

ASA INTERNATIONAL (RWANDA) PLC

**ANNUAL REPORT & ACCOUNTS
AND
AUDITORS REPORTS**

**FOR THE YEAR ENDED
31 DECEMBER 2023**

CERTIFY TRUE COPY
OF THE ORIGINAL
02 APR 2024
GPO Partners Rwanda LTD

02 April 2024

To the Executive Director
ASA INTERNATIONAL (RWANDA) PLC

Dear Sir,

Subject: Report of the auditors on the financial statements of ASA International (Rwanda) PLC for the year ended 31 December 2023.

In accordance with legal and statutory requirements, we are pleased to submit our year-end audit report on the Financial Statements comprising financial information of ASA International (Rwanda) Plc as at 31 December 2023.

Yours faithfully,

For GPO Partners Rwanda Ltd



Patrick GASHAGAZA
Partner

C.C: *The Governor of the National Bank of Rwanda*

GPO Partners Rwanda Ltd
KG 7 Ave. - Aurore Building – Kacyiru
P.O. Box 1902 - Kigali – Rwanda
Company Code / V.A.T. : 100161492
Audit - Accounting - Tax – Advisory

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1 CORPORATE INFORMATION

Directors

The Directors that served during the year were as follows:

Names	Position	Category	Gender	Nationality
Mrs. Karin Kersten	Chairperson	Executive	Female	Dutch
Mr. Azim Hossain	Member	Executive	Male	Bangladeshi
Mr. Jamilur Rahman Chowdhury	Member & Managing Director	Executive	Male	Bangladeshi
Mr. MURENZI Martin	Member	Independent	Male	Rwandan
Mrs. Nzamwita Kagwesage Adelaide	Member	Independent	Female	Rwandan

Registered office and principal place of business

ASA International (Rwanda) Plc,
Plot No. - 95, NTOVA Village,
KG 784 St. RUHANGO Cell,
Gisozi Sector, GASABO District,
P O Box 1767, Kigali, Rwanda
Tel: +250 739 671 869
Email: jamil.bd@asa-international.com

Independent Auditor

GPO Partners Rwanda Ltd
KG 7, Ave-Aurore Building-Kacyiru
P.O. Box 1902, Kigali, Rwanda
Email: info@gpopartners.com
Website: www.gpopartners.com

Legal Counsel/ Advocates

Me Armand INTWAZAYAMUGABO
Phone Number: +250785410756
E-mail:
amicusveritatislawfirm@gmail.com

Principal Bankers:

Bank of Kigali PLC

KN 4 Ave
P O Box 175
Kigali, Rwanda

Banque Populaire du Rwanda PLC

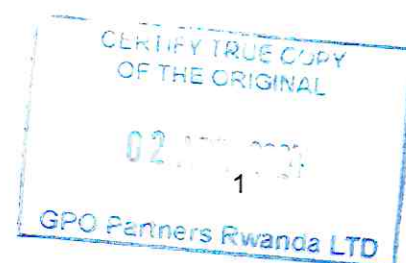
Street KN 67 Plot No 4
P.O. BOX 1348, Kigali, Rwanda
Office Line: +250788187200

Guaranty Trust Bank PLC

KN 3 Ave,20,
P O Box 331 Kigali,
Telephone:+250252598600

Equity Bank Rwanda PLC

Grand Pension Plaza Building
P.O. Box 494
Kigali – Rwanda



2 REPORT OF THE DIRECTORS

The directors have the pleasure in presenting their report and the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the ASA International (Rwanda) Plc.

PRINCIPAL ACTIVITIES

The principal activity is provision of monetary intermediation, financial activities (except insurance) and pension funding activities (Like Microfinance Savings and Credit).

SHAREHOLDERS INTEREST

The issued and fully paid-up ordinary shares is as follows:

No	Shareholders Name	Share Group	Number of Shares	Value Frw
1	ASA INTERNATIONAL HOLDING	Ordinary Share	1,973,269	1,973,269,000
2	ASA INTERNATIONAL N.V	Ordinary Share	1	1,000
			1,973,270	1,973,270,000

DIVIDENDS

The directors do not recommend payment dividends for the year ended 31 December 2023 (Year ended 31 December 2022: Nil).

RESULTS

The results of the company are set out on page 7.

DIRECTORS

The directors who served during the period and to the date of this report are as shown on page 1.

AUDITORS

The company's auditor GPO Partners Rwanda Ltd was appointed in 2022 in accordance with Law N° 007/2021 of 05/02/2021 governing companies in Rwanda as amended by the law n° 19/2023 of 30/03/2023 and reappointed as company auditor for the year ended 31st December 2023.

BY ORDER OF THE BOARD


.....

Chairperson of the Board

Ms. Karin Kersten Date:.....29...../.....03...../2024



3 STATEMENT OF DIRECTORS' RESPONSIBILITIES

Law no 007/2021 of 05/02/2021 governing companies in Rwanda as amended by the law n° 19/2023 of 30/03/2023 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company keeps proper accounting records that are sufficient to show and explain the transactions of the company, that disclose with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with International Financial Reporting Standards, Law N° 072/2021 of 05/11/2021 governing deposit taking microfinance institutions, Regulation N° 02/2009 of 27/05/2009 on the organization of microfinance activity and the requirements of the law n° 007/2021 of 05/02/2021 governing companies in Rwanda. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of these financial statements which have been prepared in accordance with International Financial Reporting Standards, Law N° 072/2021 of 05/11/2021 governing deposit taking microfinance institutions, Regulation N° 02/2009 of 27/05/2009 on the organization of microfinance activity and the requirements of Law no 007/2021 of 05/02/2021 governing companies in Rwanda as amended by the law n° 19/2023 of 30/03/2023. They also accept responsibility for;

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies;
- iii. Making accounting estimates and judgments that are reasonable in the circumstances.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next 12 months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approval of the financial statements

The financial statements, as indicated above were approved by the Board of Directors on ...29...../....03./2024 and were signed on its behalf by:





.....

Md. Jamilur Rahman Chowdhury **Ms. Karin Kersten**
Managing Director Chairperson to the Board of Directors

4 INDEPENDENT AUDITOR'S REPORT

To the shareholders of ASA International (Rwanda) PLC

Opinion

We have audited the financial statements of ASA International (Rwanda) Plc set out on pages 7 to 37, which comprise the Statement of Financial Position as at 31 December 2023, and the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ASA International (Rwanda) Plc as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Law N° 072/2021 of 05/11/2021 governing deposit taking microfinance institutions, Regulation N° 02/2009 of 27/05/2009 on the organization of microfinance activity and Law no. 007/2021 of 05/02/2021 governing companies in Rwanda as amended by the law n° 19/2023 of 30/03/2023.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of ASA International (Rwanda) Plc in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Rwanda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In accordance with our audit of the financial statements, our responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, Law N° 072/2021 of 05/11/2021 governing deposit taking microfinance institutions, Regulation N°

02/2009 of 27/05/2009 on the organization of microfinance activity and the requirements of Law no 007/2021 of 05/02/2021 governing companies in Rwanda amended by the law n° 19/2023 OF 30/03/2023, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

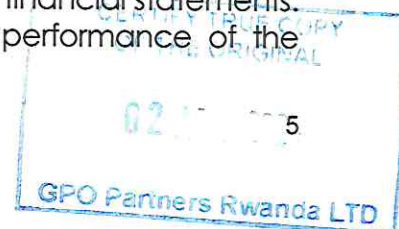
The directors are responsible for overseeing the company's reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal controls 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 ASA International (Rwanda) Plc internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
 - Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information within the entity to express an opinion on the financial statements.
- We are responsible for the direction, supervision and performance of the



entity audit. We remain solely responsible for our audit opinion. 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 deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Law governing companies no. 007/2021 of 05/02/2021 requires that in carrying our audit, we consider and report to you on the following matters. We confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper accounting records have been kept by the company, so far as appears from our examination of the accounting records;
- iii) We are not related to ASA International (Rwanda) Plc and have no interests or debts in the company;
- iv) In our opinion, the financial statements comply with the international accounting standards;
- v) We have communicated to you through a management letter highlighting problems identified during the audit and our recommendations for improvement.
- vi) In our opinion and considering the information and explanations given to us through accounting and other company documents, the financial statements comply with Article 125 of Law no. 007/2021 of 05/02/2021 governing companies in Rwanda amended by the law n° 19/2023 of 30/03/2023.

For GPO Partners Rwanda Ltd



Patrick GASHAGAZA
Partner

09.04 /2024

ASA INTERNATIONAL (RWANDA) PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

5 FINANCIAL STATEMENTS

5.1 Statement of profit or loss and other comprehensive income For the year ended 31 December 2023

	Note	2023 FRW	2022 FRW
Interest and Similar Income	6	2,590,798,777	2,405,707,336
Interest and Similar expenses	7	(273,397,493)	(256,975,828)
Net interest income		2,317,401,284	2,148,731,508
Other operating income	8	81,486,131	62,979,452
Total operating income		2,398,887,415	2,211,710,960
Total credit loss expenses	9	(255,379,682)	(134,714,785)
Net operating income		2,143,507,733	2,076,996,175
Personnel expenses	10	(1,184,815,163)	(947,908,017)
Other operating expenses	11	(600,172,251)	(626,307,793)
Depreciation of property and equipment	12	(78,341,242)	(72,919,272)
Depreciation of right-of-use assets	13	(88,794,520)	(85,758,587)
Exchange rate differences	14	(2,110,254)	2,183,273
Total operating expenses		(1,954,233,430)	(1,730,710,397)
Profit/(loss) before tax		189,274,303	346,285,779
Tax credit/charge	15	(101,062,636)	(160,829,055)
Profit/(loss) for the Year		88,211,667	185,456,724
Other comprehensive income		-	-
Total comprehensive income/(loss) for the Year		88,211,667	185,456,724

The notes 1 to 29 from an integral part of these financial statements.

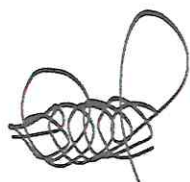


5.2 Statement of Financial Position
As at 31 December 2023

	Note	2023 FRW	2022 FRW
ASSETS			
Cash and Cash Equivalent	16	663,836,673	449,896,122
Loans and Advances to Customers	17	4,953,008,229	4,508,021,268
Property and Equipment	12	93,806,945	139,948,389
Right of use of assets	13	211,279,109	185,234,855
Deferred tax asset	18	93,844,898	33,806,074
Other Assets	19	74,549,813	27,373,331
TOTAL ASSETS		6,090,325,667	5,344,280,039
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	20	1,973,270,000	1,973,270,000
Retained earnings	21	(174,827,993)	(286,640,140)
Statutory reserves	22	-	23,600,480
TOTAL EQUITY		1,798,442,007	1,710,230,340
LIABILITIES			
Debt issued and other borrowed funds	23	1,575,017,435	1,399,984,657
Due to Customers	24	1,970,869,443	1,829,452,311
Current tax liability	25	160,115,860	66,905,224
Lease Liability	13	175,465,986	159,710,338
Other Liabilities	26	410,414,936	177,997,169
TOTAL LIABILITIES		4,291,883,660	3,634,049,699
TOTAL EQUITY AND LIABILITIES		6,090,325,667	5,344,280,039

The notes 1 to 29 from an integral part of these financial statements.

The financial statements from pages 7 to 37 were authorized for issue by the Board of Directors on²⁹...../.....⁰³...../2024 and signed on its behalf by



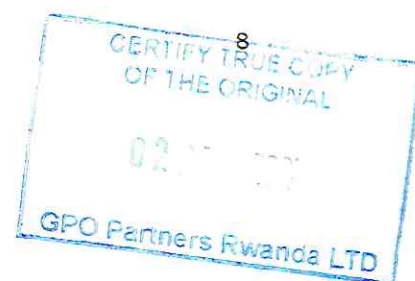
.....
Md. Jamilur Rahman Chowdhury

Managing Director




.....
Ms. Karin Kersten

Chairperson to the Board of Directors



ASA INTERNATIONAL (RWANDA) PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

5.3 Statement of changes in equity

For the year ended 31 December 2023

	Issued capital FRW	Retained Earnings FRW	Reserves FRW	Total FRW
As at 01 January 2023	1,973,270,000	(286,640,140)	23,600,480	1,710,230,340
Excess IFRS 9 ECL over BNR provisioning		23,600,480	(23,600,480)	-
Total comprehensive Income for the year		88,211,667		88,211,667
As at 31 December 2023	1,973,270,000	(174,827,993)	(0)	1,798,442,007
As at 01 January 2022	1,536,657,000	(506,952,270)	58,455,886	1,088,160,616
Excess IFRS 9 ECL over BNR provisioning		34,855,406	(34,855,406)	-
Conversion of shareholders' debt into equity	436,613,000	-	-	436,613,000
Total comprehensive Income for the year		185,456,724		185,456,724
As at 31 December 2022	1,973,270,000	(286,640,140)	23,600,480	1,710,230,340

The notes 1 to 29 from an integral part of these financial statements

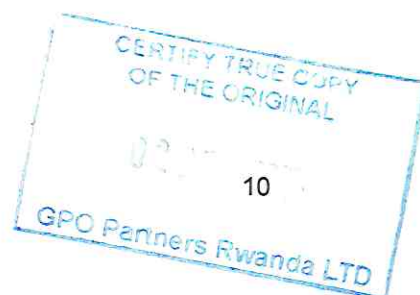


ASA INTERNATIONAL (RWANDA) PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

5.4 Statement of cash flows
For the year ended 31 December 2023

	Note	2023 FRW	2022 FRW
OPERATING ACTIVITIES			
Profit / (Loss) Before Tax		189,274,303	346,285,779
Adjustments for noncash items			
Depreciation and amortization		78,341,244	72,919,270
Gain on disposal		-	-
Cash flow from Operating Activities			
Changes in operating Assets	27.1	(578,246,521)	(997,902,213)
Changes in operating Liabilities	27.2	417,189,366	486,376,792
Income tax paid		(7,852,001)	(93,923,831)
Net Cash Flow used in Operating Activities		98,706,392	(186,244,203)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(32,199,800)	(51,087,597)
Proceeds from sale of property and equipment		-	-
Net Cash flows used in investing activities		(32,199,800)	(51,087,597)
FINANCING ACTIVITIES			
Proceeds from debt issued and other borrowed fund		886,392,765	515,666,385
Repayment of borrowing		(738,958,806)	(872,708,056)
Converted shareholders' debt into equity		-	436,613,000
Net Cash flows used in Financing Activities		147,433,959	79,571,329
Net Increase in Cash and cash Equivalents		213,940,551	(157,760,471)
Cash and Cash Equivalent at 1 January		449,896,122	607,656,593
Cash and Cash Equivalent at 31 December (Note 16)		663,836,673	449,896,122

The notes 1 to 29 from an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ASA INTERNATIONAL (RWANDA) PLC “subsequently referred to as ASA Rwanda or the Company” is a limited Company incorporated in Rwanda. The principal activity of the company is monetary intermediation, other financial activities, except insurance and pension funding activities (Like Microfinance Savings and Credit). ASA Rwanda had thirty-two (32) branches comprising of seven (7) located in Kigali city and twenty-five (25) located outside Kigali city. Subsequently by March 2024; ASA Rwanda had opened additional five (5) branches which spans to a number of 37 branches across the country.

2. BASIS OF PREPARATION

The financial statements are prepared on a going concern basis and are presented in Rwandan Francs which is the company’s functional currency. All the amounts have been rounded to the nearest Franc. The financial statements have been prepared on the historical cost basis of accounting except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

3. STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

4. SIGNIFICANT ACCOUNTING POLICIES

a) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2023

New standards or amendments	Effective date	Brief description
IFRS 17 Insurance contracts	1 January 2023	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts with discretionary participation features.
IAS 1, Practice statement 2 and IAS 8	1 January 2023	These amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies
Amendment to IAS 12-deferred tax related to assets	1 January 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to

and liabilities arising from a single transaction		equal amounts of taxable and deductible temporally differences.
Amendment to IAS 12-International tax reform-pillar two model rules	1 January 2023	These amendments give companies temporally relief from accounting for deferred taxes arising from the organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The adoption of those new standards and/or amendments did not have a significant effect on the performance of the company.

b) Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires directors to make estimates and assumptions that affect the assets, liabilities, revenues, expenses and the disclosure of contingent liabilities at end of reporting period. Estimates and judgments are continuously evaluated and are based on directors' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Property and equipment

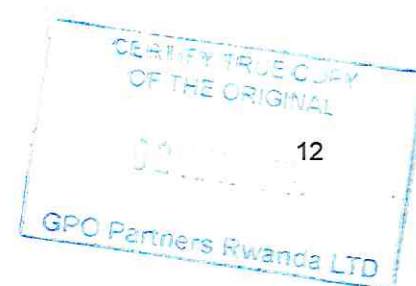
Annually, directors make estimates in determining the depreciation rates for property, plant and equipment using internal technical expertise. The rates used are set out in the accounting policy for property, plant and equipment. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Impairment of non-financial assets

The company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



Notes to the financial statements (continued)

4. *Significant accounting policies (continued)*

b) *Critical accounting estimates and assumptions (continued)*

Going concern

Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised

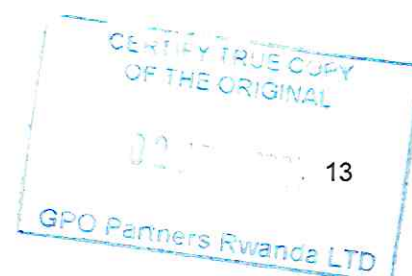
Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Non-interest incomes

Fees income

Fees income that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Fees income including loan processing fees, loan insurance fund fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.



Notes to the financial statements (continued)

4. Significant accounting policies (continued)

c) Revenue recognition (continued)

Member admission fees

ASA Rwanda recruits eligible borrowers for all its loan programs on an individual basis. ASA Rwanda standard operations manual require newly admitted clients to pay a one-off non-refundable fee of FRW 2,500. The admission fee is a prerequisite for any loan program and a qualified borrower cannot process a loan before payment. This fee is payable directly to ASA Rwanda branch account. The fees income is recognised by the company on cash basis in its accounts.

d) Impairment

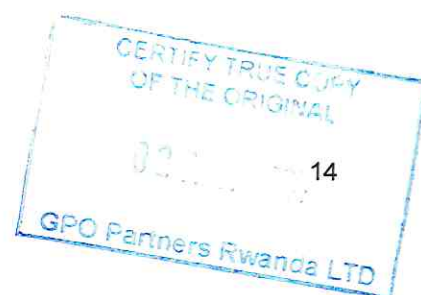
The company recognizes loss allowances for ECL in relation to loans and advances to customers. ECLs are measured through a loss allowance at an amount equal to:

12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk. The company considers the following as constituting an event of default; the borrower is past due more than 90 days on any material credit obligation to the company or the borrower is unlikely to pay its credit obligations to the company in full. This definition of default is used by the company for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

The company monitors all financial assets and issued loan commitments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the company will measure the loss allowance based on lifetime rather than 12-month ECL. The company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the company monitors all financial assets and issued loan commitments that are subject to impairment for significant increase in credit risk. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised.



Notes to the financial statements (continued)

4. Significant accounting policies (continued)

d) Impairment (continued)

In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the company's historical experience and expert credit assessment including forward-looking information.

e) Financial liabilities

Financial liabilities presented in the statement of financial position represent all amounts payable including interest accruals. Financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition

f) Property and equipment and depreciation

Property, plant and equipment are stated at cost or valuation, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates. Freehold land is not depreciated. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

On revaluation, surplus is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the property, plant and equipment revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment. Although individual components are accounted for separately, the financial statements continue to disclose a single asset.

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

f) Property and equipment and depreciation (continued)

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated at annual rates estimated to write off carrying values of the assets over their expected useful lives to their estimated residual values.

The annual depreciation rates in use are:

	Rate
Office Equipment's	33.33%
Computers and Software's	33.33%
IT Equipment's (Tablet)	50%
Office furniture's	20%
Motor vehicles	20%

g) Tax

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the profit and loss account except when it relates to items recognized in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity.

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognized for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss.

Notes to the financial statements (continued)

4. *Significant accounting policies (continued)*

g) *Tax (continued)*

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

h) Foreign Currencies

The financial statements are presented in Rwandan Francs, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

i) Financial Instruments

Initial recognition and measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

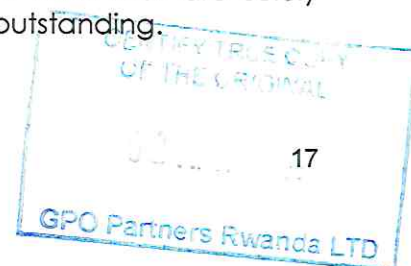
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL;

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



Notes to the financial statements (continued)

4. Significant accounting policies (continued)

i) Financial Instruments (Continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses

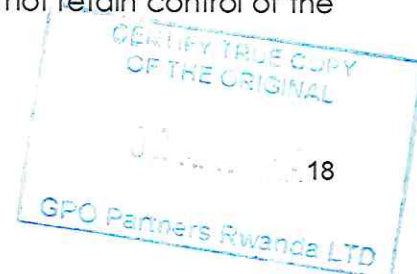
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de- recognition, gains and losses accumulated in OCI are reclassified to profit or loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de- recognition is also recognized in profit or loss.

De-recognition- financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



Notes to the financial statements (continued)

4. *Significant accounting policies (continued)*

i) Financial Instruments (Continued)

De-recognition- financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

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



Notes to the financial statements (continued)

4. Significant accounting policies (continued)

i) Financial Instruments (Continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

j) Retirement benefits obligations

The employees and the Company contribute to the Social Security Fund of Rwanda, a national defined contributions retirement benefits scheme. Contributions are determined by the country's statutes and the Company's contributions are charged to the statement of comprehensive income.

k) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

l) Share capital

Ordinary shares are classified as share capital in equity. Any premiums received over and above the par value of the shares is classified as 'share premium' in equity.

m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

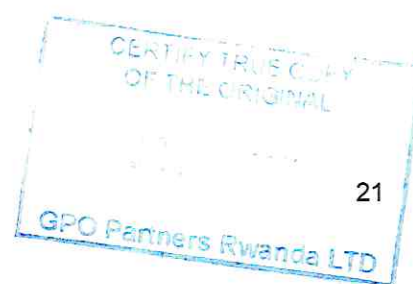
Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to certain risk limits and other controls as described in the paragraphs below. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable to the risk exposures relating to his or her responsibilities. ASA Rwanda is amongst others, exposed to business risk, operational risk, IT risk, finance risk, and legal & compliance risk.

Risk management structure

The company's risk management principles allow it to balance its risk and reward effectively by aligning its risk appetite with its business strategy. The company's risk management framework is based on its three lines of defence model. The company's objectives in using the three lines of defence model include: identifying the risk areas and minimizing loss, protecting its clients by minimizing financial risk, protecting the interests of its shareholders and investors, preserving its branches, data, records and physical assets, maintaining its business and operational structure, enforcing a standard operational procedure for managing risk, and providing guidelines in line with internationally accepted risk management principles.

The first line of defence is the team, person or department that is responsible for executing particular tasks/activities, as well as for mitigating any related risks. The second line of defence is comprised of management of respective departments and personnel that oversee the first line of defence and provide expertise in risk management to help develop strategies, policies and procedures to mitigate risks and implement risk control measures. The third line of defence is the internal audit department, which evaluates and improves the effectiveness of the risk management, control and governance processes through independent verification of risk control measures. The internal audit department is based at head office of the Company and led by Head of Internal Audit and audits each branch based on the risk ratings but at least once a year.

The company has designed and implements a comprehensive risk management framework approved and overseen by the Board of Directors to enable it to identify, measure, evaluate, mitigate and prevent risks, monitor and report all identified risks on a timely basis as required by National Bank of Rwanda.



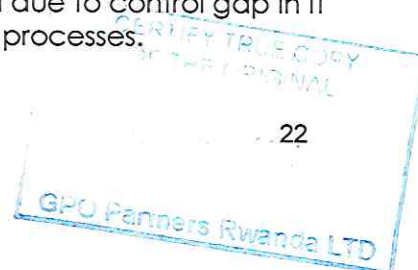
Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

Risk management structure (Continued)

The risk management framework takes into consideration the following:

Risk category	Definition	Risks	Description
Business risk	Business risk is an organisation's exposure to factors that will lower its profit or lead it to fail. Anything that threatens a company's ability to achieve its financial and operational goals is considered a business risk.	Growth risk	Risks and challenges associated with the Company's operational expansion.
		Competition risk	Risk that the Company might face for not responding to the competitive environment or failing to meet customer needs.
		Reputation risk	Risk to earnings or capital arising from negative public opinion.
		Climate related risk	Risk related to potential negative impact of climate change on the organisation.
		Health & Environmental risk	Risk arising from the threat of natural disasters and viral diseases.
Operational risk	Operational risk refers to uncertainties a company faces when it attempts to do its day-to-day business activities. It can result from breakdowns in internal procedures, people and systems.	Transaction risk	Human or system errors within the Group's daily product delivery and services.
		Human Resource risk	Likelihood of negative results due to a failure within its human resource department.
		Fraud and Integrity risk	Risk of incidents of fraud and misappropriation by staff or client.
IT risk	Information technology risk is any threat to business data, critical systems and business processes due to IT failure. It is the risk associated with the use, ownership, operation, involvement,	Business continuity	This risk refers to loss of data in case of a catastrophic event.
		System vulnerability	This risk refers to the vulnerability of our IT system to different types of cyber-attacks.
		IT support	Risk of delay in resolving IT related issues which may negatively impact the operations.
		System access control	Risk of misuse of system access.
		IT fraud risk	Risk of fraud due to control gap in IT system and processes.



Risk category	Definition	Risks	Description
	influence and adoption of IT within an organisation.	Data migration risk	Risk of loss of data during the time of data migration.
Finance risk	The company experiences financial risks such as credit risk, liquidity risk, exchange rate/ currency risk and interest rate risk which can adversely impact the earnings.	Credit risk	Risk that the Group will incur a loss because its clients or counterparties fail to discharge their contractual obligations.
		Liquidity risk	Risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.
		Exchange rate risk	Possibility of financial loss to the Company arising from adverse movements in foreign exchange rates.
		Interest rate risk	Risk arising from the possibility of change in the value of assets and liabilities because of changes in market interest rates.
Legal & Compliance risk	Financial and other losses the Company may suffer as a result of regulatory changes or failure to comply with applicable laws and regulation	Local regulation	Risk of non-compliance to local regulation
		Change of policy	Risk of negative impact arising from change in policies by regulatory authorities.
		Product transparency	Risk of negative public opinion for not ensuring product transparency.

Business risk

The Company manages its business risks by adopting various mitigation strategies at entity level. While setting growth targets the company remains prudent, as uncontrolled growth may lead to increased overdue loans. Sites for new branches are selected after thorough assessment as per the operational manual.

When it comes to competition, the company continuously monitors clients' satisfaction and focuses on tailoring its products according to clients' needs. In order to safeguard its reputational risk, the company ensures that staff meet the highest standards in terms of client protection principles and business transparency.

Climate change risk is thoroughly assessed by the company. The company has started the process of collecting its carbon emission data to determine the major emission sectors so a carbon management plan can be put in place to reduce emissions. During the year, the company's operations were adversely impacted by the covid-19 pandemic, however this was mitigated by proactively amending operational procedures to adapt to changing conditions.

Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

Business risk (continued)

Climate change risk is thoroughly assessed by the company. The company has started the process of collecting its carbon emission data to determine the major emission sectors so a carbon management plan can be put in place to reduce emissions.

Operational risk

Transaction risk is mitigated by strictly following operational procedures and ensuring thorough monitoring by supervisors. Human resource risk is mitigated by attracting, retaining and developing staff by providing competitive remuneration structures and long-term career opportunities, and by investing in training and development of all staff. The Company evaluates its human resource risk by observing the availability of skilled staff within its compensation bands as well as compliance and regulatory issues that impact staff, including visas or employment permits needed for its expatriate staff.

The company's objective is to manage operational risk so as to prevent damage to its reputation and avoid control procedures that restrict initiative and creativity. The directors have the responsibility of developing and implementing controls to address operational risks. This is supported by the company standards for the management of operational risks in;

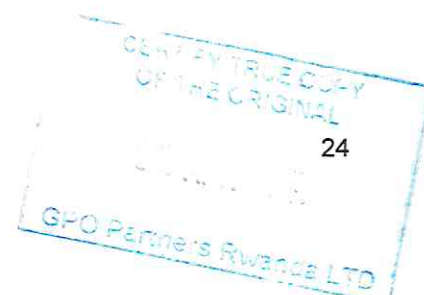
- Compliance and legal requirements
- Training and professional development
- Ethical and business standards
- Development of contingency plans
- Compliance with legal and regulatory requirements
- Developing requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified.

IT Risk

The rise of the knowledge economy and the digital revolution has led to organisations becoming increasingly dependent on information, information processing and especially IT. The Company's IT business continuity is safeguarded by maintaining secure data centres with disaster recovery sites, either on premises or offsite. System vulnerability is regularly assessed and virus guards, firewalls and other security measures are kept up to date. Adequate internet connectivity is provided at all branches to ensure smooth running of operations; proper internet connectivity is provided at head office level. IT issues are addressed through the JIRA issue management software based on priority. A strong password policy is in place to prevent unauthorised system access and staff are made aware that password sharing is prohibited.

Finance risk

Regarding credit risk, the Company adheres strictly to the operating procedures of the ASA Model, which includes setting limits on the amount of risk it is willing to accept for each individual borrower, taking a security deposit, preventing over-borrowing. The Company continuously monitors changes in the portfolio and will take immediate action when changes occur. As for liquidity risk, the Company remains well funded and continues to have good access to a wide range of funding sources, both at local and international level. The Company maintains solid relationships with its debt providers who continue to show strong interest in funding its operations. As a deposit taking microfinance company, ASA Rwanda collects customer savings from its members and continues to aggressively mobilize more deposits to minimize reliance on external borrowings.



Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

Finance risk (continued)

The Company manages its currency risk through natural hedging, i.e. by matching the relevant microfinance subsidiary's local currency assets with local currency liabilities, and by obtaining funding denominated in local currency. The company manages currency risk through contracting with suppliers in Rwandan francs to avoid fluctuation of foreign currencies against the functional currency.

The Company's strategy in evaluating and managing its interest rate risk is to conduct a cost of funds analysis and to monitor interest rates and fixes appetite as far as interest rates are concerned. The company's exposure to the risk of changes in market interest rates is minimal since it has no debt obligations with floating interest rates.

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Directors review and agree to the policies of managing these risks. The company does not engage in speculation in the markets and neither does it trade in derivative financial instruments. The company's main financial instruments are;

- Loans and advances to customers
- Cash and cash equivalents
- Other receivables
- Customer deposits and borrowings
- Other payables

The main risks arising from the company's financial instruments are liquidity, credit risk and foreign currency.

Legal and compliance risk

New changes are proactively discussed with regulators; new requirements (such as minimum capital requirements) are timely implemented; and the Company's ASA Model and digital strategy are proactively discussed with different authorities.

Risks are mitigated through standardised practices that are part of the ASA Model of microfinance. These include:

- Standardised loan products.
- Basic voluntary deposit services.
- Effective and rigid procedures for cost-effective delivery of microcredit and limited deposit services.
- Zero tolerance on the late deposit of loan instalments by loan officers.
- Group selection without joint liability.
- Loans granted exclusively for income-generating activities.
- Full repayment via instalments before eligibility for new loan.
- No incentive or bonus payments for operating staff.
- Frequent client interactions through weekly collections.
- Ongoing assessment of client needs, benefits and satisfaction.



Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

a) Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Company carries out its own assessment of credit risk before investing in corporate bonds, and updates such assessments at each reporting date.

Credit risk on loans and advances is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort.

There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis.

For such purposes, the Company's financial assets on the basis of shared credit risk characteristics, such as:

- Type of instrument
- Industry in which the debtor operates
- Nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- Significant financial difficulty of the debtor
- A breach of contract
- It is probable that the debtor will enter bankruptcy
- The disappearance of an active market for the financial asset because of financial difficulties.

Notes to the financial statements (continued)

5. *Financial risk management objectives and policies (Continued)*

a) Credit risk management (continued)

The company has exposure to credit risk, which is the risk that counterparty will be unable to pay amounts in full when due. The highest concentration of credit exposure within the company relates to cash and cash equivalents held with banks and trade receivables. The company places all its funds with recognized financial institutions with strong credit ratings and does not consider the credit exposure to be significant as far as cash and cash equivalents are concerned. Loans and advances to customers are secured by security deposits. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loans and advances.

Credit risk grading

The Company's internal risk ratings scales are adopted from National Bank of Rwanda credit risk grading to reflect its assessment of the probability of default of individual counterparties. the classification criteria are as follow:

Performing/Normal

These are credit facilities which are up to date in payments. Where there are no fixed payments, these are facilities that are operating within their approval limits, and are unexpired.

Watch

These are credit facilities where principal or interest is due and unpaid for 30 days to 89 days, or for facilities with no fixed payments, the approval limit has been exceeded by 30 days to 89 days, or the credit line has expired for more than 30 days to 89 days.

Substandard

These are loan balances due for 90 days but less than 180 days. They are also those credit facilities that display well-defined credit weaknesses that jeopardize the liquidation of the debt such as inadequate cash flow to service the debt, undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal or interest.

Doubtful

These are loan balances that are more than 180 days but less than 365 days overdue. They are also those credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the company's exposure.

Loss

These are loans that are more than 365 days overdue. These are also those credit facilities that are considered uncollectable or which may have some recovery value but it is not considered practicable nor desirable to defer write off. They are also accounts classified as "Doubtful" with little or no improvement over the period it has been classified as such.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

a) Credit risk management (continued)

Once a facility is classified as substandard, the probability of default reaches 100%. The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for the Company:

Days past due	National Bank of Rwanda Guidelines	IFRS 9 Staging
0-29	Normal	Stage 1
30-89	Watch	Stage 2
90-189	Sub-standard	Stage 3
190-364	Doubtful	Stage 3
Over 364 or considered uncollectible	Loss	Stage 3

Expected credit loss measurement

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company;
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer below to a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer below to a description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer below to a description of inputs, assumptions and estimation techniques used in measuring the ECL;
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Below includes an explanation of how the Company has incorporated this in its ECL models;
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3);

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

a) Credit risk management (continued)

Expected credit loss measurement (continued)

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

The Company identifies a significant increase in credit risk where

- Exposures have a regulatory risk rating of "WATCH"
- An exposure is greater than 30 days this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposure:
 - credit risk quality at the date of reporting; with
 - the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

The assessment of SICR incorporates forward-looking information and is performed on a regular basis at a portfolio level for all financial instruments held by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent team.

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2023.

Notes to the financial statements (continued)

5. *Financial risk management objectives and policies (Continued)*

a) Credit risk management (continued)

Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Company expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) if the borrower remained compliant with the repayment schedule for next three consecutive instalments, as from the time it was reclassified as watch loan until full repayment of the loan.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs have been developed using empirical data from the start of operation of ASA Rwanda
- EAD is equal to the outstanding exposure at the reporting date
- Loss Given Default (LGD) represents the Company expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral (customers' security deposits). LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected life time of the loan.

Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

a) Credit risk management (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques (cont'd)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario").

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD. The PDs were adjusted with weightings of economic variables that are linked to the performance of financial assets.

The Macroeconomic forecasts used in the computation of the probability of default includes the following:

- Gross Domestic Product trend
- Consumer Price Index pattern
- Interest rates movements

Credit Risk Exposure

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by adhering strictly to the operating procedures set forth in the operational manual which includes setting limits on the amount of risk it is willing to accept for individual counterparties.

Maximum exposure to credit risk

The maximum credit exposure is equal to the carrying amounts of the financial instruments on the Company's statement of financial position.

As mentioned above, the Company reduces its concentration risk by ensuring a widely diverse portfolio, distributed amongst various regions in the country.

Customer security deposits are cash collateral and are presented as part of Due from customers in the statement of financial position. These security deposits are considered as collateral for the loans to customers and therefore reduce the credit risk on these loans.

Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

a) Credit risk management (continued)

Maximum exposure to credit risk (continued)

Maximum exposure to credit risk	2023 FRW	2022 FRW
Cash and cash equivalents (excluding cash in hand)	644,795,561	449,873,195
Loans and advances to customers	4,953,008,229	4,508,021,269
Customer security deposits	(786,199,469)	(692,974,205)
Other assets (excluding advance tax paid and prepayments)	19,229,696	16,480,773
Maximum credit exposure	4,830,834,017	4,281,401,033

Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. We use a number of controls and measures to minimise undue concentration of exposure in our two client segments. These include portfolio and counterparty limits, approval and review controls.

Gross loan portfolio	2023 FRW	%	2022 FRW	%
Small Loans	4,680,483,723	89%	4,272,422,969	91%
Small Business Loans	569,498,122	11%	402,154,298	9%
Total	5,249,981,845	100%	4,674,577,267	100%

Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

b) Liquidity risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company always ensures that it will always have sufficient liquidity to meet its obligations when due. The maturity of the company's financial liabilities is as shown below and the associated assets that can be utilised to pay off the liabilities;

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
31-Dec-23	FRW	FRW	FRW	FRW	FRW	FRW
Cash and Cash Equivalent	663,836,673	-	-	-	-	663,836,673
Loans and Advances to Customers	325,819,185	3,184,146,056	1,443,042,988	-	-	4,953,008,229
Other Assets	74,549,813	-	-	-	-	74,549,813
	1,064,205,671	3,184,146,056	1,443,042,988	-	-	5,691,394,715
Borrowings	54,953,884	257,833,193	822,435,786	439,794,574	-	1,575,017,436
Due to Customers	-	983,892,149	981,941,160	5,036,133	-	1,970,869,443
Other Liabilities	410,414,936	-	-	-	-	410,414,936
	465,368,820	1,241,725,342	1,804,376,946	444,830,707	-	3,956,301,815
Excess/(shortage) liquidity	598,836,851	1,942,420,714	(361,333,959)	(444,830,707)	-	1,735,092,900

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
31-Dec-22	FRW	FRW	FRW	FRW	FRW	FRW
Cash and Cash Equivalent	449,896,122	-	-	-	-	449,896,122
Loans and Advances to Customers	193,328,698	2,942,766,154	1,371,926,416	-	-	4,508,021,268
Other Assets	27,373,331	-	-	-	-	27,373,331
	670,598,151	2,942,766,154	1,371,926,416	-	-	4,985,290,722
Borrowings	-	19,226,854	377,607,614	1,003,150,189	-	1,399,984,657
Due to Customers	544,024,223	853,251,751	432,176,338	-	-	1,829,452,311
Other Liabilities	177,997,169	-	-	-	-	177,997,169
	722,021,392	872,478,604	809,783,951	1,003,150,189	-	3,407,434,137
Excess/(shortage) liquidity	(51,423,241)	2,070,287,550	562,142,465	(1,003,150,189)	-	1,577,856,585

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Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

c) Foreign exchange risk

Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic cash flow and budget forecasts and are kept to an acceptable level. The company's transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss.

	31 December 2023		31 December 2022	
	FRW	USD	FRW	USD
Assets in local currency	130,849,939	103,888	211,145,361	197,887
Liabilities in foreign currencies	(205,213,978)	(162,929)	(44,031,786)	(41,267)
Net foreign currency exposure at the end of the year	(74,364,039)	(59,041)	167,113,575	156,620

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates of major transaction currencies, with all other variables held constant, of ASA Rwanda profit before tax (due to changes in the fair value of monetary assets and liabilities).

Currency	Increase/decrease in exchange rate	31 December 2023	31 December 2022
USD	+5%	14,872,808	(33,422,715)
	-5%	(14,872,808)	33,422,715

d) Capital Management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.



Notes to the financial statements (continued)

5. Financial risk management objectives and policies (Continued)

e) Strategic risks

Nonetheless ASA Model continued to be resilient amidst Covid-19 pandemic, the pandemic had pressing impact on the earnings of the company. The company continues to oversee covid-19 situation and internal projections are optimistic in regards to sustainability of the company. The Group is supportive and is committed towards the company's post covid-19 operations help. The company's operations continue to be exposed to uncertainties, global health crisis and technological advancements.

- **Diversification and expansion**

The company moves into diversified loans and savings products with any intention to boost up operational performance, client's satisfaction and efficiency. The company plans to continue growing its client base and loan portfolio in existing branches and intends to outreach other females in urban, semi-urban and rural areas with financial services.

- **Digitization and innovation**

As a result of Covid-19, digital financial services are imperative. A blend of ASA Model with digital banking solutions will yield clients satisfaction. Efficiency and effectiveness. The parent company embarked into digitalization initiative with pilot testing of digital platforms in some sister companies in Ghana and Pakistan and upon successful assessment, the solution will be deployed in other subsidiaries including ASA Rwanda. The group aims to enhance the application of the ASA Model with a state-of-the-art IT Backbone that delivers first class digital services. This results amongst others, in increasingly cashless transactions and access to client information anytime, anywhere. The company aims to introduce digital financial services based on local demand with the objective to further improve the efficiency and quality of its services, seize new market opportunities and further empower operating staff.

ASA INTERNATIONAL (RWANDA) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to financial statements (Continued)

6 Interest and Similar income

Interest and similar income on loans to customers and interest income on term deposits.

	2023 FRW	2022 FRW
Interest income on small loan	2,148,977,513	1,940,473,219
Interest income on small business loan	201,244,149	169,773,593
Loan processing/ appraisal fees income	351,255,230	283,535,185
Interest waiver for holidays	(124,869,110)	-
Interest income for lockdown	-	-
Interest from bank	14,190,994	11,925,339
	2,590,798,777	2,405,707,336

7 Interest and Similar expenses

	2023 FRW	2022 FRW
Interest expense on loans	(197,971,861)	(203,866,053)
Interest on customer deposits	(49,396,898)	(36,729,583)
Up-front/processing/ maintenance/ commitment fee	(7,637,465)	(4,681,872)
Interest expense on lease liability	(18,391,270)	(11,698,320)
	(273,397,493)	(256,975,828)

8 Other operating income

	2023 FRW	2022 FRW
Admission fee	28,725,424	31,043,738
Passbook sale	7,454,500	8,396,000
Miscellaneous income	1,962,946	2,003,575
Notice pay from outgoing staff	4,325,484	2,448,417
Other refunds	-	-
Bad debt realization	23,334,516	18,830,688
Gain from sale of asset	-	-
SMS notification income	15,683,261	257,034
	81,486,131	62,979,452

9 Total credit loss expenses

	2023 FRW	2022 FRW
Interest exemption of customer loans	(446,538)	(5,967,996)
Loan loss provision expenses	(254,933,144)	(48,884,895)
IFRS adjustment on the credit losses	-	(79,861,894)
	(255,379,682)	(134,714,785)

Notes to financial statements (Continued)

10 Personnel expenses

	2023	2022
	FRW	FRW
Foreign Staff	(346,698,826)	(235,048,021)
Local Staff	(702,396,298)	(643,714,239)
Social security Fund	(46,427,912)	(43,173,824)
National hospital insurance fund	(9,025,423)	(8,082,103)
Other personnel expenses	(80,266,705)	(17,889,830)
	(1,184,815,163)	(947,908,017)

11 Other operating expenses

	2023	2022
	FRW	FRW
Legal fees	(1,301,900)	(2,363,829)
Audit fees	(29,145,863)	(20,136,438)
Professional fees	(4,803,828)	(6,860,605)
Transport	(114,004,600)	(99,824,741)
Utilities (electricity/gasoline/water/etc)	(15,823,011)	(14,845,593)
Printing and stationery	(6,577,574)	(7,061,684)
Office supplies expenses	(20,082,685)	(12,380,530)
Crockery	-	(231,500)
Accommodation	(2,744,222)	(716,000)
Bank charges	(3,787,902)	(5,178,986)
Communication Internet/courier/telephone)	(68,074,563)	(62,811,864)
Advertisement expenses	(575,294)	(4,362,841)
Repairs and maintenance	(7,387,352)	(4,797,122)
Entertainment	(267,250)	(1,494,200)
Permits and licenses	(700,000)	(610,000)
Personnel training and development	(1,344,316)	(1,746,250)
Miscellaneous expense	(248,312)	(142,896)
International Travel Expenses	(19,284,934)	(22,745,223)
Monitoring Allowance	(11,059,814)	(7,152,353)
Directors' Fees and Allowances	(1,161,485)	(458,454)
Security Charges for Office Buildings Expenses	(4,785,200)	(3,272,252)
Deposit Guaranty Fund Contribution Account	(1,847,534)	(1,335,886)
Management fee expense	(181,936,488)	(118,348,182)
Other Administrative Expenses	(96,633,028)	(102,943,260)
Waiver on lockdown interest	-	(120,690,653)
Tax consultancy fees	-	(3,540,000)
SMS Notification expenses	(6,595,096)	(256,451)
	(600,172,251)	(626,307,793)

Notes to financial statements (Continued)

12 Property and Equipment

2023		Office Equipment FRW	Software FRW	IT Equipment FRW	Office Furniture FRW	Vehicles FRW	Total FRW
Cost							
As at 01-Jan-23	16,404,970	36,151,006	230,453,336	30,873,964	27,685,000	341,568,276	
Additions	4,547,000	0	21,148,000	2,917,800	4,173,000	32,785,800	
Disposals	-	-	(586,000)	-	0	(586,000)	
As at 31-Dec-23	20,951,970	36,151,006	251,015,336	33,791,764	31,858,000	373,768,076	
Accumulated Depreciation							
As at 01- Jan-23	14,311,323	13,442,170	143,449,231	27,885,080	253,2083	201,619,887	
Charge for the year	1,511,921	12,049,131	56,895,701	1,965,925	5,918,567	78,341,244	
Disposals	-	-	0	-	-	0	
As at 31-Dec-23	15,823,244	25,491,301	200,344,932	29,851,005	8,450,650	279,961,131	
Carrying Amount							
31-Dec-23	5,128,726	10,659,706	50,670,404	3,940,759	23,407,350	93,806,945	
31-Dec-22	2,093,647	22,708,836	87,004,105	2,988,884	25,152,917	139,948,389	
2022							
	Office Equipment FRW	Software FRW	IT Equipment FRW	Office Furniture FRW	Vehicles FRW	Total FRW	
Cost							
As at 01-Jan-22	14,224,330	25,465,049	220,222,336	30,568,964	0	290,480,679	
Additions	2,180,640	10,685,957	10,231,000	305,000	27,685,000	51,087,597	
Disposals	-	-	-	-	0	0	
As at 31-Dec-22	16,404,970	36,151,006	230,453,336	30,873,964	27,685,000	341,568,276	
Accumulated Depreciation							
As at 01- Jan-22	13,786,883	2,114,377	88,379,094	24,420,263	0	128,700,617	
Charge for the year	524,440	11,327,793	55,070,137	3,464,817	2,532,083	72,919,270	
Disposals	-	-	-	-	0	0	
As at 31-Dec-22	14,311,323	13,442,170	143,449,231	27,885,080	2,532,083	201,619,887	
Carrying Amount							
31-Dec-22	2,093,647	22,708,836	87,004,105	2,988,884	25,152,917	139,948,389	
31-Dec-21	437,447	23,350,672	131,843,242	6,148,701	0	161,780,062	

Notes to financial statements (Continued)

13 Right-of-use assets and lease liability

	2023	2022
	FRW	FRW
Right-of-use assets		
As at 1 January	185,234,855	180,017,269
Additions during the period	114,838,774	90,976,173
Amortization during the period	(88,794,520)	(85,758,587)
As at 31 December	211,279,109	185,234,855

	2023	2022
	FRW	FRW
Lease liability		
As at 1 January	159,710,338	166,259,751
Interest expense on lease liability	16,663,639	11,698,320
Additional lease liabilities during the period	111,678,953	102,121,090
Lease payments	(112,586,943)	(120,368,823)
As at 31 December	175,465,986	159,710,338

14 Exchange rate differences

	2023	2022
	FRW	FRW
Exchange Gain	45,596,277	21,393,162
Exchange Loss	(47,706,531)	(19,209,889)
	(2,110,254)	2,183,273

15 Tax expense

	2023	2022
	FRW	FRW
Deferred tax/Tax credit/charge	(101,062,636)	(160,829,055)
	(101,062,636)	(160,829,055)

16 Cash and Cash Equivalent

	2023	2022
	FRW	FRW
Cash in Hand	19,041,112	22,927
Cash at Bank	543,311,690	449,873,195
Cash at Bank – Term Deposit	101,483,871	-
	663,836,673	449,896,122

Notes to financial statements (Continued)

17 Loans and Advances to Customers

	Note	2023 FRW	2022 FRW
Gross Loan Portfolio	17.1	5,249,981,845	4,674,577,267
Interest receivable on loans to customers	17.2	84,546,979	103,118,114
Provision for Credit Loss	17.3	- 252,326,858	- 150,822,797
Unamortized loan processing fee	-	129,193,738	118,851,314
Unearned interest on loans	-	0	0
		4,953,008,229	4,508,021,269

17.1 Gross Loan Portfolio

	2023 FRW	2022 FRW
Small loans	4,680,483,723	4,090,212,665
Small business loans	569,498,122	382,021,278
	5,249,981,845	4,472,233,943

17.2 Interest receivable

	2023 FRW	2022 FRW
Small loans	69,005,366	93,077,853
Small business loans	15,541,613	10,040,261
	84,546,979	103,118,114

17.3 Allowance for expected credit loss

	2023 FRW	2022 FRW
Balance at the beginning of the period	(150,822,797)	(109,912,709)
ECL on loans and advances to customers	(98,668,858)	(39,786,099)
ECL on interest receivable	(2,835,202)	(1,123,989)
Balance at the end of the period	(252,356,858)	(150,822,797)

18 Deferred tax asset

	2023 FRW	2022 FRW
Opening balance	33,806,074	127,729,905
Charge/credit for the year	60,038,824	(93,923,831)
	93,844,898	33,806,074

Notes to financial statements (Continued)

19 Other Assets

	2023	2022
	FRW	FRW
Security deposit (rental)	6,640,000	6,140,000
Prepayments	8,851,078	4,527,053
TDS receivable	1,910,959	5,869,183
Staff/salary advance	7,038,027	2,801,832
Other receivables	2,439,532	1,669,758
Motorbike / Bicycle Loan to Staff	1,201,178	-
Income tax paid in advance	36,222,048	
Rent Receivable	10,246,991	6,365,505
	74,549,813	27,373,331

20 Issued capital

	2023	2022
	FRW	FRW
Issued and fully paid Ordinary Shares (2022: 1,973,270 shares 2021: 1,536,657 shares of FRW 1,000 each)	1,973,270,000	1,973,270,000

21 Retained Earnings

	2023	2022
	FRW	FRW
Opening balance	(286,640,139)	(506,952,270)
Transfer to statutory reserve	23,600,480	34,855,406
Profit/(Loss) for the Year	88,211,667	185,456,724
	(174,827,993)	(286,640,139)

22 Statutory Reserves

	2023	2022
	FRW	FRW
Opening balance	23,600,480	58,455,886
Excess IFRS 9 ECL over BNR provisioning	(23,600,480)	(34,855,406)
	0	23,600,480

Non distributable reserve represents the variance in the determination of ECL using IFRS and the provisions provided by the regulator-National Bank of Rwanda.

Notes to financial statements (Continued)

23 Debt issued and other borrowed funds	Notes	2023 FRW	2022 FRW
Grameen Credit Agricole Foundation	23.1	118,004,401	354,013,207
Symbiotics managed Funds: MSME Bonds S.A	23.2	-	502,950,000
Symbiotics managed Funds: REGMIFA	23.2	515,666,385	515,666,385
Symbiotics managed Funds: Netri Fundación Privada	23.2	586,392,765	-
BK Capital managed fund: Aguka Fund	23.3	300,000,000	-
Interest payable on third-party loans		63,908,251	36,582,969
Unamortized processing fees on third-party loans		(8,954,367)	(9,227,904)
		1,575,017,435	1,399,984,657

23.1 Loan from Grameen Credit Agricole Foundation

On 24 March 2021, ASA Rwanda entered into a new agreement with Grameen Credit Agricole Foundation for a credit line of FRW 590,220,123 which has been fully drawn. This credit line started on is three years. Interest on the loans is 14.5% p.a.

23.2 Symbiotics managed Funds

ASA Rwanda entered into loan agreements with three investment funds managed by Symbiotics SA totaling to FRW1,605,009,150 (the 'Symbiotics loans'). Initially, a loan from MSME Bonds S.A amounting to FRW502,950,000 was disbursed on 30 November 2021 at fixed interest rate of 13.5% matured on 30 November 2023. This loan was fully repaid.

Secondly, a loan from REGMIFA amounting to FRW515,666,385 disbursed on 16 August 2022 for a term of 2 years at fixed interest rate of 14.5%.

Thirdly; during the year ASA Rwanda entered into loan agreement from Netri Fundación Privada amounting to FRW586,392,765 disbursed on 21 July 2023 for a term of 3 years at fixed interest rate of 13.25%.

23.5 BK Capital managed fund: Aguka Fund

ASA Rwanda entered into a loan agreement with Aguka Fund managed by BK Capital for a credit line of FRW 500,000,000 of which FRW300,000,000 has been partially drawn by December 2023. This credit line is for 1 year with interest rate of 14% p.a.

24 Due to Customers

ASA Rwanda collects deposits in two forms: security deposits and voluntary deposits. The rate of interests on voluntary savings is 6% p.a.

	2023 FRW	2022 FRW
Clients' security deposits	786,199,469	692,974,205
Clients' Voluntary savings	1,184,669,974	1,136,478,106
	1,970,869,443	1,829,452,311

25 Current tax liability

Corporate tax expense	160,115,860	160,829,055
Deferred tax assets	-	(93,923,831)
	160,115,860	66,905,224

Notes to financial statements (Continued)

26 Other Liabilities

		2023	2022
		FRW	FRW
PAYE tax payable		34,922,623	30,547,688
Due to related parties	26.1	205,213,978	44,031,786
National social security fund payable		6,862,074	7,028,033
National hospital insurance contributions payable		15,241,128	1,687,677
Withholding tax payable		4,050,734	12,621,391
VAT Control Account		7,710,900	6,833,208
Audit fees payable		23,175,863	20,540,000
Other accounts payable		25,743,204	17,569,275
Salary Payable		23,699,147	8,661,846
Rent payable		-	-
Employees' salary provision		36,061,142	
Security deposit from employee		27,087,604	27,360,104
Professional fees payable		200,000	1,116,160
Deferred Income		446,538	-
		410,414,936	177,997,168

26.1 Amount due to related parties

	2023	2022
	FRW	FRW
Management fees payable to ASA International N.V	195,628,940	40,288,758
Management fees payable to ASAI Management Services Limited	9,585,038	3,743,028
	205,213,978	44,031,786

27 Additional cash flow information

27 a) Changes in operating assets

27.(a) Changes in operating assets

	2023	2022
	FRW	FRW
Loans and Advances to Customers	(444,986,961)	(1,110,094,838)
Right of use of assets	(26,044,254)	(5,217,586)
Deferred tax asset	(60,038,824)	93,923,831
Other Assets	(47,176,482)	23,486,380
	(578,246,521)	(997,902,213)



Notes to financial statements (Continued)

27.(b) Changes in operating liabilities

	2023	2022
	FRW	FRW
Due to Customers	141,417,132	466,079,553
Lease Liability	15,755,648	(6,549,413)
Deferred Income	(446,538)	-
Unamortized processing fee on borrowings	273,537	(461,636)
Interest payable on loans	27,325,282	3,479,770
Other Liabilities	232,864,305	23,828,518
	417,189,366	486,376,792

28 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Shareholders

The two shareholders of ASA International (Rwanda) Plc are ASA International Holding and ASA International N.V. Transactions made with the shareholders and other related parties during the year were as follows:

(a) Management fees expense

	2023	2022
	FRW	FRW
ASA International N.V.	173,174,462	109,754,853
ASAI Management Services Ltd.	8,762,026	8,593,329
	181,936,488	118,348,182

(b) Due to related parties

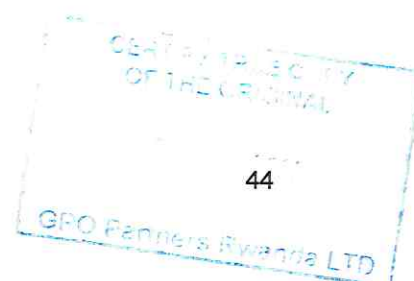
Management fees payable to ASA International N.V	195,628,940	40,288,758
Management fees payable to ASAI Management Services Limited	9,585,038	3,743,028
	205,213,978	44,031,786

(c) Key management compensation

The remuneration to the key management staff was as follows:

	2023	2022
	FRW	FRW
Salaries and other short-term employment benefits	99,634,225	86,950,049

The key management is composed of Managing Director.



Notes to financial statements (Continued)

(d) Directors' remuneration

The remuneration and sitting allowance to the Directors for the Board meeting attendance and services is as follows:

	2023	2022
	FRW	FRW
Directors' Fees and Allowances	21,607,872	19,252,371

29. Capital commitments

There were no capital commitments at the end of the year 2023 (2022: Nil).

30. Contingent Liabilities

The company had no contingent liabilities as at 31 December 2023 (2022: Nil).

31. Events after the reporting period

There are no events after the reporting date that require disclosure in or adjustments to the financial Statements as at the date of this report. (2022: None).

32. Ultimate parent company

The ultimate parent company is ASA International Group Plc a company incorporated in England and Wales.

