Agora Microfinance

BANKING FOR CHANGE

Annual Report 2018

Mission

To maximise the social returns in microfinance while providing a fair and attractive financial return to investors.

Agora Microfinance Group | **Annual Report 2018**

Contents

Message from the Principals

Gerhard Bruckermann

Tanmay Chetan

We completed an eventful and a successful 2018 on most counts. As the Agora group slowly builds up the depth and spread of its work, we will soon begin looking for expansion in the Sub-Saharan region in a meaningful way.

During the year we completed the handing over of the reins as the promoter/primary shareholder in AMK MFI Plc (Cambodia) to the Shanghai Commercial and Savings Bank. We continue in AMK as a minority shareholder, and have remained focused on ensuring continuity and consistency as the new shareholders find their feet. It gives us pleasure to report that the new shareholders have already built up an excellent rapport with the AMK management and with us. It is a matter of great satisfaction to see AMK grow from strength to strength under their guidance, with the addition of new business lines, new technologies and even greater physical presence than before. AMK had a predictably successful year in 2018, with its performance along the lines of its plans for the year. It also completed an intensive project of systems upgrade, and while the new core banking system implementation took longer than expected, it positions AMK strongly for much more consolidation on the back of a stronger information ecosystem that it has created. We expect 2019 to bring about further consolidation in all business lines, but especially in remittances, payments and loan businesses.

Elsewhere, we continued to make strong forward strides in Zambia, with AMZ finishing the year with 25,000 customers and a ZMW 37 million portfolio, with asset quality continuing to be excellent. With this AMZ completed its third straight year of continuing growth, profitability, efficiency and asset quality. We expect that AMZ will gain from strength to strength as it grows and diversifies its operations to new parts of Zambia in the coming years. Despite some currency volatility and a weak agriculture season in the country, AMZ finished the year with all its parameters performing strongly. In the coming year, further geographical expansion is planned alongside technological upgrades that include new credit scoring models and possibly an upgrade of the information systems, as AMZ grows and becomes a more complex institution than in the past.

In India, AMIL saw modest growth and moderate profitability for the year to date figures (April to December 2018). While it had grown further to a little over 20,000 clients, we are now embarking on a much more focused plan to ensure greater scale, by looking to expand beyond the city of Mumbai. AMIL's profitability remains positive but moderate, on account of a lending rate cap coupled with high cost of funding. We are working on some strategies to address this interest squeeze which will improve AMIL's interest margins in the coming years. These strategies include maximising the 15% allowance for lending to other (non-microfinance) sectors that do not have an interest rate cap, and on mobilising overseas debt which is likely to be cheaper than borrowing from local lenders.

In addition, we also made progress on our planned institutional (wholesale) lending business through our company Moringaway by identifying new MFIs in Africa. This new initiative aims to reduce the cost of funding for MFIs working with small-farmers and SMEs, especially in Sub-Saharan Africa and in other volatile currencies. We believe this can be achieved while being sustainable. One new borrower was successfully identified during the year, and others are being reviewed as we speak.

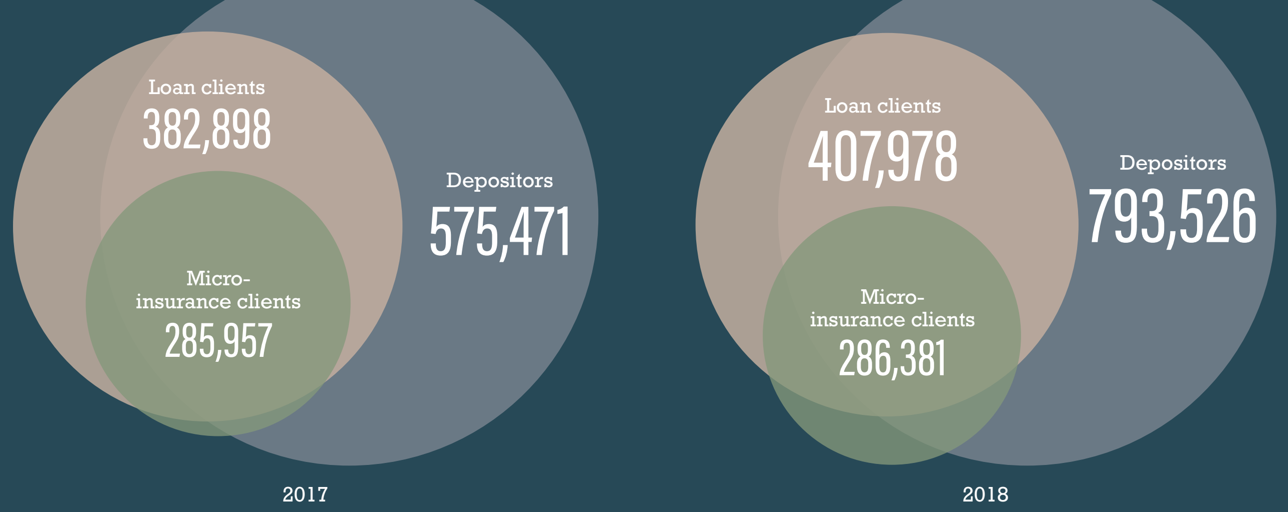
Overall, the Agora group companies continued to grow and become more established in their respective markets, and collectively reach out to more than one million clients through their financial products. We look forward to further growth, consolidation and meaningful impact for our clients in the coming year. Growth and efficiency are the key to this goal, as we keep looking for better and more innovative ways to deliver our products.

Agora Microfinance N.V.
Financial and Operational Highlights

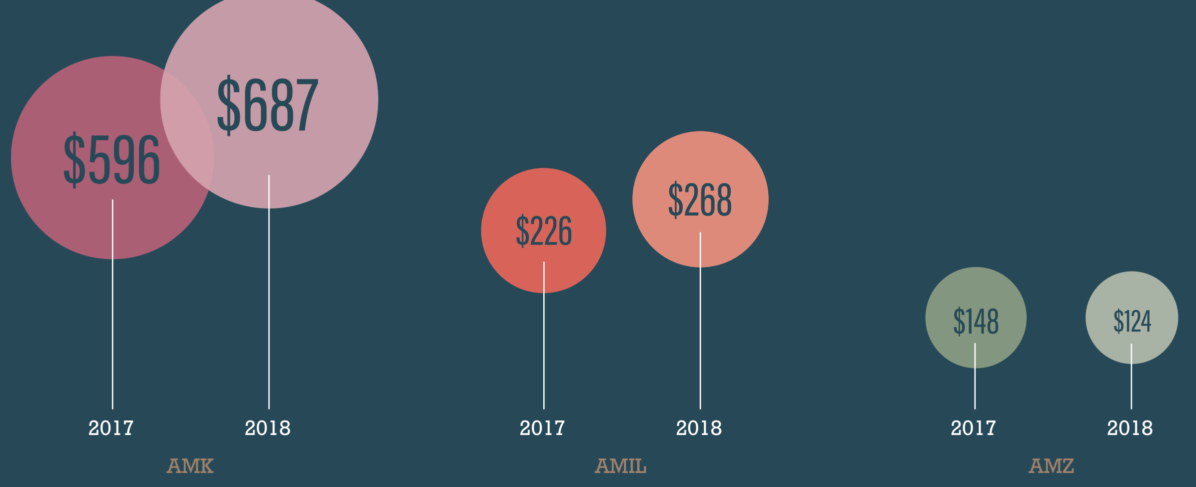
Agora Microfinance N.V., non-consolidated

* excluding windfall result from sale of shares

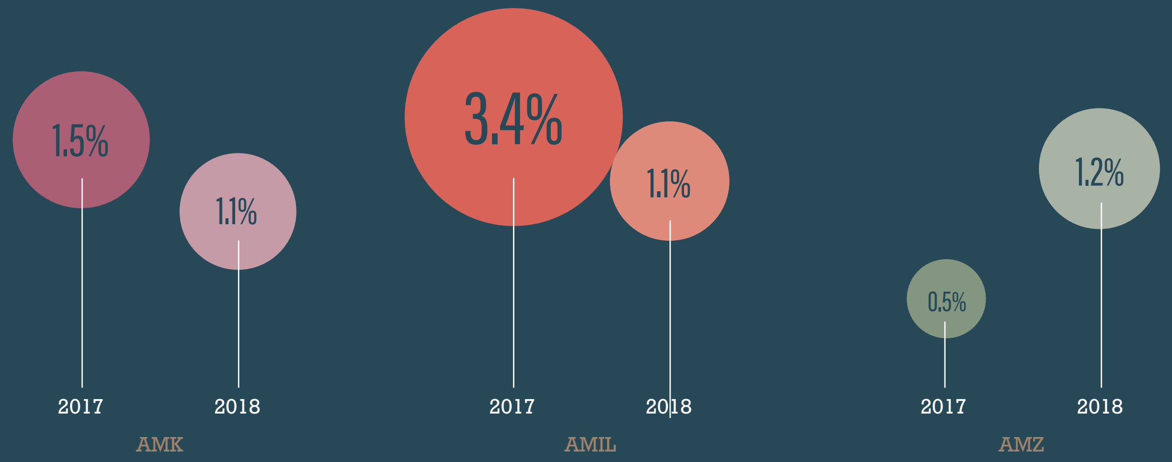
Total clients



Average Loan Outstanding (USD)

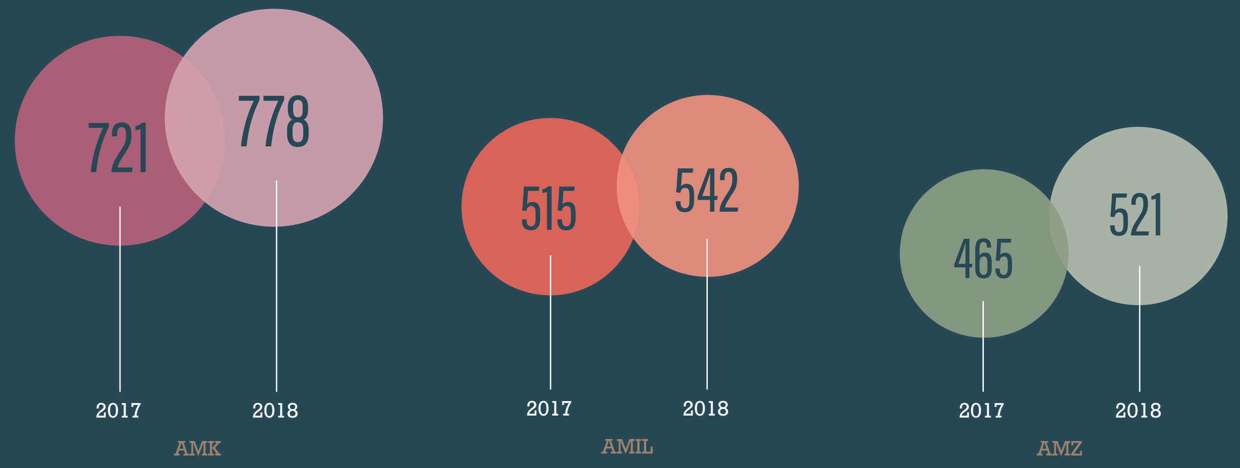


PAR30 days

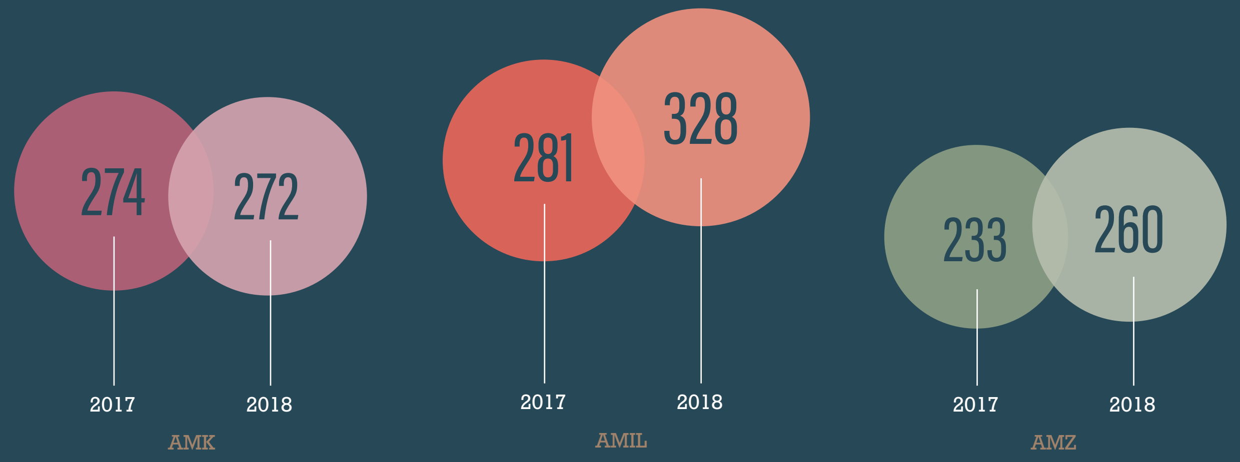


Agora Microfinance N.V.
Financial and Operational Highlights

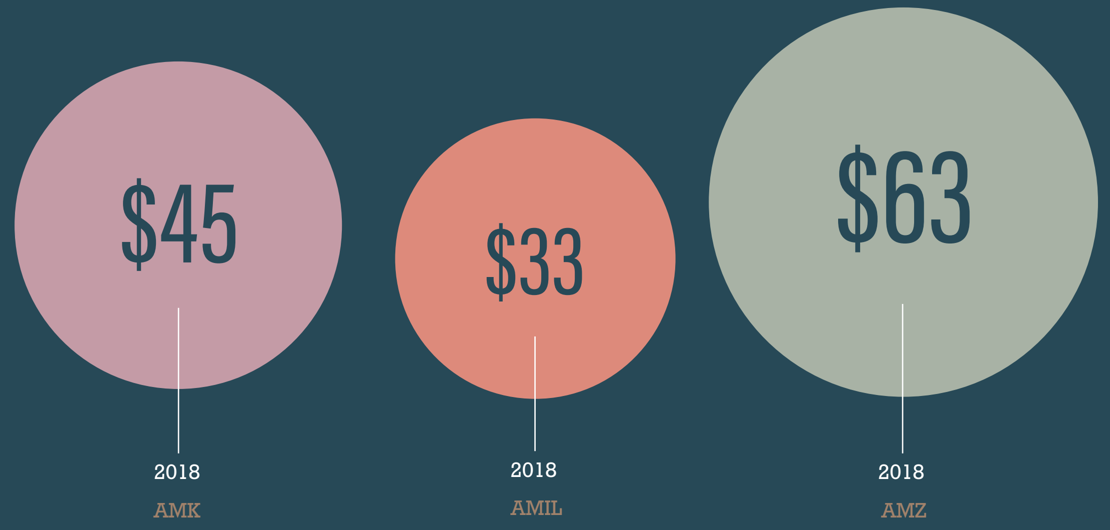
Clients/Client Officer



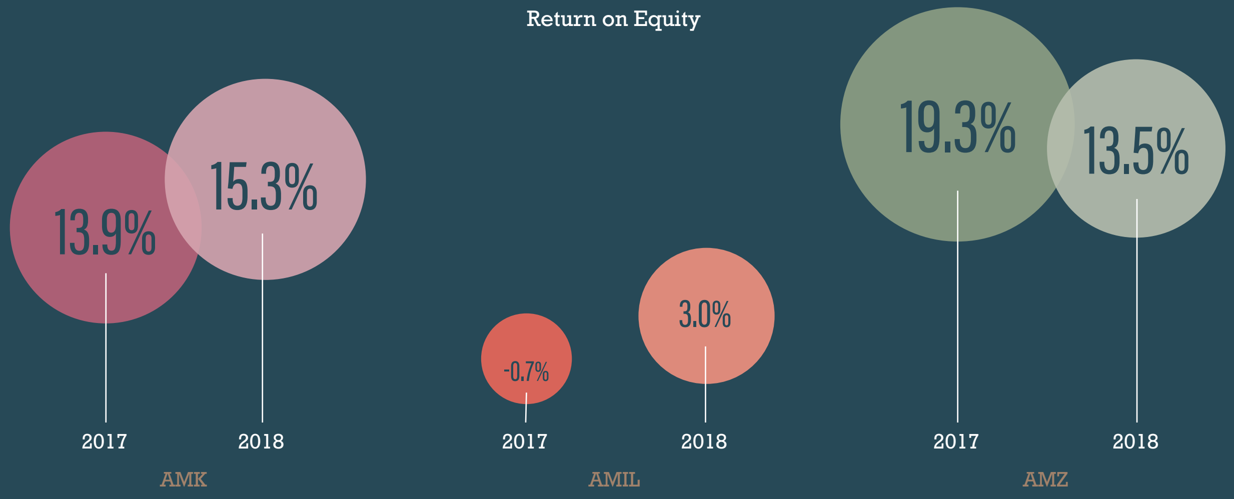
Clients/Staff



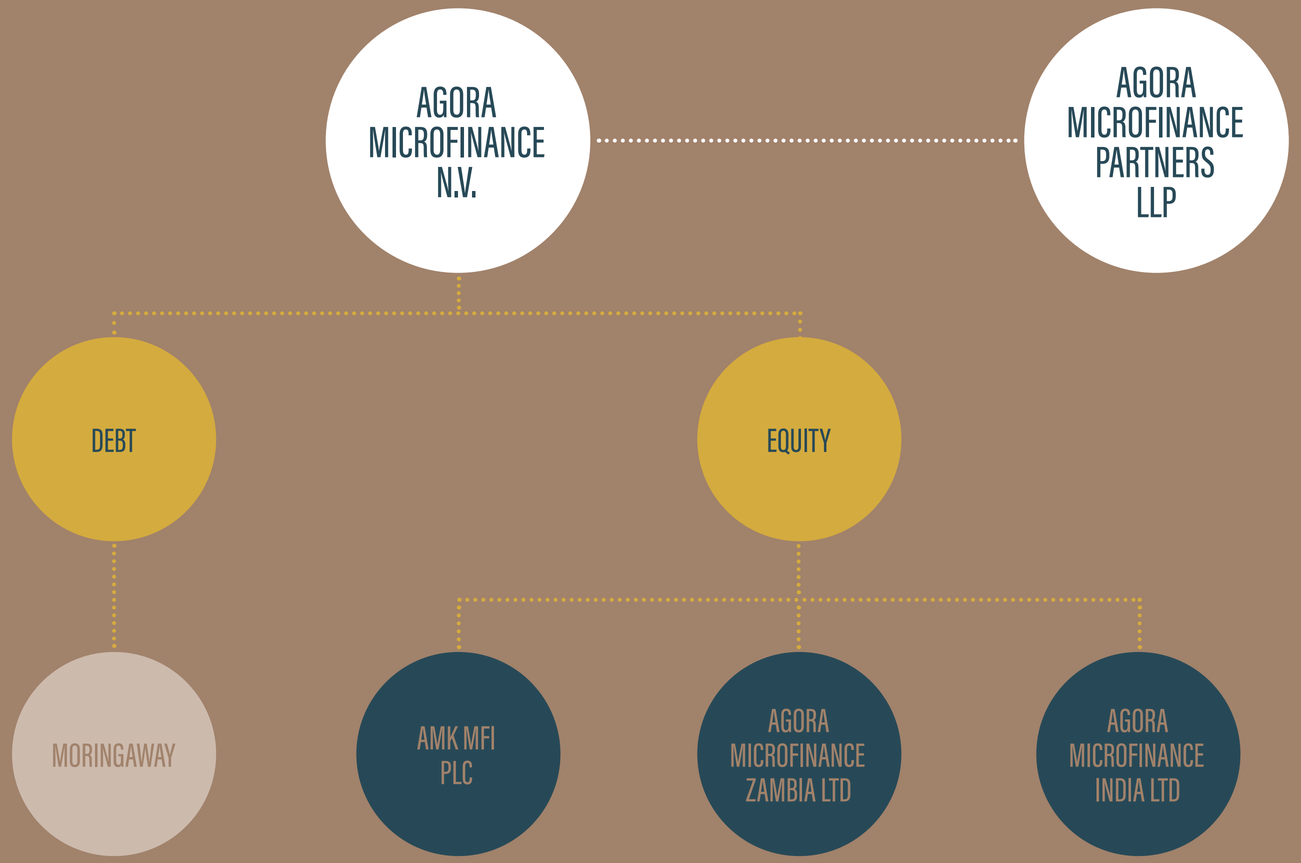
Cost/Client



Return on Equity



The Agora Group



Investing companies: Agora Microfinance N.V., Moringaway

Agora Microfinance N.V.: A Dutch domiciled holding company invests in equity of financial institutions

Moringaway: A Mauritius GBL1 Company, provides short-to-medium term debt to microfinance institutions

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

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

Team profiles:
Holding Company & Financial Advisor

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,
Partner & 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.

The Agora Operating & 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.

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.

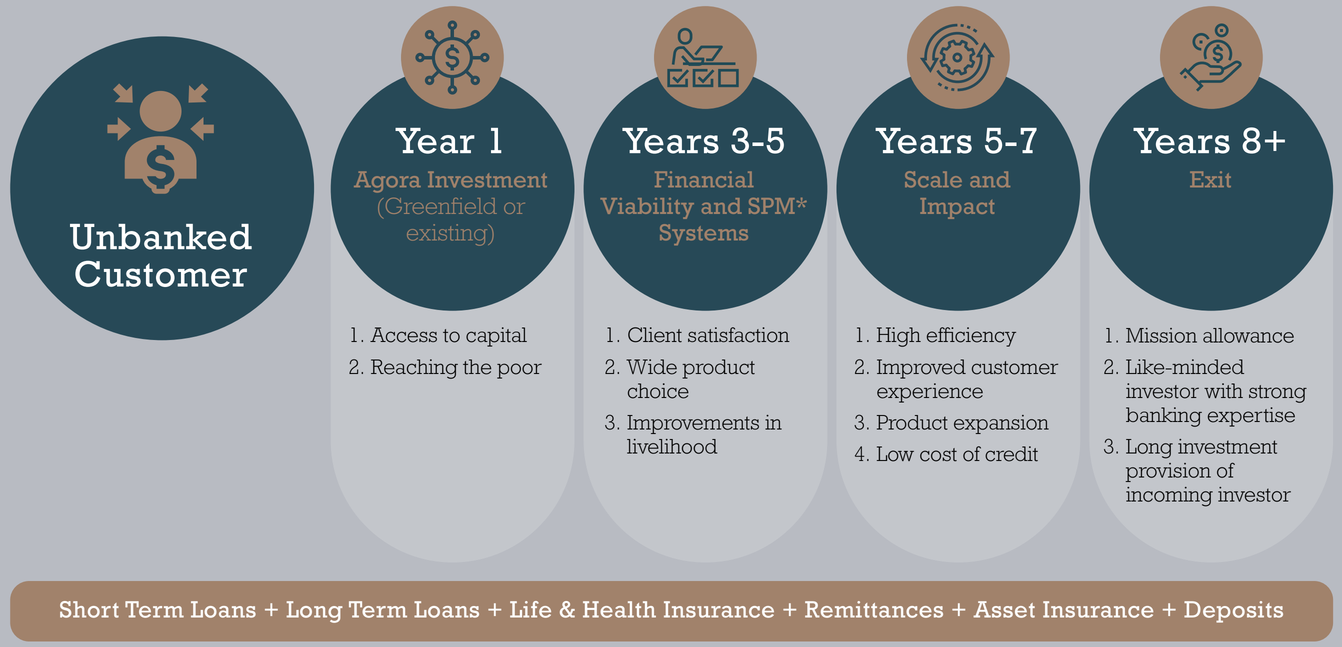
Phase 3: Scale and impact

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.



*Social Performance Management Systems

Ten Years of Agora

Agora stands for 'small market' in Greek. As a social enterprise, we aim to impact many small markets in the coming years, and a review of the first ten years of our work helps us plan and execute to our potential.

The Agora Group started taking shape in 2009, with the creation of its advisory company in London. We came together with the goal of making an impact by improving low income families' access to high quality financial services in Africa and Asia. Subsequently, during 2011-2012, we created the investment company (Agora Microfinance N.V.), two green-field operations (AMIL India and AMZ Zambia) and took a majority position in AMK MFI Plc, Cambodia.

The successes of our Cambodian subsidiary

We were fortunate to have known our Cambodian portfolio company from our days before the creation of Agora. That definitely helped us in appreciating the risks as well as the opportunities when we formally engaged with AMK MFI Plc in 2009. At the time, AMK was a robust lending institution with some 200,000 clients, but was struggling a little in the aftermath of the global financial crisis and some additional internal management challenges. Upon taking charge of the company's Board of Directors in 2009/10, and then as its new majority shareholder a couple of years later, we were able to bring about changes that have held AMK in good stead ever since.

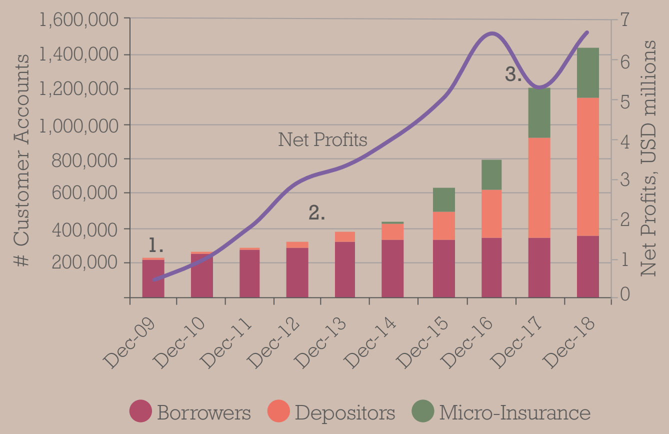
The two most significant contributions that Agora made to AMK, were

a) Outlining a vision of moving from a lending only institution to a multi-product, multi-channel deposit taking microfinance 'bank'

b) Creating strong and stable leadership in the Company

Partly as a result of the above, we have had a strong run in Cambodia. The graph shows how AMK MFI Plc has transformed Cambodian financial inclusion and has grown from strength to strength during the period.

AMK MFI Plc during Agora as its Promoter Shareholder



1. Agora takes charge of governance
2. Agora becomes majority Shareholder
3. NBC introduces interest rate cap

Other highlights of AMK MFI Plc during the past ten years have been as below:

- Loan book increased from USD 24 million to USD 252 million
- Deposit balance increased from USD 20,000 to USD 160 million
- An agent network of 4,500 agents has been established during the period, which enables AMK to carry out transactions worth hundreds of million dollars in remittances, payments and payroll services

As we step back in Cambodia and remain a smaller, minority shareholder going forward we can look at AMK MFI Plc with much satisfaction. This is our primary achievement of the first decade of our existence, and provides a blueprint on what can be achieved and what should be aimed for in our other operations.

Ten Years of Agora (continued)

Achievements and learnings from our green-fields in Zambia and India

Achievements

Alongside our Cambodian institution, we undertook two particularly challenging initiatives during 2010-2011. After reviewing a number of markets, we decided to set up our own green-field operations in two of them: in rural Zambia and in urban India (in Mumbai). The decisions were driven in part from the market conditions in the two locations, wherein we saw increasing demand supply gaps as well as relatively stable political and regulatory environments.

An honest review points to the reality that until now, we have not managed to scale up operations in either market to the level we would have liked. We have been constrained by a number of external as well as some internal factors. Aspects such as currency volatility, lack of availability of reasonably priced debt, human resource constraints etc have all contributed to lower than expected growth.

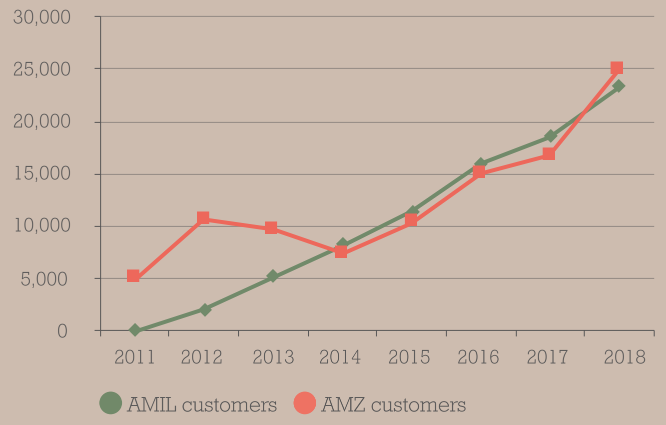
At the same time, there have been some major achievements as well during the past 6 years with our green-fields. Some of these are

- AMZ is the largest rural MFI in Zambia
- Both MFIs achieved break-even in Y5 of their operations (2016)
- Both MFIs have achieved and consistently operate at high efficiency levels (refer Clients/CO statistics included in the snapshots in this publication)
- Both MFI exhibit stable and strong portfolio quality

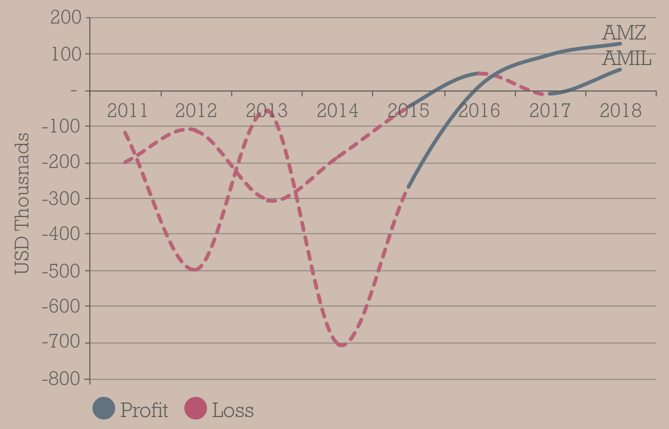
These graphs show that both MFIs broke-even at around 15,000 clients. Thereafter operations remain on a positive path except for an external shock in India (demonetisation carried out by the Indian Government) which temporarily pushed AMIL's performance in the red.

As an investor, the last ten years of our green-field operations suggest that it takes 3-5 years to establish the operations after which faster growth and better financial viability is experienced. This is closely related to the desired operating efficiency levels being achieved in the operations, all the time maintaining healthy asset quality.

Client growth green-field operations



Profitability of green-field operations



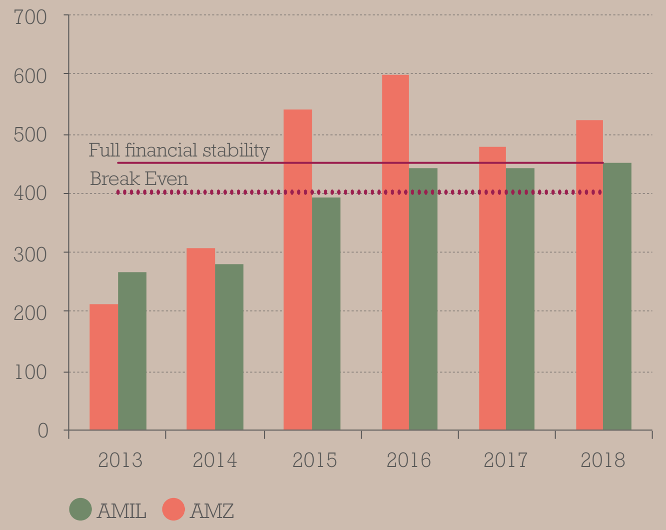
Lessons learned from green-field operations

While both our MFIs are progressing well after having established their presence in their respective markets, a few things that really stand out as our learnings should hold us in better stead in the future when we engage in other green-fields or invest in very early stage companies or start-ups:

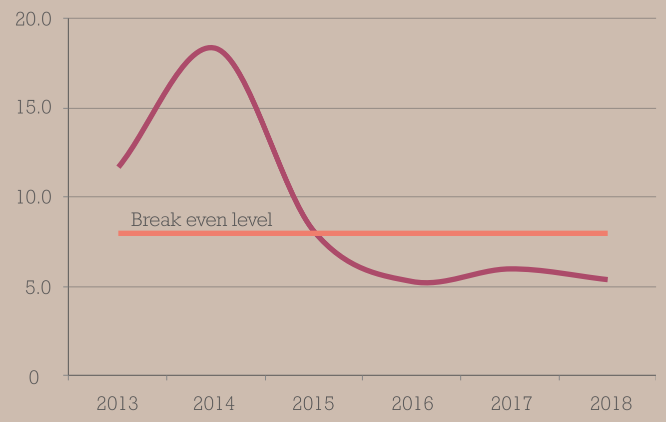
a) **Build efficiency in the first few years:** Before the start-up achieves scale, it is important to build a culture of efficiency in the operations for multiple reasons.

   We have learnt this important lesson in both of our green-fields. Both AMZ and AMIL work at efficiency levels that are ahead of their markets. Especially in Zambia, AMZ has created a vastly superior efficiency profile than its competitors. Indicators of efficiency can be seen in Client officer caseload, or in cost per customer. Our business remains a low margin, high volume model and therefore efficiency becomes paramount, as can be seen in the profile of our institutions in the two markets.

Client officer caseload & financial viability levels in Zambia & India



Cost/client/month (USD) and break-even level in AMZ



b) **Instil process discipline early:** It is often quite likely that the excitement of fast growth leads to less than optimum oversight and financial discipline in operations, as a few staff members grapple with high demand. We have learnt that such lapses are costly, and in the early days, if a trade-off is necessary it should be in the form of slower growth rather than lowering one's guard on the processes. If followed well, any loss of growth can be caught up with quite easily in the later years of the institution.

c) **Fundraising will be a challenge in the beginning:** Until the business model has shown some proof of concept, expect that fundraising will be difficult. Therefore it is imperative to be able to invest enough capital for the first few years of the operations, rather than spending a lot of management time trying to raise funds. Once a certain level of viability and scale is achieved, third party funding will fall into place easily.

Ten Years of Agora (continued)

Future outlook of green-field portfolio

After the first five years of operations, both our MFIs are well-poised for substantial growth in the coming 3 years. Having understood the risk profiles of clients, established a strong asset base and achieved stable operational viability, we believe we are well poised to grow at faster rates and expand to new geographies. We aim to achieve the following in the coming 3 years:

- Increase the combined outreach of the two MFIs to over 100,000 active customers
- Obtain a deposit license and begin offering deposits in Zambia
- Increase loan book to a combined value of USD 25 million
- AMIL to be operating in more than 3 cities, AMZ to be operating country-wide through 20+ branches

MFI Highlights

AMK Microfinance Institution Plc

Client Outreach 2017

344,754 Borrowers
575,471 Depositors
284,957 Micro-insurance Clients

683,354 Clients
1,205,182 Client Accounts

Client Outreach 2018

359,681 Borrowers
793,526 Depositors
285,646 Micro-insurance Clients

765,058 Clients
1,438,853 Client Accounts

Outstanding Loan Balance (USD million)

$207.3m 2017
$252.9m 2018

Share of Rural Borrowers

96.7% 2017
93.1% 2018

Return on Equity

13.9% 2017
15.3% 2018

Portfolio at Risk, 30 Days

1.5% 2017
1.1% 2018

Agora Microfinance India Limited

Borrowers

2017: 18,395
2018: 23,301*

Share of Women Borrowers

88.0% 2017
91.7% 2018

Outstanding Loan Balance (INR million)

₹292.2m 2017
₹410m* 2018

Outstanding Loan Balance (USD million)

$4.5m 2017
$5.9m* 2018

Return on Equity

-0.7% 2017
3.0% 2018

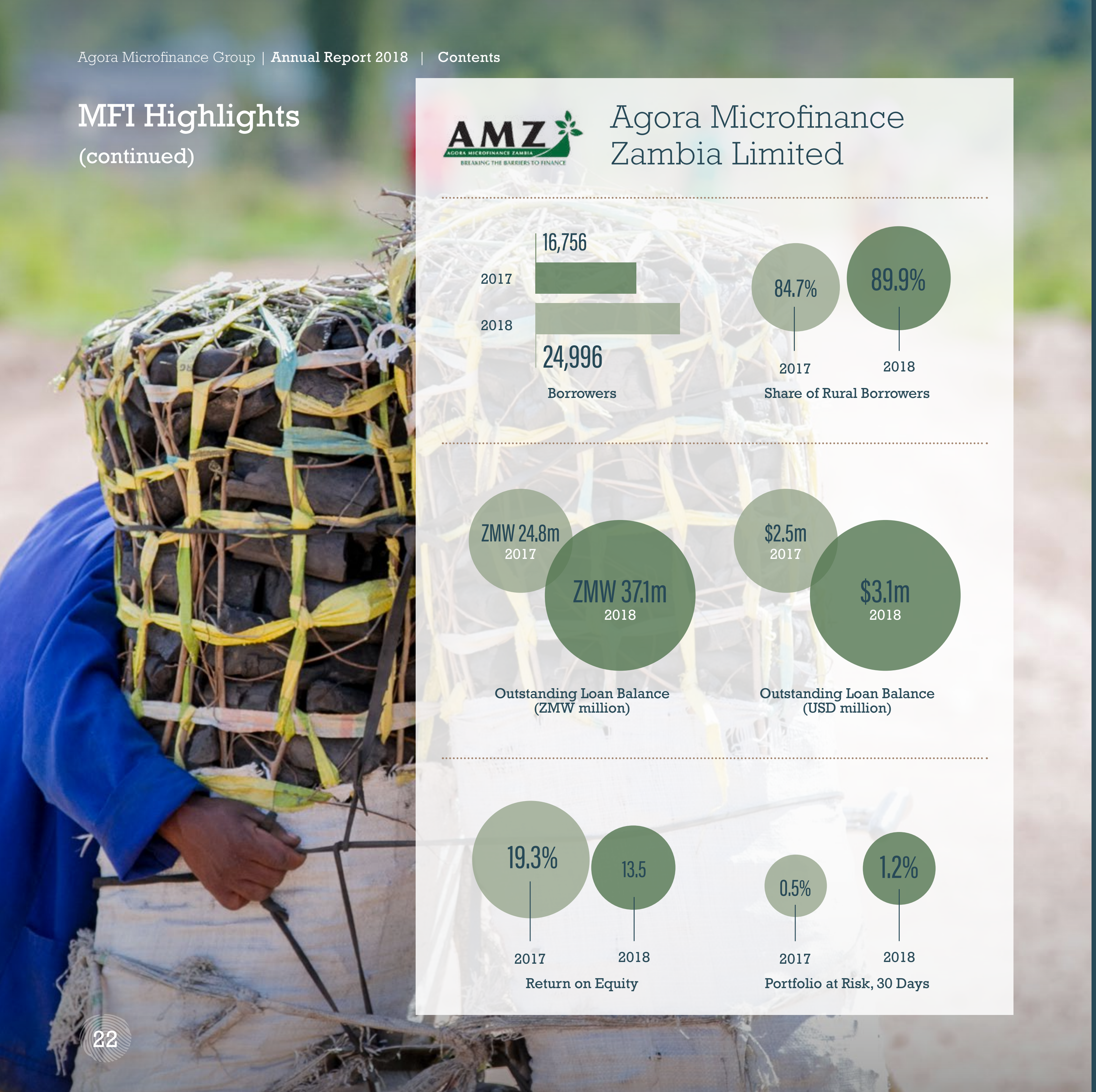
Portfolio at Risk, 30 Days

3.4% 2017
1.1%* 2018

*All operational data includes own portfolio as well as securitised portfolio and business correspondence arrangements.

The 2018 ratios shown above are for the period 1st April 2018- 31 March 2019.

MFI Highlights
(continued)



Agora Microfinance Zambia Limited

Borrowers

	2017	2018
Borrowers	16,756	24,996

Share of Rural Borrowers

	2017	2018
Share of Rural Borrowers	84.7%	89.9%

Outstanding Loan Balance (ZMW million)

	2017	2018
Outstanding Loan Balance (ZMW million)	ZMW 24.8m	ZMW 37.1m

Outstanding Loan Balance (USD million)

	2017	2018
Outstanding Loan Balance (USD million)	$2.5m	$3.1m

Return on Equity

	2017	2018
Return on Equity	19.3%	13.5

Portfolio at Risk, 30 Days

	2017	2018
Portfolio at Risk, 30 Days	0.5%	1.2%

Moringaway Financial Highlights

Outstanding Loan Balance (USD)

	2017	2018
Outstanding Loan Balance (USD)	$874,647	$533,464

Gross Interest Yield

	2017	2018
Gross Interest Yield	23.7%	19.6%

Return on Equity

	2017	2018
Return on Equity	10.2%	-3.3%

Operating Expense / Average Total Assets

	2017	2018
Operating Expense / Average Total Assets	3.3%	3.8%

Team profiles:
Investees

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.

He 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

Meenal 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 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 has been involved with numerous financial institutions specialising in micro and small business finance projects.

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

Abdu resigned early 2019 and was replaced by Susan Chibanga.

Directors' Report and Audited Financial Statements 2018

Agora Microfinance N.V.

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 2018.

Directors' report

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 three individual shareholders.

The Company invested in its subsidiaries which are legal entities that are fully consolidated as from the date on which control is obtained and until the date that control no longer exists. The Group consists of the following subsidiaries at 31 December 2018:

- Agora Microfinance India Limited ("AMIL") - 90%
- Agora Microfinance Zambia Limited ("AMZ") - 79%
- Moringaway, Mauritius - 100% (purchase date 18 September 2018)

Until 31 August 2018 AMK MFI Plc, Cambodia ("AMK") was also a subsidiary that was included in the consolidation (51%). The shares in AMK were partly sold and the company maintained an equity stake of 20% at 31 December 2018.

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.

Directors' report (continued)

Overview of activities

As mentioned before, on 31 August 2018 the Company achieved a partial exit from AMK, showing a gain on sale of USD 14,487,131 and thereby creating value for shareholders as well as capital for continued growth in financial inclusion. A further investment was made in Zambia during the year, and through its role in the governance of the subsidiaries continued to guide them towards optimum financial and social performance in their work. Both its green-field investments in Zambia and India performed well during the year and continued to record annual net profits.

In relation to the partial exit from AMK, the Company no longer has a controlling interest and from 1 September it is no longer consolidated on a line by line basis. The 20% participation in the associated company AMK is accounted for at Net asset Value as from 1 September 2018. The Consolidated Profit and Loss account includes the income and expenses relating to AMK for the period from 1 January up to and included 31 August. The contribution of AMK to the net profit of the Group over the eight months in 2018 amounts to USD 2,063,107. The share of result from participating interests in AMK over the period 1 September until 31 December 2018 amounts USD 498,175 (see note 30 for further information).

On 18 September 2018 the Company acquired 100% of the share capital in Moringaway for USD 2,739,376. Moringaway is a company incorporated in Ebene, Mauritius and holds the remaining share capital in AMZ and as a result, the Company now indirectly owns 100% of the share capital in AMZ.

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 their investments are advised by the Financial Advisor (Agora Microfinance Partners LLP). There were no changes to the Supervisory Board or Management Board during the year.

Staffing

At the year end 2018 the Group had a total staff strength of 167 (2017: 2,633 staff) spread over the Group as follows:

- 63 in AMIL (2017: 66 staff)
- 95 in AMZ (2017: 72 staff)
- 1 staff member employed by the Company in the Netherlands (2017: 1 staff member)

The total staff decreased significantly in 2018 due to the partial sale of AMK at 31 August 2018. The number of staff employed at AMK was 2,494 as at 31 December 2017. At year end 2018 the Company owns a 20% equity stake in AMK and for this reason the number of staff of AMK is not included anymore in the total staff numbers of the Group.

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 subsidiaries 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.

Directors' report (continued)

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 subsidiaries also have a direct bearing on the Company. Each of its subsidiaries 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 subsidiaries 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 2018

Operational & Credit Risks: These risks manifest mainly in the form of loan losses, as the loan book of the subsidiaries is the main income-earning asset. Such risks are managed through the systems and structures at the subsidiaries, overseen by their respective Boards and committees. For the year being reported, the portfolio quality of all three consolidated subsidiaries was very good, with portfolio at risk (>30 days) at 2% (AMIL), 1.3% (AMZ) and 0% (Moringaway).

Political & Regulatory Risks: During 2018, no significant new political or regulatory risks materialised. The political and regulatory environment in all of the Company's countries of operations remained stable, with no major developments. The political environment in Cambodia remained under watch towards the end of the year after the potential withdrawal of its EBA status by the European Union. In India, elections were scheduled for early 2019 but at the time of releasing these financial statements, it had not had any negative effect on the operations of the Company's subsidiary. The Zambian environment remained stable during the year, even though there are some concerns around the Zambian government's rapidly increasing foreign debt and the purported discovery of some yet unreported government debt from the past years. These risks and any potential impact from them will become clearer in the coming years.

Currency Risks: The Group is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency. Some of the Company's operating currencies showed significant volatility during the year, particularly the Zambian Kwacha which devalued against the dollar. The presentation currency of the Group is USD. The group manages risk by keeping funds as much as possible in USD and converting funds into local only when necessary.

Capital and Liquidity Risks: The Company's business 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 subsidiaries manage their liquidity through a range of instruments, including equity, external borrowings and customer deposits. As on the report date all subsidiary companies maintain capital adequacy levels 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.

Directors' report (continued)

Risk Management Structure and Systems

Operational and Credit Risks: The first line of defence within the subsidiaries 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 subsidiary 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 risk mitigating arrangements deployed to reduce currency risks 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, a large portion of the Company's assets are denominated in dollars or are located 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 risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Group and cash flows. In qualifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Group and also from the available financial institution facilities. The Group manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the Group maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions.

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, 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 present the subsidiaries' focus their efforts of managing hedging costs more carefully, through back-to-back arrangements or sometimes taking on USD/EUR exposure for short periods (in Zambia) due to prohibitive hedging costs.

Directors' report (continued)

Risk Mitigation

Established microfinance strategy: The Group 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 Group's 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 Subsidiaries and associate company AMK, 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 subsidiary but the focus on risk management remains dear within these institutions. The associated company has relatively more extensive structures in place and the other two subsidiaries also follow processes appropriate to their size, scale and complexity. The Company oversees this aspect closely through its representation on the governance of the Subsidiaries and associate company AMK.

Operating policies: The Company ensures that its Subsidiaries and associate company AMK follow responsible lending practices and thereby maintain the credit risk in their operations within acceptable limits. Each of the subsidiaries 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 Group's overall portfolio consistently performs with long-term weighted average loan losses below 2% per annum.

Result for the period

During the year under review, the Company recorded a profit of USD 16,602,105 (2017: USD 1,738,271) resulting from the gain on sale of AMK of USD 14,487,131. The contribution of AMK to the net profit of the Group over the eight months in 2018 amounts to USD 2,063,107. The share of result from participating interests in AMK over the period 1 September until 31 December 2018 amounts USD 498,175. The operating subsidiaries registered profits for the year, with Moringaway showing a small loss amounting to USD 30,273. Its two green-field operations in Zambia and India continued to show a profit for the 2018 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 1-2 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 2018, boosted by the gain on sale of AMK and the achievement of profits of three of its subsidiaries. In the opinion of the management there is sufficient certainty around the going-concern nature of the Company's business.

Directors' report (continued)

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.

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.

Information supply and computerization

The Group is continuously striving to strengthen its information supply and security and stay up to date with new technologies. With the broadening and increasing distribution channels, this is becoming an important emerging risk. The Group takes this threat seriously and has implemented a broad range of controls to identify and mitigate risk to its customer and business.

Financing

The Group is financed with a combination of equity and debt. The debt held by the subsidiaries includes financial products from local and international financial institutions.

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.

Post balance sheet events

During April 2019 AMK's majority shareholder increased its investment in AMK, diluting the Company's ownership from 20% to 15%.

In March 2019 the Company made a further equity investment into AMIL of INR 20,000,000 (USD 286,738), increasing its ownership to 91.39%.

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

Directors' report (continued)

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 2019 and beyond include amongst other things, further equity investments into AMIL and AMZ, intercompany financing, one new acquisition, and further development and diversification of the portfolio. The Group is currently recruiting an Investment Officer and plans to increase its staffing levels as and when its business activities increase.

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.

Amsterdam, 30 June 2019

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

Consolidated Balance Sheet

as at 31 December 2018 (before proposed appropriation of net result and expressed in USD)

		31-Dec-18 (USD)	31-Dec-17 (USD)
Assets			
Fixed assets			
Intangible fixed-assets	2	2,112,278	2,490,574
Tangible fixed-assets	3	223,132	6,566,738
Financial fixed-assets	4	10,459,605	87,279,370
Total non-current assets		**12,795,015**	96,336,682
Current assets			
Short-Term Loans and advances	5	6,762,035	165,124,424
Interest receivable	6	148,208	2,259,506
Trade and other receivables	7	394,388	2,521,882
Cash and cash equivalents	8	9,582,593	29,182,046
Total current assets		**16,887,224**	199,087,858
Total assets		**29,682,239**	295,424,540

Consolidated Balance Sheet (continued)

as at 31 December 2018 (before proposed appropriation of net result and expressed in USD)

		31-Dec-18 USD	31-Dec-17 USD
Equity and liabilities			
Group equity	9		
Shareholders' equity		22,797,495	25,850,521
Minority interest		183,295	20,225,219
Total group equity		**22,980,790**	46,075,740
Non-current liabilities			
Non-current Borrowings	10	2,985,072	66,401,572
Staff pension fund	11	-	3,491,555
Term and contractual deposits	12	-	68,469,205
Total non-current liabilities		**2,985,072**	138,362,332
Current liabilities			
Interest payable	13	95,171	4,504,548
Current Liabilities	14	2,872,867	48,856,256
Demand deposits	15	-	49,209,391
Accrued expenses and other liabilities	18	748,339	8,416,273
Total current liabilities		**3,716,377**	110,986,468
Total equity and liabilities		**29,682,239**	295,424,540

The notes on pages 40 to 75 are an integral part of these financial statements.

Consolidated Profit and Loss Account

for the year ended 31 December 2018

		2018 USD	2017 USD
Interest income	19	31,014,914	49,059,350
Interest expense	20a)	(12,443,370)	(15,588,004)
Net interest income		**18,571,544**	33,471,346
Other financial income	20b)	12,254,390	8,330,229
Other financial expenses	20c)	(2,908,678)	(4,156,242)
Net other finance income		**9,345,712**	4,173,987
Net margin		**27,917,256**	37,645,333
Operating expenses			
General and administrative expenses	21	(22,955,359)	(31,493,948)
		(22,955,359)	(31,493,948)
Net result		**4,961,897**	6,151,385
Partial sale of AMK	22	14,487,131	-
Result before tax		**19,449,028**	6,151,385
Tax on result	25	(1,307,386)	(1,781,220)
Share of result from participating interests	30	498,175	-
Result after tax		**18,639,817**	4,370,165
Result Minority Interest			
Result Minority Interest on investments	28	(2,037,712)	(2,631,894)
Group Net Result for the year		**16,602,105**	1,738,271
Translation differences on foreign operations	9	(683,607)	49,188
Total of items recognised directly in shareholders' equity		**(683,607)**	49,188
Total result of the legal entity		**15,918,498**	1,787,459

The notes on pages 40 to 75 are an integral part of these financial statements.

Consolidated Statement of Cashflows

for the year ended 31 December 2018

		2018 USD	2017 USD
Operating activities			
Results before tax		19,449,028	6,151,385
Adjusted for:			
Gain on AMK Sale 2018	22	(14,487,131)	-
Depreciation and amortisation	2 & 3	959,382	1,869,544
Impairments (loan losses)		2,227,867	3,314,907
Interest expenses		12,443,370	15,588,004
Interest income		(31,014,914)	(49,059,350)
Other value adjustments		191,179	419,977
Operating cashflows before changes in operating assets and liabilities		**(10,231,219)**	(21,715,533)
Changes in operating assets and liabilities			
Balances with central banks	4	13,103,031	(12,557,797)
Loans to customers	4	(36,181,100)	(59,497,900)
Other assets		(323,854)	(1,268,580)
Deposits from customers	12	15,503,074	30,514,890
Staff pension fund	11	(2,771,370)	608,878
Other liabilities		6,763,008	4,377,532
		(14,138,430)	(59,538,510)
Income tax paid		(1,477,981)	(1,970,619)
Interest received		31,015,731	49,208,123
Interest paid		(12,644,191)	(15,903,672)
Cash from operating activities		**2,755,129**	(28,204,678)

The notes on pages 40 to 75 are an integral part of these financial statements.

Consolidated Statement of Cashflows (continued)

for the year ended 31 December 2018

		2018 USD	2017 USD
Investing activities			
Proceeds from partial disposal of group companies	1	(18,734,289)	-
Investments in group companies	1	(1,608,170)	-
Investments in property and equipment	3	(1,548,405)	(1,467,957)
Investment in software	2	(259,145)	(27,939)
Proceeds from disposal of property and equipment		-	162,757
Cash from investing activities		**(22,150,009)**	(1,333,139)
Financing activities			
Proceeds from borrowings	10	69,238,274	60,404,037
Repayment of borrowings	10	(49,529,991)	(27,814,740)
Reduction in nominal value of share capital	36	(18,955,865)	-
Cash from financing activities		**752,418**	32,589,297
Net increase in cash and cash equivalents		**(18,642,462)**	3,051,480
Cash and cash equivalents at the beginning of the year	8	29,182,046	26,167,807
Exchange rate & translation differences on cash and cash equivalents		(956,991)	(37,241)
Cash and cash equivalents at the end of the year		**9,582,593**	29,182,046

The notes on pages 40 to 75 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

The notes to the consolidated financial statements are numbered i) to x), followed by 1 to 29.

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 individual investors. These financial statements contain the financial information of both the Company and the consolidated companies of the Company ('the Group').

ii) Financial reporting period

These financial statements cover the year 2018, which ended at the balance sheet date of 31 December 2018.

iii) 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 accounting policies applied for measurement of assets and liabilities and determination of results are based on the historical cost convention, unless otherwise stated in the further accounting principles.

iv) Going concern

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

v) Basis of consolidation

The consolidated financial statements include the financial data of the company and its group companies as at 31 December 2018. 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.

On 31 August 2018 the Company sold 31% of the total share capital in AMK to a third party, reducing its total ownership to 20%. As a result, the Company no longer has a controlling interest in AMK and from 1 September AMK is no longer consolidated on a line by line basis, and instead valued using the net asset value method. The Consolidated Profit and Loss account incudes the income and expenses relating to AMK for the period from 1 January up to and included 31 August, after which its Net Profit after tax is included in Share of result from participating interests (see note 30 for further information).

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 30 'Financial fixed assets'.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

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

Notes to the Consolidated Financial Statements (continued)

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.

vi) 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.

Notes to the Consolidated Financial Statements (continued)

vi) General (continued)

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.

Functional and presentation currency

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

vii) Principles for the translation of foreign currencies

Transaction in foreign currencies

At initial recognition, transactions denominated in a foreign currency are translated into the functional currency of the Company at the exchange rates at the date of the transactions.

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.

Foreign operations

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:

	2018	2017
EUR/USD	1.147	1.199
USD/KHR	4084	4037
USD/INR	69.66	63.93
USD/ZMW	11.896	9.968

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

viii) Use of 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.

Notes to the Consolidated Financial Statements (continued)

ix) 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)

ix) 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. Derivatives are measured at fair value.

Notes to the Consolidated Financial Statements (continued)

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, are directly recognised in the profit and loss account.

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).

Notes to the Consolidated Financial Statements (continued)

ix) Accounting policies (continued)

e) Financial instruments (continued)

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'.

x) 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.

Notes to the Consolidated Financial Statements (continued)

x) Principles of determination of result (continued)

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 subsidiaries 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.

Notes to the Consolidated Financial Statements (continued)

x) Principles of determination of result (continued)

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 cash 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 Acquisitions and Disposals subsidiaries

AMK Sale

On 31 August 2018 the Company sold 31% of the total share capital in AMK to a third party, reducing its total ownership to 20%. As a result, the Company no longer has a controlling interest in AMK. The 20% participation in the associated company AMK is accounted for at Net asset Value as from 1 September 2018. The Consolidated Profit and Loss account includes the income and expenses relating to AMK for the period from 1 January up to and including 31 August. The contribution of AMK to the net profit of the Group over the eight months in 2018 amounts to USD 2,063,107. The share of result from participating interests in AMK over the period 1 September until 31 December 2018 amounts USD 498,175. For further information on the Partial sale of AMK see note 22. During 2020, it is the intention of the Company to sell its remaining shares in AMK to the new shareholder, but this is subject to the approval of the authorities

Acquisition of Moringaway

On 18 September 2018 the Company acquired 100% of the share capital and voting rights of Moringaway, Mauritius for USD 2,739,376. Goodwill has been recognised and the share of result relates to the loss for the period from 18 September to 31 December 2018. For further information see Note 30.

Notes to the Consolidated Financial Statements (continued)

2. Intangible fixed-assets

Summary

	2018 USD	2017 USD
Intangible fixed-assets consists of:		
Goodwill	2,033,937	2,263,171
Software	78,341	227,403
Total Intangible fixed-assets	**2,112,278**	2,490,574

Details of each are shown below.

Goodwill

	2018 USD	2017 USD
Goodwill balance as at 1 January	2,263,171	3,101,603
Purchase price	(818,085)	(450,704)
Accumulated amortisation	588,851	(387,728)
Carrying amount	**2,033,937**	2,263,171
Changes in carrying amount		
Investments Moringaway	760,758	52,286
Discontinued consolidation AMK	(1,985,427)	-
Goodwill adjustment	406,584	(502,990)
Discontinued consolidation AMK	926,533	-
Amortisation during the year	(337,682)	(387,728)
Carrying amount as at 31 December	**2,033,937**	2,263,171

The Goodwill adjustment related to an investment made in AMIL in 2017 which resulted in a negative goodwill that was recognised under the goodwill in 2017 (netted). The negative goodwill was released in 2018 to the P&L taking into account the amortisation recorded in previous years.

Notes to the Consolidated Financial Statements (continued)

2 Intangible fixed-assets (continued)

Goodwill summarised per investment

	Total USD	AMK USD	AMIL USD	AMZ USD	Moringaway USD
Purchase price	3,126,759	1,291,185	939,167	135,649	760,758
Acc. amortisation	1,092,822	645,591	400,305	27,907	19,019
Balance 31 Dec. 18	2,033,937	645,594	538,862	107,742	741,739
Amortisation expense	**434,088**	**261,480**	**140,024**	**13,565**	**19,019**

	Total USD	AMK USD	AMIL USD	AMZ USD	Moringaway USD
Purchase price	3,848,438	3,276,611	436,178	135,649	-
Acc. amortisation	1,585,267	1,310,644	260,281	14,342	-
Balance 31 Dec. 17	2,263,171	1,965,967	175,897	121,307	-
Amortisation expense	**387,728**	**327,661**	**47,809**	**12,258**	-

Software

	2018 USD	2017 USD
Balance as at 1 January	227,403	291,455
Currency translation differences	(2,342)	326
Discontinued consolidation AMK	(185,873)	-
Additions during the year	72,142	68,159
Amortization during the year	(32,989)	(132,537)
Balance as at 31 December	**78,341**	227,403

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.

Notes to the Consolidated Financial Statements (continued)

2 Intangible fixed-assets (continued)

Software (continued)

	Total USD	AMK USD	AMIL USD	AMZ USD
Software at cost	123,731	-	21,274	102,457
Accumulated amortization	(45,390)	-	(16,206)	(29,184)
Balance as at 31 December 2018	**78,341**	-	**5,068**	**73,273**

	Total USD	AMK USD	AMIL USD	AMZ USD
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 2017	**227,403**	**210,513**	**4,956**	**11,934**

3 Tangible fixed-assets

Fixed Assets (Furniture, Fixture, Vehicles and Equipment)

	2018 USD	2017 USD
Balance as at 1 January	6,566,738	6,620,636
Currency translation differences	(23,204)	(253)
Discontinued consolidation AMK	(5,461,384)	-
Additions during the year	153,127	1,467,957
Disposals/write-offs/write-backs	(151)	(174,233)
Depreciation during the year	(1,011,994)	(1,347,369)
Closing Balance of Fixed Assets as at 31 December	**223,132**	6,566,738

The Discontinued consolidation AMK is the balance of Tangible fixed-assets of AMK at 31 August 2018. The depreciation during the year of $1,011,994 includes depreciation charged by AMK from January to August of $957,477. In the movements schedule below, the depreciation charge shown excludes the amount charged by AMK. The movements relating to AMK are shown separately under the lines titled 'AMK Sale'.

Notes to the Consolidated Financial Statements (continued)

3 Tangible fixed-assets (continued)

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

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 18	933,488	1,127,509	3,252,193	3,937,408	2,822,620	12,073,218
AMK sale	(910,905)	(1,127,509)	(3,100,878)	(3,792,959)	(2,805,371)	(11,737,622)
Additions	11,256	-	56,648	62,318	22,905	153,127
Disposals	-	-	-	(177)	(149)	(326)
Translation	(2,254)	-	(10,316)	(7,839)	(2,795)	(23,204)
At 31 Dec 18	**31,585**	**-**	**197,647**	**198,751**	**37,210**	**465,193**
Accumulated Deprecition						
At 01 Jan 18	601,849	588,802	1,537,101	2,778,728	-	5,506,480
AMK sale	(593,177)	(588,802)	(1,449,439)	(2,687,344)	-	(5,318,762)
Depreciation	3,623	-	31,292	19,603	-	54,518
Disposals	-	-	2	(177)	-	(175)
At 31 Dec 18	**12,295**	**-**	**118,956**	**110,810**	**-**	**242,061**
Net Book Value						
At 31 Dec 18	19,290	-	78,691	87,941	37,210	223,132
At 31 Dec 17	331,639	538,707	1,715,092	1,158,680	2,822,620	6,566,738

Notes to the Consolidated Financial Statements (continued)

3 Tangible fixed-assets (continued)

Movements in tangible fixed assets were as follows: (continued)

Cost

	Leasehold Improvements	Motor Vehicles	Motorcycles	Computer and Office Equipment	Construction in Progress	Total
Cost						
At 01 Jan 17	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 17	**933,488**	**1,127,509**	**3,252,193**	**3,937,408**	**2,822,620**	**12,073,218**
Accumulated Deprecition						
At 01 Jan 17	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 17	**601,849**	**588,802**	**1,537,101**	**2,778,728**	**-**	**5,506,480**
Net Book Value						
At 31 Dec 17	331,639	538,707	1,715,092	1,158,680	2,822,620	6,566,738
At 31 Dec 16	412,967	508,555	1,808,594	1,405,809	2,484,711	6,620,636

Notes to the Consolidated Financial Statements (continued)

4 Financial fixed-assets

Summary

	2018 USD	2017 USD
Financial fixed-assets consists of:		
Participating interest	9,398,871	-
Regulatory reserve AMK	-	41,957,889
Loans and advances	1,060,734	43,842,881
Deferred tax	-	1,478,600
Total Financial fixed-assets	**10,459,605**	87,279,370

Details of each are shown below.

Participating interest

	2018 USD	2017 USD
NAV of AMK as at 31 August 2018	8,769,762	-
Share of result in participating interest	498,175	-
Currency translation	130,934	-
Balance as at 31 December	**9,398,871**	-

The Group has the following capital interests:

Name	Registered office	Share in issued capital
AMK MFI Plc	Phnom Penh, Cambodia.	20%

Notes to the Consolidated Financial Statements (continued)

4 Financial fixed-assets (continued)

Regulatory reserve AMK

	2018 USD	2017 USD
Balance as at 1 January	41,957,889	29,400,092
Movements during the period	(13,103,031)	12,557,797
Discontinued consolidation - sale AMK	(28,854,858)	-
Balance as at 31 December	**-**	41,957,889

Loans and advances

	2018 USD	2017 USD
Long-term Loans and advances		
Balance as at 1 January	48,407,328	36,363,033
Movements during the period	21,728,532	12,044,295
Deconsolidation due to AMK Sale	(69,075,126)	-
Gross advance to customers	1,060,734	48,407,328
Less provision for bad debts		
Balance as at 1 January	(4,564,447)	(2,980,549)
Movements during the period	(2,118,708)	(3,225,600)
Deconsolidation due to AMK Sale	5,205,468	-
Write-offs during the year	1,477,687	1,641,702
Balance as at 31 December	-	(4,564,447)
Closing balance 31 December	**1,060,734**	43,842,881

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.

Notes to the Consolidated Financial Statements (continued)

4 Financial fixed-assets (continued)

Deferred tax

	2018 USD	2017 USD
Allowance for loan losses	-	504,533
Provision for staff pension fund	-	487,191
Unamortised loan processing fees	-	378,601
Accruals	-	165,411
Property and equipment	-	(57,136)
Balance as at 31 December	**-**	1,478,600

5 Short-term Loans and advances

	2018 USD	2017 USD
Balance as at 1 January	165,228,761	119,437,035
Movement during the year	12,939,103	45,791,726
Deconsolidation due to AMK Sale	(171,277,644)	-
Gross advance to customers	**6,890,220**	**165,228,761**
Less provision for bad debts	(128,185)	(104,337)
Closing balance 31 December	**6,762,035**	165,124,424

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

6 Interest receivable

	2018 USD	2017 USD
Interest Receivable	148,208	2,259,506
Balance as at 31 December	**148,208**	2,259,506

The significant decrease in the year end balance compared to the previous year is because AMK is now valued using the net asset value method. See note 1 for further details.

Notes to the Consolidated Financial Statements (continued)

7 Trade and other receivables

	2018 USD	2017 USD
VAT receivable	6,095	7,057
Other receivables and prepayments	388,293	2,514,825
Balance as at 31 December	**394,388**	2,521,882

The significant decrease in the year end balance compared to the previous year relate to the deconsolidation of AMK. See note 1 for more details. All receivables 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.

8 Cash and cash equivalents

	2018 USD	2017 USD
Cash at banks	7,077,945	28,499,708
Deposits with banks	2,504,648	682,338
Balance as at 31 December	**9,582,593**	29,182,046

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 414,410 (2017: USD 117,725) is included with a maturity longer than 1 year. All other deposits have an estimated maturity shorter than one year.

9 Capital and reserves

9a) Group reserves

	2018 USD	2017 USD
Reserves	22,797,495	25,850,521
Minority interest	183,295	20,225,219
Total reserves	**22,980,790**	46,075,740

For a detailed explanation of the Reserves see note 36 Capital and reserves in the separate financial statements.

Notes to the Consolidated Financial Statements (continued)

9 Capital and reserves (continued)

9b) Minority Interest

	2018 USD	2017 USD
AMK	-	19,840,508
AMIL	183,295	195,943
AMZ	-	188,768
Balance as at 31 December	**183,295**	20,225,219
The movements in minority interests are as follows:		
Balance as at 1 January	20,225,219	17,679,756
Discontinued consolidation	(20,029,276)	-
Third-party share in result	3,689	2,631,894
Revaluation	(16,337)	(86,431)
Balance as at 31 December	**183,295**	20,225,219

On 31 August 2018 the Company sold 31% of the total share capital in AMK to a third party, reducing its total ownership to 20%. AMK is now valued using the net asset value method, see note 1 for further detail.

The Company acquired majority (controlling) stakes in AMIL in 2013, in AMK in 2014 and in AMZ in 2016. On 18 September 2018 the Company acquired 100% of the share capital in Moringaway and as a result now indirectly owns 100% of the share capital in AMZ. The Company owned a 90 % equity stake in AMIL at year end.

Notes to the Consolidated Financial Statements (continued)

10 Non-current Borrowings

	2018 USD	2017 USD
Borrowings	5,857,939	115,257,828
Less: Current portion of borrowings	(2,872,867)	(48,856,256)
Non-current borrowings	**2,985,072**	66,401,572
The non-current borrowings can be further disclosed as follows:		
AMK	-	64,182,699
AMIL	1,221,502	727,550
AMZ	1,763,570	1,491,323
Balance as at 31 December	**2,985,072**	66,401,572

The significant decrease in the year end balance compared to the previous year is because AMK discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

AMIL has secured debt repayable in eighteen and thirty six equated monthly instalments from the date of disbursement with an average rate of interest of 15.15% 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 liabilities.

AMZ has unsecured debt, with interest rates ranging from 7.5% to 25.4% per annum. The borrowings due within 1 - 3 years. Any borrowings due within one year are shown in Current liabilities.

Notes to the Consolidated Financial Statements (continued)

11 Staff pension fund

	2018 USD	2017 USD
Staff pension fund AMK	-	3,491,555
Balance as at 31 December	**-**	3,491,555

The significant decrease in the year end balance compared to the previous year is because AMK discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

12 Term and contractual deposits

	2018 USD	2017 USD
Deposits from customers, AMK	-	68,469,205
Balance as at 31 December	**-**	68,469,205

The significant decrease in the year end balance compared to the previous year is because AMK discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

13 Interest payable

	2018 USD	2017 USD
Interest on other borrowings	-	320
Interest on borrowings, AMK	-	1,696,899
Interest on borrowings, AMIL	19,705	-
Interest on borrowings, AMZ	75,466	76,448
Interest on customer deposits, AMK	-	2,730,881
Balance as at 31 December	**95,171**	4,504,548

The significant decrease in the year end balance compared to the previous year is because AMK discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

Notes to the Consolidated Financial Statements (continued)

14 Current liabilities

	2018 USD	2017 USD
Loan with Grameen-Credit Agricole	-	119,930
AMK	-	46,026,733
AMIL	2,870,571	1,855,147
AMZ	2,296	854,446
Balance as at 31 December	**2,872,867**	48,856,256

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 loan was repaid in full on 23 May 2018.

The Current liabilities for AMK, AMIL and AMZ represents the current portion of Non-current Borrowings. See note 10 for further detail.

15 Demand deposits

	2018 USD	2017 USD
Easy savings and other accounts on demand, AMK	-	49,209,391
Balance as at 31 December	**-**	49,209,391

The significant decrease in the year end balance compared to the previous year is because AMK discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

Notes to the Consolidated Financial Statements (continued)

16 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 subsidiaries is the main income-earning asset. Such risks are managed through the systems and structures at the subsidiaries, overseen by their respective Boards and committees. Operational & Credit Risks: These risks manifest mainly in the form of loan losses, as the loan book of the subsidiaries is the main income-earning asset. Such risks are managed through the systems and structures at the subsidiaries, overseen by their respective Boards and committees. For the year being reported, the portfolio quality of all three consolidated subsidiaries was very good, with portfolio at risk (>30 days) at 2% (AMIL), 1.3% (AMZ) and 0% (Moringaway). The maximum amount of credit risk that the Group incurs is USD 18 million, consisting of Loans and advances to customers, Receivables, Prepayment and others, Cash at bank and Short-term deposits. The credit risk is spread over a large number of counterparts (banks, customers and other third parties). The Group does not have any significant exposure to any individual customer or counterparty.

Currency Risks: The Group is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency. Some of the Company's operating currencies showed significant volatility during the year, particularly the Zambian Kwacha which devalued against the dollar. The presentation currency of the Group is USD. The group manages risk by keeping funds as much as possible in USD and converting funds into local currency only when necessary.

The net currency position (USD) as of 31 December 2018 is presented below:

	Assets USD	Liabilities USD	Net position USD
USD	19,432,718	(17,840)	19,414,878
EUR	94,349	(124,165)	(29,816)
KHR	1,512	(368,773)	(367,261)
INR	6,337,220	(4,217,172)	2,120,048
ZMW	3,816,440	(1,973,499)	1,842,941
Total	**29,682,239**	**(6,701,449)**	**22,980,790**

The pre-tax result as of 31 December 2018 would be USD 14,616 higher/lower, in case the exchange rate of the ZMW against USD would increase/decrease by 10 percent, leaving all other variables constant.

The pre-tax result as of 31 December 2018 would be USD 3,539 higher/lower, in case the exchange rate of the INR against USD would increase/decrease by 10 percent, leaving all other variables constant.

Capital and Liquidity Risks: The Company's business 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 subsidiaries manage their liquidity through a range of instruments, including equity, external borrowings and customer deposits. As on the report date all subsidiary companies maintain capital adequacy levels well in excess of their respective national regulations (typical CAR requirement is 15%).

Notes to the Consolidated Financial Statements (continued)

The undiscounted contractual financial obligations and rights as of 31 December 2018 are:

	1 year or less USD
Financial liabilities	
Borrowings	2,872,867
Trade and other payables	843,510
Total	3,716,377
Financial assets	
Short-Term Loans and advances	6,762,035
Interest receivable	148,208
Trade and other receivables	394,388
Cash and cash equivalents	9,582,593
Total	16,887,224
Net amount as at 31 December 2018:	**13,170,847**

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.

Notes to the Consolidated Financial Statements (continued)

16 Financial instruments (continued)

Risk Management Structure and Systems

Operational and credit risks: The first line of defence within the subsidiary 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 subsidiary 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 risk mitigating arrangements deployed to reduce currency risks 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, a large portion of the Company's assets are denominated in dollars or are located 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 risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Group and cash flows. In qualifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Group and also from the available financial institution facilities. The Group manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the Group maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions.

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 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.

Notes to the Consolidated Financial Statements (continued)

16 Financial instruments (continued)

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 subsidiaries') 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 subsidiaries, 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 subsidiary but the focus on risk management remains dear within these institutions. AMK has relatively more extensive structures in place and its other two subsidiaries also follow processes appropriate to their size, scale and complexity. The Company oversees this aspect closely through its representation on the governance of the subsidiary companies.

Operating policies: The Company ensures that its subsidiary follow responsible lending practices and thereby maintain the credit risk in their operations within acceptable limits. Each of the subsidiary 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.

Notes to the Consolidated Financial Statements (continued)

17 Off-balance sheet assets and liabilities

Letter of comfort

In 2018 and 2019 the Company facilitated two commercial Bank loans to AMIL by offering a letter of comfort to the lender.

Commitments

AMK leases office premises under an operating lease arrangement with minimum lease commitments as at 31 December 2017 as follows:

	2018 USD	2017 USD
Within one year	-	1,093,135
More than 1 year to 5 years	-	1,930,483
More than 5 years	-	871,165
	-	3,894,783

In the normal course of business, AMK enters into certain commitments with legal recourse, which consist of:

	2018 USD	2017 USD
Foreign exchange swap contracts	-	4,000,000
Foreign exchange forward contracts	-	2,000,000
Unused portion of credit line	-	13,054,901
	-	19,054,901

AMK's commitments as at 31 December 2018 are not included because it is discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

Notes to the Consolidated Financial Statements (continued)

18 Accrued expenses & other liabilities

	2018 USD	2017 USD
Accrued expenses relating to AMK Sale	368,773	-
Accrued audit fees	61,383	68,960
Accrued notarial, legal & tax advisory fees	8,295	11,754
	438,451	80,714
AMK		
Audit fees	-	27,318
Office expenses	-	44,711
Staff expenses	-	1,802,844
Taxes payable	-	3,143,854
Trade payables	-	222,849
Swap liability	-	138,837
Other liabilities	-	2,779,120
	-	8,159,533
AMIL		
Accrued expenses & other liabilities	105,394	75,384
	105,394	75,384
AMZ		
Accrued expenses & other liabilities	186,616	100,642
	186,616	100,642
Moringaway		
Accrued expenses & other liabilities	17,878	-
	17,878	-
Balance as at 31 December	**748,339**	8,416,273

The significant decrease in the year end balance compared to the previous year is because AMK discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

Notes to the Consolidated Financial Statements (continued)

19 Interest and dividend income

	2018 USD	2017 USD
Holding Company		
Interest income on term deposits	7,139	-
Consolidated subsidiaries, interest income on loans		
AMK (January to August 2018)	28,416,416	47,182,867
AMIL	1,147,943	878,606
AMK	1,437,971	997,877
Moringaway	5,445	-
Total	**31,014,914**	49,059,350

The income and expenses relating to AMK for the period from 1 January up until and including the sale date of 31 August 2018 is shown in these consolidated accounts. From 1 September AMK is discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

20 Financial Expenses

	2018 USD	2017 USD
20a) Interest Expenses		
Holding Company		
Interest Expense on other borrowings	(2,795)	(16,755)
Other interest Expenses	-	-
	(2,795)	(16,755)
Consolidated subsidiaries		
AMK (January to August 2018)	(11,287,404)	(14,850,420)
AMIL	(531,618)	(372,869)
AMZ	(621,553)	(347,960)
	(12,440,575)	(15,571,249)
Total	**(12,443,370)**	(15,588,004)

Notes to the Consolidated Financial Statements (continued)

20 Financial Expenses (continued)

	2018 USD	2017 USD
20b) Other financial income		
Consolidated subsidiaries		
AMK (January to August 2018)		
Loan processing fee income	9,696,009	5,163,889
Other income	1,507,008	2,430,467
	11,203,017	7,594,356
AMIL		
Loan processing fee income	64,323	41,085
Other income	45,353	42,224
	109,676	83,309
AMZ		
Loan processing fee income	824,397	610,984
Other income	117,300	41,580
	941,697	652,564
Total	**12,254,390**	8,330,229

Notes to the Consolidated Financial Statements (continued)

20 Financial Expenses (continued)

	2018 USD	2017 USD
20c) Other financial expense		
Holding Company		
FX Results	13,224	(21,940)
Bank charges	(11,873)	(5,131)
Total	**1,351**	(27,071)
Consolidated subsidiaries		
AMK (January to August 2018)		
FX result	(143,271)	(23,330)
Bank charges	(131,223)	(186,862)
Addition loan loss provision	(2,118,708)	(3,225,600)
Loan fee, other miscellaneous expenses	(244,728)	(528,316)
	(2,637,930)	(3,964,108)
AMIL		
Bank charges	(9,729)	(2,838)
Addition loan loss provision	(68,215)	(67,548)
Loan fee, other miscellaneous expenses	(75,528)	(27,106)
	(153,472)	(97,492)
AMZ		
FX result	(9,373)	(32,199)
Bank charges	(17,966)	(13,613)
Addition loan loss provision	(40,944)	(21,759)
	(68,283)	(67,571)
Moringaway		
FX result	(50,154)	-
Bank charges	(190)	-
	(50,344)	-
Total	**(2,908,678)**	(4,156,242)

The income and expenses relating to AMK for the period from 1 January up until and including the sale date of 31 August 2018 is shown in these consolidated accounts. From 1 September AMK is discontinued to be consolidated and is now valued using the net asset value method. See note 1 for further details.

Notes to the Consolidated Financial Statements (continued)

21 General and administrative expenses

	2018 USD	2017 USD
Holding Company		
Investment advisor fee	(371,000)	(530,000)
Depreciation & amortization	68,903	(387,728)
Auditor's fees - audit of the financial statements	(66,165)	(70,148)
Legal and professional fees	(146,332)	(34,631)
Management and administration fees	(22,226)	(27,276)
Staff	(66,652)	(14,412)
Other cost	(3,544)	(701)
	(607,016)	(1,064,896)
Consolidated subsidiaries		
AMK (January to August 2018)		
Staff	(11,407,778)	(14,839,830)
Rent	(1,048,880)	(1,458,433)
General Administration	(4,958,456)	(8,744,731)
Depreciation & amortization	(957,477)	(1,429,690)
Travel cost	(825,706)	(1,024,790)
Insurance	(119,028)	(172,021)
Consultancy, legal and audit	(1,002,668)	(1,227,155)
	(20,319,993)	(28,896,650)
AMIL		
Staff	(331,019)	(311,214)
Rent	(47,393)	(43,693)
General Administration	(62,837)	(65,776)
Depreciation & amortization	(6,555)	(7,545)
Travel cost	(14,172)	(11,460)
Insurance	(1,736)	(1,091)
Consultancy, legal and audit	(55,930)	(34,440)
	(519,642)	(475,219)
AMZ		
Staff	(884,505)	(693,373)
Rent	(90,542)	(60,217)
General Administration	(238,821)	(102,414)
Depreciation & amortization	(64,253)	(44,581)
Travel cost	(164,549)	(114,091)
Insurance	(7,245)	(5,005)
Consultancy, legal and audit	(42,946)	(37,502)
	(1,492,861)	(1,057,183)

Notes to the Consolidated Financial Statements (continued)

21 General and administrative expenses (continued)

	2018 USD	2017 USD
Moringaway		
Investment advisor fee	(13,363)	-
Consultancy, legal and audit	(2,484)	-
	(15,847)	-
Total general and administrative expenses	**22,955,359**	31,493,948

The total amount of personnel expenses, depreciation and amortisation is shown below:

	2018 USD	2017 USD
Personnel expenses	(12,689,954)	(15,858,829)
Depreciation and amortisation	(959,382)	(1,869,544)
	(13,649,336)	(17,728,373)

(The depreciation and amortisation includes a goodwill adjustment of USD 406,584. See note 2 for further information.

22 Partial sale of AMK

	2018 USD	2017 USD
Share Sale proceeds (gross)	30,773,818	-
Net Asset Value of shares sold	(13,485,081)	-
Release of goodwill and currency translation reserves *	(803,602)	-
Less stamp duty and other related expenses	(1,998,004)	-
Total gain on sale	**14,487,131**	-

The Company and the other shareholders of AMK entered into a Share Purchase Agreement to sell 80.01% of the total share capital in AMK to The Shanghai Commercial and Savings Bank Limited (SCSB). On 9 May 2018, the National Bank of Cambodia (NBC) approved the sale and the transaction was fully completed on 31 August 2018. As per the agreement, the Company sold 31% of the total share capital in AMK for USD 30,773,818, showing a gain on sale of USD 14,487,131 and reducing its total ownership to 20%.

* For further information see note 2 Intangible Fixed-assets and note 37 Currency translation reserves.

Notes to the Consolidated Financial Statements (continued)

23 Personnel

At the year end 2018 the Group had a total staff strength of 167 (2017: 2,633 staff) spread over the Group as follows:

- 63 in AMIL (2017: 66 staff)
- 95 in AMZ (2017: 72 staff)
- 1 staff member employed by the Company in the Netherlands (2017: 1 staff member)

The total staff decreased significantly in 2018 due to the partial sale of AMK at 31 August 2018. The number of staff employed at AMK was 2,494 as at 31 December 2017. At year end 2018 the Company owns a 20% equity stake in AMK and for this reason the number of staff of AMK is not included anymore in the total staff numbers of the Group.

24 Governance

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 their investments are advised by the Financial Advisor (Agora Microfinance Partners LLP). There were no changes to the Supervisory Board or Management Board during the year.

25 Tax on result

The applicable weighted average tax rate is 20% (2017: 20%), whereby the weighted average tax rate has been calculated based on the results before taxes in the various tax jurisdictions. The tax expense recognised in the profit and loss account for 2018 amounts to USD 1,307,386, or 7% of the result before tax (2017: 29%).

The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2018 USD	2017 USD
Result before tax	19,449,028	6,151,385
Income tax using the applicable tax rate in the Netherlands	3,889,806	1,230,277
Tax effect of:		
• Other applicable tax rates abroad	23,559	19,199
• Results under the participation exemption	(2,778,160)	209,098
• Non-deductible expenses	291,659	254,955
Under provision of income tax in prior year	(59,033)	114,448
Tax losses not recognised	(60,445)	(46,757)
Tax expense	**1,307,386**	1,781,220

The Holding Company has tax losses carry-forward of USD 4,718,424 as at 31 December 2018 (2017: USD 4,060,660) which have not been included in the valuation amounts.

Notes to the Consolidated Financial Statements (continued)

26 Audit fees

	KPMG Accountants N.V. 2018 USD	Other KPMG network 2018 USD	Total KPMG 2018 USD
Audit of the financial statements	(61,383)	(32,156)	(93,539)
Other audit engagements	-	-	-
Tax-related advisory services	-	(3,062)	(3,062)
Other non-audit services	-	-	-
	(61,383)	(35,218)	**(96,601)**

	2017 USD	2017 USD	2017 USD
Audit of the financial statements	(70,148)	(26,084)	(96,232)
Other audit engagements	-	-	-
Tax-related advisory services	-	(3,180)	(3,180)
Other non-audit services	-	-	-
	(70,148)	(29,264)	**(99,412)**

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.

Notes to the Consolidated Financial Statements (continued)

27 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.

See note 43 for further information on the remuneration of managing and supervisory directors. The Company pays an Investment advisor fee to Agora Microfinance Partners LLP. The amount paid during the year amounts to USD 371,000 (2017: USD 530,000). See note 21 for further details.

28 Result Minority interest

	2018 USD	2018 USD
AMK (January to August 2018)	(2,003,595)	(2,600,499)
AMIL	(3,539)	(1,633)
AMZ	(30,578)	(29,762)
	(2,037,712)	(2,631,894)

29 Subsequent events

During April 2019 AMK's majority shareholder increased its investment in AMK, diluting the Company's ownership from 20% to 15%.

In March 2019 the Company made a further equity investment into AMIL of INR 20,000,000 (USD 286,738), increasing its ownership to 91.39%.

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

Separate Financial Statements

Separate Balance Sheet as at 31 December 2018
(before proposed appropriation of net result and expressed in USD)

		31 Dec 2018 USD	31 Dec 2017 USD
Assets			
Fixed assets			
Intangible fixed-assets	2	2,033,937	2,263,171
Financial fixed-assets	30	13,945,855	22,772,023
Total fixed assets		**15,979,792**	25,035,194
Current assets			
Short-term Loans receivable	31	-	110,305
Interest receivable	32	7,133	2,771
Trade and other receivables	33	54,976	7,057
Deposits with Financial Institutions	34	1,154,863	452,406
Cash and cash equivalents	35	6,039,182	443,752
Total current assets		**7,256,154**	1,016,291
Total assets		**23,235,946**	26,051,485

The notes on pages 77 to 86 are an integral part of these separate financial statements.

Separate Financial Statements (continued)

Separate Balance Sheet as at 31 December 2018 (continued)
(before proposed appropriation of net result and expressed in USD)

		31 Dec 2018 USD	31 Dec 2017 USD
Equity and liabilities			
Capital and reserves	36		
Issued and paid-up share capital		330,055	306,872
Share premium		6,450,525	25,445,232
Other reserves		(585,190)	(1,639,854)
Unappropriated result for the year		16,602,105	1,738,271
Shareholders' equity		**22,797,495**	25,850,521
Non-current liabilities			
Non-current Borrowings	10	-	-
Total non-current liabilities		**-**	-
Current liabilities			
Interest payable	13	-	320
Current Liabilities	14	-	119,930
Accrued expenses	37	438,451	80,714
Total current liabilities		**438,451**	200,964
Total equity and liabilities		**23,235,946**	26,051,485

The notes on pages 79 to 88 are an integral part of these separate financial statements.

Separate Financial Statements (continued)

Separate Profit and Loss Account for the year ended 31 December 2018

		2018 USD	2017 USD
Interest and dividend income	38	12,490	63,230
Interest expense	39	(2,795)	(16,755)
Net interest income		9,695	46,475
Other financial income/ (expenses)	40	1,351	(27,071)
Net other finance income		1,351	(27,071)
Net margin		**11,046**	19,404
Other operating income	41	32,500	-
General and administrative expenses	42	(607,016)	(1,064,896)
		(574,516)	(1,064,896)
Share of result of participating interests			
Partial sale of AMK	22	14,487,131	-
AMK	30	2,561,282	2,677,367
AMIL	30	31,848	14,700
AMZ	30	115,587	91,696
Moringaway	30	(30,273)	-
		17,165,575	2,783,763
Result before tax		**16,602,105**	1,738,271
Tax on result		-	-
Result after tax		**16,602,105**	1,738,271

The notes on pages 79 to 88 are an integral part of these separate financial statements.

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.

Participating interests in group companies

Participating interests in group companies are accounted for in the separate financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share of result of participating interests

This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

Financial instruments

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

Notes to the Separate Financial Statements (continued)

30 Financial fixed assets

	2018 USD	2017 USD
Other participating interest		
AMK - Equity	9,398,871	20,426,971
Consolidated participating interest		
AMIL - Equity	1,649,632	1,763,466
AMZ - Equity	995,092	581,586
Moringaway - Equity	1,902,260	-
Balance as at 31 December 2018	**13,945,855**	22,772,023

Details of each investment is shown below.

	2018 USD	2017 USD
AMK - Equity		
Opening balance	20,426,971	17,750,231
Share of result in participating interest (pre sale)	2,063,107	2,677,367
Discontinued consolidation due to AMK sale	(13,485,081)	-
Revaluation	(104,301)	(627)
Share of result in participating interest	498,175	-
Balance as at 31 December 2018	**9,398,871**	20,426,971

On 31 August 2018 the Company sold 31% of the total share capital in AMK to a third party, reducing its total ownership to 20%. See note 22 for further information on the gain on sale. The legal address of AMK is Building: # 285, Yothapol Khmerarak Phoumin Blvd (271), Sangkat Tumnub Teuk, Khan Chamkarmorn, Phnom Penh, Cambodia.

Notes to the Separate Financial Statements (continued)

30 Financial fixed assets (continued)

	2018 USD	2017 USD
AMIL - Equity		
Opening balance	1,763,466	684,892
Acquisition of new shares	-	490,676
Goodwill adjustment	-	502,990
Share of result in participating interest - AMIL	31,848	14,700
Revaluation	(145,682)	70,208
Balance as at 31 December 2018	**1,649,632**	1,763,466

No further investments were made in AMIL during the year. AMIL did not issue any further shares during the year and at balance sheet date the Company owned 90%. The legal address of AMIL is Unit No 710, Seventh Floor, Vashi Infotech Park, Plot No. 16, Sector 30A, Vashi, Navi Mumbai 400703, India. For further information on Goodwill adjustment, see note 2.

	2018 USD	2017 USD
AMZ - Equity		
Opening balance	581,586	323,111
Acquisition of new shares	444,444	239,458
Goodwill on investments during the year	-	(52,286)
Share of result in participating interest - AMZ	115,587	91,696
Revaluation	(146,525)	(20,393)
Balance as at 31 December 2018	**995,092**	581,586

The Company made additional investments into AMZ during the year as indicated above. The new investments increased the Company's equity stake from 75.5% to 79.1%. The legal address of AMZ is First Floor, Mama Betty Building, Suite 112 Foxdale Courts Office Park, 609 Zambezi Road, Lusaka, Zambia.

Notes to the Separate Financial Statements (continued)

30 Financial fixed assets (continued)

	2018 USD	2017 USD
Moringaway - Equity		
Acquisition of new shares	2,739,376	-
Goodwill on investments during the year	(760,758)	-
Share of result in participating interest - Moringaway	(30,273)	-
Revaluation	(46,085)	-
Balance as at 31 December 2018	**1,902,260**	-

On 18 September 2018 the Company acquired 100% of the share capital in Moringaway, Mauritius for USD 2,739,376. Goodwill has been recognised and the result of USD 30,273 relates to the loss for the period from 18 September to 31 December 2018. The legal address of Moringaway is 11th Floor, Tower 1, NeXTeracom Building, Cybercity, Ebene, Mauritius.

31 Short-term Loans receivable

	2018 USD	2017 USD
GCA-AMNV Loan to AMZ	-	110,305
Balance as at 31 December	**-**	110,305

On 16 August 2016 the Company made a ZMW-denominated loan to AMZ for ZMW 3,298,500, bearing interest at a rate of 20% per annum. The loan was obtained from Grameen-Credit Agricole and the funds were on-lent to AMZ. The loan was repaid in full on 18 May 2018.

32 Interest receivable

	2018 USD	2017 USD
Loan to AMZ - accrued interest	-	1,107
Accrued interest income - AMK	7,133	1,664
Balance as at 31 December	**7,133**	2,771

Notes to the Separate Financial Statements (continued)

33 Other receivables

	2018 USD	2017 USD
VAT receivable	6,095	7,057
Other receivables and prepayments	48,881	-
Balance as at 31 December	**54,976**	7,057

34 Deposits with Financial Institutions

	2018 USD	2017 USD
Deposit with AMK - USD facility	1,150,000	450,000
Savings and current accounts with AMK	4,863	2,406
Balance as at 31 December	**1,154,863**	452,406

35 Cash and cash equivalents

	2018 USD	2017 USD
Deutsche Bank AG, Amsterdam, Current Accounts	5,752,062	443,752
Alpha FX Limited, London, INR account	287,120	-
Balance as at 31 December	**6,039,182**	443,752

Cash at banks is available on demand.

Notes to the Separate Financial Statements (continued)

36 Capital and reserves

The Company's authorised capital, amounting to EUR 1,000,000 (2017: EUR 1,200,000), consists of 10,000,000 shares of EUR 0.10 each, of which 2,876,692 shares have been issued. All other authorised share classes were cancelled and the issued and paid up capital as at 31 December 2018 amounts to 2,876,692 shares valued at EUR 287,670 (USD 330,055 revalued at the year end exchange rate).

On 13 July 2018, 20,000 Z Shares with a par value of EUR 1,000 were authorised, with 16,145 being issued to some of the existing shareholders. Payment for the shares was made from the share premium reserve of the Company. On 20 September 2018, the par value of the Z Shares were reduced to EUR 1 with USD 18,955,865 being paid out to Z shareholders as a result. The remaining Z Shares were eventually repurchased and cancelled on 28 December 2018.

	Issued and paid-up share capital USD	Share premium USD	Currency translation reserve USD	Retained earnings USD	Un-appropriated result for the year USD
Opening balance at 1 Jan 18	306,872	25,445,232	(834,421)	(805,433)	1,738,271
Issue of new shares	37,461	-	-	-	-
Profit appropriation 2017	-	-	-	1,738,271	(1,738,271)
Share premium conversion	18,994,707	(18,994,707)	-	-	-
Reduction in share capital	(18,994,707)	-	-	-	-
Translation reserves	(14,278)	-	(683,607)	-	-
Result for the period	-	-	-	-	16,602,105
Closing balance at 31 Dec 18	**330,055**	**6,450,525**	**(1,518,028)**	**932,838**	**16,602,105**

Total Shareholders' equity 31 December 2017	25,850,521
Total Shareholders' equity 31 December 2018	**22,797,495**

Notes to the Separate Financial Statements (continued)

36 Capital and reserves (continued)

36a Currency translation reserves

	2018 USD	2017 USD
Opening balance as at 1 January	(834,421)	(846,455)
Revaluation of share capital - Holding Company	14,278	(37,154)
Revaluation of Equity - Participation in AMK	(104,301)	(627)
Discontinued consolidation relating to AMK Sale	(255,292)	-
Revaluation of Equity - AMIL	(145,682)	70,208
Revaluation of Equity - AMZ	(146,525)	(20,393)
Revaluation of Equity - Moringaway	(46,085)	-
Balance as at 31 December	**(1,518,028)**	(834,421)

36b Appropriation of result of 2017

The financial statements for the reporting year 2017 have been adopted by the General Meeting on 30 June 2018. The General Meeting has adopted the appropriation of profit after tax as proposed by the Board of Management.

36c Proposal for profit appropriation of 2018

The General Meeting will be proposed to appropriate the profit after tax for 2018 amounting to USD 16,602,105 to the Other reserves. The 2018 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.

37 Accrued expenses

	2018 USD	2017 USD
Accrued expenses relating to AMK sale	368,773	-
Accrued audit fees	61,383	68,960
Accrued notarial, legal & tax advisory fees	8,295	11,754
Balance as at 31 December	**438,451**	80,714

Notes to the Separate Financial Statements (continued)

38 Interest & dividend income

	2018 USD	2017 USD
Interest: Loan to AMZ	4,567	56,269
Interest Deposits with AMK	7,923	6,961
Total	**12,490**	63,230

39 Interest expense

	2018 USD	2017 USD
Interest expense on Short-term borrowings	(2,795)	(16,755)
Total	**(2,795)**	(16,755)

40 Other financial income/ (expenses)

	2018 USD	2017 USD
FX Results	13,224	(21,940)
Bank charges	(11,873)	(5,131)
Total	**1,351**	(27,071)

41 Other operating income

	2018 USD	2017 USD
Service fees	32,500	-
Total	**32,500**	-

Notes to the Separate Financial Statements (continued)

42 General and administrative expenses

	2018 USD	2017 USD
Investment advisor fee	(371,000)	(530,000)
Depreciation & amortization	68,903	(387,728)
Auditor's fees - audit of the financial statements	(66,165)	(70,148)
Legal and professional fees	(146,332)	(34,631)
Management and administration fees	(22,226)	(27,276)
Staff	(66,652)	(14,412)
Other cost	(3,544)	(701)
Total	**(607,016)**	(1,064,896)

The staff expenses includes social security charges of USD 31,790 (2017: USD 6,665). The Company has 1 employee (2017: 1) who is situated in The Netherlands. The depreciation and amortisation includes a goodwill adjustment of USD 406,584. See note 2 for further information.

43 Remuneration of managing and supervisory directors

The Company has two Supervisory Directors (2017: 2) and two Managing Directors (2017: 2). The Supervisory Directors received no remuneration in respect of there services. The Managing Directors received USD 86,599 (2017: 35,270) in respect of their services as Directors.

44 Financial instruments

The risks relating to financial instruments relate predominantly to the subsidiaries. See note 16 for further detail.

45 Off-balance sheet assets and liabilities

Letter of comfort

In 2018 and 2019 the Company facilitated two commercial Bank loans to AMIL by offering a letter of comfort to the lender.

Contingent liability

As at 31 December 2018, AMIL recorded a contingent tax liability in regards to a demand from India's Tax Authorities. The demand is for the USD 195,242 and AMIL is in the process of disputing the amount.

Notes to the Separate Financial Statements (continued)

46 Performance of Share Classes

	2018		2017	
	Shares USD	Total USD	Total USD	A1 USD
# of shares	2,876,692	**2,632,587**	2,550,557	82,030
Earnings	16,602,105	**1,738,271**	1,680,287	57,984
Earnings per share	5.77		0.659	0.707

During the year all other share classes were removed or cancelled and at year end only one type of share class exists.

47 Subsequent events

During April 2019 AMK's majority shareholder increased its investment in AMK, diluting the Company's ownership from 20% to 15%.

In March 2019 the Company made a further equity investment into AMIL of INR 20,000,000 (USD 286,738), increasing its ownership to 91.39%.

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

Amsterdam, 30 June 2019

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

Other Information

The Auditor's Opinion can be referenced from the Audited Financial Statements alongside Auditor's Opinion published with the Dutch Chamber of Commerce.

Provisions in the Articles of Association governing the appropriation of profit

In accordance with Article 23 of the Articles of Association, Distribution of Profits:

The amount of distributable profits shall be at the unrestricted disposal of the General Meeting, to be used for distribution of dividends, to be carried to reserves or to be used for such other ends fitting the Company's objects as that meeting may resolve. From the profits shown in the Company's adopted annual accounts any amount as the Supervisory Board may diem necessary may be added to the Company's general reserves of the Company. In calculating the amount of profits to be distributed on each Share, only the amount of the compulsory payments on the nominal amount of the Shares shall be regarded.

The Company shall only be capable of making distributions to Shareholders and other persons who are entitled to profits that qualify for distribution up to a maximum of the Distributable Reserves. In the calculation of the distribution of profits the Shares which the Company holds in its own Share capital shall be disregarded.

The Supervisory Board shall have power to make one or more interim dividends payable and/or to make one or more distributions out of a reserve of the Company payable up to a maximum of the Distributable Reserves.

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