Infrastructure Credit Guarantee Company Limited

Annual Report

31 December 2020

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Corporate information

Directors	Mr. Uche Orji	- Chairman
	Mr. Chinua Azubike	- Managing Director/Chief Executive Officer
	Mr. Christopher Vermont (British)	-Non-Executive Director
	Mrs. Stella Ojekwe-Onyejeli	-Non-Executive Director
	Mr. Banji Fehintola	-Non-Executive Director
	Mr. Sanjeev Gupta (Indian)	-Non-Executive Director
	Mr. Solomon Quaynor*	-Non-Executive Director
	Mrs Vivien Shobo**	-Non-Executive Director
	Mrs. Claire Jarratt**	-Non-Executive Director
	Mr. Gilles Vaes**	-Non-Executive Director

*Resigned from the Board effective 30 April 2020
**Appointed to the Board effective 10 December 2020

Registered office
Infrastructure Credit Guarantee Company Limited
1 Adeyemo Alakija Street,
Victoria Island,
Lagos
Email: info@infracredit.ng
Website: www.infracredit.ng

Company Secretary
Olaniwun Ajayi LP
Plot L2, 401 Close, Banana Island,
Ikoyi,
Lagos.
Email: lawyers@olaniwunajayi.net
Website: www.olaniwun-ajayi.net

Auditor
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos.

Bankers
Access Bank Plc
Stanbic IBTC Bank Plc
Ecobank Limited
Guaranty Trust Bank Plc
United Bank for Africa Plc

Directors' report
for the year ended 31 December 2020

The Directors present their report on the affairs of Infrastructure Credit Guarantee Company Limited ("the Company") together with the audited financial statements and independent auditor's report for the year ended 31 December 2020

1. Legal form

The Company was incorporated in Nigeria as a private limited liability company on 20 October 2016 to perform the business of providing credit enhancement and guarantees. It commenced operations in January 2017.

2. Principal activities

The principal activity of the Company is to provide credit enhancement and issue credit guarantees for eligible infrastructure transactions. The Company is also involved in investing in corporate debt securities, FGN bonds and Eurobonds, and other highly rated short term debts issued by the Federal Government of Nigeria as may be approved by the Board of the Company.

3. Operating results

Highlights of the Company's operating results for the year are as follows:

In thousands of Naira	**31 December 2020**	**31 December 2019**
Gross earnings	4,225,486	2,971,716
Tax (expense)/credit	240,591	(18,180)
Profit for the year	2,707,151	1,034,559

4. The Board of Directors did not propose any dividend for the year ended 31 December 2020 (2019: Nil)

5. Directors and their interests

The Directors who held office during the year are:

Mr. Uche Orji	-	Chairman
Mr. Chinua Azubike	-	Managing Director/Chief Executive Officer
Mr. Christopher Vermont (British)	-	Non-Executive Director
Mrs. Stella Ojekwe-Onyejeli	-	Non-Executive Director
Mr. Banji Fehintola	-	Non-Executive Director
Mr. Sanjeev Gupta (Indian)	-	Non-Executive Director
Mr. Solomon Quaynor *	-	Non-Executive Director
Mrs. Vivien Shobo**	-	Non-Executive Director
Mrs. Claire Jarratt**	-	Non-Executive Director
Mr. Gilles Vaes**	-	Non-Executive Director

*Resigned from the Board effective 30 April 2020
**Appointed to the Board effective 10 December, 2020

None of the Directors have an interest in the shareholding of the Company as required to be disclosed under section 301 of the Companies and Allied Matters Act, 2020.

6. Directors' interests in contracts

None of the Directors had direct or indirect interests in contracts with the Company during the year as required to be disclosed under section 303 of the Companies and Allied Matters Act, 2020.

7. Meetings of Board of Directors

There were four meetings of Board of Directors held quarterly during the year. Apart from the Director who resigned on 30 April and Directors who were appointed on 10 December 2020, all other Directors attended all the meetings.

The Quarter one (Q1) meeting held in March 2020 was a physical meeting attended by all the Directors on the Board as at March 2020 while the other three meetings were virtual meetings.

8. Property and equipment

Information relating to changes in property and equipment is provided in note **19** of the financial statements.

9. Shareholding analysis

According to the statement of share capital and return of allotment of shares, the shareholders of the Company are as follows:

	Number of shares held	**% Shareholding**
31 December 2020		
Shareholder:		
Nigeria Sovereign Investment Authority (NSIA)	13,611,365,196	40.83
Africa Finance Corporation (AFC)	9,616,877,293	28.85
InfraCo Africa Investment Limited (InfraCo)	10,111,365,196	30.33
	33,339,607,685	**100**

NSIA and InfraCo have equal voting rights (33.89% each) while AFC has 32.22% voting rights. Included in NSIA 's total number of share are 3,500,000,000 shares which carry no voting rights. (Refer to note 26 for further details on the Share Capital)

Directors' report
for the year ended 31 December 2020

31 December 2019

Shareholder:		
Nigeria Sovereign Investment Authority (NSIA)	12,514,500,001	58
Africa Finance Corporation (AFC)	9,014,500,001	42
	21,529,000,002	**100**

10. Human resources

Equal Opportunity Employer

The Company is an equal opportunity employer in all regards. The Company does not discriminate on the basis of gender, religion, race or disability. Applications by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is provided. It is the policy of the Company that the training, career development and promotion of disabled persons should as far as possible, be identical with those of other employees.

All aspects of employment including the decision to hire, promote, discipline, or discharge, is based on merit, competence, performance, and business needs.

The Company had no disabled person in its employment as at 31 December 2020 (December 2019: Nil)

Health, safety and welfare at work

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. Medical facilities are provided for employees and their immediate families at the Company's expense up to stated limits. Fire-fighting equipment are installed in strategic locations within the Company's premises.

Employee involvement and training

The Company's policy with regards to employee involvement and training is to encourage participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Company provides opportunities where employees deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its manpower. Consequently, the Company sponsors its employees for various training courses as necessary.

11. Events after the end of the reporting period

There were no events after the reporting period which could have a material effect on the financial statements of the Company which have not been recognized and/or disclosed.

12. Donations and charitable gifts

No donation was made to any political party or organization during the year. Donations and charitable gifts amounting N14 million (2019: Nil million) were made during the year and included in note 13 of the financial statement. See details below:

	Purpose	**31 December 2020**	**31 December 2019**
Food Bank Alliance	Food initiative designed to reach out to vulnerable Nigerians during the "lockdown" necessitated by COVID-19 Pandenmic	12,536,638	-
Lagos State Smart Meter Hackathon	This is an innovative initiative aimed at addressing the huge metering deficit in Lagos State	1,000,000	-
		13,536,638	-

13. Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditors to the Company. In accordance with section 401(2) of the Companies and Allied matters Act of Nigeria therefore, the auditors will be re-appointed at the next general meeting of the Company without any resolution being passed.

Directors' report
for the year ended 31 December 2020

14. Impact of COVID - 19

The coronavirus pandemic, which was first detected in China (late 2019), has infected more than 126 million people and caused over 2.76 million fatalities around the globe as at 25 March 2021. The pandemic forced governments to implement lockdowns and restriction to movement, which negatively impacted economic activities during the year. The International Monetary Fund (IMF) revised its global growth projection downwards to -4.9% in 2020 from an earlier projection of a 3.6% growth (pre-COVID), mainly due to the more negative impact the virus has had on activity in the year. In response to the economic downturn owing to the pandemic, countries around the world have resorted to fiscal stimulus to boost economic activities. The fiscal stimulus has varied across board, based on respective economic strength. Emerging market economies have averaged about 5% of GDP, while developed markets have averaged north of 10% of GDP in fiscal stimulus. Also, central banks in most countries slashed interest rates, which is expected to make borrowing cheaper, encourage spending as well as improve production to boost the economy. Most significantly the US Fed slashed its policy rate to 0 - 0.25% range, from 1.50 - 1.75% before the pandemic, while also providing up to $2.3 trillion in lending to support households, employers, financial markets, and state and local governments. Nigeria was not immune to the ravaging human and economic impact of COVID-19. The corona virus which was first detected on the 27th of February 2020 in Nigeria, had infected over 134,000 people and caused over 1,500 fatalities in Nigeria as at 31 December 2020.

In order to curb the spread of the virus, the federal government initially implemented a total lockdown in Lagos, Abuja and Ogun state. While other state governments also implemented restrictions. The impact of these restrictions was evident in the significant drop in the private sector activities in the month of April 2020. The country witnessed significant drop in oil revenue following the triple impact of price war between Saudi and Russia in early March, loss of demand due to the pandemic and OPEC+ agreement to unprecedented production cut. The country fell into recession by the end of the third quarter of the year under review following the drop in oil prices, rising level of inflation and higher level of budget deficit. In response to the challenging economic trend, the Central Bank of Nigeria (CBN) through the Monetary policy committee (MPC) cut the Monetary policy rate (MPR) by 100bps to 12.5% at its May 2020 meeting. It devalued the currency by 6% and announced a combined NGN3.5trn stimulus intervention fund targeted at the health and manufacturing sectors as well as households. By the end of the fourth quarter, the country was officially out of recession. The Company is endowed with strong and diversified funding base and this supports our ability to sustain the business throughout this crisis and take advantage of market opportunities as they arise.

The significant doubt associated with the current uncertainties related to COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the Company's ability to continue as a going concern in the foreseeable future. Notwithstanding, the Company will continue to closely monitor the emerging impact of the pandemic to ensure that they are appropriately mitigated. There was no other event after the end of the reporting period which could have a material effect on the financial statements of the Company for the year ended 31 December 2020 which has not been adjusted for, or disclosed in, the financial statements.

BY ORDER OF THE BOARD

Olaniwun Ajayi LP
FRC/2013/00000000001615
Company Secretary
Plot L2, 401 Close, Banana Island,
Ikoyi,
Lagos.
April 23, 2021

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2020

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, 2020 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Company's ability to continue as a going concern and has no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Uche Orji
FRC/2014/IODN/00000007036
Chairman
April 23, 2021

Mr. Chinua Azubike
FRC/2018/ICSAN/00000016559
Managing Director/Chief Executive Officer
April 23, 2021

Statement of Corporate Responsibility for the Financial Statements for the Year Ended 31 December 2020

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Financial Controller, hereby certify the financial statements of Infrastructure Credit Guarantee Company Limited for the year ended 31 Dec 2020 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2020.

b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

c) That the audited *financial* statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended *31 December 2020*.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the year ended 31 December 2020.

e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date

f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

g) That we have disclosed the following information to the Company's Auditors and Audit Committee:

(i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

(ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal control.

Mr. Chinua Azubike
Managing Director/Chief Executive Officer
FRC/2017/ICSAN/00000016559
April 23, 2021

Mr. Collins Eguakun
Financial Controller
FRC/2013/ICAN/00000000843
April 23, 2021

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Bishop Aboyade Cole Street
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Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Infrastructure Credit Guarantee Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Infrastructure Credit Guarantee Company Limited (the Company), which comprise:

- the statement of financial position as at 31 December, 2020;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended, and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

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 the Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other 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.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, the Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2020, Statement of corporate responsibilities and Other National Disclosures, 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 connection 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 a 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 of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA) 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 ISAs, we exercise professional judgment and maintain professional skepticism throughout 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

We communicate with the Finance and Audit Committee 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
Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
21 May 2021
Lagos, Nigeria

Statement of financial position
As at:

In thousands of Naira	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	15	11,587,896	13,025,708
Investment securities	16	49,586,875	29,092,303
Guarantee fee receivable	17	3,298,324	2,772,403
Other assets	18	222,328	122,030
Property and equipment	19	199,138	240,912
Right of use asset	20	195,244	217,141
Intangible assets	21	50,851	47,866
Deferred tax asset	23	295,608	30,528
Total assets		**65,436,264**	**45,548,891**
Liabilities			
Current tax liability	14(c)	24,363	10,401
Financial guarantee liability	22	3,821,543	3,173,458
Other liabilities	24	845,720	344,757
Lease liability	25	126,413	110,801
Unsecured subordinated long term loan	28	28,613,973	23,170,389
Total liabilities		**33,432,012**	**26,809,806**
Equity			
Ordinary share capital	26(a)	2,974,785	1,983,190
Irredeemable preference share capital	26(b)	8,022,905	8,022,905
Redeemable preference share capital	26(c)	18,841,917	8,022,905
Deposit for shares	26(e)	426,819	-
Share premium	26(f)	19,832	-
Retained earnings	27	1,717,994	710,085
Total equity		**32,004,252**	**18,739,085**
Total liabilities and equity		**65,436,264**	**45,548,891**

The financial statements were approved by the Board of Directors on 23 April 2021 and signed on its behalf by:

Mr. Uche Orji
FRC/2014/IODN/00000007036
Chairman

Mr. Chinua Azubike
FRC/2018/ICSAN/00000016559
Managing Director/Chief Executive Officer

Mr. Collins Eguakun
FRC/2013/ICAN/00000000843
Financial Controller

The accompanying notes form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
For the year ended:

In thousands of Naira	**Note**	**31 December 2020**	**31 December 2019**
Gross revenue		**4,225,486**	**2,971,716**
Guarantee fee income	7	884,875	642,416
Guarantee fee expenses	8	(97,270)	(123,409)
		787,605	519,007
Interest income	9(a)	3,340,611	2,329,300
Interest expense	9(b)	(1,708,346)	(794,993)
Impairment loss on financial instruments	10	(180,885)	(44,097)
Other income	11(a)	17,565	13,322
Foreign exchange gain	11(b)	1,812,393	9,792
		4,068,943	**2,032,331**
Personnel expenses	12	(836,576)	(448,207)
Depreciation of property and equipment	19	(76,117)	(53,854)
Depreciation of right of use asset	20	(21,897)	(1,825)
Amortisation of intangible asset	21	(9,352)	(731)
Other operating expenses	13	(658,441)	(474,975)
		(1,602,383)	**(979,592)**
Profit before tax		**2,466,560**	**1,052,739**
Tax credit/ (charge)	14(a)	240,591	(18,180)
Profit after tax for the year		**2,707,151**	**1,034,559**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:		-	-
Fair value gain on available-for-sale financial assets		-	-
Total comprehensive profit		**2,707,151**	**1,034,559**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
As at 31 December 2020

In thousands of Naira	Share capital	Irredeemable preference capital	Redeemable preference capital	Deposit for share	Share premium	Retained earnings/ (accumulated losses)	Total equity
Balance as at 1 January 2020	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**-**	**710,085**	**18,739,085**
Total comprehensive income for the year							
Transfer from profit or loss and other comprehensive income	-	-	-	-	-	2,707,151	2,707,151
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**2,707,151**	**2,707,151**
Transactions with shareholders, recorded directly in equity							
Issue of shares	991,595	-	9,119,770	426,819	19,832	-	**10,558,016**
Capitalization of preference dividend (See notes 26 (c))	-	-	1,699,242	-	-	(1,699,242)	-
Total comprehensive income	**991,595**	**-**	**10,819,012**	**426,819**	**19,832**	**(1,699,242)**	**10,558,016**
Balance at 31 December 2020	**2,974,785**	**8,022,905**	**18,841,917**	**426,819**	**19,832**	**1,717,994**	**32,004,252**
Balance as at 1 January 2019	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**-**	**(324,474)**	**17,704,526**
Total comprehensive income for the year							
Transfer from profit or loss and other comprehensive income	-	-	-	-		1,034,559	1,034,559
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,034,559**	**1,034,559**
Balance at 31 December 2019	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**-**	**710,085**	**18,739,085**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
For the year ended

In thousands of Naira	Notes	31 December 2020	31 December 2019
Cash flow from operating activities:			
Profit after tax		2,707,151	1,034,559
Tax charge/(credit)		(240,591)	18,180
Profit before tax		2,466,560	1,052,739
Adjustment for:			
Depreciation of property and equipment	19	76,117	53,854
Depreciation of Right of use asset	20	21,897	1,825
Amortisation of intangible asset	21	9,352	731
Write off on Property and equipment	32(j)	-	1,627
Loss on disposal	33(j)	6,041	-
Impairment loss on financial instruments	10	180,885	44,097
Exchange loss on unsecured subordinated debts	32(k)	2,337,029	-
Exchange gain on investment securities	32(a)	(4,149,422)	-
Interest income	9(a)	(3,340,611)	(2,329,300)
Interest expense	28	1,420,884	794,993
		(971,268)	(379,434)
Changes in :			
Other assets	32(d)	(99,249)	(34,758)
Guarantee fee receivable	32(e)	(504,778)	(1,956,720)
Financial guarantee liability	32(c)	648,085	2,099,563
Lease liability	25	15,612	-
Other liabilities	32(f)	500,963	(336,239)
		560,633	(228,154)
Interest paid	28	(2,134,774)	(16,508)
Interest received	32(b)	3,323,089	2,138,243
Tax paid	14(c)	(10,527)	(639)
Net cash flows generated from operating activities		**767,153**	**1,513,508**
Cash flow from investing activities:			
Acquisition of property and equipment	19	(41,854)	(174,014)
Proceeds from disposal of property and equipment	32(j)	1,470	-
Acquisition of intangible asset	21	(12,337)	(46,464)
Purchase of investment securities	32(a)	(16,492,635)	(11,503,726)
Acquisition of right of use asset	20	-	(109,450)
Net cash flows used in investing activities		**(16,545,356)**	**(11,833,654)**
Cash flow from financing activities:			
Proceeds from the issues of shares	26(f)	1,011,427	-
Proceeds unsecured subordinated debt	28	3,820,445	9,579,500
Issue of redeemable preference shares	26(c)	9,119,770	-
Deposit for shares	26(e)	426,819	-
Net cash flows from financing activities		**14,378,461**	**9,579,500**
Increase in cash and cash equivalents		(1,399,742)	(740,646)
Cash and cash equivalents at beginning of the year	15	13,033,759	13,774,405
Cash and cash equivalents at the end of the year	15	**11,634,017**	**13,033,759**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Infrastructure Credit Guarantee Company Limited ("the Company") is a private limited liability company incorporated in Nigeria under the Companies and Allied Matters Act of Nigeria. The Company was incorporated on 20 October 2016 and commenced operations in January 2017. The current address of its office is 1 Adeyemo Alakija Street, Victoria Island, Lagos.
The Company is primarily involved in the provision of credit enhancement and issuance of credit guarantees for eligible infrastructure transactions. The Company is also involved in investing in corporate debt securities, FGN bonds and Eurobonds, and other highly rated short term debts issued by the Federal Government of Nigeria as may be approved by the Board of the Company.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria Act, 2011.
The financial statements were authorized for issue by the Board of Directors on 23 April 2021

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the Company's functional and presentation currency. All financial information presented in Nigerian Naira have been rounded to the nearest thousand, unless otherwise indicated.

(c) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments that are measured at amortised cost. The company applies accrual accounting for recognition of its income and expenses.

(d) Going concern assumption

The financial statements have been prepared on the basis that the Company will continue to operate as a going concern.

(e) Use of estimates and Judgements

The preparation of these financail statements is in conformity with the IFRS requiements. Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts to assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
In preparing this financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

Judgement

Information about judgements made in applying accounting policies that have the most significant effects on the amounts
*Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is included in the following notes
*Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used (see note 4(k)) as well as the likelihood and uncertainties of the extension of the tax exempt status of income on Government securities which we have assumed to be highly likely. Included in the recoverability review of deferred tax assets is assumptions about interest rates, exchange rates, inflation rate as well as the likelihood of the extension of the tax-exempt status of income on Government securities which we assume is more than likely.
*Determination of the fair value of financial instruments with significant unobservable inputs.
*Impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL

3 Changes in accounting policies

Except as described below, the Company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these year end financial statements
***Amendments to IFRS 3 (Definition of Business)**: This amendment provides more guidance on the definition of a business. The amendment will be applied retrospectively. .
***Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform)**: This amendment seeks to address uncertainties related to the market wide reforms of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9

Notes to the financial statements

39 of IFRS 9.

***Amendments to IAS 1 and 8 (Definition of Material)**: This amendment provides more guidance on the definition of a materiality. The purpose of the amendment is to end the checklist mentality by encouraging companies to use greater judgement. The amendment would be applied retrospectively.

The above mentioned amendments and interpretations to the IFRS standards adopted on 1 January, 2020, did not affect the Company's previously reported financial results, disclosures or accounting polcies and did not impact the company's results materially upon transition

Standards that are not yet effective as at 31 December 2020	
1-Jan-22	IFRS 17 Insurance Contracts
	Annual improvements IFRS Standards 2018-2020- Amendments to IFRS 1 First time Adoption of International Financail Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture
	Reference to the Conceptual Framework - Amendments to IFRS 3 Buisness Combinations
	Property, Plant and Equipment - Proceeds before intended Use: Amendmentstto IAS 16 Property, Plant and Equipment
	Onerous Contract - Cost of Fulfilling a Contract. Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
1-Jan-23	IFRS 17 Insurance Contracts
	Classification of Liabilities as Current or Non-current –Amendments to IAS 1 Presentation of Financial Statements
	Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
To be determined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

4 Significant accounting policies

The significant accounting policies set out below have been consistently applied during the period presented in these financial statements, unless otherwise stated.

(a) Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of less than three months from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(b) Revenue recognition

(i) Guarantee fees income

The Company recognises guarantee fees received and receivable as deferred revenue at the inception of the contract. Deferred revenue is subsequently recognised as earned revenue in profit or loss over the contractual period or expected period of the contract in proportion to the amount of the guarantee contract on a straight line basis. As revenue is recognised, a corresponding decrease to deferred income is recorded. Other fee income are recognised as the related services are performed.

(ii) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

–the gross carrying amount of the financial asset; or
–the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance

Notes to the financial statements

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost. Other interest income presented in the statement of profit or loss and OCI includes interest income on balances with banks.

(c) Property and equipment

(i)Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is calculated over their estimated useful lives at the following rates:

Office equipment	25%
Computer equipment	25%
Furniture and fittings	25%
Motor vehicles	25%
Leasehold improvement	10%

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(iv) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(d) Intangible assets

Computer Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised on a straight-line basis in the profit or loss over the estimated useful life of the software, from the date that it is available for use. All intangible assets of the Company have finite useful life and are amortised over 4 years. Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate. Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition is included in profit or loss in the year the asset is derecognised.

(e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

Notes to the financial statements

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Foreign currency transactions

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(g) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations include wages, salaries and other benefits which the Company has a present obligation to pay, as a result of employees' services provided up to the reporting date. Short term obligations are measured on an undiscounted basis and are expensed as the related service is provided.. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post employment benefits

The Company operates a defined contributory pension scheme in line with the provisions of the Pension Reform Act 2014, with contributions based on the sum of employees' basic salary, housing and transport allowances in the ratio of 8% by the employee and 10% by the employer. The contributions of 10% by the Company is recognised in the profit or loss in the period to which they relate, while Employees' contributions are funded through payroll deductions.

(h) Leases

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

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the financial statements

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

As a lessor

This is not applicable as the Company is not a lessor with respect to lease of an asset.

(i) Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount can not be reliably estimated.

(k) Taxation

Current income tax

Income tax payable is calculated on the basis of the tax law in Nigeria and is recognised as an expense or (income) for the period except to the extent that current tax relates to items that are charged or credited directly to equity. 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.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment. The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(l) Financial instruments

Financial assets

(i) Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

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

(ii) Classification and subsequent measurement

The Company does not measure its financial assets at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss. Subsequent to initial recognition and measurement, all financial assets are measured at amortised cost using the effective interest method. The amortised 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 derecognition is recognised in profit or loss.

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 amortised cost if it meets both of the following conditions and is not designated as at 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.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Company manages the assets held within the portfolio to collect contractual cash flows (instead of managing the overall return on the portfolio by holding and selling the assets or by trading on the assets). Although the objective of the Company's business model is to hold assets in order to collect contractual cash flows, it may sell the assets prior to their maturity in response to increase in the assets' credit risk. To determine whether there has been an increase in the assets' credit risk, the Company considers reasonable and supportable information including forward-looking information. Irrespective of their frequency and value, sales due to an increase in the assets' credit risk is not inconsistent with the Company's business model objective of holding the financial assets with a view to collecting contractual cash flows. Other instances where the Company may sell its financial assets and such sale would be considered consistent with the objective of holding the assets in order to collect contractual cash flows include sales made close to maturity of the assets and sales made with a view to providing liquidity in the event of any of its guarantees being called.

Assessment of whether contractual cash flow are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

· contingent events that would change the amount or timing of cash flows;

· terms that may adjust the contractual coupon rate, including variable-rate features;

· prepayment and extension features; and

· terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

(i) Classification and subsequent measurement

All financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

(i) Financial assets

The Company derecognises 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.

If the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, in these cases, the transferred assets are not derecognised.

(ii) Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises 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 recognised at fair value. On derecognition 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 recognised in profit or loss.

Notes to the financial statements

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 realise the asset and settle the liability simultaneouslv.

Impairment of financial assets

The Company recognises loss allowances for ECL on financial instruments that are not measured at FVTPL such as:

- investment securities measured at amortized cost;
- trade receivables;
- other financial assets

Loss allowances are measured at an amount equal to life time expected credit losses (ECLs) or 12-month expected credit losses (ECLs) depending on whether the credit risk of the obligor has increased significantly or not.

Loss allowances are measured at 12 month ECLs:

- for assets which are determined to have low credit risk at the reporting date;
- When assets have not increased significantly since initial recognition.

On the other hand, loss allowances are measured at life time ECLs if the credit risk associated with the assets has increased significantly since initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Financial instruments that are credit-impaired and for which a lifetime ECL is recognised are referred to as 'Stage 3 financial instruments.

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 includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

The Company holds a portfolio of "investment grade" assets with minimum rating of "BBB" assigned by a recognized rating agency. The credit risk associated with an investment security is deemed to be low if the credit rating of the issuer falls by one notch at the end of the reporting period. If the rating falls by at least two notches from the date of initial recognition, the credit risk is deemed to have significantly increased.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Financial guarantees contracts

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Financial guarantee contract is initially recognised at fair value and subsequently measured at the higher of:

· the amount of the impairment loss allowance on the guarantee
· the amount initially recognised less, when appropriate, the cumulative amount of fee income recognised on the guarantee

Determination of ECLs for financial guarantees is based on the credit risk of the obligor that issues the infrastructure bond for which the Company provides a guarantee.

When determining whether the credit risk of the obligor has increased significantly since initial recognition of the financial guarantee and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company historical experience and informed credit assessment of the obligor and including forward-looking information.

The Company assumes that the credit risk of an obligor has increased significantly if the principal repayment, coupon on the infrastructure bond and/or the guarantee fee are more than 30 days past due except it is proven that the reason for the delay in contract payments are not credit risk related.

The Company considers an obligor to be in default when the principal repayment, coupon and/or guarantee fee are more than 90 days past due except it is proven that the reason for the default in contract payments are not credit risk related.

The Company carries out an independent valuation of the collaterals held in respect of financial guarantee contracts to customers. This she does by contracting an independent valuation experts to determine the open market capital value of the collaterals. This valuation of the collaterals is to be carried out every three (3) years at most. The open market value of the assets is adopted by the company following the valuation.

Notes to the financial statements

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximizes the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price

Subsequently, that difference is recognized in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures the assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk are managed by the Company on the basis of the net exposure to either market or credit risk. The net exposure is measured on the basis of a price that would be received to see a net long position (or paid to transfer a net short position) for a particular exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognizes transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

(m) Share capital

(i) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Preference shares

Irredeemable preference shares are classified and accounted for as equity because the Company is not under any obligation to deliver cash or other financial assets. Besides, payment of dividend is discretionary.

Redeemable preference shares are also classified and accounted for as equity because payment of dividend is discretionary and repayment of capital sum is at the sole option of the Company.

(iii **Deposit for shares**

This represents contribution by InfraCo Africa Investment Limited for allotment of preference shares. The company may at its discretion, use its best efforts to achieve a liquidity event for the subscriber as soon as practicable but in any event, no later than the seventh anniversary

5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Notes to the financial statements

(i) Classification of financial assets- Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 4). The Company determines the business model at a level that reflects how companys of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Income taxes

Significant estimates are required in determining the provision for income taxes. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters 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. Income taxes also include the judgement on whether to recognise deferred tax assets. This is based on the assessment of if and when future taxable profits will be realized to utilise the tax losses carried forward.

(ii) Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(iii) Valuation of financial instruments

The Company measures fair values for disclosure purposes using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques based on significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

The Company measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Notes to the financial statements

6 Financial risk management

(a) Introduction

This note presents information about the Company’s exposure to different types of risks, the objectives, systems, policies and processes for identifying, measuring and managing risks, and the Company’s management of capital.

The Company's activities expose it to a variety of risks, and those activities principally involve creation of financial assets and liabilities. Risk taking is the core of the company's business and operational risks amongst others are an inevitable consequence of being in the financial services industry.

The Company's aim is to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Company's financial performances. The Company has therefore built its business around sound risk management practices, so that as it actively seeks opportunities to create value for its clients and stakeholders, there is also a deliberate, concerted effort to preserve value.

The Company has adopted encompassing Risk Management & Guarantee Policies that consider risk from a comprehensive and integrated standpoint.

(b) Risk management objectives

The primary objective of risk management is to ensure efficient risk/return decision-making, reduce volatility in operating performance, improve operational efficiency as well as the quality of service delivery and ensure that the Company's risk profile is transparent to all stakeholders.

Risk Management practices at the Company center around building a sustainable business where an acceptable risk profile is consistently maintained, given risk capacity and tolerance levels per time.

Therefore, its approach is driven by the following key objectives:

Business sustainability: This represents resiliency over time. It involves the organisation’s ability to survive significant internal and external shocks.

Accountability: This represents the directors' obligations to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.

Risk/reward alignment: This is an optimization concept that seeks to achieve maximum possible return for each unit of risk taken.

Operational efficiency: This represents the Company's ability to deliver services in the most cost-effective manner possible while maintaining the highest feasible quality standards.

(c) Risk management framework

The Company’s risk management philosophy is premised on the belief that aggressive and yet guarded risk attitude will ensure sustainable growth in shareholders value and corporate reputation. To this end, the Board and Management are committed to establishing and sustaining tested practices in risk management. The Board of Directors determines the Company’s goals in terms of risk by issuing a risk policy. The policy both defines acceptable levels of risk for day-to-day operations, as well as the willingness of the Company to incur risk, weighed against the expected rewards.

The risk policy is detailed in the Risk Management & Guarantee Policies, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk areas of credit, market, liquidity and operational risks.

The evolving nature of risk management practices necessitates regular review of the effectiveness of each enterprise risk management component. In the light of this, the Company’s Risk Management & Guarantee Policies is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways:

(i) Continuous self evaluation and monitoring by the Risk Management Unit

(ii) Independent evaluation and reviews

The Head, Credit Risk has the primary responsibility for risk management and for the review of the Risk Management & Guarantee Policies. All amendments to the Company’s Risk Management & Guarantee Policies require the Board's approval. The unit also has the responsibility to enforce the risk policy of the Company by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

Notes to the financial statements

The different risk exposures faced by the Company are summarized into the broad risk categories below;

Risk type	Description	Loss characteristics
Market risk	The risk of loss due to unfavourable movements in the prices of assets.	This could result in loss of value to the Company's investment portfolio.
Credit risk	The risk of loss arising from counterparty's inability or unwillingness to fulfill contractual obligations to the Company.	This could result in impairment in the Company's credit assets and could invariably affect its short to long-run liquidity needs.
Liquidity risk	The risk that the Company will not be able to meet its financial obligations as they fall due.	This could result in significant business disruption or could hinder normal operations of the Company.

(d) Significant risks

(i) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. In guaranteeing certain debts of its client companies, the Company also becomes indirectly exposed to the market risks of those companies.

The objective of market risk management is to control and bring market risk exposures within acceptable parameters to ensure the Company's solvency, while optimising the return on risk.

The Company's market risk management practice seeks to achieve an appropriate balance between risks and returns in its investment decisions thereby reducing volatility to its earnings. The Company has no trading financial instruments.

Interest rate risk:

Interest rate risk is the risk of loss in the fair value of investment positions due to unfavorable movements in interest rate spreads. The Company's exposure to interest rate risk is majorly from its financial assets such as money market placements, treasury bills, Eurobonds and financial liabilities such as the unsecured subordinated long term loan from KFW and AFDB.

The investment policy of the Company restricts its investment portfolio to 60% in highly rated/liquid securities with weighted average duration of 2 years and 40% in highly rated/liquid securities with weighted average duration of 5 years.

The table below summarizes the Company's interest rate gap position, analysed by the earlier contractual re-pricing or maturity date is as follows:

31 December 2020			**Interest bearing instruments**				**Non-interest**
In thousands of Naira	**Note**	**Carrying amount**	**Less than 3 months**	**3 months - 6 months**	**6 months - 1 year**	**Over 1 year**	**Bearing instruments**
Assets							
Cash and cash equivalents	15	11,587,896	11,587,889	-	-	-	7
Investment securities	16	49,586,875	-	-	7,580,882	42,005,993	-
Guarantee fee receivable	17	3,298,324	-	-	-	-	3,298,324
Other financial assets	18	168,677	-	-	-	-	168,677
		64,641,772	11,587,889	-	7,580,882	42,005,993	3,467,008
Liabilities							
Financial guarantee liability	22	3,821,543	-	-	-	-	3,821,543
Other liabilities	24	407,714	-	-	-		407,714
Unsecured subordinated long term loan	28	24,767,316	158,049	-	3,688,609	20,920,658	-
		28,996,573	158,049	-	3,688,609	20,920,658	4,229,257
Total interest pricing gap		**35,645,199**	**11,429,840**	**-**	**3,892,273**	**21,085,335**	**(762,249)**

Notes to the financial statements

31 December 2019			**Interest bearing instruments**				**Non-interest**
In thousands of naira	**Note**	**Carrying amount**	**Less than 3 months**	**3 months - 6 months**	**6 months - 1 year**	**Over 1 year**	**bearing instruments**
Assets							
Cash and cash equivalents	15	13,025,708	13,025,258	-	-	-	450
Investment securities	17	29,092,303	-	-	369,091	28,723,212	-
Guarantee fee receivable	17	2,772,403	-	-	-	-	2,772,403
Other financial assets	18	86,069	-	-	-	-	86,069
		44,976,483	13,025,258	-	369,091	28,723,212	2,858,922
Liabilities							
Financial guarantee liability	22	3,173,458	-	-	-	-	3,173,458
Other liabilities	24	99,599	-	-	-		99,599
Unsecured subordinated long term loan	28	23,170,389	-	-	-	23,170,389	-
		26,443,446	-	-	-	23,170,389	3,273,057
Total interest pricing gap		**18,533,037**	**13,025,258**	**-**	**369,091**	**5,552,823**	**(414,135)**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

The sensitivity of the Company's profit or loss & equity to an increase or decrease in market rates by 200 basis points is as follows:

In thousands of Naira	**31 December 2020**	**31 December 2019**
Profit or loss & equity		
Increase	728,149	376,951
Decrease	(728,149)	(376,951)

Foreign Exchange rate risk

Foreign exchange risk is the exposure of the Company's financial condition to fluctuation in exchange rates. Where the Company invests in financial instruments that are denominated in currencies other than its fuctional currency, it is exposed to foreign exchange risk. In this scenario, the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of the Company's financial assets and liabilities denominated in currencies other than Nigerian Naira. The Company's exposure to foreign exchange rate risk arises majorly from its USD denominated bank balance, money market placement, Eurobonds, due to related parties and other financial liabilities that are denominated in foreign currency.

Notes to the financial statements

The table below shows the Company's exposure to foreign exchange rate risk:

31 December 2020

In thousands of Naira	**Note**	**Naira**	**US Dollar**	**Total**
Assets				
Cash and cash equivalents	15	831,267	10,802,750	11,634,017
Investment securities	16	4,371,701	45,215,174	49,586,875
Guarantee fee receivable	17	3,298,324	-	3,298,324
Other assets	18	231,140	-	231,140
		8,732,432	56,017,924	64,750,356
Liabilities				
Financial guarantee liability	22	3,821,543	-	3,821,543
Unsecured subordinated long term loan	28	-	24,767,316	24,767,316
Other liabilities	24	394,227	13,487	407,714
		4,215,770	24,780,803	28,996,573
		4,516,662	**31,237,121**	**35,753,783**

31 December 2019

In thousands of Naira		**Naira**	**US Dollar**	**Total**
Assets				
Cash and cash equivalents	15	399,452	12,626,256	13,025,723
Investment securities	16	3,811,169	25,281,134	29,092,318
Guarantee fee receivable	17	2,772,403	-	2,772,420
Other assets	18	100,491	21,539	122,030
		7,083,515	37,928,929	45,012,491
Liabilities				
Financial guarantee liability	22	3,173,458	-	3,173,480
Unsecured subordinated long term loan	28	-	23,170,389	23,170,417
Other liabilities	24	131,891	6,455	138,370
		3,305,349	23,176,844	26,482,267
Net financial assets		**3,778,166**	**14,752,085**	**18,530,224**

Foreign currency sensitivity analysis

The following table details the Company’s sensitivity to a 10% increase and decrease in foreign currency (US Dollar)rates against the Naira. For each sensitivity scenario, the impact of change in a single factor is shown, with other assumptions or variables held constant.

In thousands of Naira	**Exchange rate**	**31 December 2020**	**Exchange rate**	**31 December 2019**
10% increase	400.33	3,123,712	364.70	1,475,208
10% decrease	400.33	(3,123,712)	364.70	(1,475,208)

Notes to the financial statements

(ii) Credit risk

Credit risk is the risk of loss arising from claims on guarantees provided by the Company as a result of default by obligors and also the risk of loss arising from counterparty's inability or unwillingness to fulfill contractual obligations to the Company. Other key areas where the Company is exposed to credit risk are:

•**Cash and cash equivalents:** The risk of these exposures are tied to the financial health of the Company's banking counterparties.
•**Investment securities:** The risk of this exposure is also tied to the financial health of the counterparty or financial institution.
• **Other assets:** These exposures represent receivables due from clients and related parties.
• **Guarantee fee receivables:** These exposures represent receivables due from Viathan Funding Plc relating to the guarantee fees due from the financial guarantee contract.

Management of credit risk

The Company has instituted a set of credit and investment policies governing underwriting and investment criteria and a robust credit evaluation and approval process in its bid to mitigation credit risk. The following principles form the basis of the Company's credit risk management with respect to its guarantee contracts:

- appropriate risk diversification within its eligible transactions
- thorough risk assessment at the credit appraisal stage of the guarantee process
- risk-based pricing and risk mitigation strategies
- continuous risk monitoring at the individual counterparty level as well as the portfolio level
- avoidance of undesirable risks to the extent possible

The Credit Guarantee Policy of the Company also details the use of other approved credit mitigant facilities such as reinsurance from highly rated counterparties, refinancing creditworthy brownfield eligible infrastructure related assets, co-guaranteeing transactions with other entities, partial guarantees, tranching of debt issuances and guaranteeing the senior debt tranche, non-acceleration of guarantee obligations, guaranteeing long term amortising debt and avoiding 'bullet maturities' and ensuring adequate cover on the nature and type of security package.
The Board of Directors has overall responsibility for all aspects of Risk Management within the Company.

The table below shows the exposure of credit risk based on financial assets held by the Company

In thousand of Naira	*Note*	**31 December 2020**	**31 December 2019**
Cash and cash equivalents	15	11,587,896	13,025,708
Investment securities	16	49,586,875	29,092,303
Guarantee fee receivable	17	3,298,324	2,772,403
Other assets	18	168,677	86,069
Total exposure to credit risk		**64,641,772**	**44,976,483**

With respect to proprietary management of investment portfolio, the Company only transacts with financial institutions and other counterparties that are rated the equivalent of investment grade. Where the counterparties have minimum of investment grade rating, they are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.
Furthermore, although the value of trade receivables are grossly insignificant at the end of the year, the Company reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made in line with IFRS 9. In this regard, the directors of the Company consider that the Company's credit risk with respect to trade receivables is significantly reduced. Trade receivables consist of receivables for upfront fees from clients in respect of due diligence on proposed guarantee of infrastructure bonds.

Notes to the financial statements

The credit risk on liquid funds is grossly immaterial because the counterparties are banks with high credit-ratings assigned by reputable credit-rating agencies. Thus, no loss allowance was recognized on cash and bank balances at the end of the reporting period.

As noted above, the Company is exposed to credit risk in relation to financial guarantees given to customers which are companies engaged in infrastructure development. The Company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantees are called on. As at 31 December 2020, an amount of NGN21.1 million impairment reversal (2019: N21.1 million expected credit losses) has been estimated in accordance with IFRS 9 and recognised in profit or loss.

Collateral held as security and other credit enhancements
The Company holds collateral or other credit enhancements to mitigate credit risk associated with financial guarantee contracts. Below shows the nature and value of collaterals helds as securities for the guarantee contracts issued as at 31 December 2020:

Vaithan Funding Ltd

In thousands of Naira	**31 December 2020**	**31 December 2019**
Open Market value of property held	15,368,142	15,368,142
Reserve account (Bank balance)	362,996	803,584
Total value of the collateral held	**15,731,138**	**16,171,726**
Outstanding value of the guarantee at the end of the year	(9,314,000)	(10,000,000)
Excess of collateral over outstanding value of the guarantee	**6,417,138**	**6,171,726**

Other that the reserve account and bank balances; the valuation for Viathan's assets was undertaken by Diya Fatimilehin & Co: FRC/2013/NIESV/00000000754.

North South Power (NSP)

In thousands of Naira	**31 December 2020**	**31 December 2020**
Open Market value of property held	72,750,000	72,750,000
Reserve account (Bank balance)	1,672,348	1,645,184
Total value of the collateral held	**74,422,348**	**74,395,184**
Outstanding value of the guarantee at the end of the year	(8,247,819)	(8,500,000)
Excess of collateral over outstanding value of the guarantee	**66,174,529**	**65,895,184**

Notes to the financial statements

Other that the reserve account and bank balances; the valuation for NSP's assets was undertaken by Deloitte & Touche (Tope Odukoya-FRC/2012/ICAN/00000000422)

GEL Utility

In thousands of Naira	31 December 2020	31 December 2019
Open Market value of property held	17,259,470	17,259,470
Reserve account (Bank balance)	1,979,140	1,663,944
Total value of the collateral held	19,238,610	18,923,414
Outstanding value of the guarantee at the end of the year	(13,000,000)	(13,000,000)
Excess of collateral over outstanding value of the guarantee	**6,238,610**	**5,923,414**

Other that the reserve account and bank balances; the valuation for GEL Utility's assets was undertaken by Jide Taiwo & Co. (FRC/2012/0000000000254)

TSL

In thousands of Naira	31 December 2020	31 December 2019
	20,901,588	20,901,588
Reserve account (bank balance)	643,493	643,493
Total value of the collateral held	**21,545,081**	**21,545,081**
Outstanding value of the guarantee at the end of the year	(12,000,000)	-
Excess of collateral over outstanding value of the guarantee	**9,545,081**	**21,545,081**

Other that the reserve account and bank balances; the valuation for TSL's assets was undertaken by James Garuba & Co.

In respect of the nature and value of collaterals helds as securities for the respective guarantee contracts issued as at 31 December 2020 detailed above:

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its investment securities.

There was no change in the Company's collateral policy during the year.

Overview of the Company's exposure to credit risk

As at 31 December 2020, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

•the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
• the financial guarantee disclosed in the notes below

In order to minimise credit risk, the Company has tasked its Board and Management Credit Committees to develop and maintain the Company's credit risk gradings to categories exposures according to their degree of risk of default. The credit rating information is supplied by reputable independent rating agencies where available and, if not available, the Credit Committees use other publicly available financial information and the Company's own records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Basis for recognising expected credit losses (ECLs)
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Notes to the financial statements

The tables below detail the credit quality of the Company's financial assets and financial guarantee contracts (off-balance sheet) as well as the Company's maximum exposure to credit risk by credit risk rating grades. Current credit ratings were assigned by Agusto & Co., GCR, Fitch and S&P.

31 December 2020	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
Cash and cash equivalents	15	A1 - AAA*	Performing	12-month ECL	11,634,017	(46,121)	11,587,896
Investment securities	16	A1 - AAA*	Performing	12-month ECL	49,815,456	(228,581)	49,586,875
Guarantee fee receivables	17	BBB-*	Performing	12-month ECL	3,298,324	-	3,298,324
Other assets	18	BBB- AA*	Performing	12-month ECL	231,140	(8,812)	222,328
Total exposure to credit risk					**64,978,937**	**(283,514)**	**64,695,423**

31 December 2019	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying amount (i)
Cash and cash equivalents	15	A1 - AAA*	Performing	12-month ECL	13,033,309	(8,051)	13,025,258
Investment securities	16	A1 - AAA*	Performing	12-month ECL	29,155,877	(63,574)	29,092,303
Guarantee fee receivables	17	BBB-*	Performing	12-month ECL	2,793,546	(21,143)	2,772,403
Other assets	18	BBB- AA*	Performing	12-month ECL	86,069	(9,861)	76,208
Total					**45,068,801**	**(102,629)**	**44,966,172**

**Assigned by Fitch, Agusto and GCR*

Incorporation of forward-looking information

The Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Company has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2020 for the years 2021 to 2022.

	2021	**2022**	**2023**
GDP growth rate (%)	1.30	3.10	2.30
Exchange Rate	400.33	400.33	463.13
Inflation	13.22	13.22	10.10

Source: Fitch Solutions

Notes to the financial statements

Measurement of expected credit losses (ECLs)
The key inputs used for measuring ECL are: probability of default (PD); loss given default (LGD); and exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on external rating model, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures . The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the instrument.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

Concentration of credit risk

Most of the financial assets which are exposed to credit risks are from transactions with counterparty companies in the banking industry in Nigeria and public sector (Federal Government of Nigeria). The credit risk that the Company is exposed to as a result of the financial assets is considered low as the counterparties have consistently been rated above average by reputable credit rating agencies such as Fitch, Agusto, GCR and S&P . These counterparties include Federal Government of Nigeria, Stanbic Bank, Access Bank, Ecobank, United Bank for Africa, Zenith Bank and GuarantCo . As at the reporting date, none of these financial assets have shown objective evidence of impairment.

Concentration by Sector

			Cash Equivalents		**Investment securities**	
In thousands of Naira	***Local rating***	***Location***	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial Institutions						
Stanbic IBTC Bank limited	AAA **	Nigeria	47,774	384,557	-	-
Access Bank Plc	A+ **	Nigeria	497,099	6,316,872	1,326,402	1,326,402
Zenith Bank Plc	AA- **	Nigeria	-	-	1,248,909	1,248,909
United Bank for Africa Plc	AA- ***	Nigeria	756,987	2,214,937	1,247,219	1,247,219
Ecobank Plc	A- ***	Nigeria	55,317	3,984,498	3,728,373	3,728,373
Guaranty Trust Bank	AA **	Nigeria	125,052	132,446	-	-
			1,482,229	**13,033,309**	**7,550,902**	**7,550,902**
Sovereign/ Government						
Federal government of Nigeria	B+ **	Nigeria	-	-	21,541,400	21,541,400
Total			**1,482,229**	**13,033,309**	**29,092,304**	**29,092,302**

Concentration by product

In thousands of Naira	**31 December 2020**	**31 December 2019**
Bank balances	1,899,544	1,471,240
Placement with banks	9,734,473	11,562,519
Treasury bills	-	369,114
Eurobonds	45,443,755	25,650,428
FGN bonds	4,371,701	3,136,516
Total	**61,449,473**	**42,189,817**

Notes to the financial statements

Concentration by region

In thousands of Naira	31 December 2020	31 December 2019
Nigeria	61,449,473	24,143,852
Total	**61,449,473**	**24,143,852**

Trade and other receivables at amortised cost
Concentration by sector

In thousands of Naira	*Rating*	*Location*	31 December 2020	31 December 2019
Power Sector				
Viathan Funding Plc	BBB- *	Nigeria	613,877	613,876
North South Power Company Limited	A- ***	Nigeria	716,141	882,041
GEL Utility Limited	BBB+ *	Nigeria	1,060,547	1,297,629
TSL	BBB+ *	Nigeria	631,759	-
			3,022,324	**2,793,546**
Financial Institution				
GuarantCo	AA- **	United Kingdom	-	21,539
Total			**3,022,324**	**2,815,085**

* Assigned by Agusto
** Assigned by Fitch
*** Assigned by GCR

Concentration by region

In thousands of Naira	31 December 2020	31 December 2019
Nigeria	3,022,324	2,793,546
United Kingdom	-	21,539
	3,022,324	**2,815,085**

Financial guarantee contracts (off balance sheet)

In thousands of Naira	*Location*	31 December 2020	31 December 2019
Viathan Funding Ltd	Nigeria	9,314,000	10,000,000
North South Power	Nigeria	8,247,819	8,500,000
GEL Utility	Nigeria	13,000,000	13,000,000
Transport Services Ltd (TSL)	Nigeria	12,000,000	-
		42,561,819	**31,500,000**

Loss allowance by financial instrument

In thousands of Naira	**Note**	31 December 2020	31 December 2019
Cash and cash equivalent	15	46,121	8,051
Investment securities at amortised cost	16	228,581	63,574
Guarantee fee receivable	17	-	21,143
Trade and other receivables	18	8,812	9,861
		283,514	**102,629**

As at 31 December 2020, an amount of NGN21 million (31 Dec 2019: N21 million) has been estimated as impairment reversal for guarantees fee receivables in accordance with IFRS 9. This impairment reversal has been recognised in profit or loss.

Notes to the financial statements

(A) Analysis of movement in loss allowance

The tables below analyse the movement of the loss allowance during the year per class of assets.

In thousands of Naira	**Trade and other receivables 12-month ECL**	**Guarantee fee receivable 12-month ECL**	**Cash Equivalents 12-month ECL**	**Investment Securities 12-month ECL**	**Total**
As at 1 January 2019	-	-	16,773	41,759	58,532
New financial assets originated or purchased	9,861	21,143	-	63,575	94,579
Financial assets that have been derecognised	-	-	(8,722)	(41,760)	(50,482)
Impairment loss for the year (see note 10)	9,861	21,143	(8,722)	21,815	44,097
As at 31 December 2019	**9,861**	**21,143**	**8,051**	**63,574**	**102,629**
New financial assets originated or purchased	8,813	-	38,070	228,581	275,464
Financial assets that have been derecognised	(9,861)	(21,143)		(63,575)	(94,579)
Impairment loss for the year (see note 10)	(1,048)	(21,143)	38,070	165,006	180,885
As at 31 December 2020	8,813	-	46,121	228,580	283,514

(i) For financial guarantee contract, the gross carrying amount represents the maximum amount the Company has guaranteed under the contract. Loss write back of N21million (2019: 21.1million) was recognised in profit or loss.

(ii) For trade receivables, the Company has estimated impairment based loss rates, days past due and applying experienced credit judgement. The estimation resulted in impairment charge of N1.05 million (2019: N9.86 million) which has been recognised in profit or loss .

(iii) The loss allowance of N165 million (2019: N21.8 million) on investment securities measured at amortised cost is determined based on the credit ratings of the institutions in which the securities are held and is recognised in profit or loss.

(iv) The loss allowance of N38 million (2019: -N8.7 million) on cash and cash equivalents is determined based on the credit ratings of the institutions in which the cash are held and is recognised in profit or loss.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will be unable to efficiently meet both expected and unexpected current and future cash flow without affecting either its daily operations or its financial condition.

The key objectives for the Company's liquidity risk management are to ensure that the liquidity position is strong enough to enable the Company carry out its core activities for a defined period of time under stressed market conditions without access to new funding, secure the highest possible credit rating by rating agencies and to fulfill the ratio requirements as specified in the capital requirements of the contingent capital facility where applicable.

Management of liquidity risk

The Company’s Risk Management Framework is designed to ensure that the Company would always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring prohibitive finance costs.

In the management of its liquidity risk position, the Company employs the following:

• Conducting the liquidity stress tests of the Company's guarantee portfolio quarterly to ensure that the sufficient liquidity can be raised by the Company to service contingent guarantee claims. The outcome of the stress test is reported to and approved by the Board of Directors.

• Maintaining a contingency funding plan.

Residual contractual maturities of financial assets

The table below analyses the Company's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at maturity date.

Notes to the financial statements

31 December 2020

In thousands of naira	Note	Carrying amount	Gross nominal	Less than 3 months	3 months to 6 months	6 months to 12 months	Over 12 months
Cash equivalents	15	11,587,896	11,634,010	11,634,010	-	-	-
Investment securities	16	49,586,875	49,815,456	-	-	7,603,165	42,212,291
Guarantee fee receivable	17	3,298,324	3,298,324	-	-	744,203	2,554,121
Other assets	18	222,328	231,140	231,140	-	-	-
		64,695,423	64,978,930	11,865,150	-	8,347,368	44,766,412
Financial guarantee liability	22	3,821,543	3,821,543		-	744,203	3,077,340
Other liabilities	24	407,714	407,714	407,714	-	-	-
Unsecured subordinated long term loan	29	24,767,316	-	-	-	3,688,609	21,078,707
Gap (assets-liabilities)		35,698,850	60,749,673	11,457,436	-	3,914,556	20,610,365
Cummulative liquidity gap				**11,457,436**	**11,457,436**	**15,371,992**	**35,982,357**

31 December 2019

In thousands of naira	Note	Carrying amount	Gross nominal	Less than 3 months	3 months to 6 months	6 months to 12 months	Over 12 months
Cash and cash equivalents	15	13,025,708	13,033,309	13,033,309	-	-	-
Investment securities	16	29,092,303	29,155,877	369,113	-	-	28,786,764
Guarantee fee receivable	17	2,772,403	5,872,592	-	-	744,203	5,128,389
Other assets	18	86,069	86,069	86,069	-	-	-
		44,976,483	48,147,847	13,488,491	-	744,203	33,915,153
Financial guarantee liability	22	3,173,458	5,847,592		-	744,203	5,103,389
Other liabilities	24	99,599	99,599	99,599	-	-	-
Unsecured subordinated long term loan	29	23,170,389	-	-	-	-	23,170,389
Gap (assets-liabilities)		18,533,037	42,200,656	13,388,892	-	-	5,641,375
Cummulative liquidity gap				**13,388,892**	**13,388,892**	**13,388,892**	**19,030,267**

(iv) Capital management

The strategy for assessing and managing the impact of the business plans on both core and contingent capital forms an integral part of the Company's strategic plan. The fundamental driver in determining capital adequacy for a credit guarantor is the sufficiency of capital to cover the expected losses on the portfolio given an assumed worst case expected loss scenario with adequate consideration given to the leverage levels and the ability of the Company to access its capital - both the invested qualifying capital and if necessary the unfunded contingent capital facility to make payment for losses under a financial guarantee.

The strategy and approach to capital management is to operate with a conservative policy which is centred around ensuring that the capital structure of the company is resilient and able to absorb losses and recapitalize from internal cashflows without external fundings.

The Company is not exposed to any externally imposed capital requirement.

Notes to the financial statements

The Company is expected to maintain an appropriate level of qualifying capital to support issuance of its guarantees.

Qualifying capital is defined as:

·The amount of qualifying core capital, plus
·Unfunded contingent capital, less
·Loss provisions, and
·any other non-credit guarantee related liabilities

Qualifying core capital means an amount equal to:

·the cash value of all permitted investments together with all cash and bank balances; plus
·any cash balance; less
·projected operating expenses for the immediately succeeding quarter; less
·Projected expected guarantee payments for the immediately suceeding quarter.

The Company's capital risk is measured and monitor using capital leverage ratio. Capital leverage ratio is "Notional amount guaranteed" divided by (÷) "Qualifying capital"

"Notional amount guaranteed" means an amount equal to:

•The aggregate value of the maximum liability set out in the credit guarantees, less
•The value of the relevant utilized approved credit risk mitigant facilities

In thousands of Naira	**31 December 2020**	**31 December 2019**
Qualifying capital		
Investment securities	49,586,875	29,092,303
Cash and bank balances	11,587,896	13,025,708
Projected operating expenses	(540,704)	(405,803)
Qualifying core capital	**60,634,067**	**41,712,208**
Unfunded contingent capital	10,008,250	9,117,500
Other non-credit guarantee related liabilities	996,496	455,558
Qualifying capital	**71,638,813**	**51,285,266**
Notional amount guaranteed		
Amount guaranteed	42,561,819	31,500,000
Co-guarantee (USAID)	(6,500,000)	(6,500,000)
Accrued interest	-	1,200,384
Credit risk mitigant/reserve account	-	(4,287,067)
Notional amount guaranteed	**36,061,819**	**21,913,318**
Net capital leverage ratio	**0.50**	**0.43**
Gross capital leverage ratio	**0.59**	**0.55**

Based on capital management policy, the Company's capital leverage ratio shall not be higher than "5" (five) within fourth year anniversary from 31 December 2019 and thereafter, "7.5" (seven point five).

Notes to the financial statements

6 Category of financial instruments and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities not carried at fair value and their fair value amounts.

31 December 2020

In thousands of Naira	Note	Carrying amount	Amortised Cost	Other financial liabilities (amortized cost)	Fair value
Cash and cash equivalents	15	11,587,896	11,587,896	-	11,587,896
Investment securities	16	49,586,875	49,586,875	-	50,646,451
Guarantee fee receivable	17	3,298,324	3,298,324	-	3,298,324
Other assets	18	168,677	168,677	-	168,677
Total financial assets		**64,641,772**	**64,641,772**	**-**	**65,701,348**
Unsecured subordinated long term loan	28	28,613,973	-	28,613,973	28,613,973
Financial guarantee liability	22	3,821,543	-	3,821,543	3,821,543
Other liabilities	24	407,714	-	407,714	407,714
Total financial liabilities		**32,843,230**	**-**	**32,843,230**	**32,843,230**

31 December 2019

In thousands of Naira	Note	Carrying amount	Amortised Cost	Other financial liabilities (amortized	Fair value
Cash and cash equivalents	15	13,025,708	13,025,708	-	13,025,708
Investment securities	16	29,092,303	29,092,303	-	30,176,975
Guarantee fee receivable	17	2,772,403	2,772,403	-	2,772,403
Other assets	18	86,069	86,069	-	86,069
Total financial assets		**44,976,483**	**44,976,483**	**-**	**46,061,155**
Unsecured subordinated long term loan	28	23,170,389	-	23,170,389	23,170,389
Financial guarantee liability	22	3,173,458	-	3,173,458	3,173,458
Other liabilities	24	99,599	-	99,599	99,599
Total financial liabilities		**26,443,446**	**-**	**26,443,446**	**26,443,446**

Notes to the financial statements

7 Guarantee fee income

In thousands of Naira	31 December 2020	31 December 2019
Mandate fees (a)	34,000	35,500
Guarantee fees (b)	832,375	592,958
Monitoring fees (c)	18,500	13,958
	884,875	**642,416**

(a) Amount represents the fees earned from clients for the preliminary analysis and due diligence done by the Company for providing guarantees for the issued and proposed infrastructure bonds.

(b) Amount represents the amortized portion of the non-refundable fees calculated as a percentage of the guaranteed amount earned from Viathan Funding Plc, North South Power, GEL Utility Limited and Transport Services Limited (TSL) for providing guarantees to the N10 billion bond, N8.5 billion bond and N13 billion bond and N12 billion bond issued respectively by the client companies.

(c) Amount represents the amortized portion of fixed non-refundable annual fees for providing monitoring services for guarantees issued in respect of Viathan Funding Plc's North South Power, GEL Utility Limited and TSL bonds.

8 Guarantee fee expense

In thousands of Naira	31 December 2020	31 December 2019
Guarantee fee expense (a)	75,212	67,817
Upfront fee expense (a)	2,252	48,305
Monitoring fee expense (a)	7,948	7,287
Due diligence/project development expenses (b)	11,858	-
	97,270	**123,409**

(a) Amounts represent the fee expenses incurred by the Company in respect of the callable capital funding facility agreement with GuarantCo. And other direct Due diligence and project development cost directly attributable to the deals in the pipeline.

(b) Amount represents directly attributable costs incurred with respect to due diligence/project development activities on guarantee transactions.

9 Net investment income

	In thousands of Naira	31 December 2020	31 December 2019
(a)	**Interest income**		
	Eurobonds (i)	3,187,691	1,391,887
	Bank placements	148,901	398,413
	Treasury bills	4,019	539,000
		3,340,611	**2,329,300**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N3.34 billion (2019: N2.33 billion)

i This represents interest income accrued on some Eurobond securities for 12 months as against less than one-month interest income accrued in 2019. The significant increase is also attributable to additional funding from AfDB and InfraCo Africa Investment Limited invested mainly in Eurobond securities in 2020.

(b)	**Interest expense**		
	Interest expense KFW and AfDB	1,686,526	777,199
	Interest expense NSIA	-	16,508
	Interest expenses leased asset	15,612	1,286
	Investment management fee expenses	6,208	-
		1,708,346	**794,993**
	Net interest income	**1,632,265**	**1,534,307**

The total interest expense calculated using the effective interest rate (EIR) method for financial liabilities measured at amortised cost is N1.7 billion (2019: N795 million).

Notes to the financial statements

10 Impairment charge / (write back) on financial instruments

In thousands of Naira	31 December 2020	31 December 2019
Investment securities (see note 16(a))	165,007	21,815
Guarantees Receivable (Impairment reversal)/ Charge (see note 17(b))	(21,143)	21,143
Other receivables (Impairment reversal)/ Charge (see note 18(b))	(1,049)	9,861
Cash equivalents (see note 15(b))	38,070	(8,722)
	180,885	**44,097**

11(a) Other Income

In thousands of Naira		
Write back of accrual no longer required (i)	**17,565**	**13,322**

(i) The write back represents interest expense accrual from prior years which are no longer required

11(b) Foreign exchange gains

In thousands of Naira		
Exchange gains	**1,812,393**	**9,792**

This largely represents the net foreign exchange gains on the translation of the USD denominated financial assets and liabilities as at the reporting date using NAFEX rate.

12 Personnel expenses

(a) Employee costs, including those of executive directors, during the year amounted to:

In thousands of Naira	31 December 2020	31 December 2019
Wages and salaries	472,139	254,539
Other staff costs	318,119	166,441
Pension cost	46,318	27,227
	836,576	**448,207**

(b) The average number of persons in employment in the Company during the year comprise:

	31 December 2020	31 December 2019
Managerial	5	5
Other staff	21	17
	26	**22**

(c) Employees, other than Directors, earning more than N1 million per annum (excluding pension and other benefits), whose duties were wholly or mainly discharged in Nigeria, received remuneration in the following ranges:

	31 December 2020	31 December 2019
N1 million - N2 million	2	2
N2 million - N5 million	1	2
N5 million - N10 million	6	2
N10 million - N25 million	8	8
N25 million and above	9	8
	26	**22**

Notes to the financial statements

(d) Directors' remuneration

Remuneration paid to Directors of the Company (excluding pension contributions and other benefits) was as follows:

In thousands of Naira	31 December 2020	31 December 2019
Non-executive Directors (NEDs)		
Fees	86,083	24,482
	86,083	**24,482**

The emoluments of all other Directors fell within the following ranges:

	31 December	31 December 2019
N10 million and above	8	2

13 Other operating expenses

In thousands of Naira	31 December 2020	31 December 2019
Directors remuneration (Non-executive)	86,083	24,482
Marketing & advertising (See note (a) below)	45,968	23,822
Stationery & printing	3,993	7,769
Traveling & entertainment	20,579	47,075
Custody fees	22,243	6,270
Communication expenses	917	2,001
Auditors remuneration(see note (b) below)	21,500	15,500
Information technology expenses	44,637	16,161
Training expenses	56,181	40,339
Administration & membership fees	35,759	23,630
Professional fees (See note (c) below)	214,400	153,226
Maintenance expenses	11,785	2,919
Insurance expenses	24,974	12,359
Rental expenses	-	9,447
Utility and electricity	14,630	570
Other expenses (See note (b) below)	54,792	89,405
	658,441	**474,975**

(a) Included in Marketing and advertising expenses are donations and charitable gifts of N13.5 million (Nil:2019)

(b) Auditor's remuneration for 2020 includes fees for half year audit. N6 million (Nil:2019)

Fees paid to the auditors for non-audit services rendered in 2020 were as follows:

In thousands of Naira	31 December 2020	31 December 2019
short term incentive scheme review	3,386	-
Credit model automation	4,300	-
Risk rating model	-	6,338
	7,686	**6,338**

Notes to the financial statements

(c) Professional fees

Legal and secretarial fees	21,093	25,711
Other professional fees (i)	154,079	84,106
HR consultancy	19,056	23,090
Credit rating expenses	20,172	20,319
	214,400	**153,226**

(i) Significant increase was due to professional fees incurred in respect of rating model design, employee compensation survey, accounting opinions, Nigerian Capital Market corporate debts default research, review of forecast, design of management financial reporting template and graphic design.

(d) Other expenses

Bank charges	11,304	20,041
Board meeting expenses	18,062	55,484
Recruitment costs	3,195	5,387
Loss on disposal of property and equipment (see note 32(j))	6,041	1,627
ITF Levy	3,903	2,985
Business registration costs	-	730
Other expenses (i)	12,286	3,151
	54,791	**89,405**

(i) other expenses relate to office maintanance expenses &VAT

14 Taxation

(a) Tax Charge/ (Credit)

In thousands of Naira	**31 December 2020**	**31 December 2019**
Companies income tax	-	-
Tertiary education tax	-	-
Information technology tax	24,367	10,350
Police Trust Fund levy	122	51
Current Income tax expense (See note 14(c))	**24,489**	**10,401**
Deferred tax charge/(credit) (see note 23)	(265,080)	7,779
Income tax charge/ (credit)	**(240,591)**	**18,180**

The applicable tax rates for companies income tax, tertiary education tax and information technology tax are 30%, 2% and 1% respectively.

(b) Reconciliation of effective income tax rate

	31 December 2020		**31 December 2019**	
In thousands of Naira	**Amount**	**Rate**	**Amount**	**Rate**
Profit before tax	2,466,560		1,052,739	
Tax using the Company's tax rate	739,968	30%	315,822	30%
Tax exempt income	(1,530,795)	-62%	(352,090)	-33%
Non-deductible expenses	525,747	21%	44,047	4%
Information technology tax	24,367	1%	10,350	1%
Police Trust Fund levy	122	0%	51	0%
	(240,591)	-10%	**18,180**	2%

Notes to the financial statements

(c) Current tax liability

In thousands of Naira	31 December 2020	31 December 2019
Balance as at 1 January	10,401	639
Charge for the year see note 14(a)	24,489	10,401
Payment during the year	(10,527)	(639)
At end of year	**24,363**	**10,401**

15 Cash and cash equivalents

In thousands of Naira	31 December 2020	31 December 2019
Cash in hand	7	450
Cash Equivalents:		
Balances with banks	1,899,537	1,470,790
Bank placement (see note (a) below)	9,734,473	11,562,519
Cash equivalents (gross)	11,634,010	13,033,309
Impairment allowance on cash equivalents (see note (b) below`	(46,121)	(8,051)
Cash equivalents (net)	11,587,889	13,025,258
Cash and cash equivalents in the statement of financial position	**11,587,896**	**13,025,708**
Impairment allowance on cash equivalents (see note (b) below`	46,121	8,051
Cash and cash equivalents in the statement of cash flows	**11,634,017**	**13,033,759**
Current	11,587,896	13,025,708

(a) Bank placements consist of USD denominated assets with the banks. The bank placements have an average interest rate of 4.5% and are less than three months to maturity.

(b) The movement in impairment allowance on cash and cash equivalents is as follows:

In thousands of Naira	31 December 2020	31 December 2019
Opening balance	8,051	16,773
Recognised in income statement (See note 10)	38,070	(8,722)
Closing balance	46,121	8,051

16 Investment securities

In thousands of Naira		31 December 2020	31 December 2019
Treasury bills at amortized cost		-	369,114
FGN Eurobonds at amortised cost (i)		37,150,629	18,045,784
Corporate Eurobonds at amortised cost (ii)		8,293,126	7,604,463
FGN Bonds (ii)		4,371,701	3,136,516
		49,815,456	29,155,877
Impairment allowance on investment securities (see note (a) below`		(228,581)	(63,574)
Investment securities		49,586,875	29,092,303
Current		-	369,091
Non-Current		49,586,875	28,723,212
Total	-	**49,586,875**	**29,092,303**

(i) FGN and corporate Eurobonds have stated yields of 4.83% to 11.6% and mature in ten months to ten years.
(ii) FGN Bonds have stated yields of 5% to 9.8% and mature in six months to seven years

Notes to the financial statements

(a) The movement in impairment allowance on investment securities is as follows:

In thousands of Naira	31 December 2020	31 December 2019
Opening balance	63,574	41,759
Recognised in income statement (See note 10)	165,007	21,815
Closing balance	228,581	63,574

17 Guarantee fee receivable

In thousands of Naira	31 December 2020	31 December 2019
Opening Balance	2,793,546	836,826
Present value of guarantee fee received	(581,995)	(222,950)
Addition during the year	1,086,773	2,179,670
Gross guarantee fee receivable	3,298,324	2,793,546
Impairment allowance (see note (b) below)	-	(21,143)
Guarantee fee receivable (see (a) below)	3,298,324	2,772,403
Current	744,203	744,203
Non-current	2,554,121	2,028,200

(a) Amount represents the present value of guarantee fees receivables under the contracts undertaken by the Company to guarantee a 10 year N10 billion bond issued by Viathan Funding Plc, 15 year N13 billion bond issued by GEL Utility, 15 year N8.5 billion bond issued by North South Power and 10 year N12 billion bond issued by TSL.

(b) The movement in impairment allowance is as follows:

In thousands of Naira	31 December 2020	31 December 2019
Opening balance	21,143	-
Impairment reversal/(charge) during the year (See note 10)	(21,143)	21,143
Closing balance	-	21,143

18 Other assets

In thousands of Naira	31 December 2020	31 December 2019
Other financial assets		
Trade receivable (a)	168,677	64,530
Receivable from GuarantCo	-	21,539
	168,677	86,069
Non financial assets		
Prepayments	61,913	44,650
Cash advance	550	1,172
	62,463	45,822
Total- Other assets	231,140	131,891
Impairment (see note (b) below)	(8,812)	(9,861)
	222,328	122,030
Current	222,328	122,030
Non-Current	-	-
Total	**222,328**	**122,030**

Notes to the financial statements

(a) Trade receivables arise from unpaid mandate fees billed to clients. The average credit period is 30 days. No interest is charged on outstanding trade receivables.

(b) The movement in impairment allowance on other assets is as follows:

In thousands of Naira	31 December 2020	31 December 2019
Opening balance	9,861	-
Recognised in income statement (See note 10)	(1,049)	9,861
Closing balance	8,812	9,861

19 Property and equipment

In thousands of Naira	Office equipment	Computer equipment	Furniture & fittings	Motor vehicles	Work in Progress	Leasehold improvement	Total
Cost							
Balance as at 31 December 2018	37,930	47,476	43,755	55,000	-	–	184,161
Additions	694	35,230	26,349	26,800	-	84,941	174,014
Disposals	(2,403)	-	(2,167)	-	-	–	(4,570)
Balance as at 31 December 2019	**36,221**	**82,706**	**67,937**	**81,800**	**-**	**84,941**	**353,605**
Additions	8,549	7,293	3,087	-	5,883	17,042	41,854
Disposals	(10,160)	(4,836)	(12,460)	-	-	-	(27,456)
Balance at 31 December 2020	**34,610**	**85,163**	**58,564**	**81,800**	**5,883**	**101,983**	**368,003**
Accumulated depreciation							
Balance as at 31 December 2018	11,110	18,316	17,627	14,729	-	-	61,782
Depreciation for the year	12,140	13,623	10,841	16,542	-	708	53,854
Disposal	(1,543)	-	(1,400)	-	-	-	(2,943)
Balance as at 31 December 2019	**21,707**	**31,939**	**27,068**	**31,271**	**-**	**708**	**112,693**
Depreciation for the year	8,930	20,744	16,783	20,336	-	9,324	76,117
Disposals	(5,538)	(3,573)	(10,834)	-	-	-	(19,945)
Balance at 31 December 2020	**25,099**	**49,110**	**33,017**	**51,607**	**-**	**10,032**	**168,865**
Carrying amounts							
Balance at 31 December 2020	**9,511**	**36,053**	**25,547**	**30,193**	**5,883**	**91,951**	**199,138**
Balance as at 31 December 2019	**14,514**	**50,767**	**40,869**	**50,529**	**-**	**84,233**	**240,912**

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2019:Nil).

(ii) There were no impairment losses on any class of property and equipment during the year (2019:Nil).

(iii) There are no restriction on the Company's title to its property and equipment in the year (2019:Nil).

(iv) All property and equipment are non-current.

Notes to the financial statements

20 Right of use asset

In thousands of Naira	31 December 2020	31 December 2019
Cost		
Balance as at beginning of the year	218,966	-
Additional payment during the year	-	109,450
Lease liability (see note 25)	-	109,516
Balance at end of the year	218,966	218,966
Accumulated Depreciation		
Balance as at beginning of the year	1,825	-
Charge for the year	21,897	1,825
Balance at end of the year	23,722	1,825
Carrying amount	**195,244**	**217,141**
Amounts recognised in profit or loss		
Interest on lease liabilities	15,612	1,286
Lease expense	-	9,447
Balance as at 31 December	15,612	10,733

The total cash outflow for leases was Nil (2019: N109 million) with fixed annual payment of N33 million

There was no cash out flow in respect of leases in the year (2019: N109million).The fixed annual payment of N33 million is effective from 2022

Notes to the Financial Statements

21 Intangible assets

Purchased software

In thousands of Naira	31 December 2020	31 December 2019
Cost		
Balance as at beginning of the year	49,389	2,925
Work in progress- ERP (a)	12,337	46,464
Balance at end of the year	61,726	49,389
Accumulated Amortisation		
Balance as at beginning of the year	1,523	792
Charge for the year	9,352	731
Balance at end of the year	10,875	1,523
Carrying amount	**50,851**	**47,866**

All intangible assets are non-current. The Company does not have internally generated intangible assets.

The Company's intangible assets are not impaired

No commitment in respect of the Company's intangible

(a) This represents the total costs of implementation of Enterprise Resource Planning (ERP) scheduled to "go-live" in February 2021.

22 Financial guarantee liability

In thousands of Naira	31 December 2020	31 December 2019
Opening balance	3,173,458	1,073,895
Amortised guarantee liability during the year	(714,688)	(548,606)
Addition during the year	1,362,773	2,648,169
	3,821,543	3,173,458
Current	255,648	255,648
Non-current	3,565,895	2,917,810
	3,821,543	**3,173,458**

Financial guarantee liability represents the present value of guarantee fees receivable less the cumulative amount of guarantee fee income recognised

23 Deferred tax asset

In thousands of Naira	31 December 2020	31 December 2019
Property and equipment	23,360	(3,804)
Tax losses	169,895	356
Allowance for expected credit losses	71,825	(4,331)
	265,080	**(7,779)**

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% (2019: 30%).

Notes to the Financial Statements

Movements in temporary differences 1 January 2020 to 31 December 2020:

In thousands of Naira	1 January 2020	Recognized in profit or loss	31 December 2020
Property and equipment	16,943	23,360	40,303
Tax losses	356	169,895	170,251
Allowance for expected credit losses	13,229	71,825	85,054
	30,528	**265,080**	**295,608**

Movements in temporary differences 1 January 2019 to 31 December 2019:

In thousands of Naira		1 January 2019	Recognized in profit or loss	31 December 2019
Property and equipment		20,747	(3,804)	16,943
Tax losses		-	356	356
Allowance for expected credit losses		17,560	(4,331)	13,229
	-	**38,307**	**(7,779)**	**30,528**

24 Other liabilities

In thousands of Naira	31 December	31 December
Financial liabilities		
Due to GuarantCo (See note (a) below)	13,487	6,455
Accruals (See note (b) below)	394,227	93,144
	407,714	99,599
Non financial liabilities		
Employee liabilities (c)	255,923	138,668
Other payables (d)	32,971	11,480
Output VAT	23,837	16,255
Unearned income	125,275	78,755
	438,006	245,158
Total- Other Liabilities	**845,720**	**344,757**
Current	832,233	344,757
Non current	13,487	-
	845,720	**344,757**

Notes to the Financial Statements

(a) This represents guarantee fee accrual in respect of callable capital provided by GuarantCo.
(b) This represents the payables in respect of services rendered to the Company by different professional services firms and vendors.
(c) This represents performance pay provisions, vacation allowance, car allowance, mortgage subsidy allowance and provisions for other staff benefits
(d) This represents statutory deductions payable to the Governments such as PAYE, pension, NSITF, NHF and WHT.

25 Lease liabilities

In thousands of Naira	**31 December 2020**	**31 December 2019**
Lease liabilities		
Opening	110,801	-
Additions	-	109,516
Unwinding of discount	15,612	1,285
	126,413	110,801

The above lease is a 5 year lease with an option to extend for another 5 years. Management has decided that it is most likely to exercise the extension option. A three year upfront payment has been made

In thousands of Naira	**31 December 2020**	**31 December 2019**
Non-current	126,413	110,801
Current	-	-
	126,413	110,801

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's Finance function.

Notes to the Financial Statements

26 Share capital

In thousands of Naira	31 December 2020	31 December 2019
(a) Authorised		
Authorised:		
50,000,000,000 shares of N1 each (2019: 50,000,000,000 shares of N1 each)	**50,000,000**	**50,000,000**
Ordinary shares		
Issued and fully paid		
2,974,785,003 ordinary shares of N1 each (2019:1,983,190,002 ordinary shares of N1 each)		
Movement in the year		
Opening balance	1,983,190	1,983,190
Issue of ordinary shares	991,595	-
	2,974,785	**1,983,190**

Following receipt of total shares consideration of N10.6 billion (USD27 million) on 9 December 2020, InfraCo Africa Investment Limited was alloted 991,595,001 units of ordinary shares of N1 each by a Board Resolution dated 10 December 2020.

By a Board resolution dated 14 September 2018, the Company allotted additional 3,500,000,000 (Three Billion, Five Hundred Million) ordinary shares of N1 each (the Specified Shares) to NSIA in order to meet the statutory requirement of alloting 25% of authorised share capital within six (6) months of an increase in share capital. NSIA has agreed to hold the Specified Shares devoid of all rights and liabilities pending the instruction of the Company in relation to further dealings with the Specified Shares.

NSIA may only deal with the Specified Shares in accordance with the terms and conditions of the Supplemental Agreement and not otherwise; and has no active or independent duties to perform in respect of the Specified Shares. Any disposal of the Specified Shares in violation of this Supplemental Shareholders' Agreement will be void ab initio and the Company shall not register such disposal in its register of members.

In thousands of Naira	31 December 2020	31 December 2019
(b) Preference shares (irredeemable)		
Authorised, issued and fully paid irredeemable preference shares		
Preference shares (irredeemable)	8,022,905	8,022,905
	8,022,905	**8,022,905**

Irredeemable preference shares have no repayment date and there is no obligation on the part of the Company to repay the capital. Dividend payment on irredeemable preference shares is discretionary based on the recommendation of the Board and subject to the approval of the shareholders.

(c) Preference shares (redeemable)
Authorised, issued and fully paid redeemable prefere Lagos.

Opening balance	8,022,905	8,022,905
Issue of redeemable preference shares	9,119,770	-
Capitalization of preference dividends (See Note 27)	1,699,242	-
	18,841,917	**8,022,905**

Following receipt of total shares consideration of N10.6 billion (USD27 million) on 9 December 2020, InfraCo Africa Investment Limited was alloted 9,119,770,195 units of preference shares of N1 each by a Board Resolution dated 10 December 2020.

The terms of the redeemable preference shares confer on the Company the discretion to use its best effort to provide an exit option for AFC and InfraCo Africa Investment Limited as soon as practicable. Dividend payment on redeemable preference shares is discretionary based on the recommendation of the Board and subject to the approval of the shareholders.

(d) In December 2016, the Company entered into a Naira equivalent of USD50,000,000 Callable Capital Funding Facility Agreement with GuarantCo Limited (the "Callable Capital"). The Callable Capital is the unfunded second loss component of the Company's capital structure and acts as a liquid credit backstop to the Company's paid in share capital (the "Core Capital"). The Callable Capital is a 15-year unconditional and irrevocable obligation of GuarantCo and can be called on demand by the Company to replenish the Company's Core Capital if at any time the Company determines that as a result of actual or expected credit losses on its guaranteed portfolio, its Core Capital will become impaired by 80%. The Callable Capital is a revolving facility, subject to a cumulative outstanding limit of USD 50 million Naira equivalent of which USD25 million is available based on the terms of the agreement. The Callable capital agreement became effective on 12 December 2017.

Notes to the Financial Statements

(e) Deposit for Shares

In thousands of Naira	31 December 2020	31 December 2019
	426,819	**-**

Deposit for shares represents contribution by InfraCo Africa Investment Limited for allotment of preference shares.

(f) Share premium

	19,832	**-**

The gross proceeds from the 991,595,001 units of ordinary shares allotted to InfraCo Africa Investment Limited at N1.02 per share was N 1.01 billion. This was applied as detailed below:

In thousands of Naira	31 December 2020	31 December 2019
991,595,001 ordinary shares of N1 each (2019:Nil)	991,595	-
991,595,001 ordinary shares of N0.02k each (2019:Nil)	19,832	-
Gross proceeds	**1,011,427**	**-**

27 Retained earnings

In thousands of Naira	31 December 2020	31 December 2019
Balance, beginning of the year	710,085	(324,474)
Preference dividend (See Note (a)	(1,699,242)	-
	(989,157)	(324,474)
Profit for the year	2,707,151	1,034,559
Balance at the end of year	**1,717,994**	**710,085**

(a) At the 17th Board Meeting of the Company, held on 7 December 2020, the Board approved the declaration and capitalization of interim dividend of N1.699 billion based on preference dividend rates of 5.32% and 7.25% respectively for NSIA and AFC.

28 Unsecured subordinated long term loan

In thousands of Naira	31 December 2020	31 December 2019
Unsecured subordinated long-term loan at amortised cost		
Opening	23,170,389	12,813,690
Accrued Interest	1,420,884	777,199
Revaluation loss	2,337,029	-
Interest repayment	(2,134,774)	-
Additions (see Note (a))	3,820,445	9,579,500
	28,613,973	**23,170,389**
Current	3,846,657	2,107,018
Non-Current	24,767,316	21,063,371
	28,613,973	23,170,389

(a) In addition to the N9.6 billion (USD26 million) and N12.8 billion (USD35 million) unsecured subordinated loans KfW provided in 2019 and 2018 respectively, during the year, Africa Development Bank (AfDB) advanced an unsecured subordinated 10-year loan of USD10 million (N3.86 billion). (2019: Nil) at a simple interest rate of 4.07%.

Notes to the Financial Statements

29 Related parties transactions

(a) **Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes associates, joint ventures and the Company's pension schemes, as well as key management personnel.

(i) ***Parent and ultimate controlling party***

Until 20 December 2018, the parent and ultimate controlling party of the Company was Nigeria Sovereign Investment Authority (NSIA). Thereafter, the Company is owned by NSIA, Africa Finance Corporation (AFC) and InfraCo Africa Investment Limited. (See Note 8 of Directors' Report and Note 26 for details of shareholdings).

(ii) ***Transactions with related party***

No new related party transaction was entered into during the year. The related party transactions and outstanding balances as at year end are as follows:

30 Contingent liabilities, litigations and claims

As at 31 December 2020, the Company had issued the following guarantees which represent contingent liabilities outstanding:

In thousands of Naira

Client	Guaranteed amount	Oustanding balance	*Amount due within 12 Months	*Amount due over 12 months	Issue date	Maturity date
Viathan Funding Ltd	10,000,000	9,314,000	2,259,537	13,557,225	15 December 2017	14 December 2027
North South Power	8,500,000	8,247,819	1,481,663	18,520,794	28 February 2019	27 February 2034
GEL Utility	13,000,000	13,000,000	2,316,507	27,798,086	28 August 2019	27 August 2034
Transport Services Ltd (TSL)	12,000,000	12,000,000	1,200,000	17,700,000	6 October 2020	5 October 2030
	43,500,000	**42,561,819**	**7,257,707**	**77,576,105**		

There was no claim against the Company as at 31 December 2020 (2019:Nil) in respect of the issued guarantees.

Also there was no litigation against the company during the finanacial year.

*Amount due within and over 12 months is inclusive of interest charged

31 Events after reporting date

There were no events after the reporting period which could have a material effect on the financial position of the Company as at 31 December 2020 and its financial performance for the period ended which have not been adequately provided for or disclosed.

32 Statement of cash flow notes

(a) Purchase and redemption of investment securities

In thousands of Naira	**31 December 2020**	**31 December 2019**
At the beginning of the year	29,155,877	17,413,427
Interest income (see note 9)	3,340,611	2,329,300
Interest received	(3,323,089)	(2,090,576)
Exchange gain on investment securities	4,149,422	-
Closing balance	(49,815,456)	(29,155,877)
Cash outflow	**(16,492,635)**	**(11,503,726)**

(b) Interest received

In thousands of Naira	**31 December 2020**	**31 December 2019**
Interest income (see note 9)	3,340,611	2,329,300
Interest receivable on investment securities	(17,522)	(238,724)
Cash inflow	**3,323,089**	**2,090,576**

Notes to the Financial Statements

(c) Changes in financial guarantee liability

In thousands of Naira	**31 December 2020**	**31 December 2019**
At the beginning of the year	3,173,458	1,073,895
Net movement (cash outflow)	648,085	2,099,563
At the end of the year	**3,821,543**	**3,173,458**

(d) Changes in other assets

In thousands of Naira	**31 December 2020**	**31 December 2019**
At the beginning of the year	131,891	97,133
Net movement (cash outflow)	99,249	34,758
At the end of the year	**231,140**	**131,891**

(e) Changes in guarantee fee receivable

In thousands of Naira	**31 December 2020**	**31 December 2019**
At the beginning of the year	2,793,546	836,826
Net movement (cash outflow)	504,778	1,956,720
At the end of the year	**3,298,324**	**2,793,546**

(f) Changes in other liabilities

In thousands of Naira	**31 December 2020**	**31 December 2019**
At the beginning of the year	344,757	344,757
Net movement (cash inflow)	500,963	(99,599)
At the end of the year	**845,720**	**245,158**

(g) Movement in ordinary share capital

In thousands of Naira	**31 December 2020**	**31 December 2019**
At the beginning of the year (see note 26(a))	1,983,190	1,983,190
Net movement (net inflow)	991,595	-
At the end of the year	**2,974,785**	**1,983,190**

(h) Movement in irredeemable preference shares

In thousands of Naira	**31 December 2020**	**31 December 2019**
Irredeemable preference shares at the beginning of the year (see note 26(b))	8,022,905	8,022,905
Net movement (net inflow) Dividend Cap	-	-
At the end of the year	**8,022,905**	**8,022,905**

Notes to the Financial Statements

(i) Movement in redeemable preference shares

In thousands of Naira	31 December 2020	31 December 2019
At the beginning of the year (see note 26(c))	8,022,905	8,022,905
Dividend capitalization	1,699,242	-
Net movement (net inflow)	9,119,770	-
At the end of the year	**18,841,917**	**8,022,905**

(j) Profit/(Loss) on disposal of Property and Equipment

In thousands of Naira	31 December 2020	31 December 2019
Cost (see note 19)	27,456	4,570
Accumulated depreciation (see note 19)	(19,945)	(2,943)
Net Book Value	**7,511**	**1,627**
Sales proceed	1,470	-
Loss on Disposal	**(6,041)**	**(1,627)**

(k) Unrealised foreign exchange gain/(loss)

In thousands of Naira	31 December 2020	31 December 2019
Exchange difference loss/gain on unsecured subordinated long term loan	2,337,029	-
Exchange gain on investment securities	(4,149,422)	-
	(1,812,393)	**-**

OTHER NATIONAL DISCLOSURES

Other national disclosures

Value added statement

In thousands of Naira	31 December 2020	%	31 December 2019	%
Gross income	6,055,444	118%	2,994,830	127%
Bought in goods and services - Local & foreign	(936,596)	-18%	(642,481)	-27%
Value added	**5,118,848**	**100%**	**2,352,350**	**100%**
Applied to pay:				
Providers of finance				
Interest expense	1,708,346	33.4%	794,993	33.8%
Employees				
Wages, salaries and other benefits	836,576	16.3%	448,207	19.1%
Government				
Tax (credit)/charge	(240,591)	-4.7%	18,180	0.8%
Retained in the business				
For replacement of property and equipment and ROU assets (depreciation)	98,014	1.9%	55,679	2.4%
For replacement of computer software (amortisation)	9,352	0.2%	731	0.0%
To augument reserves	2,707,151	52.9%	1,034,559	44.0%
Value added	**5,118,848**	**100%**	**2,352,350**	**100%**

Other national disclosures

Five-Year Financial summary

Statement of Financial Position

In thousands of Naira	*Note*	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Assets:						
Cash and cash equivalents	15	11,587,896	13,025,708	13,763,541	398,599	-
Investment securities	16	49,586,875	29,092,303	17,413,427	8,964,409	-
Guarantee fee receivable	17	3,298,324	2,772,403	836,826	1,095,447	-
Other assets	18	222,328	122,030	97,133	85,590	25,000
Property and equipment	19	199,138	240,912	122,379	140,772	-
Right of use asset	20	195,244	217,141	-	-	-
Intangible assets	21	50,851	47,866	2,133	1,138	-
Deferred tax asset	23	295,608	30,528	38,307	-	-
Total assets		**65,436,264**	**45,548,891**	**32,273,746**	**10,685,955**	**25,000**
Liabilities:						
Current tax liability	14(c)	24,363	10,401	639	-	-
Financial guarantee liability	22	3,821,543	3,173,458	1,073,895	1,370,447	-
Other liabilities	24	126,413	344,757	680,996	814,147	119,333
Lease liability	25	845,720	110,801	-	-	-
Unsecured subordinated long term loan	28	28,613,973	23,170,389	12,813,690	-	-
Total liabilities		**33,432,012**	**26,809,806**	**14,569,220**	**2,184,594**	**119,333**
Net assets		**32,004,252**	**18,739,085**	**17,704,526**	**8,501,361**	**(94,333)**
Capital and reserves:						
Ordinary share capital	26(a)	2,974,785	1,983,190	1,983,190	991,595	25,000
Irredeemable preference share capital	26(b)	8,022,905	8,022,905	8,022,905	8,022,905	-
Redeemable preference share capital	26(c)	18,841,917	8,022,905	8,022,905	-	-
Fair value reserves		-	-	-	9,004	-
Share premium	26(f)	19,832	-	-	-	-
Deposit for shares	26(e)	426,819	-	-	-	-
Retained earnings (accumulated losses)	27	1,717,994	710,085	(324,474)	(522,143)	(119,333)
Total shareholders' funds		**32,004,252**	**18,739,085**	**17,704,526**	**8,501,361**	**(94,333)**

Statement of profit or loss and other comprehensive income

Income statement	2020	2019	2018	2017	2016
Operating income	4,068,943	2,032,331	776,155	242,312	-
Operating expenses	(1,602,383)	Lagos.	(605,058)	(645,122)	(119,333)
Profit before tax	2,466,560	2,032,331	171,097	(402,810)	(119,333)
Tax credit/(expense)	240,591	(18,180)	37,668	-	-
Profit after tax	**2,707,151**	**2,014,151**	**208,765**	**(402,810)**	**(119,333)**