



**Agora Microfinance**  
Banking for Change

Annual Report 2012



## Table of contents

<b>Message from the Principals.....</b>	<b>2</b>
<b>AMNV: Our Evolution Thus Far.....</b>	<b>3</b>
Our Mission.....	3
What we Do.....	3
<b>AMNV: What and How.....</b>	<b>4</b>
<b>Our Partner MFIs.....</b>	<b>5</b>
AMK Cambodia.....	5
Agora Microfinance India Limited (AMIL).....	7
Agora Microfinance Zambia (AMZ).....	8
<b>Business Approach and Social Performance Management.....</b>	<b>9</b>
<b>MFI Leadership.....</b>	<b>13</b>
<b>The Advisor – Agora Microfinance LLP.....</b>	<b>14</b>
<b>Report of the Board of Directors.....</b>	<b>16</b>
<b>Report of the Independent Auditors.....</b>	<b>18</b>
<b>Balance Sheet.....</b>	<b>20</b>
<b>Profit and Loss Account.....</b>	<b>21</b>
<b>Notes to the Financial Statements.....</b>	<b>22</b>

## Message from the Principals

It gives us great pleasure to report to you on the first year of operations of Agora Microfinance N.V (AMNV). AMNV was constituted in late 2011 by its promoters after 3 years of research and preparatory work. As on the date of this report, we are engaged in 3 microfinance institutions – AMK in Cambodia, AMZ in Zambia and AMIL in India.

The Agora Group, comprising AMNV and its Advisor, Agora Microfinance LLP, have been established with the goal of bringing responsible finance to difficult and/or excluded markets, with a direct focus on lower income families. In our work we place emphasis on high quality research that leads us to products and processes that match client requirements, and in the innovative use of technology to improve our reach, breadth and quality of services.

During 2012, we invested in the equity of two green-field operations that we have founded and have been engaged with since 2009, Agora Microfinance Zambia Limited (AMZ) and Jagdhan Finance and Investment Limited, India (JFIL/AMIL). During the year we also acquired equity in our flagship institution, AMK Cambodia, which was subsequently approved in early 2013 by the National Bank of Cambodia. AMNV's partner MFIs provide much needed financial services to the financially excluded in three different and challenging geographies. AMK Cambodia is a large, established, deposit-taking MFI, which counts over 300,000 clients and over 1,400 staff, who handle its operations from more than 130 branches and 200 mobile-agent outlets across the country. AMZ and AMIL are at their early stages of development, and are already making important inroads into their complex markets. Both institutions expect fast growth in the coming years.

Social performance forms the bulwark of our operations, and focuses on appropriate products reaching excluded families in a transparent and sustainable manner. As an operator-investor, we work closely with our MFIs' management to realise this approach and integrate it into their respective strategies.

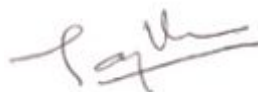
AMNV's shareholders at the end of 2012 were Agora Investments (the promoters, management and staff) and Concern Worldwide, an international charity. At the time of the release of this Annual Report, we had already raised significant additional equity into AMNV and issued shares new shareholders. In the coming year, we expect to expand our shareholding and deepen our reach in the countries that we operate in. We are working with a number of co-investors in our operations and look forward to cementing these relationships.

The success of our work eventually depends on the vision, professionalism and commitment of our colleagues within the MFIs. We extend our gratitude to them for a successful 2012 and look forward to supporting them in our roles with their institutions.



**Rebecca McKenzie**

Chief Executive Officer, AMNV  
Director-Operations, Agora Microfinance  
Partners LLP



**Tanmay Chetan**

Chairperson, Supervisory Board, AMNV  
Managing Partner, Agora Microfinance  
Partners LLP

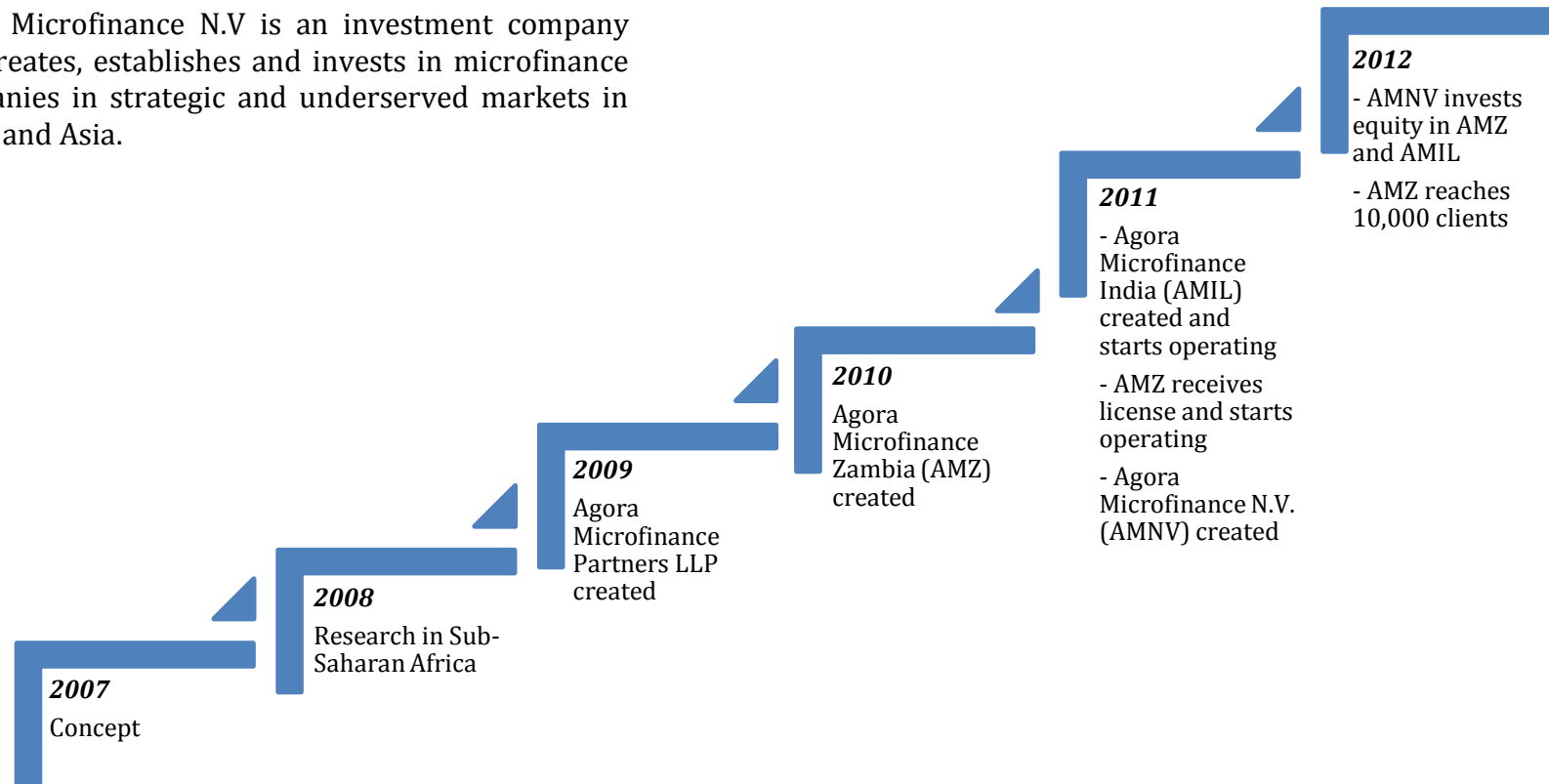
### Our Mission

Agora Microfinance’s mission is to maximise the social return on microfinance investments while realising an attractive and fair financial return for our investors.

### What We Do

Agora Microfinance N.V is an investment company that creates, establishes and invests in microfinance companies in strategic and underserved markets in Africa and Asia.

## Our Evolution thus Far





## AMNV: What and How

We are a microfinance operator that creates and builds socially focused, financially viable MFIs in Africa and Asia, by investing in equity and working closely with them to achieve optimum social and financial returns.

As an operator, we go beyond the role traditionally played by an investor: we work closely with our MFIs. In doing so we jointly develop MFI strategies to provide a wide range of financial products for clients, which may include loans, deposits, transfers, and insurance depending on the context and regulations. We recognize and utilize technology as an important tool for achieving optimum performance in the pursuit of delivering efficient and high-quality financial products to our clients. Our MFIs are squarely focused on low-income households, typically the lowest 50% of market segments.

In all our investments we pursue financial sustainability and social objectives in a symbiotic relationship. Our investment strategy focuses on creating strong and stable financial institutions that provide flexible financial solutions to the excluded in frontier markets\*. Using our experience from Cambodia (AMK) in building socially-oriented and sustainable MFIs from the ground up, we aim to make an impact in the un-banked areas of Africa and Asia through this approach.

Significant shareholding and close collaboration with local management teams are at the heart of our approach, which we see as an *operator-investor model*. AMK Cambodia, which our principals were involved in throughout its formative years, will be our flagship MFI exemplifying the symbiotic relationship between financial and social returns.

In addition to the two greenfield operations launched in the past two years (in rural Zambia and densely populated Mumbai, respectively) where we are closely involved in their development, in the coming years we seek to create additional greenfield operations in other countries that remain untapped (or severely under-served) either in scale or in quality.

\* The sub-Saharan Africa region (SSA) strikingly demonstrates this state. Although home to more than half the world's poorest, in 2011 it accounted for only 7% of MIV's investments overall and only 3% of equity fund investments, according to the Symbiotics MIV Survey 2012.



## Our Partner MFIs

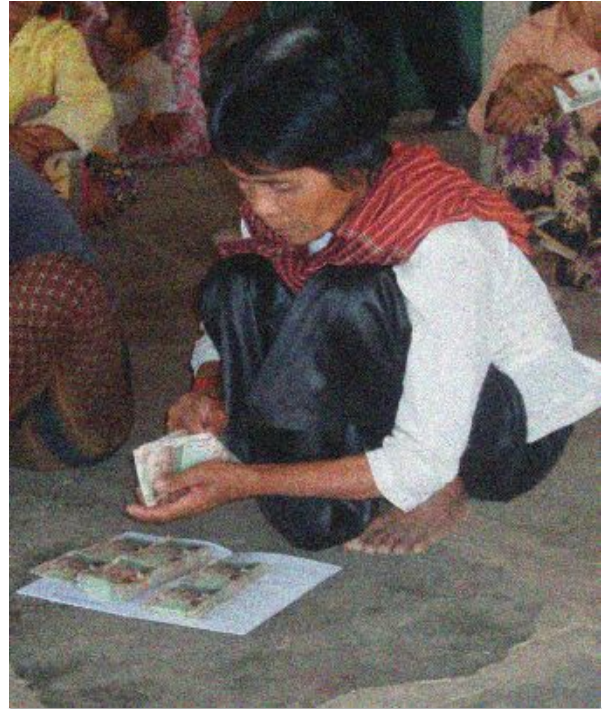
### AMK Cambodia

**AMK Cambodia** is the country’s leading MFI, with 300,000 loan clients and an expanding deposit and remittance business. It is licensed by the National Bank of Cambodia and has consistently been a market leader in a vibrant and fast-moving market. Its 1,400 staff members, network of 130 offices, and foray into mobile phone based transactions make it well placed to expand further and maintain its leadership in the market.

AMK was started in 2003, established by Concern Worldwide. In the past few years AMK has progressed towards a wide range of products for clients, while continuing to target the lower sections of the market. It currently has coverage of more than 73% of Cambodian villages. Agora Microfinance NV currently has an equity stake (as of 2013) and two seats on the AMK Board, and assists AMK with strategy and governance decisions.

The Agora Principals have been involved with AMK since its inception, and this relationship is set to strengthen further with the new equity purchase of AMK by AMNV.

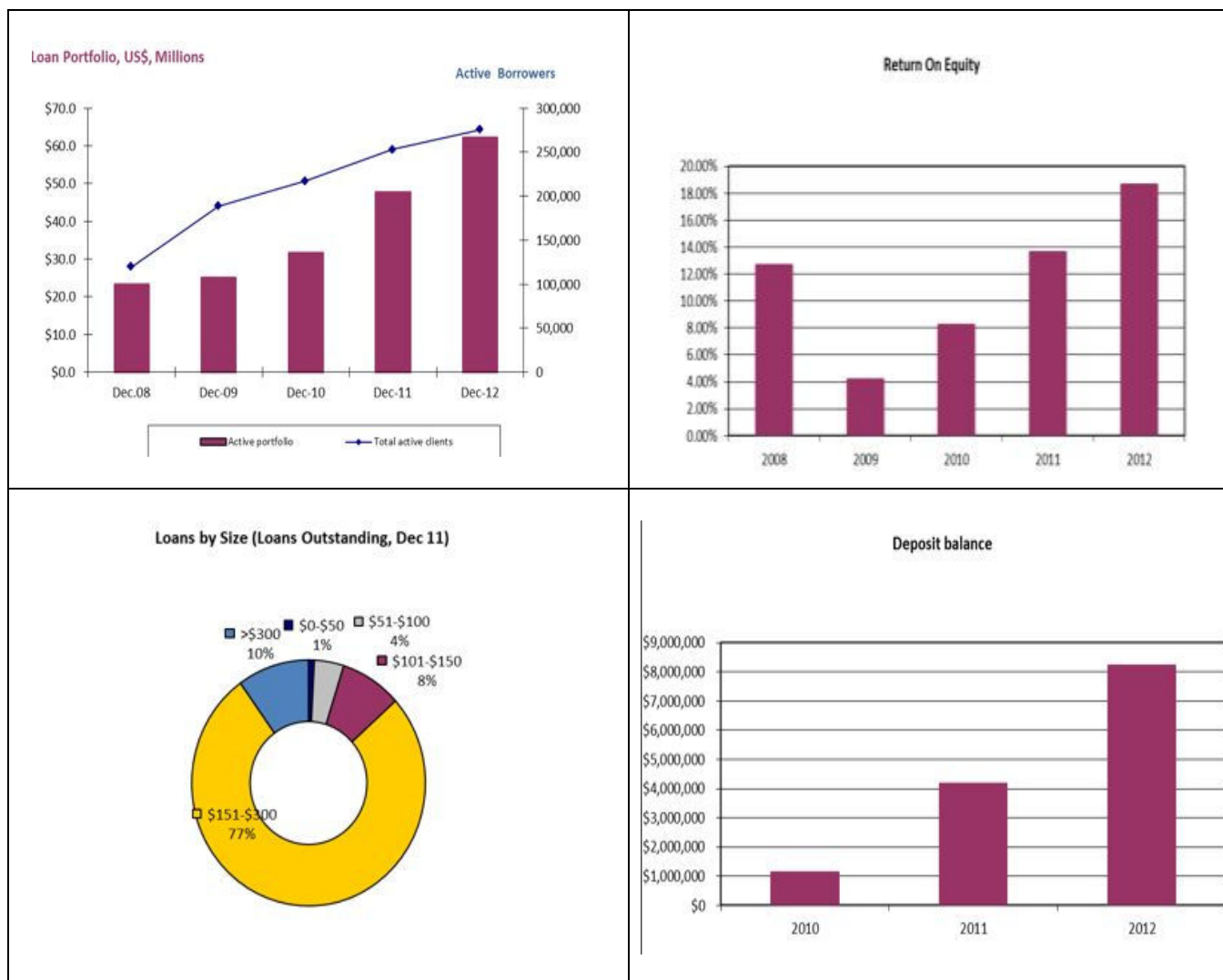
During 2013 AMK aims to make substantial progress in its non-credit business, including the establishment of mobile agents, domestic remittances, micro-insurance and a rapidly growing deposit business.



### AMK Performance Snapshot

Credit Coverage	2011	2012	% Coverage
Districts	183	192	99%
Communes	1,488	1,560	96%
Villages	9,152	10,116	73%

## AMK Cambodia (contd)



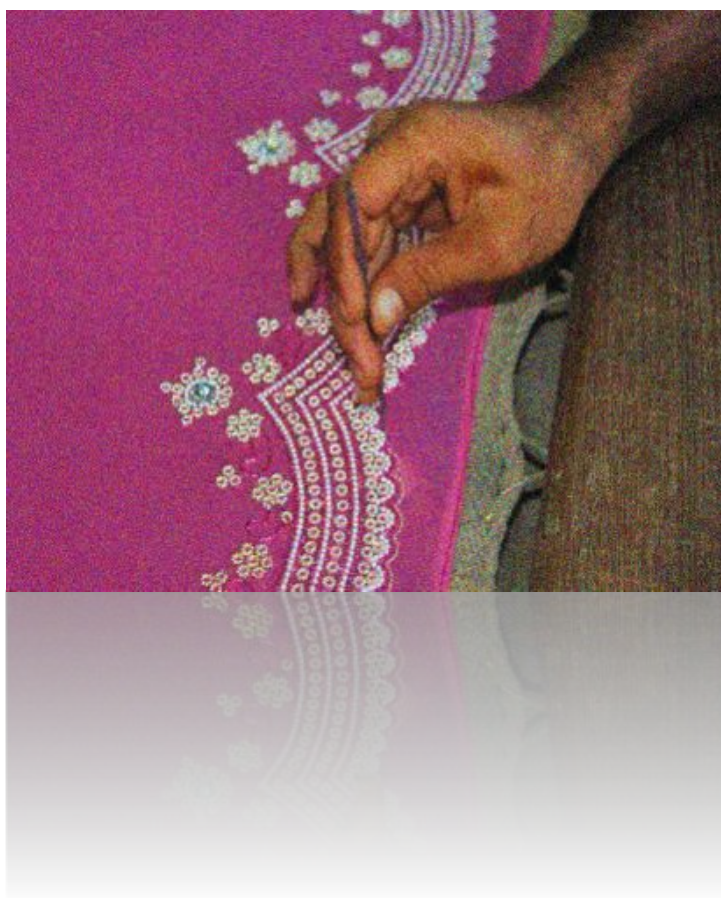
AMK at a Glance	2007	2008	2009	2010	2011	2012
<b>FINANCIAL HIGHLIGHTS - % and US\$</b>						
Net Profit (after tax, US\$)	\$823,222	\$986,145	\$448,172	\$935,239	\$1,766,971	\$2,886,998
Operational Self Sufficiency (OSS) (YTD)	125%	118%	106%	108%	114%	121%
Return on Assets RoA *		5.40%	1.35%	2.71%	3.76%	4.61%
Return on Equity (RoE)	25.40%	12.70%	4.20%	8.26%	13.66%	18.65%
Portfolio Yield	35.0%	35.9%	34.5%	34.5%	33.9%	35.7%
Operating Cost Ratio	24.5%	22.4%	22.0%	22.3%	19.3%	18.1%
Average Cost of Funds	2.20%	8.30%	10.20%	10.87%	11.14%	10.26%
Leverage Ratio (Debt to Equity)	2.35	1.82	2.55	2.58	3.35	3.26
PAR30days	0.06%	0.35%	2.85%	1.57%	0.10%	0.12%
Write off Ratio	0.08%	0.19%	0.38%	1.17%	1.11%	0.39%
* Not including back-to-back loans to manage currency exposure which are otherwise included on the balance sheet						



## Agora Microfinance India Limited (AMIL)

**AMIL** was established as a specialist urban MFI in India, and began operating in the slums of Mumbai in December 2011. Over a bit more than a year, AMIL has created its branch network, recruited key senior management, established a real-time Management Information System (MIS), and has expanded its reach to almost 2,000 active clients.

AMIL works from its Field Offices, which are small store-front offices located in the slums, and offers a range of loan products designed to meet the cash-flow patterns of client households. The loan options include weekly, bi-weekly and monthly payments and are generally offered as individual loans.



### AMIL Operational Highlights

Field Offices	5
Staff	24
Client Officers	11
Clients	1,848
Average loan outstanding, ~US\$	150

During the coming three years AMIL aims to scale up to 35-50,000 clients, 15-20 Field Offices and achieve financial break-even, while emerging as a crucial element of the formal financial services industry in the slums of Mumbai.

## Agora Microfinance Zambia Limited

**Agora Microfinance Zambia Limited (AMZ)** was established in 2011. It is licensed as a non-deposit taking MFI with the Bank of Zambia. In less than two years of its operations it has successfully established a clientele of 10,000 and a network of 3 branches. Its operations are unique in its focus on rural households and extend into remote parts of the Western and Central Provinces of the country.



AMZ currently offers a range of loan products, including End of Term loans for farm-based families and installment based loans (Flexi Loans) for families engaged in livelihoods that provide more regular income patterns. In its short period of operations it has built a loan portfolio of US \$2 million and has successfully borrowed from various international lenders. It is now positioned for significant growth and expansion in the coming years.

### AMZ Operations Highlights

	2011	2012
Branches	2	3
Client Officers	12	22
Clients	4,924	10,579
Loan portfolio (~US\$)	750,000	1,900,000
PAR <sub>30</sub>	0.02%	1.66%

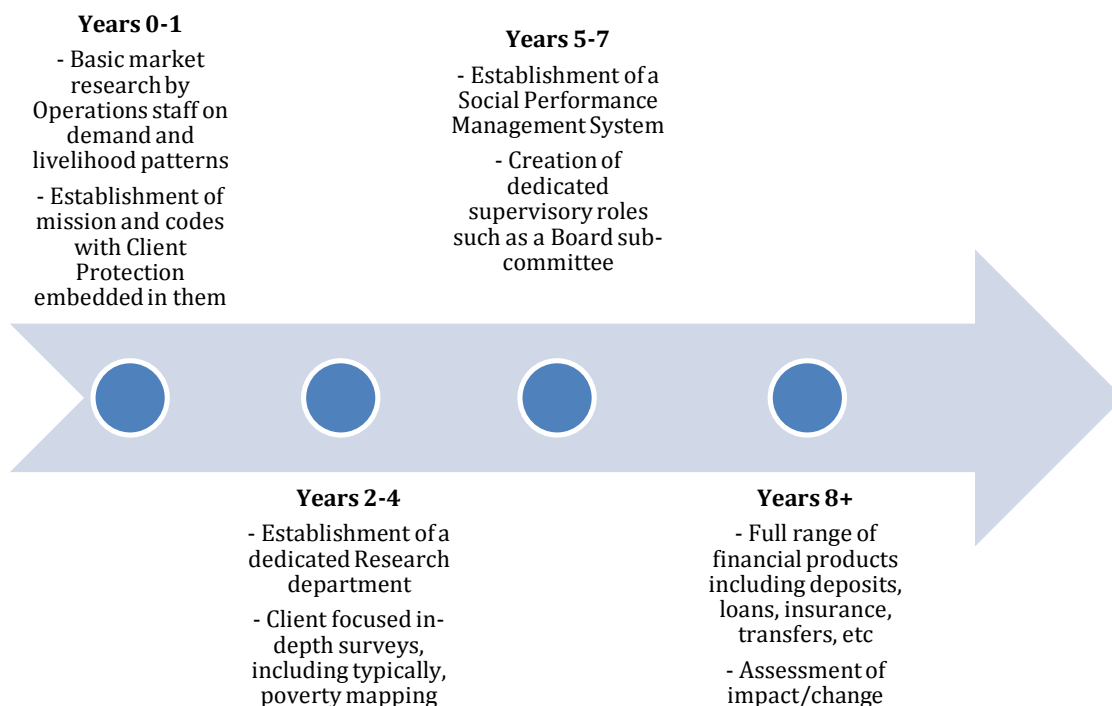
## Our Business Approach: Careful implementation of responsible finance

Our approach revolves around balancing as well as synergising two inter-related objectives – creation of financially stable MFIs as well as reaching excluded clients with appropriate financial products. These two objectives are inter-dependent, and one cannot be well achieved in the absence of the other. If the underlying asset, the client, does well, so does the MFI. To this end, we have implemented our own approach to Social Performance, building on our work with AMK Cambodia. We refer to this approach as ASPiRE: Agora Social Performance – Improvement through Research.

### Agora Social Performance – Improvement through Research (ASPiRE)

We define social return as the ‘improvement in the wellbeing’ amongst the end-users (clients) of our partner MFIs. Agora Social Performance – Improvement through Research (ASPiRE) puts in place – in the MFIs – a set of processes to guide decision making and objectively measure and track the wellbeing of clients, as well as other key aspects such as adequacy of products or client protection. ASPiRE is a framework that has been conceived primarily as an internal decision-making tool that makes use of relevant and up to date information to inform MFI management’s choices. It has been pioneered in AMK Cambodia and will be implemented in all our partner MFIs.

#### ASPiRE: Indicative timeline from MFI Start-Up



### ASPiRE Factors and Key Indicators

	Depth of Outreach	Adequate Products	Client Protection & Transparency	Other Social Responsibilities
<b>Indicators</b>	<ul style="list-style-type: none"> <li>Poverty Index (B-WELL Index*, Daily expenditure per capita)</li> <li>Geographic targeting/ poverty maps</li> <li>Pro-poor methodology (collateral, size)</li> </ul>	Range and quality of services through results of client satisfaction surveys, exit reports, competition, pricing reports and household profiles.	<ul style="list-style-type: none"> <li>Client awareness of products</li> <li>Multiple loans vs. over-indebtedness</li> <li>Access to information, website, MiX Market data and media kits</li> </ul>	<ul style="list-style-type: none"> <li>Staff satisfaction survey</li> <li>Staff resignations and reasons</li> <li>HR policies</li> </ul>

\*Currently under development. The B-WELL Index uses partial component analysis to evaluate poverty levels using a multi-dimensional framework that extends beyond simple measures of income or wealth. It is customized to the local environment in which it is applied.

The key features of the **ASPiRE** approach at the MFI level are:

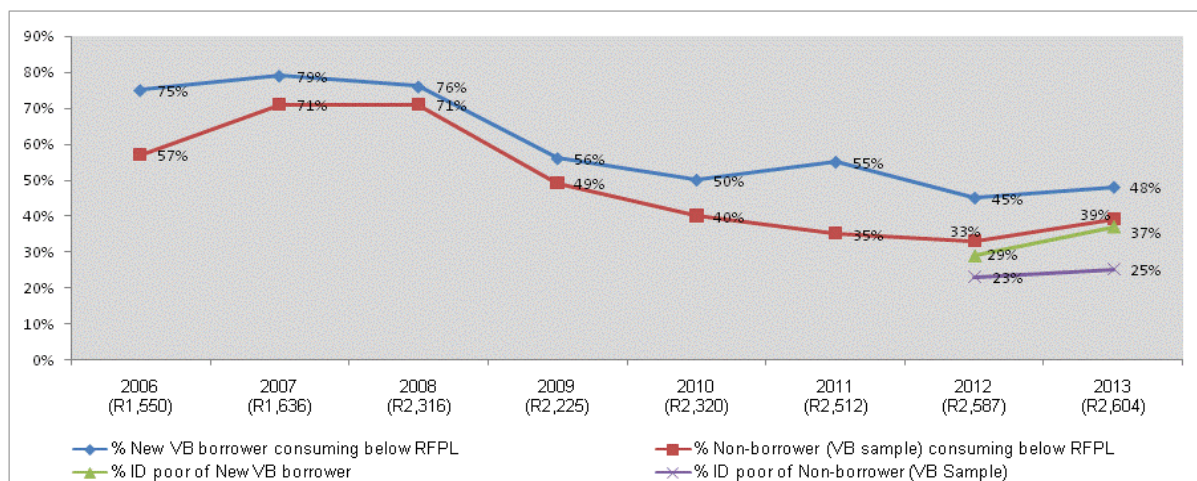
- Integration with management decision-making
- Client protection and transparency as a non-negotiable feature
- SPM as a key governance factor in partner MFIs and regularly monitored through board sub-committees or other mechanisms
- Reliable information on client wellbeing in an MFI - on entry and covering a five- to seven-year period

### Some examples of outputs from the ASPiRE approach

The ASPiRE approach at MFIs is built on research-led management decisions to better achieve both the business as well as social goals. At different stages of institutional development this results in focusing on different aspects of business and social performance.

In a more **mature state** the ASPiRE approach helps the MFI in tracking the depth and breadth of its outreach, the quality of its services, and eventually in assessing the likely impact of its products/services on its clients. AMK Cambodia is such an example, wherein a range of analysed data is available on poverty outreach, satisfaction/dissatisfaction with products, reasons for delinquency/exits, and mapping of changes to client lives over a period of time. For example, the graph below maps the percentage of very poor clients at the point they begin their relationship with AMK, compared against a representative control group of non-clients (or clients of other Cambodian MFIs).

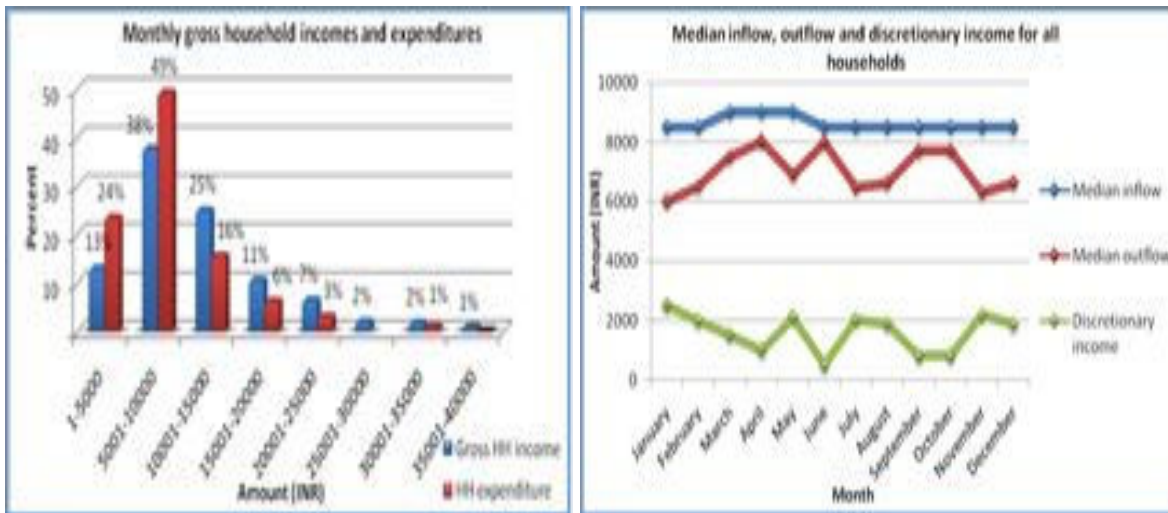




The graph shows, for example, that in 2013, 48% of the new group clients in AMK were very poor, compared to 37% being very poor in the control group. In this case the Rural Food Poverty Line (RFPL), which gives information on minimal nutritional intake necessary, is used as a proxy to identify clients for whom poverty has a significant negative effect. A new comparison has recently been added to compare the % of ID Poor (a new government classification of poor) as a proxy.

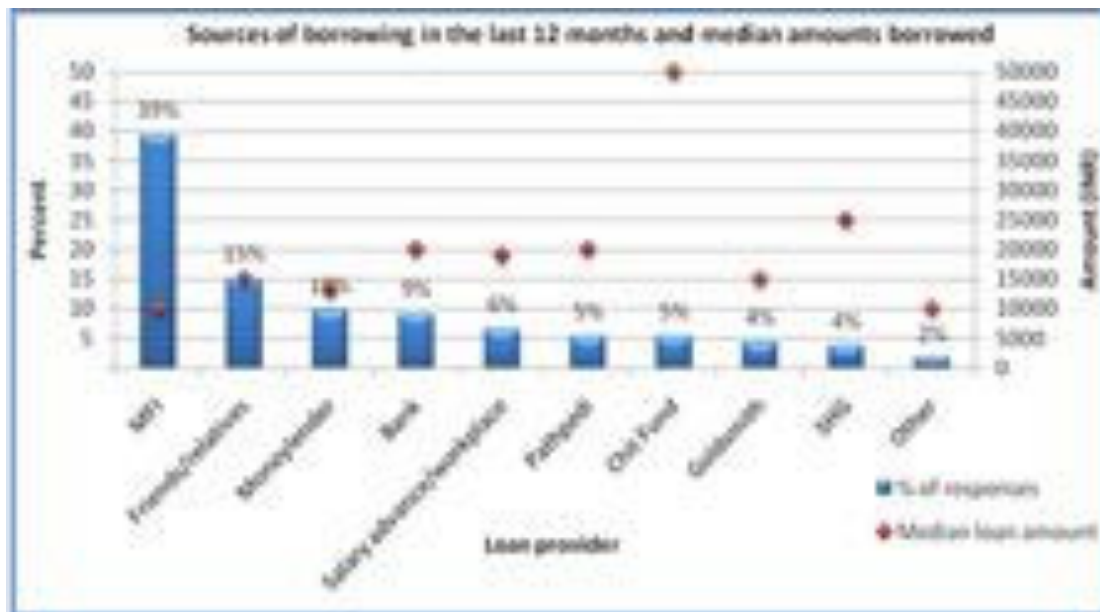
In addition to ongoing research about clients such as that provided above and other continuous research outputs, MFIs in more mature states also undertake research on specific one-off issues or thematic working papers. One important activity, and an example of such, during 2012-13 will be a comprehensive ‘Change Study’ conducted by AMK Cambodia. The study looks at a sample of clients and non-clients (control group) over a 5 year period of 2006-7 to 2012, and aims to understand changes in their well-being over the period. The results will be one of the very few systematic, scientific outputs on possible impact of microfinance in Cambodia, and should provide important pointers to MFIs worldwide.

As opposed to a more mature MFI, **early stage MFIs** concentrate on understanding client preferences around product features before product development takes place. Alongside product features, the demand pattern is another key priority for Agora’s affiliate MFIs, as it helps them prepare for seasonality, arrive at optimum loan sizes and terms, and thereby ensures good and productive use of the capital. At AMIL, for example, initial research has focused on current financial behavior and demand patterns for borrowing. The data obtained through some 272 survey respondents in slum neighbourhoods provides significant insights into the financial needs and behavior of potential clients. For instance, data was collected on monthly cashflows, income, expenditure, savings, and asset holdings, to provide AMIL with a better understanding about consumer spending and saving habits in the area.



The above graphs point towards cashflow and income/expenditure levels as well as the seasonality of cashflows, and this data has been used for product design by AMIL.

Similarly the chart below shows the sources of borrowings which provide some idea on the nature and type of competition in the market.



## MFI Leadership

### Kea Borann, CEO, AMK Cambodia



**Kea Borann** has been a key member of the AMK leadership almost since its inception. He joined AMK in early 2004 and has held the positions of Head of Finance, CFO and Deputy CEO in the past. In these roles, Borann has played a central role in the development and execution of overall company strategy, with dynamic leadership of the technology interventions of AMK. Prior to AMK, he was the Head of Finance at KREDIT MFI. Kea Borann is a fully qualified accountant (ACCA) and also holds a BBA in Accounting and Finance.

### Meenal Patole, CEO, AMIL, India



**Meenal Patole** is the co-promoter of Jagdhan Finance and Investment Limited, and has played a central role in the transformation of a small NGO microfinance program into a supervised microfinance company. Meenal brings a rich experience of microfinance research and consultancy to Jagdhan as its promoter-CEO. Meenal has post-graduate degrees in Political Science from the Jawaharlal Nehru University, New Delhi and in Planning and Development from the Indian Institute of Technology, Mumbai.

### Maluba H Wakung'uma, CEO, AMZ



**Maluba Wakung'uma** has been with AMZ since its inception, and has played a key role in the initial set up and licensing of AMZ. As the CEO she manages all aspects of AMZ and has overseen a successful beginning of the company. Prior to AMZ, Maluba has held senior management positions at other MFIs, most notably at the Micro-Bankers' Trust, Lusaka. Maluba has a BA in Development Studies from the University of Zambia, a Diploma in Small Business Promotion and Planning from the National Institute of Small Business Development, New Delhi, India and a certificate in Microfinance Management from the International Training Centre of ILO, Turin.

## The Advisor – Agora Microfinance Partners LLP

AMNV is advised by Agora Microfinance Partners, LLP (“the LLP”). The LLP is based out of the United Kingdom and advises AMNV on its investment options and strategy.

### Advisory Team



**Tanmay Chetan** is a co-founder of the Agora group. He is the Managing Partner of Agora Microfinance LLP (the Advisor) and a Supervisory Board Member of Agora Microfinance N.V. (the Investor). Tanmay has worked in microfinance for over 15 years, with his previous work including credit ratings, consulting, investment management and implementation. He began his microfinance career at M-CRIL, a specialised rating agency, where he managed credit ratings and the advisory services of the company in a number of countries during 1998-2003. In 2003, he moved to Cambodia as the first CEO of AMK Limited, a greenfield microfinance company at the time. In 2007, on completing his term at AMK, he undertook a year of research into African microfinance before getting involved with the creation of Agora. Since 2008-9 he has been engaged with Agora from its conceptualisation, to its present form. Tanmay holds a Masters in Public Administration from the Harvard Kennedy School and an MBA from the Indian Institute of Forest Management.



**Rebecca McKenzie** is also a co-founder of the Agora group. She is the Managing Director of Agora Microfinance N.V., and Director, Operations of Agora Microfinance Partners LLP. Rebecca has over 15 years of experience in banking, capital markets and microfinance. In the recent past she has been the key person behind the establishment of Agora operations in Zambia, where she currently Chairs the Board of the MFI. Prior to that, she was the main Investor Relations Manager who assisted AMK Cambodia with equity funding during its early years. As part of her role she also assisted the Governing Board of AMK to liaise with Shareholders. In her banking experience she has held different positions with Depfa Bank Plc, Credit Suisse First Boston, Paribas, and UBS. Rebecca holds a Diploma in Corporate Finance from the London Business School, and a Bachelor’s of Arts in European Studies from Scripps College, Claremont, California.



**Olga Torres** is the Head of Research with Agora Microfinance Partners LLP. Olga brings almost 15 years of experience in analytical work in microfinance/livelihoods research and practical implementation of Social Performance. Her experience includes working as a manager, consultant and researcher for microfinance institutions, multilaterals, think tanks, cooperatives and the private sector, mostly in microfinance and business development services. Prior to her current role with Agora, she worked at Angkor Microfinance Kampuchea (AMK, Cambodia) for 6 years, where she conceptualized and implemented systems for collecting information on social performance and clients (including poverty levels) and linking the results with short-term and strategic decision-making. Since the creation of Agora, Olga has consulted and worked on research and social performance methodology for the group. An economist by training, Olga holds a PhD from Universidad Complutense and a Masters of International Affairs from Columbia University (SIPA).





**Willis Bruckermann** is an Operations Officer with Agora Microfinance Partners LLP. He has been with Agora since its inception and has been closely engaged with a wide range of activities during the start-up and early stages of the creation of Agora. Prior to working with Agora he worked for the Impact Assessment division of the International Food Policy Research Institute (IFPRI) in Washington DC, focusing on qualitative measurement methodologies. In his current role he has assisted partner MFIs in aspects such as mobile banking strategy in Cambodia, MIS selection and implementation, review and advice on MIS and IT policies and research strategy and methodology. His secondments with MFIs, particularly in their early stages, serve to complete a variety of tasks related to operations and research. Willis received his B.A. in International Affairs from the George Washington University, and a Graduate Certificate in Economics from Trinity College Dublin.



**Ninie Unachukwu** joined Agora Microfinance Partners as the Accounts Officer in 2013. She is a qualified Certified Chartered Accountant (ACCA) with more than 10 years of experience in Management Accounting. Ninie has worked as a Financial and Management Accountant in a number of industries, including the education, entertainment and IT sectors, where she was responsible for the preparation and filing of management accounts with relevant stakeholders; she developed and maintained accounting and financial reporting policies and procedures; and was responsible for implementing corporate governance procedures, risk management and internal controls. Her interest in international development brought her to Agora. Ninie holds a BSc. Hons Economics (Accounting and Finance) from the University of Aberystwyth and holds a full ACCA qualification from the Institute of Chartered Certified Accountants of England and Wales.



**Cathy McConnell** is the Human Resources and Communications Officer with Agora, where she has been working since 2009. By training she is a Marketing/Sales professional with over 18 years of experience. Prior to joining Agora she worked as an Investor Relations Manager and Chairman's Office support at Depfa Bank during 2005-2008. Before that she has worked with Days Healthcare in the UK and RSM as a General Manager in South Africa. Cathy holds a NHD (Diplom) in Marketing from Natal Technikon, South Africa. At Agora, she is responsible for HR management functions that include working practices, recruitment and pay, implementation of policies and maintenance of employee records. In addition Cathy handles much of the back-office support including general administration, travel, communication and publications, website maintenance and liaison with partner MFIs.

## Report of the Board of Directors

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 2012.

### General

The Company was incorporated on 9 December 2011 by Agora Microfinance Coöperatief U.A., a co-operative incorporated under the laws of the Netherlands, with its official seat in Amsterdam.

### Mission

The Company's mission is to maximise the social return in microfinance while providing a fair and attractive financial return to our (future) investors.

### Principal object

The Company's object shall be:

- 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 to contract, and to grant money loans and to give security for the fulfilment of the obligations of the corporation or of third parties; to perform, as principal, agent, commission agent, manager and/or administrator, everything that is related to the foregoing or may be useful or necessary thereto, which includes to participate, to acquire and to co-operate in any other enterprises or legal entities with similar or related objects.

### Overview of activities

The Company obtained shares in the capital of Jagdan Finance and Investment Ltd. (Agora Microfinance India Ltd.) ad USD 1,000,000.

The bridge loan to Mr. Marcus Fedder was repaid on 23 February 2012.

On 6 July 2012 Mr. Marcus Fedder resigned a Managing Director A of the Company and Ms. Rebecca McKenzie was appointed as a Managing Director A of the Company as per the same date.

On 18 July 2012 Concern Worldwide Aquired 800,000 ordinary shares of AMNV. The nominal value of each share at 1 Euro cent

The Agora Microfinance Zambia loan was converted on 19 December 2012. The outstanding amount USD 875,000 was converted into B class shares for USD 867,207. The remaining USD 7,793 has been added to the loans recievable

**Result**

During the period under review, the Company recorded a loss of USD 861,774.

**Post balance sheet events**

Mr. Eric-Jan van de Laar resigned as a Managing Director A of the Company and Mr. Rens van Hoof has been appointed as Managing Director A of the Company and Ms. Emely Sweerts de Landas resigned as a Managing Director B of the Company and Mr. Eric-Jan van de Laar has been appointed as a Managing Director B of the company in 2013.

On 13 August 2013 the Company received a consideration of USD 5.7 million from an individual investor, in return for an intended share issue. The intended share issue will consist of 1,000,000 shares and is expected to be completed in October 2013. The nominal amount of the company's shares is 1 Euro cent per share.

**Future developments**

The Company will continue its activities. New activities will be undertaken, when the opportunities arise.

Amsterdam,

The board of directors:

Ms. R. McKenzie



Mr. R.W. van Hoof



Mr. E-J van de Laar



Supervisory board:

Mr. T. Chetan



Mr. J.G. Hynes



## Report of the Independent Auditors

### Independent auditor's report

To: the shareholders of Agora Microfinance N.V.

### Report on the financial statements

We have audited the accompanying financial statements 2012 of Agora Microfinance N.V., Amsterdam, The Netherlands, which comprise the balance sheet as at 31 December 2012, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Agora Microfinance N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.



## Report on other legal and regulatory requirements

Pursuant to the legal requirement under section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 1 October 2013

Ernst & Young Accountants LLP



N.Z.A. Ahmed-Karim

## Balance Sheet

### Balance sheet as at 31 December 2012

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

		<u>31-dec-12</u>	<u>31-dec-11</u>
		USD	USD
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Financial fixed assets	1	2.215.096	3.012.890
<b>CURRENT ASSETS</b>			
Loans receivable	2	7.793	100.000
Interest receivable	3	86.089	229.461
VAT receivable		18.518	1.195
Current account shareholder		2.785	2.785
Cash at bank	4	125.208	211.517
<b>TOTAL ASSETS</b>		<b><u>2.455.489</u></b>	<b><u>3.557.849</u></b>
<b>LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued and paid-up share capital	5	196.137	196.137
Share premium		3.107.186	3.107.186
Retained earnings		(46.954)	
Result for the period		(861.774)	(46.954)
Shareholders' equity		<u>2.394.595</u>	<u>3.256.369</u>
<b>CURRENT LIABILITIES</b>			
Loans payable	6	-	250.000
Accrued expenses	7	60.894	51.480
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2.455.489</u></b>	<b><u>3.557.849</u></b>

## Profit and Loss Account

### Profit and loss account for the period 1 January 2012 up to and including 31 December 2012

		<u>2012</u>	<u>2011</u>
		USD	USD
<b>Financial income and expenses</b>			
Interest income	8	<u>144.249</u>	<u>6.005</u>
		144.249	6.005
<b>Other financial income and expenses</b>			
Currency exchange result	9	<u>(1.155)</u>	<u>(2.275)</u>
		(1.155)	(2.275)
<b>Other expenses</b>			
General and administrative expenses	10	(1.004.868)	(50.684)
<b>Result before taxation</b>		<u>(861.774)</u>	<u>(46.954)</u>
Corporate income tax	11	-	-
<b>Result after taxation</b>		<u><u>(861.774)</u></u>	<u><u>(46.954)</u></u>

## Notes to the Financial Statements

### Group affiliation and principal activity

Agora Microfinance N.V. (hereinafter referred to as the "Company") was incorporated under Dutch law on 9 December 2011. The principal activity of the Company is to make microfinance investments. The Company's shareholders are Agora Investments Coöperatief U.A. and Concern Worldwide.

### Basis of presentation

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

### General

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

The financial statements are expressed in USD.

### Foreign currencies

Assets and liabilities denominated in currencies other than USD, if any, are translated at the rates of exchange prevailing at balance sheet date. Transactions in foreign currencies are recorded at the rates prevailing at the dates of the transactions. Translation differences are taken to the profit and loss account.

### Principles of valuation of assets and liabilities

#### Financial fixed assets

The investments have been valued at cost. If the equity value of the investment is lower than the cost price, this valuation is adjusted accordingly, provided that the Management considers this to be a permanent diminution in value.

#### Loans

Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

#### Cash at bank

Cash at bank represents cash in hand and bank balances.

**Receivables**

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortized cost equal the face value. Any provision for doubtful accounts deemed necessary is deducted. These provisions are determined by individual assessment of the receivables.

**Other assets and liabilities**

Other assets and liabilities are stated at their nominal value based on historical cost.

**Principles of determination of result****General**

Results on transactions are recognized in the year they are realized; losses are taken as soon as they are foreseeable.

**Interest income and expense**

Interest income and expense are time apportioned, taking into account the effective interest rate for the relating assets and liabilities.

**Taxation**

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.

**Investment Advisor**

Agora Microfinance Partners LLP has been appointed to act as Investment Advisor with the task of providing analyses of investment opportunities and to assist with the preparation and optimization of all investment/divestment decisions by the Company in the implementation of its investment policy. In consideration of the to be provided services the Investment Advisor shall be entitled to a monthly retainer of GBP 60,000 and reimbursement of specific ad-hoc expenses.



**1 Financial fixed assets**

<i>(in USD)</i>	31-dec-12	31-dec-11
AMK Cambodia convertible promissory notes	347.890	3.012.890
	347.890	3.012.890

On 23 December 2011 for a consideration of USD 3,236,346 the Company purchased the AMK Cambodia convertible promissory note (hereinafter referred to as the 'Note') with a principal amount of KHR 12,154,000,000 and accrued interest for the period 31 March 2011 until 23 December 2011 in the amount of KHR 901,421,666.67. The Note attracts interest at a rate of 11.63 % per annum which is calculated based on a day count of actual / 360 and is payable on 31 March of each year up to the Note maturity date of 31 March 2013. On interest payments from Cambodia to the Netherlands, withholding tax levied on the actual interest received will be 10 % per annum.

The Company as Note Holder has the option to convert the Note into 283,733 shares of AMK Cambodia with an exercise price of KHR 42,836 per share. Although the Company has the option to convert the Note into shares, there is an unofficial agreement in place that the Company will not exercise the option but will expect a repayment of the Note. In 2012 EUR 2,665,000 has been repaid.

<i>(in USD)</i>	31-dec-12	31-dec-11
Agora Microfinance Zambia Ltd	867.206	-
	867.206	-

This item comprises a participation in Agora Microfinance Zambia Ltd of 450,000 B class shares.

<i>(in USD)</i>	31-dec-12	31-dec-11
Jagdan Finance and Investment Ltd.	1.000.000	-
	1.000.000	-

The Company obtained shares in the capital of Jagdan Finance and Investment Ltd. (Agora Microfinance India Ltd.) ad USD 1,000,000.

**2 Loans receivable**

<i>(in USD)</i>	31-dec-12	31-dec-11
Agora Microfinance Zambia Ltd convertible loan	7.793	100.000
	7.793	100.000

On 19 December 2011, the Company entered into a convertible loan facility with Agora Microfinance Zambia Ltd for an amount of USD 1,000,000 under which facility an amount was drawn of USD 100,000 on 23 December 2011. The loan is unsecured, attracts interest a rate of 5% per annum and matures on 28 December 2012. The Company has the option at any time until the maturity date to convert the loan or part of the loan and accrued interest into share capital of Agora Microfinance Zambia Ltd.

The loan has been converted on 19 December 2012. The outstanding amount USD 875,000 has been converted into B class shares for USD 867,207 classified under financial fixed assets. The remaining USD 7,793 is classified under loans receivable.

**3 Interest receivable**

<i>(in USD)</i>	31-dec-12	31-dec-11
Interest receivable AMK Cambodia convertible promissory note	58.068	229.310
Interest convertible loan Agora Microfinance Zambia Ltd	28.021	151
	<u>86.089</u>	<u>229.461</u>

**4 Cash at banks**

<i>(in USD)</i>	31-dec-12	31-dec-11
Deutsche Bank AG, Amsterdam, Current Account	125.208	211.517
	<u>125.208</u>	<u>211.517</u>

Cash at banks is available on demand.

**5 Capital and reserves**

The authorised share of capital of the Company amounts to EUR 250,000 divided into 2,500,000 shares of EUR 0,10 each. As at 31 December 2012, 1,500,000 shares were issued and fully paid up.

The movements in capital and reserves can be summarised as follows:

<i>(in USD)</i>	Issued and paid-up share capital	Share premium	Retained Earnings	Result for the period
Opening balance as at 9 December 2011	-	-	-	-
Paid-in	196.137	3.107.186	-	(46.954)
Balance at 31 December 2011	<u>196.137</u>	<u>3.107.186</u>	-	<u>(46.954)</u>
Opening balance as at 1 January 2012	196.137	3.107.186	-	-
Paid-in	-	-	(46.954)	(861.774)
Balance at 31 December 2012	<u>196.137</u>	<u>3.107.186</u>	<u>(46.954)</u>	<u>(861.774)</u>

**6 Loans payable**

<i>(in USD)</i>	31-dec-12	31-dec-11
Bridge loan	-	250.000
	<u>-</u>	<u>250.000</u>

On 15 December 2011 the Company entered into a Bridge loan agreement with Mr. M. Fedder by which was made available a loan facility in the amount USD 1,000,000. The loan facility is unsecured, and does not bear any interest. Under this facility, on 19 December 2011, an amount was drawn of USD 250,000.

This facility has been repaid on 23 February 2012.

**7 Accrued expenses**

<i>(in USD)</i>	31-dec-12	31-dec-11
Audit fees	21.110	5.176
Notarial and legal fees	-	25.878
Tax advisory fees	3.500	12.939
Management and administration fees	36.284	7.488
	<u>60.894</u>	<u>51.480</u>

**8 Interest income**

<i>(in USD)</i>	2012	2011
Interest AMK Cambodia convertible promissory note		
Gross interest	135.324	6.809
Withholding tax	(18.945)	(954)
	<u>116.379</u>	<u>5.854</u>
Interest convertible loan Agora Microfinance Zambia Ltd	27.870	151
	<u>144.249</u>	<u>6.005</u>

**9 Other financial income and expenses**

<i>(in USD)</i>	2012	2011
FX result	1.155	-
	<u>1.155</u>	<u>-</u>

**10 General and administrative expenses**

<i>(in USD)</i>	2012	2011
Investment advisor fee	880.671	-
Audit fees	21.852	5.176
Notarial and legal fees	-	25.878
Tax advisory fees	3.500	12.939
Legal/tax fees	57.233	-
Management and administration fees	36.404	6.292
Bank charges	5.118	399
Other cost	90	-
	<u>1.004.868</u>	<u>50.684</u>

**Result**

During the period under review, the Company recorded a loss of USD 861,774.

**Post balance sheet events**

Mr. Eric-Jan van de Laar resigned as a Managing Director A of the Company and Mr. Rens van Hoof has been appointed as Managing Director A of the Company and Ms. Emely Sweerts de Landas resigned as a Managing Director B of the Company and Mr. Eric-Jan van de Laar has been appointed as a Managing Director B of the company in 2013.

On 13 August 2013 the Company received a consideration of USD 5.7 million from an individual investor, in return for an intended share issue. The intended share issue will consist of 1,000,000 shares and is expected to be completed in October 2013. The nominal amount of the company's shares is 1 Euro cent per share.

**Future developments**

The Company will continue its activities. New activities will be undertaken, when the opportunities arise.

Amsterdam,

The board of directors:

Ms. R. McKenzie



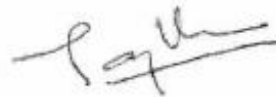
Mr. R.W. van Hoof



Mr. E-J van de Laar

Supervisory board:

Mr. T. Chetan



Mr. J.G. Hynes



## OTHER INFORMATION

### **Statutory provisions regarding appropriation of results**

In accordance with Article 21 of the Articles of Association, the result for the year is at the disposal of the General Meeting of Shareholders insofar as the supervisory director does not determine that all of the profits or a specified sum shall be added to the reserves.

### **Appropriation of result**

During the period under review, the Company recorded a loss of USD 861,774.

### **Post balance sheet events**

On 13 August 2013 the Company received a consideration of USD 5.7 million from an individual investor, in return for an intended share issue. The intended share issue will consist of 1,000,000 shares and is expected to be completed in October 2013. The nominal amount of the company's shares is 1 Euro cent per share.

Mr. Eric-Jan van de Laar resigned as a Managing Director A of the Company and Mr. Rens van Hoof has been appointed as Managing Director A of the Company and Ms. Emely Sweerts de Landas resigned as a Managing Director B of the Company and Mr. Eric-Jan van de Laar has been appointed as a Managing Director B of the company in 2013.







# Agora Microfinance



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