Management Structure and Systems

Operational and credit risks: The first line of defence within the investees is their management along with the respective internal audit and risk departments. The management is regularly monitoring operational risks and disclosures its risk profile and mitigation strategies to the board on an on-going basis. The Board and their relevant committees, especially the Risk Committee, Audit and Finance Committee and the Asset-Liability Committee are tasked to provide oversight on the risk management practices of the management. All investee companies have an Audit and Finance Committee of the Board, and more mature investments such as AMK also have a Risk Committee and a Board Asset- Liability committee to better supervise risk management.

Currency Risks: Due to the nature of its business the Company is exposed to currency risks in its investments. The Company monitors its currency exposure on a regular basis but there are no hedging or other arrangements deployed in its private equity portfolio, as these mechanisms will only come into play once the portfolio of investments has grown to a considerable size and when hedging options can be cost effective. For the time being, over 90% of the Company's portfolio is in the dollarized economy of Cambodia and therefore its currency risks are limited. Moreover, strong operational results are also a way of compensating for potential currency losses, as is happening in all parts of the operations.

Capital and Liquidity Risks: The Company manages its operations within its revenue and capital framework. Its strong operations provide attractive investment options to investors and its investees are geared to generate positive returns. Liquidity management in its investees is carried out by specialised teams and asset-liability management is a care function.

Market & Interest rate risk: To manage the interest-rate risks arising on the asset side of the business, the Company's subsidiaries keep a close watch on market developments and the interest-rate movements through their respective market research functions. For example, the Board and the ALCO in AMK provides the management with an interest-rate band for many products within which AMK can amend interest rates in response to market pressures or opportunities. The interest-rate risk in India is limited on account of a hard interest-rate cap that exists at present, and which results in relatively uniform pricing of loans in the market. In Zambia, on the other hand, AMZ remains a leader in pricing of small rural loans on account of its efficiency, increased scale and careful product design.

15 Financial instruments (continued)

On the liability side of the subsidiaries' balance sheet, floating interest rates are currently not in force on any of the borrowings, and therefore the fluctuations in interest rates manifest primarily at the time of loan renewals. While this can potentially be a real risk for subsidiaries, our experience has shown that the movements are typically on account of hedging costs (FX risk) rather than significant changes to the underlying pricing mechanism used by lenders (LIBOR + margin). Interest rates quoted in USD/EUR have been consistent over the last 5 years for both Cambodia and Zambia, though this does not provide guarantees for the future. Therefore at present the subsidiaries' focus their efforts of managing hedging costs more carefully, through back-to-back arrangements and cross-currency swaps (in Cambodia) or sometimes taking on USD/EUR exposure for short periods (in Zambia) due to prohibitive hedging costs.

Risk Mitigation

Established microfinance strategy: The Company has been in the business of microfinance since 2011, and has an established and a proven track-record. Its operati ns have now reached optimum scale in Cambodia and are growing rapidly in both India and Zambia. The Company (and its investees') approach to microfinance is to establish operating systems that mitigate risk exposure in operations. Its long- term loan losses as well as profitability profile confirms that its approach to microfinance is viable and is managed within acceptable risk levels.

Systems and processes: The Company ensures, through its role in the governance of the investees, that appropriate levels of risk management processes and systems are in place. The establishment of such systems is relevant to the context and complexity in each investee but the focus on risk management remains dear within these institutions. AMK has relatively more extensive structures in place and its other two investees also follow processes appropriate to their size, scale and complexity. The Company oversees this aspect closely through its representation on the governance of the investee companies.

Operating policies: The Company ensures that its investees follow responsible lending practices and thereby maintain the credit risk in their operations within acceptable limits. Each of the investee companies work with established policies for lending, which includes amongst other things, a focus on geographical and market diversification, risk exposure limits by sector, cash-flow based loan assessments, checks and balances in lending decisions and ongoing monitoring/audits. These practices help in managing the credit risk inherent in the business, and the Company's overall portfolio consistently performs with long-term weighted average loan losses below 2% per annum.

16 Off-balance sheet assets and liabilities

Letter of comfort

In 2016 the Company facilitated a commercial Bank loan to AMIL by offering a letter of comfort to the lender. The loan is priced significantly lower than AMIL's existing borrowings.

Commitments

AMK leases office premises under an operating lease arrangement with minimum lease commitments as follows:

(in USD)	31 Dec 2017	31 Dec 2016
Within one year	1,093,135	1,076,561
More than 1 year to 5 years	1,930,483	1,723,443
More than 5 years	871,165	842,810
	3,894,783	3,642,814

In the normal course of business, AMK enters into certain commitments with legal recourse. No material losses are anticipated from these transactions, which consist of:

(in USD)	31 Dec 2017	31 Dec 2016
Foreign exchange swap contracts	4,000,000	13,000,000
Foregin exchange forward contracts	2,000,000	500,000
Unused portion of credit line	13,054,901	11,362,880
	19,054,901	24,862,880

The Company has 7 foreign exchange swap contracts (2016: 14 contracts) with certain commercial banks outstanding as at 31 December 2017. The Company enters into these contracts to manage its foreign exchange risk.

17 Accrued expenses & other liabilities

(in USD)	31 Dec 2017	31 Dec 2016
Holding company		
Accrued audit fees	68,960	27,788
Accrued notarial, legal & tax advisory fees	11,754	29,438
	80,714	57,226
Consolidated subsidiaries		
AMK		
Audit fees	27,318	13,900
Office expenses	44,711	121,717
Staff expenses	1,802,844	1,038,751
Taxes payable	3,143,854	1,666,286
Trade payables	222,849	494,252
General expenses	-	4,690
Swap liability	138,837	513,655
Other liabilities*	2,779,120	837,946
	8,159,533	4,691,197
AMIL		
Accrued expenses & other liabilities	75,384	42,285
	75,384	42,285
AMZ		
Accrued expenses & other liabilities	100,642	68,768
	100,642	68,768
Balance as at 31 December	8,416,273	4,859,477

* Other liabilities at AMK include an amount of USD 777,038.52 (2016: USD 823,157) that relates to unclaimed money transfers that have accumulated over the past five years.

18 Interest and dividend income

(in USD)	2017	2016
Consolidated subsidiaries		
AMK	47,182,867	47,891,365
AMIL	878,606	668,273
AMZ	997,877	493,050
Total	49,059,350	49,052,689

19 Financial expenses

(in USD)	2017	2016
19a) Interest expenses		
Holding company		
Interest expense on other borrowings	(16,755)	(8,694)
Other interest expenses	-	(8,125)
	(16,755)	(16,820)
Consolidated subsidiaries		
AMK	(14,850,420)	(12,488,747)
AMIL	(372,869)	(310,058)
AMZ	(347,960)	(146,733)
	(15,571,249)	(12,945,538)
Total	(15,588,004	(12,962,358)

Notes to the consolidated financial statements (continued)

19 Financial expenses (continued)

19b) Other financial income

Consolidated subsidiaries		
AMK		
Loan processing fee income	5,163,889	1,001,022
Other income	2,430,467	1,792,067
	7,594,356	2,793,089
AMIL		
Loan processing fee income	41,085	37,533
Other income	42,224	31,007
	83,309	68,541
AMZ		
Loan processing fee income	610,984	438,120
Other income	41,580	59,440
	652,564	497,560
Total	8,330,229	3,359,190

19 Financial expenses (continued)

19c) Other financial expenses

(in USD)	2017	2016
Holding Company		
FX results	(21,940)	10,149
Bank charges	(5,131)	(1,931)
Withholding tax AMK dividend	-	(35,739)
Miscellaneous income/(cost)	-	14,949
Total	(27,071)	(12,573)
Consolidated subsidiaries		
AMK		
FX results	(23,330)	(108,618)
Bank charges	(186,862)	(164,004)
Loan loss provision	(3,225,600)	(2,152,775)
Loan fee, other miscellaneous expenses	(528,316)	(1,211,669)
	(3,964,108)	(3,637,066)
AMIL		
Bank charges	(2,838)	(2,774)
Loan loss provision	(67,548)	(18,715)
Loan fee, other miscellaneous expenses	(27,106)	(20,457)
	(97,492)	(41,945)
AMZ		
FX result	(32,199)	(11,196)
Bank charges	(13,613)	(7,080)
Loan loss provision	(21,759)	(2,745)
	(67,571)	(21,021)
Total	(4,156,242)	(3,712,606)

20 General and administrative expenses

(in USD)	2017	2016
Holding company		
Investment advisor fee	(530,000)	(660,000)
Depreciation & amortization	(387,728)	(415,250)
Auditor's fees - adult of the financial statements	(70,148)	(33,193)
Legal and professional fees	(34,631)	(76,615)
Management and administration fees	(27,276)	(22,156)
Staff	(14,412)	-
Other cost	(701)	-
	(1,064,896)	(1,207,214)
Consolidated subsidiaries		
AMK		
Staff	(14,839,830)	(14,260,294)
Rent	(1,458,433)	(1,277,350)
General administration	(8,744,731)	(7,240,750)
Depreciation & amortization	(1,429,690)	(1,568,650)
Travel cost	(1,024,790)	(794,440)
Insurance	(172,021)	(202,967)
Consultancy, legal and audit	(1,227,155)	(996,365)
	(28,896,650)	(26,340,816)

20 General and administrative expenses (continued)

AMIL		
Staff	(311,214)	(243,898)
Rent	(43,693)	(32,939)
General administration	(65,776)	(35,444)
Depreciation & amortization	(7,545)	(8,187)
Travel cost	(11,460)	(6,403)
Insurance	(1,091)	(1,099)
Consultancy, legal and audit	(34,440)	(19,431)
	(475,219)	(347,401)
AMZ		
Staff	(693,373)	(503,392)
Rent	(60,217)	(43,971)
General administration	(102,414)	(100,577)
Depreciation & amortization	(44,581)	(28,422)
Travel cost	(114,091)	(61,075)
Insurance	(5,005)	(2,908)
Consultancy, legal and audit	(37,502)	(34,431)
	(1,057,183)	(774,777)
Total General and Administrative Expenses	(31,493,948)	(28,670,208)

The total amount of personnel expenses, depreciation and amortisation is as follows:

	2017	2016
Personnel expenses	(15,858,829)	(15,007,584)
Depreciation and amortisation	(1,869,544)	(2,020,509)
	(17,728,373)	(17,028,093)

Notes to the consolidated
financial statements (continued)

21 Personnel

During 2017 the Company recruited a Chief Financial Officer based in Amsterdam.

As at the end of the year the group had a total staff strength of 2,633 [2016: 2,450], 2,494 staff in AMK (2016: 2,349), 66 in AMIL (2016: 54), 72 in AMZ (2016: 47) and 1 staff member employed by the Company (2016: 0). The total number of staff employed outside of the Netherlands is 2,632 (2016: 2,450).

22 Directors

The Managing Directors of the Company received no remuneration in respect of their services as Directors. The Company has two Supervisory Directors (2016: 2) and two Managing Directors (2016: 3).

23 Governance

During the year Ms. R. McKenzie and Mr. S.P. de Haseth resigned as Managing Directors of the Company and Ms. R. Peat was appointed. There were no changes to its Supervisory Board during the year.

24 Tax on result

(in USD)	2017	2016
Income tax expense at applicable tax rate of 20%	1,411,817	1,639,274
Non-deductible expenses	254,955	49,853
Tax accrued on monthly turnover	547,773	-
Under provision of income tax in prior year	166,190	34,677
Temporary differences	(599,515)	(141,613)
	1,781,220	1,582,191

Notes to the consolidated
financial statements (continued)

24 Tax on result (continued)

The Tax on result relates to AMK. In accordance with Cambodian tax law, the Company has the obligation to pay tax on profit ("ToP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher. The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

The Company has tax loss carry-forward of USD 4,060,660 as at 31 December 2016 which have not been included in the valuation amounts.

25 Audit fees

(in USD)	2017	2016
Audit of the financial statements - KPMG Accountants N.V.	(70,148)	-
Audit of the financial statements - Ernst & Young Accountants LLP	-	(33,193)
Other audit engagements	-	-
Tax-related advisory services	-	-
Other non-audit services	-	-
	(70,148)	(33,193)

In 2017, the fees were charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code. AMZ also engaged a KPMG network firm for the audit of its financial statements and tax advisor services. The fees charged to AMZ were USD 26,084 (2016: USD 30,689) for the audit of their financial statements and USD 3,180 (2016: USD 3,787) for Tax-related advisory services.

26 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. There have been no transactions with related parties that were not on a commercial basis.

27 Result minority interest

(in USD)	2017	2016
AMK	(2,600,499)	(3,003,759)
AMIL	(1,633)	(18,331)
AMZ	(29,762)	(2,722)
	(2,631,894)	(3,024,812)

28 Subsequent events

There are no events after balance sheet that need to be included in these accounts.

SEPARATE FINANCIAL STATEMENTS

Separate Balance Sheet as at 31 December 2017
(before proposed appropriation of net result and expressed in USD)

		31 Dec 2017 USD	31 Dec 2016 USD
ASSETS			
FIXED ASSETS			
Intangible fixed-assets	1	2,263,171	3,101,603
Financial fixed-assets	29	22,772,023	18,758,234
Total fixed assets		**25,035,194**	21,859,837
CURRENT ASSETS			
Short-term Loans receivable	30	110,305	333,449
Interest receivable	31	2,771	39,228
Trade and other receivables	6	7,057	2,796
Deposits with financial Institutions	32	452,406	625,590
Cash and cash equivalents	33	443,752	1,576,036
Total current assets		**1,016,291**	**2,577,097**
TOTAL ASSETS		**26,051,485**	**24,436,934**

		31 Dec 2017 USD	31 Dec 2016 USD
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	8		
Issued and paid-up share capital		306,872	269,718
Share premium		25,445,232	25,445,232
Other reserves		(1,639,854)	(4,111,592)
Unappropriated result for the year		1,738,271	2,459,704
Shareholders' equity		**25,850,521**	**24,063,062**
NON-CURRENT LIABILITIES			
Non-current borrowings	9	-	315,768
Total non-current liabilities		-	**315,768**
CURRENT LIABILITIES			
Interest payable	12	320	879
Current liabilities	13	119,930	-
Accrued expenses	34	80,714	57,226
Total current liabilities		**200,964**	**58,105**
TOTAL EQUITY AND LIABILITIES		**26,051,485**	**24,436,934**

Separate Profit and Loss account

for the year ended 31 December 2017

		2017 USD	2016 USD
Financial income			
Interest and dividend income	35	63,230	306,233
		63,230	306,233
Financial expenses			
Interest expense	36	(16,755)	(16,820)
Other financial expenses	37	(21,940)	(3,093)
		(38,695)	(19,912)
Net interest margin		***24,535***	***286,321***
Operating expenses			
General and administrative expenses	38	(1,070,027)	(1,209,144)
		(1,070,027)	(1,209,144)
Share of result of participating interests			
AMK	29	2,677,367	3,355,373
AMIL	29	14,700	19,079
AMZ	29	91,696	8,075
		2,783,763	3,382,527
Result before tax		**1,738,271**	**2,459,704**
Tax on result		-	-
Result after tax		**1,738,271**	**2,459,704**

Notes to the Separate Financial Statements

General

The Separate financial statements have been prepared in accordance with principles of accounting generally accepted in The Netherlands and are in compliance with the provisions of the Dutch Civil Code, Book 2, Part 9.

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the financial instruments which are presented on the basis of their legal form in the separate financial statements.

For the accounting policies of the Separate financial statements, we refer to the summary of accounting policies as included in the notes to the consolidated financial statements.

Financial instruments

In the separate financial statements, financial instruments are presented on the basis of their legal form.

29 Financial fixed-assets

AMK - Equity

(in USD)	31 Dec 2017	31 Dec 2016
Opening balance	17,750,231	14,603,123
Result of AMK [Share in profit/(loss)]	2,677,367	3,355,373
Revaluation impact	(627)	(208,265)
Balance as at 31 December	20,426,971	17,750,231

No further investments were made in AMK during the year. AMK did not issue any further shares during the year and at balance sheet date the Company owned 51%. The legal address of AMK is Building: # 285, Yothapol Khmerarak Phoumin Blvd (271), Sangkat Tumnub Teuk, Khan Chamkarmorn, Phnom Penh, Cambodia.

29 Financial fixed-assets (continued)

AMIL - Equity

(in USD)	31 Dec 2017	31 Dec 2016
Opening balance	684,892	604,551
Acquisition of new shares	490,676	151,000
Negative goodwill on investments during the year	502,990	(144,204)
Result of AMIL [Share in profit/(loss)]	14,700	19,079
Revaluation Impact	70,208	54,468
Balance as at 31 December	1,763,466	684,892

The Company made an additional investment into AMIL for a discounted amount of USD 490,676. The new investment increased the Company's equity stake from 51% to 90%. The negative goodwill has been offset against previous goodwill. See note 1 for further detail. The legal address of AMIL is Unit No 710, Seventh Floor, Vashi Infotech Park, Plot No. 16, Sector 30A, Vashi, Navi Mumbai 400703, India.

AMZ - Equity

(in USD)	31 Dec 2017	31 Dec 2016
Opening balance	323,111	208,211
Acquisition of new shares	239,458	113,500
Goodwill on investments during the year	(52,286)	(83,364)
Result of AMZ [Share in profit/(loss)]	91,696	8,075
Revaluation Impact	(20,393)	77,157
Movement in contingent liability	-	(468)
Balance as at 31 December	581,586	323,111

The Company made additional investments into AMZ during the year as indicated above. The new investments increased the Company's equity stake from 74.8% to 75.5%. The legal address of AMZ is First Floor, Mama Betty Building, Suite 112 Foxdale Courts Office Park, 609 Zambezi Road, Lusaka, Zambia.

Total financial fixed-assets	**22,772,023**	**18,758,234**

30 Short-term loans receivable

(in USD)	31 Dec 2017	31 Dec 2016
GCA-AMNV loan to AMZ	110,305	333,449
Balance as at 31 December	110,305	333,449

On 16 August 2016 the Company made a ZMW-denominated loan to AMZ for ZMW 3,298,500. The loan is repayable on 13 June 2018 and bears interest at a rate of 20% per annum. The loan was obtained by the Company in EUR from Grameen-Credit Agricole.

31 Interest receivable

(in USD)	31 Dec 2017	31 Dec 2016
Loan to AMZ - accrued interest	1,107	2,984
Accrued interest income - AMK	1,664	28,819
Other receivables	-	7,425
Balance as at 31 December	2,771	39,228

32 Deposits with financial institutions

(in USD)	31 Dec 2017	31 Dec 2016
Deposit with AMK - USD facility	450,000	623,327
Savings and current accounts with AMK	2,406	2,263
Balance as at 31 December	452,406	625,590

33 Cash and cash equivalents

(in USD)	31 Dec 2017	31 Dec 2016
Deutsche Bank AG, Amsterdam, Current Accounts	443,752	1,576,036
Balance as at 31 December	443,752	1,576,036

Cash at banks is available on demand.

34 Accrued expenses

(in USD)	31 Dec 2017	31 Dec 2016
Accrued audit fees	68,960	27,788
Accrued notarial, legal & tax advisory fees	11,754	29,438
Balance as at 31 December	80,714	57,226

35 Interest & dividend income

(in USD)	2017	2016
Interest: Loan to AMZ	56,269	29,498
Interest Deposits with AMK	6,961	21,454
Dividend Income AMK	-	255,281
Total	63,230	306,233

36 Interest expenses

(in USD)	2017	2016
Interest expense on short-term borrowings	(16,755)	(8,694)
Other interest expense	-	(8,125)
Total	(16,755)	(16,820)

37 Other financial expenses

(in USD)	2017	2016
FX Result	(21,940)	10,149
Withholding tax AMK dividend	-	(35,739)
Miscellaneous income	-	22,498
Total	(21,940)	(3,093)

38 General and administrative expenses

(in USD)	2017	2016
Investment advisor fee	(530,000)	(660,000)
Depreciation & amortization	(387,728)	(415,249)
Auditor's fees - audit of the financial statements	(70,148)	(33,193)
Legal and professional fees	(34,631)	(76,615)
Management and administration fees	(27,276)	(22,156)
Staff	(14,412)	-
Bank charges	(5,131)	(1,931)
Other cost	(701)	-
Total	(1,070,027)	(1,209,144)

The staff expenses includes social security charges of USD 6,665 (2016: nil). The Company has 1 employee (2016: 0) who is situated in The Netherlands.

39 Remuneration of managing and supervisory directors

The Managing Directors of the Company and Supervisory Board received no remuneration in respect of their services as Directors. The Company has two Supervisory Directors (2016: 2) and two Managing Directors (2016: 3).

40 Financial instruments

The risks relating to financial instruments relate predominantly to the subsidiaries. See note 15 for further detail.

41 Off-balance sheet assets and liabilities

Letter of comfort

In 2016 the Company facilitated a commercial Bank loan to AMIL by offering a letter of comfort to the lender. The loan is priced significantly lower than AMIL's existing borrowings.

42 Performance of share classes

(in USD)	2017			2016		
	Total	Ordinary	A1	Total	Ordinary	A1
# of shares	2,632,587	2,550,557	82,030	2,632,587	2,550,557	82,030
Earnings	1,738,271	1,680,287	57,984	2,459,704	2,377,875	81,828
Earnings per share		0.659	0.707		0.932	0.998

Earnings have been allocated following the principles of dividend distribution described in the Company's Articles of Association.

43 Subsequent events

There are no events after balance sheet that need to be included in these accounts.

Managing Directors:	**Supervisory board:**
Ms. R. Peat	Mr. T. Chetan
Mr. R.W. van Hoof	Mr. G.E. Bruckermann

Amsterdam, The Netherlands
30 June 2018

Auditor's report

The Auditor's report is included on page 56.

Provisions in the Articles of Association governing the appropriation of profit

In accordance with Article 21 of the Articles of Association, the result for the year is at the disposal of the General Meeting of Shareholders insofar as the Supervisory Directors do not determine that all of the profits or a specified sum shall be added to the reserves. The Supervisory Board may resolves with respect to the share of each class separately to make dividend distribution's on shares.

Agora Microfinance

BANKING FOR CHANGE

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