Agora Microfinance

BANKING FOR CHANGE

Annual Report 2019

Contents

Mission

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

Directors' report

For the year ended 31 December 2019

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 2019.

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 Group consists of the following fully consolidated legal entities:

- Agora Microfinance India Limited ("AMIL"), India - 91%
- Agora Microfinance Zambia Limited ("AMZ"), Zambia - direct ownership 88% and indirectly 100%
- Moringaway, Mauritius - 100%

The Company also holds an equity stake in AMK MFI Plc, Cambodia (''AMK''). The shares in AMK were partly sold during 2018 and the Company maintained an equity stake of 15% at 31 December 2019 (2018: 20%).

Mission

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

Principal objectives

The Company's objectives are:

A to make microfinance investments by:

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

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

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

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

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

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

Overview of activities

The Group showed a Net profit after tax of USD 725,436 for the year 2019 (2018: USD 18,639,817) with a total debt to equity ratio of 42% (2018: 29%). During the year the Company made further equity investments in AMZ and AMIL of USD 593,133 and USD 286,738 respectively.

The results for the year 2019 were positive for the Company and its Group Companies. AMZ increased its Loan book by 63% and showed profit after tax of USD 334,410 (2018: USD 146,165). AMIL also increased its Loan book by 17% and showed profit after tax of USD 63,206 (2018: USD 35,387). The Company's equity investment, AMK, continued with its strong performance with the Company booking a share of result of participating interest of USD 1,322,193 for its 15% share.

Moringaway also increased its operations and showed a profit after tax of USD 30,837 (2018: USD 2,877). It is currently launching its new dedicated debt facility for promising financial institutions that aim to provide substantive contribution to their financial markets in a sustainable manner, concentrating on three themes:

1 Geography: We will focus on markets in Africa and elsewhere with material pricing and availability gaps or currency or other imbalances between available funding streams and demand;

2 Market segments: We will have a preference for institutions working with small farmers or SMEs, both of which are critical to the success of local economies;

Overview of activities (continued)

3 Innovation: We will have a preference for innovative approaches to financial inclusion, whether it is related to products (such as insurance), technology (such as fintech) or other innovative ways to address market challenges.

The overall organisational structure of the Company comprised of a 3 members Supervisory Board and a 2 member Management Board. Members of the Management Board oversee the overall operations, and their investments are advised by the Financial Advisor, Agora Microfinance Partners LLP. Ms. Maya Mungra became a member of the Supervisory Board in October 2019. There were no changes to the Management Board during the year.

Staffing

At the year end 2019 the Group had a total staff strength of 255 (2018: 159 staff) spread over the Group as follows:

- 85 in AMIL (2018: 63 staff)
- 168 in AMZ (2018: 95 staff)
- 1 in Moringaway (2018: 0 staff)
- 1 staff member employed by the Company in the Netherlands (2018: 1 staff member)

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.

AMIL, AMZ and AMK hold Microfinance Licences and are regulated by the Reserve Banks in their respective countries. Moringaway holds a GBC 1 licence and is regulated by the Financial Services Commission in Mauritius.

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. Further information relating specifically to Financial Instruments can be found in Note 11.

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 subsidiaries, 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 2019

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 1.5% (AMIL), 1.2% (AMZ) and 0% (Moringaway).

Overall Risk Profile 2019 (continued)

Political & Regulatory Risks: During 2019, 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, the elections did not have any negative effect on the operations of AMIL. The Zambian environment remained stable during the year, even though there are some concerns around the Zambian government's rapidly increasing foreign debt. 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 currencies. Some of the Company's operating currencies showed significant volatility during the year, particularly the Zambian Kwacha which devalued against the US 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 currencies only when necessary. Further information can be found in Note 11 Financial Instruments.

Capital and Liquidity Risks: The Company's business depends on a mix of 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 and borrowings. As on the report date AMZ and AMIL maintain capital adequacy levels in excess of their respective national regulations.

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

Risk Management Structure and Systems

Operational and credit risks: The first line of defence within the subsidiaries is their management along with the respective internal audit and risk departments. The management is regularly monitoring operational risks and discloses 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. AMIL and AMZ have an Audit and Finance Committee of the Board, and once operations become more mature, a Risk Committee and a Board Asset-Liability committee will be introduced 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 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.

Risk Management Structure and Systems (continued)

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. 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 in India 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.

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 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 important within these institutions. The subsidiaries 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 net profit of USD 719,996 (2018: USD 16,602,105). The operating subsidiaries individually registered profits for the year: this is of particular significance to the group and helps create a healthy overall group structure.

Result for the period (continued)

The Company had adequate liquidity during the year which allowed for further investments into its subsidiaries. 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. At the holding level, the Company does not carry borrowings on its balance sheet and the entire asset base is funded by shareholder capital and retained earnings. The subsidiaries have comfortable solvency levels in excess of the regulatory requirements in their countries of operations.

Management opinion on going concern

The directors have assessed the ability of the Company to continue as a going concern and believe that the business will be on a going concern basis in the year ahead.

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.

Research and development information

There was no expenditure incurred for research and development during the year (2018: Nil).

Codes of Conduct

The Company is governed by the Articles of Association. The 'Articles' define the corporate governance structure and mandate of directors. Furthermore, 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, 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.

Post balance sheet events

The outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020 has had significant impact on global financial markets. The Board of directors will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. This is considered to be a non-adjusting event after the reporting date. The Board of directors will continue to remain alert to the situation and monitor the performance of the Company.

As part of the Sale and Purchase agreement entered into in 2017, the Company sold its remaining 15% shareholding in AMK to The Shanghai Commercial and Savings Bank Limited for USD 26.1 million. The transaction was completed on 31 August 2020.

On 13 May 2020 the Company (as Lender) entered into a USD 2 million line of credit agreement with Moringaway. The outstanding balance of the facility is currently USD 110,000.

On 7 April 2020 and 10 August 2020 the Company made further equity investments into AMZ of USD 266,000 and USD 534,000 respectively, thereby increasing its direct ownership to 88%. Indirectly the Group owns 100% of the shares in AMZ.

On 7 July 2020 and 9 October 2020 the Company made further equity investments into AMIL of USD 409,000 and USD 418,000, thereby increasing its ownership to 94%

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

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 2020 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. Moringaway has launched its dedicated debt facility and is currently building its portfolio.

In 2019 the Group recruited an Investment Analyst based in Mauritius and is currently recruiting a Senior Portfolio Manager and plans to increase its staffing level as and when its business activities increase.

Amsterdam, 14 October 2020

Managing Directors:

Ms. R.J. Peat

Mr. R.W. van Hoof

Supervisory Board:

Mr. T. Chetan

Ms. M.S. Mungra

Mr. G.E. Bruckermann

Consolidated balance sheet

as at 31 December 2019

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

	Notes	31 Dec 2019 USD	31 Dec 2018* USD
Assets			
Fixed assets			
Intangible fixed assets	2	1,769,422	2,112,278
Tangible fixed assets	3	730,870	223,132
Financial fixed assets	4	12,647,525	10,459,605
Total fixed assets		**15,147,817**	**12,795,015**
Current Assets			
Short term loans and advances	5	8,928,997	6,762,035
Interest receivable		240,470	148,208
Trade and other receivables	6	697,305	659,332
Cash and cash equivalents	7	7,921,697	9,317,649
Total current assets		**17,788,469**	**16,887,224**
Total assets		**32,936,286**	**29,682,239**
Equity and liabilities			
Group Equity	8		
Shareholders' equity		22,995,872	22,797,495
Minority interests		182,573	183,295
Total group equity		**23,178,445**	**22,980,790**
Non-current liabilities			
Non-current borrowings	9	3,137,536	2,985,072
Total non-current liabilities		**3,137,536**	**2,985,072**
Current liabilities			
Interest payable		175,367	95,171
Current part of non-current liabilities	10	5,827,899	2,872,867
Accrued expenses and other liabilities	13	617,039	748,339
Total current liabilities		**6,620,305**	**3,716,377**
Total equity and liabilities		**32,936,286**	**29,682,239**

The notes on pages 14 to 45 are an integral part of these financial statements.

*Adjusted for comparison purposes, refer to page 14.

Consolidated profit and loss account

for the year ended 31 December 2019

	Notes	2019 USD	2018 USD
Interest income	14	3,594,918	31,014,914
Interest expense	15	(1,550,686)	(12,443,370)
Net interest income		2,044,232	18,571,544
Other financial income	16	1,568,222	12,254,390
Other financial expenses	17	(233,197)	(2,908,678)
Net other finance income		1,335,025	9,345,712
Net margin		**3,379,257**	**27,917,256**
Total operating expenses			
General and administrative expenses	18	(3,831,318)	(22,955,359)
		(3,831,318)	(22,955,359)
Net result		**(452,061)**	**4,961,897**
Partial sale of AMK	19	(9,467)	14,487,131
Result before tax		(461,528)	19,449,028
Income tax expense	23	(135,229)	(1,307,386)
Share of result from participating interests	30	1,322,193	498,175
Result after tax		**725,436**	**18,639,817**
Minority Interest			
Result Minority Interest on investments	26	(5,440)	(2,037,712)
Group Net Result		**719,996**	**16,602,105**
Translation differences on foreign operations	8	(521,619)	(683,607)
Total of items recognised directly in shareholders' equity		**(521,619)**	**(683,607)**
Total result of the legal entity		**198,377**	**15,918,498**

The notes on pages 14 to 45 are an integral part of these financial statements.

Consolidated statement of cashflow

for the year ended 31 December 2019

	Notes	2019 USD	2018* USD
Operating Activities			
Result before tax		(461,528)	19,449,028
Adjusted for:			
Gain on AMK Sale 2018	19	9,467	(14,487,131)
Depreciation and amortisation	2 & 3	546,777	959,382
Impairments (loan losses)		49,748	2,227,867
Interest expenses		1,550,686	12,443,370
Interest income		(3,594,918)	(31,014,914)
Other value adjustments		(186,948)	191,179
Operating cashflows before changes in operating assets and liabilities		**(2,086,716)**	**(10,231,219)**
Changes in operating assets and liabilities			
Balances with central banks		-	13,103,031
Loans to customers	4	(3,285,316)	(36,181,100)
Other assets		(31,460)	(588,798)
Deposits from customers		-	15,503,074
Staff pension fund		-	(2,771,370)
Other liabilities		39,811	6,763,008
		(5,363,681)	(14,403,374)
Income tax paid		(41,774)	(1,477,981)
Interest received		3,469,087	31,015,731
Interest paid		(1,436,922)	(12,644,191)
Cash from operating activities		**(3,373,290)**	**2,490,185**
Investing Activities			
Deconsolidation due to AMK Sale	1	-	(18,734,289)
Investments in group companies	1	-	(1,608,170)
Investments in property and equipment	3	(443,446)	(1,548,405)
Investment in software	2	(491)	(259,145)
Cash from investing activities		**(443,937)**	**(22,150,009)**

The notes on pages 14 to 45 are an integral part of these financial statements.

* Adjusted for comparison purposes, refer to page 14

Consolidated statement of cashflow (continued)

for the year ended 31 December 2019 *(continued)*

	Notes	2019	2018*
Financing Activities			
Proceeds from borrowings	9	7,169,069	69,238,274
Repayment of borrowings	9	(4,288,055)	(49,529,991)
Reduction in nominal value of share capital	33	-	(18,955,865)
Payment of lease liabilities	21	(145,258)	-
Cash from financing activities		**2,735,756**	**752,418**
Net increase in cash and cash equivalents		**(1,081,471)**	**(18,907,406)**
Cash and cash equivalents at the beginning of the year	8	9,317,649	29,182,046
Exchange rate & translation differences on cash and cash equivalents		(314,481)	(956,991)
Cash and cash equivalents at the end of the year		**7,921,697**	**9,317,649**

The notes on pages 14 to 45 are an integral part of these financial statements.

*Adjusted for comparison purposes, refer to page 14.

Agora Microfinance N.V. – Annual Report 2019

Notes to the consolidated financial statements

Notes to the consolidated financial statements

The notes to the consolidated financial statements are numbered i) to xi), followed by 1 to 27.

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 4117, 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 2019, which ended at the balance sheet date of 31 December 2019.

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.

Accounting policies for the measurement of assets and liabilities and the determination of the result.

v) General

The figures for 2018 have been reclassified for comparison purposes. The reclassifications are as follows:

- In 2018 Mobile money E-value of USD 90,202 has been reclassified from Trade and other receivables to Cash and cash equivalents.
- In 2018 Deposits with banks of USD 355,146 has been reclassified from Cash and cash equivalents to Trade and other receivables.
- In 2018 the Revaluation of share capital of USD 44,726 has been reclassified from Currency translation reserve to Other reserves.

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

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

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

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

Functional and presentation currency

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

vi) Use of estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The following accounting policies are in the opinion of management the most critical in preparing the financial statements and require judgements, estimates and assumptions: Financial instruments

vii) Consolidation scope

The consolidated financial statements include the financial data of the company and its group companies as at 31 December 2019. 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 2018 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 for the period ended 31 December 2018 incudes the income and expenses relating to AMK for the period from 1 January up to and included 31 August 2018, after which its Net Profit after tax is included in Share of result from participating interests (refer to 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, refer to note 28.

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.

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.

Notes to the consolidated financial statements (continued)

vii) Consolidation scope (continued)

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.

viii) 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.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in profit and loss in the period in which the exchange difference arise. Non-monetary assets and liabilities denominated in foreign currency that are measured based on historical cost, are translated into the functional currency at the exchange rates at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at current value, are translated into the functional currency at the exchange rates when the current value is determined. Exchange rate differences that arise from this translation are directly recognised in equity as part of the revaluation reserve.

Foreign operations

The assets and liabilities that are part of the net investment in a foreign operation are translated to the presentation currency at the exchange rate on the reporting date. The revenues and expenses of such a foreign operation are translated to the presentation currency at the exchange rate on the transaction date. Currency translation differences are directly recognised in the translation reserve within equity. Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated to the presentation currency at the exchange rate at the transaction date. When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the profit and loss account.

The following rates have been applied for the various currencies:

	2019	2018
EUR/USD	1.12	1.15
USD/KHR	4075	4084
USD/UGX	3690	3737
USD/INR	71.34	69.66
USD/ZMW	14.03	11.90

USD: United States Dollar; EUR: Euro; KHR: Khmer Riel; INR: Indian Rupees; UGX: Uganda Shilling; ZMW: Zambian Kwacha.

ix) Changes in accounting policy

The Company has initially applied IFRS 16 from 1 January 2019, which is possible as per the Netherlands Civil Code. The Company decided to implement this policy to standardised the accounting policies used by all Group companies. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported.

As a lessee the Company, Moringaway, AMIL and AMZ leases office space at its various locations. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises Right-of-use assets and Lease liabilities for most of these assets i.e. these leases are on balance sheet.

Based on the new accounting principles, the Company recognised Right-of-use assets and Lease liabilities as at 1 January 2019. The comparative figures for the year 2018 have not been restated. It is not expected that the change in accounting policy will a significant quantitative impact. The impact on transition is summarised below:

In USD:	1 January 2019
Right-of-use assets	115,537
Lease liabilities	(128,040)
Retained earnings	12,503

x) Accounting policies

a) 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: financial instruments held for trading (financial assets and liabilities), loans and receivables (both purchased and issued), equity instruments, other financial liabilities and derivatives. The Company does use derivative financial instruments (derivatives) or hold a trading portfolio.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate. Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party. Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial and non-financial contracts may contain terms and conditions that meet the definition of derivative financial instruments. Such an agreement is separated from the host contract if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value with changes in fair value recognised in the profit and loss account. Financial instruments embedded in contracts that are not separated from the host contract are recognised in accordance with the host contract. Derivatives separated from the host contract are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost or lower fair value.

Financial instruments are initially measured 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

Loans granted 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. Purchases and sales of financial assets that belong to the category loans granted and other receivables are accounted for at the transaction date.

Non-current and current liabilities and other financial commitments

Non-current 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.

Notes to the consolidated financial statements (continued)

x) Accounting policies (continued)

a) Financial instruments (continued)

Impairment of financial assets

The Company has opted to determine and account for impairments and bad debts regarding financial instruments based on the 'expected credit loss' model from IFRS 9 Financial Instruments and hence management has decided to use this option in this financial statements. 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. Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, breach of contract such as default or delinquency in interest or principal payments, granting to the borrower a concession that the Company would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or other financial restructuring, the disappearance of an active market for that financial asset because of financial difficulties or observable data indicating that there is a measurable decrease in the estimated future cash flow, including adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, and the disappearance of an active market for a security.

Indicators for subjective evidence are also considered together with objective evidence of impairments, such as the disappearance of an active market because an entity's financial instruments are no longer publicly traded, a downgrade of an entity's credit rating or a decline in the fair value of a financial asset below its cost or amortised cost.

The entity considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and financial assets that are held to maturity) both individually and on a portfolio basis. All individually significant assets are assessed individually for impairment. The individually significant assets that are not found to be individually impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. 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. Impairment losses below (amortised) cost of investments in equity instruments that are measured at fair value through profit or loss, are recognised directly 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).

Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously. If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

b) Intangible fixed assets

Intangible fixed assets are only 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 cost of that asset can be measured reliably.

Intangible fixed assets are measured at acquisition or construction cost, less accumulated amortisation and impairment losses.

Notes to the consolidated financial statements (continued)

x) Accounting policies (continued)

b) Intangible fixed assets (continued)

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

Goodwill

Goodwill represents the excess of the cost of the acquisition of the participating interest (including transaction costs directly related to the acquisition) over the Company's interest in the net realisable value of the assets acquired and the liabilities assumed of the acquired entity, less 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 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).

c) Tangible fixed assets

Tangible fixed assets are 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 cost of that asset can be measured reliably.

Land and buildings, plant and equipment, other fixed operating assets, tangible fixed assets under construction and prepayments on tangible fixed assets are measured at cost, less accumulated depreciation and impairment losses. The cost comprises the price of acquisition or manufacture, plus other costs that are necessary to get the assets to their location and condition for their intended use. Expenditure is only capitalised when it extends the useful life of the asset. The cost of self-constructed assets includes the cost of materials and consumables and other costs that can be directly attributed to the construction. In addition, the cost of construction includes a reasonable part of the indirect costs and interest on loans for the period attributable to the construction of the asset.

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account any estimated residual value of the individual assets. No depreciation is recognised on land, tangible fixed assets under construction and prepayments on tangible fixed assets. Depreciation starts as soon as the asset is available for its intended use, and ends at decommissioning or divestment.

d) Financial fixed assets - Participating interests with significant influence

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.

Notes to the consolidated financial statements (continued)

x) Accounting policies (continued)

e) 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.

f) Impairments and disposal of fixed assets

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 (counting from the moment of initial operation / use)

Disposal of fixed assets

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

g) Cash and cash equivalents

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.

h) 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 other reserves.

i) 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.

j) 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.

Notes to the consolidated financial statements (continued)

Agora Microfinance N.V. – Annual Report 2019

x) Accounting policies (continued)

k) 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; and
- - 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.

l) Non-current liabilities

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

m) Current liabilities

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

xi) Principles of determination of result

a) Interest income and similar income and interest expenses and similar charges

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Premium, discount and redemption premiums are recognised as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognised in the profit and loss account. On the balance sheet, the amortised value of the debt(s) is recognised (on balance).

The amounts of the premium that are not yet recognised in the profit and loss account and the redemption premiums already recognised in the profit and loss account, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the profit and loss account are recognised as a reduction of the debt(s) to which they relate.

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) Leasing

IFRS 16 was adopted as of 1 January 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 January 2019.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Notes to the consolidated financial statements (continued)

xi) Principles of determination of result (continued)

c) Leasing (continued)

As a lessee, at commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a Right-of-use asset and a Lease liability at the lease commencement date. The Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the Right-of-use asset reflects that the Company will exercise a purchase option. In that case the Right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the Right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The Company has elected not to recognise Right-of-use assets and Lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

The Company may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

At inception of an arrangement, the Company assesses whether the lease classifies as a finance or operating lease.

Finance leases

If the Company acts as a lessee in a finance lease, at the inception of the lease the leased asset (and the related obligation) is accounted for in the balance sheet at fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The accounting principles for the subsequent measurement of the leased property are described under the heading 'Tangible fixed assets'. If there is no reasonable certainty that the Company will obtain ownership of a leased property at the end of the lease term, the property is depreciated over the shorter of the lease term and the useful life of the property.

The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges during the lease term are allocated to each period as such that its results in a constant periodic interest rate over the remaining net liability with regard to the finance lease. Conditional lease payments are recognised as an expense in the period that the conditions of payment are met.

Notes to the consolidated financial statements (continued)

xi) Principles of determination of result (continued)

c) Leasing (continued)

Operating leases

If the Company acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.

d) Corporate income tax

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. 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.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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. Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity.

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.

e) Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised. The results of participating interests acquired or sold during the financial year are measured in the group result from the date of acquisition or until the date of sale respectively.

f) 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)

xi) Principles of determination of result (continued)

f) Cash flow statement (continued)

Receipts and payments of interest, receipts of dividends and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities. The consideration of acquired group companies is presented under the cash flows from investment activities, for the considerations paid in cash and cash equivalents. The cash and cash equivalents obtained through the acquired group companies at the acquisition date, are deducted from the consideration paid.

Transactions that do not include an exchange of cash and cash equivalents, such as finance leases, are not included in the cash flow statement. The payment of finance lease terms is allocated for the part related to the repayment of the lease obligation to the cash flows from financing activities and is allocated for the part related to the interest component to the cash flows from operational activities.

g) 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.

h) 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.

i) 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

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 participation in the associated company AMK is accounted for at Net asset Value as from 1 September 2018. The Consolidated Profit and Loss account for 2018 includes the income and expenses relating to AMK for the period from 1 January up to and including 31 August. For further information on the Partial sale of AMK refer to note 19. During 2019, AMK's new shareholder made an equity injection and in effect diluted the Company's holding from 20% to 15%.

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. For further information refer to note 28.

Notes to the consolidated financial statements (continued)

Agora Microfinance N.V. – Annual Report 2019

2 Intangible fixed assets

Summary (in USD)	2019	2018
Intangible fixed assets consists of:		
Goodwill	1,721,261	2,033,937
Software	48,161	78,341
Total Intangible fixed assets	**1,769,422**	**2,112,278**

Movements in intangible fixed assets were as follows:

Goodwill (in USD)	AMK	AMIL	AMZ	Moringaway	Total
Cost					
At 1 Jan. 2019	1,291,185	939,167	135,649	760,758	**3,126,759**
Additions	-	-	-	-	-
At 31 Dec. 2019	1,291,185	939,167	135,649	760,758	**3,126,759**
Accumulated Amortisation					
At 1 Jan. 2019	645,591	400,305	27,907	19,019	**1,092,822**
Amortisation	129,118	93,917	13,565	76,076	**312,676**
At 31 Dec. 2019	774,709	494,222	41,472	95,095	**1,405,498**
Net Book Value					
At 31 Dec. 2019	516,476	444,945	94,177	665,663	**1,721,261**

Goodwill (in USD)	AMK	AMIL	AMZ	Moringaway	Total
Cost					
At 1 Jan. 2018	3,276,612	436,177	135,649	-	**3,848,438**
Additions	-	-	-	760,758	**760,758**
Adjustment	-	502,990	-	-	**502,990**
AMK sale	(1,985,427)	-	-	-	**(1,985,427)**
At 31 Dec. 2018	1,291,185	939,167	135,649	760,758	**3,126,759**
Accumulated Amortisation					
At 1 Jan. 2018	1,310,644	260,281	14,342	-	**1,585,267**
Amortisation	261,480	140,024	13,565	19,019	**434,088**
AMK sale	(926,533)	-	-	-	**(926,533)**
At 31 Dec. 2018	645,591	400,305	27,907	19,019	**1,092,822**
Net Book Value					
At 31 Dec. 2018	645,594	538,862	107,742	**741,739**	**2,033,937**

Notes to the consolidated financial statements (continued)

2 Intangible fixed assets (continued)

Software (in USD)	AMK	AMIL	AMZ	Total
Cost				
At 1 Jan. 2019	-	21,274	102,457	**123,731**
Additions	-	491	-	**491**
Translation	-	(503)	(15,577)	**(16,080)**
At 31 Dec. 2019	-	21,262	86,880	**108,142**
Accumulated Amortisation				
At 1 Jan. 2019	-	16,206	29,183	**45,389**
Amortisation	-	2,084	17,328	**19,412**
Translation	-	(383)	(4,437)	**(4,820)**
At 31 Dec. 2019	-	17,907	42,074	**59,981**
Net Book Value				
At 31 Dec. 2019	-	3,355	44,806	**48,161**

(in USD)	AMK	AMIL	AMZ	Total
Cost				
At 1 Jan. 2018	1,658,549	20,152	39,495	**1,718,196**
Additions	-	2,780	69,362	**72,142**
AMK sale	(1,658,549)	-	-	**(1,658,549)**
Translation	-	(1,658)	(6,400)	**(8,058)**
At 31 Dec. 2018	-	21,274	102,457	**123,731**
Accumulated Amortisation				
At 1 Jan. 2018	1,448,036	15,196	27,561	**1,490,793**
Amortisation	24,640	2,260	6,089	**32,989**
AMK sale	(1,472,676)	-	-	**(1,472,676)**
Translation	-	(1,250)	(4,466)	**(5,716)**
At 31 Dec. 2018	-	16,206	29,184	**45,390**
Net Book Value				
At 31 Dec. 2018	-	5,068	73,273	**78,341**

There are no limited property rights to the intangible fixed assets. Nor are there any obligations relating to the acquisition of intangible fixed assets. The useful life of intangible fixed assets is between 3-6 years. Amortization is charged on a straight-line basis.

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.

Agora Microfinance N.V. – Annual Report 2019

Notes to the consolidated financial statements (continued)

3 Tangible fixed assets

Fixed assets	Leasehold Improvements	Right-of-use Assets	Motor Vehicles & Bikes	Computer and Office Equipment	Construction in Progress	Total (in USD)
Cost						
At 1 Jan. 19	31,585	-	197,647	198,751	37,210	**465,193**
Additions	67,105		190,952	167,038	18,352	**443,447**
IFRS 16 change		313,938				**313,938**
Disposals	(2,518)	-	-	(6,886)	-	**(9,404)**
Transfers	8,729	-	-	22,822	(31,551)	**-**
Translation	(2,235)	-	(11,964)	(13,120)	(5,657)	**(32,976)**
At 31 Dec. 19	102,666	313,938	376,635	368,605	18,354	**1,180,198**
Accumulated Depreciation						
At 1 Jan. 19	12,295	-	118,956	110,810	-	**242,061**
Depreciation	10,300	105,580	52,945	43,037	-	**211,862**
Disposals	(2,011)	-	-	(2,584)	-	**(4,595)**
At 31 Dec. 19	20,584	105,580	171,901	151,263	-	**449,328**
Net Book Value						
At 31 Dec. 2019	82,082	208,358	204,734	217,342	18,354	**730,870**
Cost						
At 1 Jan. 18	933,488	-	4,379,702	3,937,408	2,822,620	**12,073,218**
AMK sale	(910,905)	-	(4,228,387)	(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 Depreciation						
At 1 Jan. 18	601,849	-	2,125,903	2,778,728	-	**5,506,480**
AMK sale	(593,177)	-	(2,038,241)	(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. 2018	19,290	-	78,691	87,941	**37,210**	**223,132**

Notes to the consolidated financial statements (continued)

3 Tangible fixed assets (continued)

IFRS 16 Leases was adopted as of 1 January 2019 without restatement of comparative figures. On transition to IFRS 16, the Company recognised Right-of-use assets and Lease liabilities. The Group leases office space. The leases typically run for a period of 1 year to 3 years with an option to renew the lease after that date. Lease payments are renegotiated every time after the lease term to reflect market rentals. Previously, these leases were classified as operating leases. The useful life of Right-of-use assets is the length of the lease.

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.

Leasehold improvements	Length of the lease
Motor vehicles & Bikes	3 to 8 years
Computer and Office Equipment	2 to 4 years

4 Financial fixed assets

Summary (in USD)	2019	2018
Financial fixed assets consists of:		
Participating interest	10,518,324	9,398,871
Loans and advances	2,129,201	1,060,734
Total Financial fixed assets	**12,647,525**	**10,459,605**

The details of Participating interests and Loans and advances are shown below.

Participating interest (in USD)	2019	2018
Opening balance	9,398,871	8,769,762
Share of result in participating interest	1,322,193	498,175
Currency translation	(202,740)	130,934
Balance as at 31 December	**10,518,324**	**9,398,871**

The Group has the following capital interests:

Name	**Registered office**	**Share in issued capital**
AMK MFI Plc	Phnom Penh, Cambodia.	15%

Notes to the consolidated financial statements (continued)

4 Financial fixed assets (continued)

Loans and advances (in USD)	2019	2018
Long term loans and advances		
Balance as at 1 January	7,950,954	213,636,089
Movement during the year	3,227,178	34,667,635
Deconsolidation due to AMK Sale	-	(240,352,770)
Gross advance to customers	11,178,132	7,950,954
Less provision for bad debts		
Balance as at 1 January	(128,185)	(4,564,447)
Movements during the period	8,251	(2,246,893)
Deconsolidation due to AMK Sale	-	5,205,468
Write-offs during the year	-	1,477,687
Total provision for bad debts	(119,934)	(128,185)
Balance as at 31 December	11,058,198	7,822,769
Less: Current portion of borrowings	(8,928,997)	(6,762,035)
	2,129,201	**1,060,734**
Gross Loans and advances can be further disclosed as follows:		
Holding Company	497,358	-
AMIL	1,273,731	1,060,734
AMZ	358,112	-
Balance as at 31 December	**2,129,201**	**1,060,734**

Loans and advances with a maturity of greater than one year are shown as Long term loans and advances while those with a maturity of less than one year are shown in Note 5 Short term loans and advances.

AMIL's offers a range of microfinance products including Group Business Loans, Group Housing Loans, Group Education Loans, Group Emergency Loans, Group Top up Loans, Individual Loans and Small Medium Enterprise Loans. The duration of the loans range from 6 to 48 months, with the most common term being between 12 and 24 months.

AMZ offers a range of microfinance products including Village Bank Loans, Small Group Business Loans, Small Group Agriculture Loans, Individual Agriculture Loans, Individual Micro Business Loan and Small Medium Enterprise Loans. The duration of the loans range from 6 to 36 months, with the most common term being between 12 and 24 months.

On 3 September 2019, the Company entered into a local currency term facility agreement with a third party. The loan is for UGX 1,835,270,000 (USD 497,358) with the principal amount being repayable on 2 September 2021. For further information refer to note 28.

Notes to the consolidated financial statements (continued)

5 Short term Loans and advances

(in USD)	2019	2018
Balance as at 1 January	6,890,220	165,228,761
Movement during the year	2,158,711	12,939,103
Deconsolidation due to AMK Sale	-	(171,277,644)
Gross advance to customers	9,048,931	6,890,220
Less provision for bad debts	(119,934)	(128,185)
Closing balance 31 December	8,928,997	6,762,035
Gross Short term Loans and advances can be further disclosed as follows:		
AMIL	4,347,564	3,770,832
AMZ	4,701,367	3,119,388
Less provision for bad debts	(119,934)	(128,185)
Balance as at 31 December	**8,928,997**	**6,762,035**

6 Trade and other receivables

(in USD)	2019	2018*
VAT receivable	25,629	6,095
Deposits with financial institutions	327,580	355,146
Prepayments	168,807	84,629
Other receivables	175,289	213,462
Balance as at 31 December	**697,305**	**659,332**

*Adjusted for comparison purposes, refer to page 14.

Deposits with Financial institutions are Non-current deposits held by AMIL as security deposits. Other receivables include staff advances and statutory advanced payments. 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.

Notes to the consolidated financial statements (continued)

Agora Microfinance N.V. – Annual Report 2019

7 Cash and cash equivalents

(in USD)	2019	2018*
Cash at banks	6,271,910	7,168,147
Deposits with banks	1,649,787	2,149,502
Balance as at 31 December	**7,921,697**	**9,317,649**

* Adjusted for comparison purposes, refer to page 14.

Cash at banks is available on demand and is held in current accounts or savings accounts. All deposits have an estimated maturity shorter than one year.

8 Group equity

For a detailed explanation of the share of the Company in group equity, reference is made to note 33 Shareholders' equity in the separate financial statements.

Minority Interest (in USD)	2019	2018
AMIL	182,573	183,295
Balance as at 31 December	182,573	183,295
The movements in minority interests are as follows:		
Balance as at 1 January	183,295	20,225,219
Discontinued consolidation	-	(20,029,276)
Third-party share in result	5,440	3,689
Revaluation	(6,162)	(16,337)
Balance as at 31 December	**182,573**	**183,295**

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

The Company acquired majority (controlling) stake in AMIL in 2013. The Company owned a 91% equity stake in AMIL at year end.

The Company acquired majority (controlling) stake in AMZ in 2016. On 18 September 2018 the Company acquired 100% of the share capital in Moringway and as a result now indirectly owns 100% of the share capital in AMZ.

Notes to the consolidated financial statements (continued)

9 Non-current Borrowings

(in USD)	2019	2018
Borrowings	8,965,435	5,857,939
Less: Current portion of borrowings	(5,827,899)	(2,872,867)
Non-current borrowings	3,137,536	2,985,072
The Non-current borrowings can be further disclosed as follows:		
AMIL	862,263	1,221,502
AMZ	1,817,320	1,763,570
Moringaway	457,953	-
Balance as at 31 December	**3,137,536**	**2,985,072**

Lease liabilities amounting to USD 226,622 are included under Borrowings. On transition to IFRS 16, the Company recognised Right-of-use assets and Lease liabilities. Refer to note 21 for further detail.

Borrowings carry customary covenants including solvency ratios, debt to equity ratios, return on assets, write-off ratios and unhedged foreign exchange positions.

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 15.2% 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 28.3% per annum. The borrowings are due within 1 - 3 years. Any borrowings due within one year are shown in Current liabilities.

Moringaway has unsecured debt denominated in Euros, with interest rates ranging from 3.5% to 6.5% per annum. The borrowings are due within 1 - 3 years. Any borrowings due within one year are shown in Current liabilities.

10 Current part of non-current liabilities

(in USD)	2019	2018
Current portion of borrowings	5,827,899	2,872,867
Balance as at 31 December	5,827,899	2,872,867
The current borrowings can be further disclosed as follows:		
AMIL	3,429,286	2,870,571
AMZ	1,784,897	2,296
Moringaway	613,716	-
Balance as at 31 December	**5,827,899**	**2,872,867**

The Current liabilities for AMIL, AMZ and Moringaway represents the current portion of Non-current Borrowings.
Refer to note 9 for further detail.

Notes to the consolidated financial statements (continued)

Agora Microfinance N.V. – Annual Report 2019

11 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 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 20 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 2019 is presented below:

	Assets USD	Liabilities USD	Net position USD
USD	18,131,743	(122,957)	18,008,786
EUR	365,392	(1,195,536)	(830,144)
KHR	1,518	-	1,518
INR	7,367,365	(5,246,173)	2,121,192
ZMW	6,572,910	(3,193,175)	3,379,735
UGX	497,358	-	497,358
Total	**32,936,286**	**(9,757,841)**	**23,178,445**

The pre-tax result as of 31 December 2019 would be USD 33,441 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 2019 would be USD 6,066 higher/lower, in case the exchange rate of the INR against USD would increase/decrease by 10 percent, leaving all other variables constant.

Notes to the consolidated financial statements (continued)

11 Financial instruments (continued)

General (continued)

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. The undiscounted contractual financial obligations and rights as of 31 December 2019 are:

Summary (in USD)	2019 1 year or less USD	2019 Total USD	2018 1 year or less USD	2018 Total USD
Financial liabilities				
Borrowings	5,827,899	8,965,435	2,872,867	5,857,939
Trade and other payables	792,406	792,406	843,510	843,510
Total	6,620,305	9,757,841	3,716,377	6,701,449
Financial assets				
Loans and advances	8,928,997	11,058,198	6,762,035	7,822,769
Interest receivable	240,470	240,470	148,208	148,208
Trade and other receivables	697,305	697,305	659,332	659,332
Cash and cash equivalents	7,921,697	7,921,697	9,317,649	9,317,649
Total	**17,788,469**	**19,917,670**	**16,887,224**	**17,947,958**
Net amount as at 31 December:	**11,168,164**	**10,159,829**	**13,170,847**	**11,246,509**

The remaining financial liabilities and financial assets fall in the bracket of 1-5 years.

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.

11 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 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, good 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 borrowings. 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. 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 Mauritius 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.

Notes to the consolidated financial statements (continued)

11 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. AMIL and AMZ 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.

12 Off-balance sheet assets and liabilities

Letter of comfort

The Company has facilitated three commercial Bank loans to AMIL by offering a letter of comfort to the lenders. The outstanding amounts of the loans was USD 578,590 as at 31 December 2019 (2018: USD 126,103).

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 220,469 (2018: USD 195,242) and AMIL is in the process of disputing the amount. Management believes that it is unlikely that the amount will need to be paid.

Commitments

There were no material capital commitments as at 31 December 2019 (2018: nil).

Agora Microfinance N.V. – Annual Report 2019

Notes to the consolidated financial statements (continued)

13 Accrued expenses & other liabilities

(in USD)	2019	2018
Accrued expenses relating to AMK Sale	-	368,773
Other statutory obligations	123,999	62,436
Accrued expenses & other liabilities	493,040	317,130
Total	**617,039**	**748,339**

Accrued expenses & other liabilities includes audit fees, staff welfare and other general expenses.

14 Interest income

(in USD)	2019	2018
Holding Company		
Interest income	67,717	7,139
Consolidated subsidiaries, interest income on loans		
AMK (January to August 2018 - Refer to note 1)	-	28,416,416
AMIL	1,405,658	1,147,943
AMZ	2,116,294	1,437,971
Moringaway	5,249	5,445
Total	**3,594,918**	**31,014,914**

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 2018 AMK is discontinued to be consolidated and is now valued using the net asset value method. Refer to note 1 for further details.

Notes to the consolidated financial statements (continued)

15 Interest expense

(in USD)	2019	2018
Holding Company		
Interest Expense on other borrowings	-	(2,795)
Consolidated subsidiaries		
AMK (January to August 2018 - Refer to note 1)	-	(11,287,404)
AMIL	(655,129)	(531,618)
AMZ	(895,557)	(621,553)
	(1,550,686)	(12,440,575)
Total	**(1,550,686)**	**(12,443,370)**

16 Other financial income

(in USD)	2019	2018
Consolidated subsidiaries		
AMK (January to August 2018 - Refer to note 1)		
Loan processing fee income	-	9,696,009
Other income	-	1,507,008
	-	11,203,017
AMIL		
Loan processing fee income	-	64,323
Other income	121,735	45,353
	121,735	109,676
AMZ		
Loan processing fee income	1,395,250	824,397
Other income	51,237	117,300
	1,446,487	941,697
Total	**1,568,222**	**12,254,390**

Loan processing fees include transaction and service fees which are expensed as the services are received. Other income includes interest on fixed deposits, insurance brokerage fees and for AMZ, grants for technical assistance of USD 19,729 (2018: USD 58,675).

Notes to the consolidated financial statements (continued)

17 Other financial expense

(in USD)	2019	2018
Holding Company		
FX Results	(40,114)	13,224
Bank charges	(5,748)	(11,873)
Total	(45,862)	1,351
Consolidated subsidiaries		
AMK (January to August 2018 - Refer to note 1)		
FX result	-	(143,271)
Bank charges	-	(131,223)
Addition loan loss provision	-	(2,118,708)
Loan fee, other miscellaneous expenses	-	(244,728)
	-	(2,637,930)
AMIL		
Bank charges	(13,768)	(9,729)
Addition loan loss provision	(24,907)	(68,215)
Loan fee, other miscellaneous expenses	(43,365)	(75,528)
	(82,040)	(153,472)
AMZ		
FX result	23,747	(9,373)
Bank charges	(15,680)	(17,966)
Addition loan loss provision	(24,981)	(40,944)
	(16,914)	(68,283)
Moringaway		
FX result	(84,881)	(50,154)
Bank charges	(3,640)	(190)
Addition/ (release) loan loss provision	140	-
	(88,381)	(50,344)
Total	**(233,197)**	**(2,908,678)**

Notes to the consolidated financial statements (continued)

18 General and administrative expenses

(in USD)	2019	2018
Holding Company		
Investment advisor fee	(420,000)	(371,000)
Depreciation & amortization	(312,676)	68,903
Auditor's fees	(63,049)	(66,165)
Legal, professional fees and investor relations	(98,000)	(146,332)
Management and administration fees	(15,959)	(22,226)
Staff	(97,448)	(66,652)
Other cost	(51,723)	(3,544)
	(1,058,855)	(607,016)
Consolidated subsidiaries		
AMK (January to August 2018 - Refer to note 1)		
Staff	-	(11,407,778)
Rent	-	(1,048,880)
General Administration	-	(4,958,456)
Depreciation & amortization	-	(957,477)
Travel cost	-	(825,706)
Insurance	-	(119,028)
Consultancy, legal and audit	-	(1,002,668)
	-	(20,319,993)
AMIL		
Staff	(371,704)	(331,019)
Rent	(2,784)	(47,393)
General Administration	(87,399)	(62,837)
Depreciation & amortization	(50,901)	(6,555)
Travel cost	(24,215)	(14,172)
Insurance	(2,363)	(1,736)
Consultancy, legal and audit	(110,823)	(55,930)
	(650,189)	(519,642)

Notes to the consolidated financial statements (continued)

Agora Microfinance N.V. – Annual Report 2019

18 General and administrative expenses (continued)

(in USD)	2019	2018
AMZ		
Staff	(1,003,162)	(884,505)
Rent	(52,635)	(90,542)
General Administration	(425,690)	(238,821)
Depreciation & amortization	(183,200)	(64,253)
Travel cost	(218,584)	(164,549)
Insurance	(9,232)	(7,245)
Consultancy, legal and audit	(132,162)	(42,946)
	(2,024,665)	(1,492,861)
Moringaway		
Staff	(14,315)	-
Rent	(300)	-
General Administration	(3,475)	-
Travel cost	(8,488)	-
Investment advisor fee	(42,641)	(13,363)
Consultancy, legal and audit	(28,390)	(2,484)
	(97,609)	(15,847)
Total General and administrative expenses	**(3,831,318)**	**(22,955,359)**

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

(in USD)	2019	2018
Personnel expenses	(1,472,314)	(12,689,954)
Depreciation and amortisation	(546,777)	(959,382)
	(2,019,091)	**(13,649,336)**

Notes to the consolidated financial statements (continued)

19 Partial sale of AMK

(in USD)	2019	2018
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	(9,467)	(1,998,004)
Total gain on sale	**(9,467)**	**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%. During 2019 SCSB made an equity injection and in effect diluted the Company's holding from 20% to 15%.

* For further information refer to note 2 Intangible Fixed-assets and note 33 Currency translation reserves.

20 Personnel

At the year end 2019 the Group had a total staff strength of 255 (2018: 159 staff) spread over the Group as follows:

- 85 in AMIL (2018: 63 staff)

- 168 in AMZ (2018: 95 staff)

- 1 in Moringaway (2018: 0 staff)

- 1 staff member employed by the Company in the Netherlands (2018: 1 staff member)

21 Leases as lessee

The Group leases office space. The leases typically run for a period of 1 year to 3 years with an option to renew the lease after that date. Lease payments are renegotiated every after the lease term to reflect market rentals. Previously, these leases were classified as operating leases. Information about leases for which the Company is a lessee is presented below:

Right-of-use assets (in USD)	2019	2018
Additions to Right-of-use assets	313,938	-
Depreciation charge for the year	(105,580)	-
Balance as at 31 December	**208,358**	**-**

Notes to the consolidated financial statements (continued)

21 Leases as lessee (continued)

Lease liability (in USD)	2019	2018
Non-current portion of lease liability	121,089	-
Current portion of lease liability	105,533	-
Balance as at 31 December	**226,622**	**-**

Amounts recognised in profit or loss (in USD)	2019	2018
2019 - Leases under IFRS 16		
Interest on Lease liabilities	40,213	-
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	5,745	-
2018 - Operating leases under IAS 17		
Lease expense	-	105,416
Total amount recognised in profit and loss	**45,958**	**105,416**

Amounts recognised in cashflow statement (in USD)	2019	2018
Total cash outflow for leases	**145,258**	**105,416**

22 Governance

The overall organisational structure of the Company comprised of a three member Supervisory Board and a two member Management Board. Members of the Management Board oversee the overall operations, and their investments are advised by the Financial Advisor (Agora Microfinance Partners LLP). Ms. Maya Mungra became a member of the Supervisory Board in October 2019. There were no changes to the Management Board during the year.

Notes to the consolidated financial statements (continued)

23 Tax on result

The tax expense recognised in the profit and loss account for 2019 amounts to USD 135,229 (2018: USD 1,307,386).

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

(in USD)	%	2019	%	2018*
Result before tax		(461,528)		19,449,028
Income tax using the applicable tax rate in the Netherlands	20%	(92,306)	25%	4,862,257
Tax effect of:				
- Other applicable tax rates abroad	-8%	34,819	-0.6%	(112,291)
- Results under the participation exemption	0%	1,893	-19%	(3,621,783)
- Non-deductible expenses	-15%	67,750	0%	23,239
Tax losses not recognised	-27%	123,073	0.8%	155,964
Tax expense	**-29%**	**135,229**	**7%**	**1,307,386**

The Holding Company has carry-forward tax losses of USD 6,639,846 as at 31 December 2019 (2018: USD 6,102,940) for which no deferred tax asset for unused tax loss carry-forward has been recognised.

* Calculation of the effective tax rate for year 2018 has been adjusted for comparison purposes. There is no change in Tax expense.

24 Audit fees

(in USD)	KPMG Accountants N.V. 2019	Other KPMG network 2019	Total KPMG 2019
Audit of the financial statements	(57,496)	(26,319)	(83,815)
	(57,496)	(26,319)	(83,815)

	2018	2018	2018
Audit of the financial statements	(61,383)	(32,156)	(93,539)
Tax-related advisory services	-	(3,062)	(3,062)
	(61,383)	**(35,218)**	**(96,601)**

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)

25 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.

Refer to note 39 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 420,000 (2018: USD 371,000). Refer to note 18 for further details.

26 Result Minority interest

(in USD)	2019	2018
AMK (January to August 2018 - Refer to note 1)	-	(2,003,595)
AMIL	(5,440)	(3,539)
AMZ	-	(30,578)
	(5,440)	**(2,037,712)**

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.

27 Subsequent events

The outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020 has had significant impact on global financial markets. The Board of directors will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. This is considered to be a non-adjusting event after the reporting date. The Board of directors will continue to remain alert to the situation and monitor the performance of the Company.

As part of the Sale and Purchase agreement entered into in 2017, the Company sold its remaining 15% shareholding in AMK to The Shanghai Commercial and Savings Bank Limited for USD 26.1 million. The transaction was completed on 31 August 2020.

On 13 May 2020 the Company (as Lender) entered into a USD 2 million line of credit agreement with Moringaway. The outstanding balance of the facility is currently USD 110,000.

On 7 April 2020 and 10 August 2020 the Company made further equity investments into AMZ of USD 266,000 and USD 534,000 respectively, thereby increasing its direct ownership to 88%. Indirectly the Group owns 100% of the shares in AMZ.

On 7 July 2020 and 9 October 2020 the Company made further equity investments into AMIL of USD 409,000 and USD 418,000, thereby increasing its ownership to 94%.

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 2019

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

	Notes	31 Dec 2019 USD	31 Dec 2018* USD
Assets			
Fixed assets			
Intangible fixed assets	2	1,721,261	2,033,937
Financial fixed assets	28	16,486,368	13,945,855
Total fixed assets		**18,207,629**	**15,979,792**
Current Assets			
Interest receivable	29	7,333	7,133
Trade and other receivables	30	99,305	54,976
Deposits with Financial Institutions	31	1,187,195	1,154,863
Cash and cash equivalents	32	3,606,073	6,039,182
Total current assets		**4,899,906**	**7,256,154**
Total assets		**23,107,535**	**23,235,946**
Equity and liabilities			
Capital and Reserves	33		
Issued and paid-up share capital		321,397	330,055
Share premium		6,450,525	6,450,525
Currency translation reserve		(2,084,373)	(1,562,754)
Other reserves		17,588,327	977,564
Unappropriated result for the year		719,996	16,602,105
Shareholders' equity		**22,995,872**	**22,797,495**
Current liabilities			
Accrued expenses	34	111,663	438,451
Total current liabilities		**111,663**	**438,451**
Total equity and liabilities		**23,107,535**	**23,235,946**

The notes on pages 48 to 55 are an integral part of these separate financial statements.

* Adjusted for comparison purposes, refer to page 48.

Separate Profit and Loss Account

Separate Profit and Loss Account for the year ended 31 December 2019

	Notes	2019 USD	2018 USD
Interest and dividend income	35	62,395	12,490
Interest expense		-	(2,795)
Net interest income		62,395	9,695
Other financial income/ (expenses)	36	(11,484)	1,351
Net other finance income		(11,484)	1,351
Net margin		**50,911**	**11,046**
Other operating income	37	52,500	32,500
General and administrative expenses	38	(1,058,851)	(607,016)
		(1,006,351)	(574,516)
Share of result of participating interests			
Partial sale of AMK	19	(9,467)	14,487,131
AMK	28	1,322,193	2,561,282
AMIL	28	58,342	31,848
AMZ	28	273,889	115,587
Moringaway	28	30,479	(30,273)
		1,675,436	**17,165,575**
Result before tax		**719,996**	**6,602,105**
Tax on result		-	-
Result after tax		**719,996**	**16,602,105**

The notes on pages 54 to 60 are an integral part of these separate financial statements.

Agora Microfinance N.V. – Annual Report 2019

Notes to the 2019 Separate Financial Statements

General

The separate financial statements are part of the 2019 statutory financial statements of the Company. The financial information of the Company is included in the Company's consolidated financial statements.

In so far as no further explanation is provided of items in the separate balance sheet and the separate profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

The figures for 2018 have been reclassified for comparison purposes. The reclassifications are as follows:

- In 2018 the Revaluation of share capital of USD 44,726 has been reclassified from Currency translation reserve to Other reserves.

Accounting policies

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 following principles:

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.

28 Financial fixed assets

(in USD)	2019	2018
Other participating interest		
AMK - Equity	10,518,324	9,398,871
Consolidated participating interest		
AMIL - Equity	1,938,618	1,649,632
AMZ - Equity	1,608,899	995,092
Moringaway - Equity	1,923,169	1,902,260
	497,358	-
Balance as at 31 December	16,486,368	13,945,855

Details of each investment are shown on the next page.

Notes to the 2019 Separate Financial Statements (continued)

28 Financial fixed assets (continued)

AMK - Equity (in USD)	2019	2018
Opening balance	9,398,871	20,426,971
Share of result in participating interest (pre sale)	-	2,063,107
Discontinued consolidation due to AMK sale	-	(13,485,081)
Revaluation	(202,740)	(104,301)
Share of result in participating interest	1,322,193	498,175
Balance as at 31 December	10,518,324	9,398,871

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%. During 2019, AMK's new shareholder made an equity injection and in effect diluted the Company's holding from 20% to 15%. Refer to note 19 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.

AMIL - Equity (in USD)	2019	2018
Opening balance	1,649,632	1,763,466
Acquisition of new shares	286,738	-
Share of result in participating interest - AMIL	58,342	31,848
Revaluation	(56,094)	(145,682)
Balance as at 31 December	1,938,618	1,649,632

The Company made an additional investment into AMIL during the year as indicated above. The new investment increased the Company's equity stake from 90% to 91%. The legal address of AMIL is Unit No 710, Seventh Floor, Vashi Infotech Park, Plot No. 16, Sector 30A, Vashi, Navi Mumbai 400703, India.

AMZ - Equity (in USD)	2019	2018
Opening balance	995,092	581,586
Acquisition of new shares	593,133	444,444
Share of result in participating interest - AMZ	273,889	115,587
Revaluation	(253,215)	(146,525)
Balance as at 31 December	1,608,899	995,092

The Company made additional investments into AMZ during the year as indicated above. The new investments increased the Company's direct equity stake from 79% to 84%. Indirectly the Group owns 100% of the shares in AMZ. 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 2019 Separate Financial Statements

28 Financial fixed assets (continued)

Moringaway - Equity (in USD)	2019	2018
Opening balance	1,902,260	-
Acquisition of new shares	-	2,739,376
Goodwill on investments during the year	-	(760,758)
Share of result in participating interest - Moringaway	30,479	(30,273)
Revaluation	(9,570)	(46,085)
Balance as at 31 December	1,923,169	1,902,260

On 18 September 2018 the Company acquired 100% of the share capital in Moringaway, Mauritius for USD 2,739,376. Goodwill was recognised and the 2018 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.

Loans and advances (in USD)	2019	2018
Term facility	497,358	-
Balance as at 31 December	497,358	-

On 3 September the Company entered into an unsecured Local Currency Equivalent of USD 500,000 term facility agreement with a third party. The principal amount is UGX 1,835,270,000 with the principal amount being repayable on 2 September 2021 and interest payable at the end of each quarter. The floating interest rate is fixed at the beginning of each quarter, with the current rate being 21% per annum. The loan is guaranteed by the Shareholder of the Borrower.

29 Interest receivable

(in USD)	2019	2018
Accrued interest income - AMK	7 ,333	7 ,133
Balance as at 31 December	7 ,333	7 ,133

Notes to the 2019 Separate Financial Statements (continued)

Agora Microfinance N.V. – Annual Report 2019

30 Other receivables

(in USD)	2019	2018
VAT receivable	25,629	6 ,095
Other receivables and prepayments	73,676	48,881
Balance as at 31 December	99,305	54,976

The Other receivables and prepayments mainly relate to outstanding Advisory fees.

31 Deposits with Financial Institutions

(in USD)	2019	2018
Deposit with AMK - USD facility	1 ,182,312	1,150,000
Savings and current accounts with AMK	4,883	4,863
Balance as at 31 December	1,187,195	1,154,863

The Company holds a 3 month term deposit with AMK which is re-invested on maturity.

32 Cash and cash equivalents

(in USD)	2019	2018
Cash and cash equivalents	3 ,606,073	6 ,039,182
Balance as at 31 December	3 ,606,073	6 ,039,1823

Cash and cash equivalents are available on demand.

Notes to the 2019 Separate Financial Statements

33 Shareholders' equity

The Company's authorised capital, amounting to EUR 1,000,000 (2018: EUR 1,000,000), consists of 10,000,000 shares of EUR 0.10 each, of which 2,876,692 shares have been issued. The issued and paid up capital as at 31 December 2019 amounts to 2,876,692 shares valued at EUR 287,670 (USD 321,397 revalued at the year end exchange rate).

(in USD)	Issued and paid-up share capital	Share premium	Currency translation reserve	Other reserves	Unappropriated result for the year
Opening balance at 1 Jan. 19	330,055	6,450,525	(1,518,028)	932,838	16,602,105
Adjustment to reserves *		-	(44,726)	44,726	-
Adjusted opening balance	**330,055**	**6 ,450,525**	**(1,562,754)**	**977,564**	**16,602,105**
Profit appropriation 2018	-	-	-	16,602,105	(16,602,105)
Translation reserves	-	-	(521,619)	-	-
Revaluation share capital	(8,658)	-	-	8 ,658	-
Cash and cash equivalents		-	-	-	719,996
Closing balance as at 31 December:	**321,397**	**6,450,525**	**(2,084,373)**	**17,588,327**	**719,996**

Total Shareholders' equity 31 December 2019	**22,995,872**
Total Shareholders' equity 31 December 2018	22,797,495

* Adjusted for comparison purposes, refer to page 48.

33a) Appropriation of result of 2018

The financial statements for the reporting year 2018 have been adopted by the General Meeting on 30 June 2019. The General Meeting has adopted the appropriation of profit after tax as proposed by the Board of Management.

33b) Proposal for profit appropriation of 2019

The General Meeting will propose to appropriate the profit after tax for 2019 amounting to USD 719,996 to the Other reserves. The 2019 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 calledup part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

34 Accrued expenses

(in USD)	2019	2018
Accrued expenses relating to AMK sale	-	368,773
Accrued expenses	111,663	69,678
Balance as at 31 December	111,663	438,451

Notes to the 2019 Separate Financial Statements (continued)

35 Interest income

(in USD)	2019	2018
Interest income	29,862	4 ,567
Interest Deposits with AMK	32,533	7 ,923
Total	62,395	12,490

36 Other financial income / (expenses)

(in USD)	2019	2018
FX Results	(5,736)	13,224
Bank charges	(5,748)	(11,873)
Total	(11,484)	1 ,351

37 Other operating income

(in USD)	2019	2018
Service fees	52,500	32,500
Total	52,500	32,500

Service fees include fees charged to Group Companies.

Notes to the 2019 Separate Financial Statements

38 General and administrative expenses

(in USD)	2019	2018
Investment advisor fee	(420,000)	(371,000)
Depreciation & amortization	(312,676)	68,903
Auditor's fees	(63,049)	(66,165)
Legal, professional fees and investor relations	(98,000)	(146,332)
Management and administration fees	(15,959)	(22,226)
Staff	(97,448)	(66,652)
Other cost	(51,719)	(3,544)
Total	(1,058,851)	(607,016)

The staff expenses includes social security charges of USD 43,024 (2018: USD 31,790). The Company has 1 employee (2018: 1) who is located in The Netherlands. The depreciation and amortisation charge for 2018 includes a goodwill adjustment of USD 406,584. Refer to note 2 for further information.

39 Remuneration of managing and supervisory directors

The Company has three Supervisory Directors (2018: 2) and two Managing Directors (2018: 2). The Supervisory Directors received no remuneration in respect of their services. The Managing Directors received USD 113,407 (2018: 86,599) in respect of their services as Directors.

40 Financial instruments

The risks relating to financial instruments relate predominantly to the subsidiaries. Refer to note 11 for further details.

Notes to the 2019 Separate Financial Statements (continued)

41 Off-balance sheet assets and liabilities Letter of comfort

Letter of comfort

The Company has facilitated three commercial Bank loans to AMIL by offering a letter of comfort to the lenders. The outstanding amounts of the loans was USD 578,590 as at 31 December 2019 (2018: USD 126,103).

42 Subsequent events

The outbreak of Coronavirus Disease ("COVID-19 outbreak") in early 2020 has had significant impact on global financial markets. The Board of directors will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. This is considered to be a non-adjusting event after the reporting date. The Board of directors will continue to remain alert to the situation and monitor the performance of the Company.

As part of the Sale and Purchase agreement entered into in 2017, the Company sold its remaining 15% shareholding in AMK to The Shanghai Commercial and Savings Bank Limited for USD 26.1 million. The transaction was completed on 31 August 2020.

On 13 May 2020 the Company (as Lender) entered into a USD 2 million line of credit agreement with Moringaway. The outstanding balance of the facility is currently USD 110,000.

On 7 April 2020 and 10 August 2020 the Company made further equity investments into AMZ of USD 266,000 and USD 534,000 respectively, thereby increasing its direct ownership to 88%. Indirectly the Group owns 100% of the shares in AMZ.

On 7 July 2020 and 9 October 2020 the Company made further equity investments into AMIL of USD 409,000 and USD 418,000, thereby increasing its ownership to 94%.

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

Amsterdam, 14 October 2020

Managing Directors:	Supervisory Board:	
Ms. R.J. Peat	Mr. T. Chetan	Ms. M.S. Mungra
Mr. R.W. van Hoof	Mr. G.E. Bruckermann	

Other Information

Auditor's report

The Auditor's report is included on page 57.

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.

Independent auditor's report

To: the General Meeting and the Supervisory Board of Agora Microfinance N.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2019 of Agora Microfinance N.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Agora Microfinance N.V. as at 31 December 2019 and of its result for the year 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1 the consolidated and company balance sheet as at 31 December 2019;

2 the consolidated and company profit and loss account for the year 2019;

3 the consolidated statement of cash flows for the year ended 31 December 2019; and

4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Agora Microfinance N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

– director's report;

– other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

– is consistent with the financial statements and does not contain material misstatements;

– contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the director's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines isnecessary to enable the preparation of the financial statements that are free from materialmisstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible forassessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

– identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
– obtaining an understanding of internal control relevant to the audit 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 Company's internal control;
– evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
– concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
– evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
– evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 14 October 2020
KPMG Accountants N.V.

G.L. Brewster RA

Agora
Microfinance

BANKING FOR CHANGE

Agora Microfinance N.V.
Atrium North Tower 4th Floor, Strawinskylaan 4117
1077 ZX Amsterdam, The Netherlands

Agora Microfinance Partners LLP
3rd Floor, 2 Eastbourne Terrace
London W2 6LG, United Kingdom

Tel: +44 207 224 0597
info@agoramicrofinance.com
www.agoramicrofinance.com