Infrastructure Credit Guarantee Company Limited

Financial Statements for the year ended
31 December 2021

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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
	Mrs Vivien Shobo	-Non-Executive Director
	Mrs. Claire Jarratt	-Non-Executive Director
	Mr. Gilles Vaes	-Non-Executive Director

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.
www.kpmg.com/ng

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

RC RC1368639

TIN 20149675-0001

Directors' report
for the year ended 31 December 2021

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 2021

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 local currency credit guarantees for eligible infrastructure projects. The Company is also involved in investing its paid-in capital 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 2021**	**31 December 2020**
Gross earnings	5,793,618	4,225,486
Profit before minimum tax and income tax expense	3,467,457	2,466,560
Minimum tax	(14,484)	-
Profit after minimum tax	3,452,973	2,466,560
Tax (expense)/ credit	(10,343)	240,591
Profit for the year	3,442,630	2,707,151

4. The Board of Directors has recommended for the approval of the Shareholders final preference dividends of N1.21 billion (2020: N1.7 billion interim dividends). The recommended preference dividends shall be subsequently capitalized upon approval of the Shareholders at the Annual General Meeting (AGM).

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
Mrs. Vivien Shobo	-	Non-Executive Director
Mrs. Claire Jarratt	-	Non-Executive Director
Mr. Gilles Vaes	-	Non-Executive Director

   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. Mr. Gilles Vaes didn’t attend the second meeting and Mr. Banji Fehintola didn't attend the third meeting in the year.All other Directors attended all the meetings.

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

Directors' report
for the year ended 31 December 2021

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 ordinary shares held	Number of preference shares held	Total number of shares held	% Shareholding
31 December 2021				
Shareholder:				
Nigeria Sovereign Investment Authority (NSIA)	991,595,001	12,619,770,195	13,611,365,196	38.56%
Africa Finance Corporation (AFC)	991,595,001	8,625,282,292	9,616,877,293	27.24%
InfraCo Africa Investment Limited (InfraCo)	991,595,001	9,119,770,195	10,111,365,196	28.64%
Leadway Assurance Company Limited	522,851,695	1,439,585,000	1,962,436,695	5.56%
	3,497,636,698	**31,804,407,682**	**35,302,044,380**	**100%**

NSIA and InfraCo have equal voting rights of 31.79% each (2020: 33.89%) while AFC has 30.24% (2020: 32.22%) and Leadway 6.17% (2020: Nil) voting rights. Included in NSIA 's total number of shares are 3,500,000,000 shares which carry no voting rights. (Refer to note 26 for further details on the Share Capital).

	Number of ordinary shares held	Number of preference shares held	Total number of shares held	% Shareholding
31 December 2020				
Shareholder:				
Nigeria Sovereign Investment Authority (NSIA)	991,595,001	12,619,770,195	13,611,365,196	40.83%
Africa Finance Corporation (AFC)	991,595,001	8,625,282,292	9,616,877,293	28.85%
InfraCo Africa Investment Limited (InfraCo)	991,595,001	9,119,770,195	10,111,365,196	30.33%
	2,974,785,003	**30,364,822,682**	**33,339,607,685**	**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 2021 (December 2020: 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.

Directors' report
for the year ended 31 December 2021

12. Donations and charitable gifts

No donation was made to any political party or organization during the year. Donations and charitable gifts amounting to Nil (2020: N13.5 million) were made during the year and included in note 13 of the financial statement. See details below:

	Purpose	**31 December 2021**	**31 December 2020**
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.

14. Evaluation of the Impact of COVID-19 Pandemic on the Company's operations

The COVID-19 pandemic started in December 2019 and rapidly spread across the world. The impact cuts across businesses, the economy and social interactions. These impacts will remain for the near future. The Federal Government of Nigeria since the declaration of COVID-19 as a pandemic by the World Health Organisation (WHO) has continued to provide guidance and protocol to follow to ensure curtailment of the spread of the disease. The Group has continued to adhere to all COVID-19 pandemic protocols to ensure the safety of all personnel and other counterparties. The Group continued to deploy a hybrid working arrangement to ensure uninterrupted service delivery through a very robust technology. Therefore, the impact of the pandemic on the Company's and Group's results of operation has been effectively minimised throughout the period. The Group continue to review the current situation including but not limited to the current rate of infection, development, and deployment of vaccines with gradual and careful re-opening of businesses across the country.

Based on this review, nothing has come to the attention of the Directors to indicate that the Company will not continue to operate into the near future as a result of COVID-19 pandemic. The Company has also assessed the impact of Covid-19 pandemic on the amount presented on the statement of financial position and concluded that no further adjustment will be required in the financial statement.

BY ORDER OF THE BOARD

Olaniwun Ajayi LP
FRC/2013/00000000001615
Company Secretary
Plot L2, 401 Close, Banana Island,
Ikoyi,
Lagos
21 March 2022

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2021

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
21 March 2022

Mr. Chinua Azubike
FRC/2018/ICSAN/00000016559
Managing Director/Chief Executive Officer
21 March 2022

Statement of Corporate Responsibility for the Financial Statements for the Year Ended 31 December 2021

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 2021 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2021.

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 2021.

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 2021.

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
21 March 2022

Mr. Collins Eguakun
Financial Controller
FRC/2013/ICAN/00000000843
21 March 2022

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
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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, 2021;
- 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, 2021, 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 the 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.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2021, Statement of corporate responsibilities for the financial statements 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 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

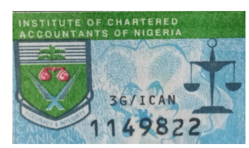
Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

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 and loss and other comprehensive income are in agreement with the books of account.

Oseme .J. Obaloje, ACA
FRC/2013/ICAN/00000004803
For: KPMG Professional Services
Chartered Accountants
21 March 2022
Lagos, Nigeria



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

In thousands of Naira	Note	31 December 2021	31 December 2020
Gross revenue		**5,793,618**	**4,225,486**
Guarantee fee income	7	1,250,857	884,875
Guarantee fee expenses	8	(224,035)	(97,270)
		1,026,822	787,605
Interest income	9(a)	4,542,762	3,340,611
Interest expense	9(b)	(1,828,816)	(1,708,346)
Impairment loss on financial instruments	10	(173,002)	(180,885)
Other income	11(a)	-	17,565
Foreign exchange gain	11(b)	1,713,712	1,812,393
		5,281,478	**4,068,943**
Personnel expenses	12	(960,634)	(836,576)
Depreciation of property and equipment	19	(71,653)	(76,117)
Depreciation of right of use asset	20	(21,897)	(21,897)
Amortisation of intangible asset	21	(15,438)	(9,352)
Other operating expenses	13	(744,399)	(658,441)
		(1,814,021)	**(1,602,383)**
Profit before minimum tax and income tax expense		**3,467,457**	**2,466,560**
Minimum taxation	14(a)	(14,484)	-
Profit after minimum tax		**3,452,973**	**2,466,560**
Tax (expense)/credit	14(a)	(10,343)	240,591
Profit after tax for the year		**3,442,630**	**2,707,151**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:		-	-
Fair value gain on financial assets at fair value through OCI		-	-
Total comprehensive profit		**3,442,630**	**2,707,151**

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

Statement of financial position
As at:

In thousands of Naira	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	15	1,760,077	11,587,896
Investment securities	16	67,040,896	49,586,875
Guarantee fee receivable	17	4,558,673	3,298,324
Other assets	18	290,810	222,328
Property and equipment	19	227,711	199,138
Right of use asset	20	173,347	195,244
Intangible assets	21	43,854	50,851
Deferred tax asset	23	320,112	295,608
Total assets		**74,415,480**	**65,436,264**
Liabilities			
Current tax liability	14(c)	49,030	24,363
Financial guarantee liability	22	5,353,627	3,821,543
Other liabilities	24	1,092,025	845,720
Lease liability	25	84,225	126,413
Unsecured subordinated long term loan	28	30,333,140	28,613,973
Total liabilities		**36,912,047**	**33,432,012**
Equity			
Ordinary share capital	26(a)	3,497,637	2,974,785
Irredeemable preference share capital	26(b)	8,022,905	8,022,905
Redeemable preference share capital	26(c)	20,281,503	18,841,917
Deposit for shares	26(e)	426,819	426,819
Share premium	26(f)	113,945	19,832
Retained earnings	27	5,160,624	1,717,994
Total equity		**37,503,433**	**32,004,252**
Total liabilities and equity		**74,415,480**	**65,436,264**

The financial statements were approved by the Board of Directors on 21 March 2022 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 Egunkun
FRC/2013/ICAN/00000000843
Financial Controller

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

Statement of changes in equity
As at 31 December 2021

In thousands of Naira	Share capital	Irredeemable preference capital	Redeemable preference capital	Deposit for share	Share premium	Retained earnings	Total equity
Balance as at 1 January 2021	**2,974,785**	**8,022,905**	**18,841,917**	**426,819**	**19,832**	**1,717,994**	**32,004,252**
Total comprehensive income for the year							
Transfer from profit or loss and other comprehensive income	-	-	-	-	-	3,442,630	3,442,630
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**3,442,630**	**3,442,630**
Transactions with shareholders, recorded directly in equity							
Issue of shares	522,852	-	1,439,586		94,113	-	**2,056,551**
Total comprehensive income	**522,852**	**-**	**1,439,586**	**-**	**94,113**	**-**	**2,056,551**
Balance at 31 December 2021	**3,497,637**	**8,022,905**	**20,281,503**	**426,819**	**113,945**	**5,160,624**	**37,503,433**
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**

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 2021	31 December 2020
Cash flow from operating activities:			
Profit after tax		3,442,630	2,707,151
Tax charge/(credit)	14(a)	24,827	(240,591)
Profit before tax		3,467,457	2,466,560
Adjustment for:			
Depreciation of property and equipment	19	71,653	76,117
Depreciation of Right of use asset	20	21,897	21,897
Amortisation of intangible asset	21	15,438	9,352
(Gain)/ loss on disposal	33(j)	(69)	6,041
Impairment loss on financial instruments	10	173,002	180,885
Exchange loss on unsecured subordinated debts	32(k)	1,627,328	2,337,029
Exchange gain on investment securities	32(a)	(3,341,040)	(4,149,422)
Interest income	9(a)	(4,542,762)	(3,340,611)
Interest expense	28	1,828,816	1,420,884
		(678,280)	(971,268)
Changes in :			
Other assets	32(d)	(59,670)	(99,249)
Guarantee fee receivable	32(e)	(1,260,349)	(504,778)
Financial guarantee liability	32(c)	1,532,084	648,085
Lease liability	25	(24,376)	15,612
Other liabilities	32(f)	(92,257)	500,963
		95,432	560,633
Interest paid	28	(1,541,680)	(2,134,774)
Interest received	32(b)	3,982,774	3,323,089
Tax paid	14(c)	(24,667)	(10,527)
Net cash flows generated from operating activities		**1,833,579**	**767,153**
Cash flow from investing activities:			
Acquisition of property and equipment	19	(100,247)	(41,854)
Proceeds from disposal of property and equipment	32(j)	89	1,470
Acquisition of intangible asset	21	(8,441)	(12,337)
Purchase of investment securities	32(a)	(13,654,851)	(16,492,635)
Net cash flows used in investing activities		**(13,763,450)**	**(16,545,356)**
Cash flow from financing activities:			
Proceeds from the issues of shares	26(f)	616,965	1,011,427
Proceeds from unsecured subordinated debt	28	-	3,820,445
Issue of redeemable preference shares	26(c)	1,439,586	9,119,770
Deposit for shares	26(e)	-	426,819
Net cash flows from financing activities		**2,056,551**	**14,378,461**
Decrease in cash and cash equivalents		(9,873,320)	(1,399,742)
Cash and cash equivalents at beginning of the year	15	11,634,017	13,033,759
Cash and cash equivalents at the end of the year	15	**1,760,697**	**11,634,017**

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 local currency credit guarantees for eligible infrastructure projects. The Company is also involved in investing its paid-in capital 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 21 March 2022.

(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 financial statements is in conformity with the IFRS requirements. 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 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.

Judgement

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.

* Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition,

*Determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL. (see note 5(a)(ii))

Assumptions and estimation

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 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 Federal Government bonds which we have assumed to be highly likely. Included in the recoverability review of deferred tax assets are assumptions about interest rates, exchange rates, inflation rate as well as the likelihood of the extension of the tax-exempt status of income on Federal Government bonds which we assume is more than likely.

*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

Notes to the financial statements

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 this year end financial statements

*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16): These amendments aim to reduce the accounting 'noise' surrounding the change to an alternative benchmark rate. Allowing companies to account for this change as a continuation of a hedging relationship, for example, will not only provide welcome practical relief but also better reflect the economic effects of the reform..

*COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)): This amendement is a response to the ongoing economic challenges resulting from the COVID-19 coronavirus pandemic. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The above mentioned amendments and interpretations to the IFRS standards adopted on 1 January, 2021, 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 issued but not yet effective

1-Jan-22	Annual improvements IFRS Standards 2018-2020- Amendments to IFRS 1 First time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture. These amendments are not applicable to the Company.
	Reference to the Conceptual Framework - Amendments to IFRS 3 Buisness Combinations. These amendments are not applicable to the Company.
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). These amendments are not applicable to the Company.
	Onerous Contract - Cost of Fulfilling a Contract. Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. These amendments are not applicable to the Company.

1-Jan-23	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.These amendments are not applicable to the Company.
	Classification of Liabilities as Current or Non-current –Amendments to IAS 1 Presentation of Financial Statements.These amendments are not applicable to the Company.
	Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments are not applicable to the Company.
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.These amendments are not applicable to the Company.
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS .These amendments are not applicable to the Company.)

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. These amendments are not applicable to the Company.

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.

Notes to the financial statements

(b) Revenue recognition

Gross revenue

(i) Guarantee fees income

This refers to the sum of guarantee fee income, monitoring fee income and due diligence fee income. Guarantee fee income is the amortized portion of the non-refundable fees
calculated as a percentage of the guaranteed amount earned for providing guarantees to the bond issued by the client companies.
'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 revenue is recorded. Other fee income are recognised as the related services are performed.

(ii) Interest income and expense

This refers to income earned from placements with banks, treasury bills and bonds investments.
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.

Guarantee fees and interest income are recognised net of VAT.

Guarantee fee expense

Guarantee fee expenses include expenses incurred by the Company in respect of the callable capital funding facility agreement with GuarantCo and other directly attributable costs of issuing guarantees such as due diligence and project development activities on guarantee transactions. The Company recognizes guarantee fee expenses in the profit or loss as they are incurred.

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
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 other comprehensive income (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.

Notes to the financial statements

(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 expenditures 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 begins when the asset is available for use and continues until the asset is derecognised, even if it is idle.

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.

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.

Notes to the financial statements

(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.

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.

Notes to the financial statements

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.
It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:
- Company income tax is computed on taxable profits.
- Tertiary education tax is computed on assessable profits.
- National Information Technology Development Agency levy is computed on profit before tax.
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

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.

Notes to the financial statements

(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 (FVTPL). 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.

Notes to the financial statements

(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.

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 simultaneously.

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.

Notes to the financial statements

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.

Guarantee fee receivable
This represents the present value of guarantee fees receivable under the contracts undertaken for providing guarantees to the bond issued by the client companies. This is recognized at the inception of the contract for the unpaid amount due after one year of issuing the guarantee with a corresponding credit to financial guarantee liability. Guarantee fee receivable is reduced yearly once guarantee payment is received from each of the portfolio companies.

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 and do not require settlement in a variable number of the Group's equity instruments. 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.

Notes to the financial statements

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.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable information about the financial instrument and counterparty, including forward looking information.

(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.

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 and 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 and 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) 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.

(e) 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:

Notes to the financial statements

31 December 2021			**Interest bearing instruments**				**Non-interest**
		Carrying	**Less than 3**	**3 months - 6**	**6 months - 1**	**Over 1 year**	**Bearing**
In thousands of Naira	**Note**	**amount**	**months**	**months**	**year**		**instruments**
Assets							
Cash and cash equivalents	15	1,760,697	1,760,693	-	-	-	3
Investment securities	16	67,040,896	5,326,943	2,880,555	8,332,913	50,500,485	-
Guarantee fee receivable	17	4,558,673	-	-	-	-	4,558,673
Other financial assets	18	229,106	-	-	-	-	229,106
		73,589,372	7,087,636	2,880,555	8,332,913	50,500,485	4,787,782
Liabilities							
Financial guarantee liability	22	5,353,627	-	-	-	-	5,353,627
Other liabilities	24	534,294	-	-	-		534,294
Unsecured subordinated long term loan	28	30,333,140	158,049	-	3,688,609	26,486,483	-
		36,221,061	158,049	-	3,688,609	26,486,483	5,887,921
Total interest pricing gap		**37,368,311**	**6,929,587**	**2,880,555**	**4,644,306**	**24,014,002**	**(1,100,139)**

31 December 2020			**Interest bearing instruments**				**Non-interest**
		Carrying	**Less than 3**	**3 months - 6**	**6 months - 1**	**Over 1 year**	**bearing**
In thousands of naira	**Note**	**amount**	**months**	**months**	**year**		**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	158,048.67	-	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)**

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:

	31 December	**31 December**
In thousands of Naira	**2021**	**2020**
Profit or loss & equity		
Increase	769,369	727,665
Decrease	(769,369)	(727,665)

Notes to the financial statements

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.

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

31 December 2021

In thousands of Naira	**Note**	**Naira**	**US Dollar**	**Total**
Assets				
Cash and cash equivalents	15	938,767	821,310	1,760,077
Investment securities	16	4,631,303	62,409,594	67,040,896
Guarantee fee receivable	17	4,558,673	-	4,558,673
Other assets	18	229,107	-	229,107
		10,357,851	63,230,904	73,588,754
Liabilities				
Financial guarantee liability	22	5,353,627	-	5,353,627
Unsecured subordinated long term loan	28	-	30,333,140	30,333,140
Other liabilities	24	530,533	3,761	534,294
		5,884,160	30,336,901	36,221,062
		4,473,690	**32,894,002**	**37,367,692**

31 December 2020

In thousands of Naira		**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	222,328	-	222,328
		8,723,620	56,017,924	64,741,544
Liabilities				
Financial guarantee liability	22	3,821,543	-	3,821,543
Unsecured subordinated long term loan	28	-	28,613,973	28,613,973
Other liabilities	24	832,233	13,487	845,720
		4,653,776	28,627,460	33,281,236
Net financial assets		**4,069,844**	**27,390,464**	**31,460,308**

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 2021**	**Exchange rate**	**31 December 2020**
10% increase	424.11	3,289,400	400.33	3,123,712
10% decrease	424.11	(3,289,400)	400.33	(3,123,712)

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 2021**	**31 December 2020**
Cash and cash equivalents	15	1,760,697	11,634,017
Investment securities	16	67,040,896	49,586,875
Guarantee fee receivable	17	4,558,673	3,298,324
Other assets	18	229,107	159,865
Total exposure to credit risk		**73,589,373**	**64,679,081**

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.

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 2021, there was nil expected credit losses (2020: N21.1 million expected credit losses reversal) has been estimated in accordance with IFRS 9 and recognised in profit or loss.

Notes to the financial statements

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 held as securities for the guarantee contracts issued as at 31 December 2021:

Vaithan Funding Ltd

In thousands of Naira	31 December 2021	31 December 2020
Open Market value of property held	15,368,142	15,368,142
Reserve account (Bank balance)	332,974	362,996
Total value of the collateral held	**15,701,116**	**15,731,138**
Outstanding value of the guarantee at the end of the year	(10,037,176)	(9,314,000)
Excess of collateral over outstanding value of the guarantee	**5,663,940**	**6,417,138**

Other than the reserve account and bank balances; the valuation for Viathan's assets was undertaken by Diya Fatimilehin & Co: FRC/2013/NIESV/00000000754. This valuation fall in category 3 of the fair value hierachy.

North South Power (NSP)

In thousands of Naira	31 December 2021	31 December 2020
Open Market value of property held	72,750,000	72,750,000
Reserve account (Bank balance)	1,660,441	1,672,348
Total value of the collateral held	**74,410,441**	**74,422,348**
Outstanding value of the guarantee at the end of the year	(9,409,289)	(8,247,819)
Excess of collateral over outstanding value of the guarantee	**65,001,152**	**66,174,529**

Other than the reserve account and bank balances; the valuation for NSP's assets was undertaken by Deloitte & Touche (Tope Odukoya-FRC/2012/ICAN/00000000422). This valuation fall in category 3 of the fair value hierachy.

GEL Utility

In thousands of Naira	31 December 2021	31 December 2020
Open Market value of property held	17,259,470	17,259,470
Reserve account (Bank balance)	1,995,617	1,979,140
Total value of the collateral held	19,255,087	19,238,610
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	**6,255,087**	**6,238,610**

Other than the reserve account and bank balances; the valuation for GEL Utility's assets was undertaken by Jide Taiwo & Co. (FRC/2012/0000000000254). This valuation fall in category 3 of the fair value hierachy.

Transport Services Limited (TSL)

In thousands of Naira	31 December 2021	31 December 2020
Open Market value of property held	20,901,588	20,901,588
Reserve account (bank balance)	389,507	643,493
Total value of the collateral held	**21,291,095**	**21,545,081**
Outstanding value of the guarantee at the end of the year	(12,000,000)	(12,000,000)
Excess of collateral over outstanding value of the guarantee	**9,291,095**	**9,545,081**

Other than the reserve account and bank balances; the valuation for TSL's assets was undertaken by James Garuba & Co. This valuation fall in category 3 of the fair value hierachy.

Notes to the financial statements

Lagos Free Zone Company (LFZC)

In thousands of Naira	**31 December 2021**	**31 December 2020**
Open Market value of property held	195,516,843	-
Reserve account (bank balance)	-	-
Total value of the collateral held	**195,516,843**	**-**
Outstanding value of the guarantee at the end of the year	(10,500,000)	-
Excess of collateral over outstanding value of the guarantee	**185,016,843**	**-**

Other than the reserve account and bank balances; the valuation for LFZC's assets was undertaken by Knight Frank. The valuation report was signed by Sunny Akpodiogaga. This valuation fall in category 3 of the fair value hierachy.

GPC Energy & Logistics Limited

In thousands of Naira	**31 December 2021**	**31 December 2020**
Open Market value of property held	20,901,588	-
Reserve account (bank balance)	650,000	-
Total value of the collateral held	**21,551,588**	**-**
Outstanding value of the guarantee at the end of the year	(20,000,000)	-
Excess of collateral over outstanding value of the guarantee	**1,551,588**	**-**

Other than the reserve account and bank balances; the valuation for GPC's assets was undertaken by Pat Obianwu $ Co (FRC/2014/NIESV/00000007136) signed by ESV. Patrick Obianwu. This valuation fall in category 3 of the fair value hierachy.

In respect of the nature and value of collaterals helds as securities for the respective guarantee contracts issued as at 31 December 2021 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 2021, 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 2021	**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	1,760,698	(620)	1,760,077
Investment securities	16	A1 - AAA*	Performing	12-month ECL	67,371,335	(330,439)	67,040,896
Guarantee fee receivables	17	BBB-*	Performing	12-month ECL	4,558,673	-	4,558,673
Other assets	18	BBB- AA*	Performing	12-month ECL	290,810	(125,457)	165,353
Total exposure to credit risk					**73,981,516**	**(456,516)**	**73,524,999**

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					**64,978,937**	**(283,514)**	**64,695,423**

**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 2021 for the years 2021 to 2023.

	2021	**2022**	**2023**
GDP growth rate (%)	1.30	3.10	2.30
Exchange Rate	424.11	400.33	463.13
Inflation	15.63	15.63	10.10

Source: Fitch Solutions

Below is the disclosure of scenario probability weightings applied in measuring ECL for both 2021 and 2020.

Scenarios	**Probability of Default**	
	2021	**2020**
Best Case	50%	50%
Base Case	30%	30%
Worst Case	20%	20%

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 ITBC 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**	
			31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
In thousands of Naira	***Local rating***	***Location***				
Financial Institutions						
Stanbic IBTC Bank limited	AAA **	Nigeria	644,750	47,774	-	-
Access Bank Plc	A+ **	Nigeria	379,825	497,099	-	1,326,402
Zenith Bank Plc	AA- **	Nigeria	-	-	1,440,278	1,248,909
United Bank for Africa Plc	AA- ***	Nigeria	8,093	756,987	1,619,073	1,247,219
Ecobank Plc	A- ***	Nigeria	13,912	55,317	4,241,094	3,728,373
Guaranty Trust Bank	AA **	Nigeria	171,043	125,052	-	-
Standard Chartered Bank	AAA **	Nigeria	500,481	-	-	-
Union Bank	A+ **	Nigeria	-	-	277,973	-
Leadway Asset Management Limited		Nigeria	348	-	-	-
Renaissance Capital Cyprus Limited		Cyprus	42,242	-	-	-
			1,760,694	**1,482,229**	**7,578,418**	**7,550,903**
Sovereign/ Government						
Federal Government of Nigeria	B+ **	Nigeria	-	-	67,371,335	49,815,456
			-	-	**67,371,335**	**49,815,456**
Total			**1,760,694**	**1,482,229**	**74,949,753**	**57,366,359**

Concentration by product

In thousands of Naira	**31 December 2021**	**31 December 2020**
Bank balances	1,760,694	1,899,544
Placement with banks	-	9,734,473
Commercial papers	277,973	-
Eurobonds	63,085,858	45,443,755
FGN bonds	4,007,505	4,371,701
Total	**69,132,030**	**61,449,473**

Notes to the financial statements

Concentration by region

In thousands of Naira	31 December 2021	31 December 2020
Nigeria	69,132,030	61,449,473
Total	**69,132,030**	**61,449,473**

Guarantee fee receivables at amortised cost
Concentration by sector

In thousands of Naira	*Rating*	*Location*	31 December 2021	31 December 2020
Power Sector				
Viathan Funding Plc	BBB- *	Nigeria	328,417	613,877
North South Power Company Limited	A- ***	Nigeria	641,842	992,141
GEL Utility Limited	BBB+ *	Nigeria	854,656	1,060,547
			1,824,915	**2,666,565**
Transport sector				
TSL	BBB+ *	Nigeria	835,864	631,759
GPC	BBB+ *	Nigeria	1,177,036	-
			2,012,900	**631,759**
Input to infrastructure				
LFZC	BBB+ *	Nigeria	720,858	-
			720,858	**-**
Total			**4,558,673**	**3,298,324**

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

Concentration by region

In thousands of Naira	31 December 2021	31 December 2020
Nigeria	720,858	3,022,324
United Kingdom	-	-
	720,858	**3,022,324**

Financial guarantee contracts (off balance sheet)

In thousands of Naira	31 December 2021	31 December 2020
Viathan Funding Ltd	10,037,176	9,314,000
North South Power	9,409,289	8,247,819
GEL Utility	13,000,000	13,000,000
Transport Services Ltd (TSL)	12,000,000	12,000,000
LFZC	10,500,000	-
GPC	20,000,000	-
	74,946,465	**42,561,819**

Loss allowance by financial instrument

In thousands of Naira	Note	31 December 2021	31 December 2020
Cash and cash equivalent	15	620	46,121
Investment securities at amortised cost	16	330,439	228,581
Trade and other receivables	18	125,457	8,812
		456,516	**283,514**

As at 31 December 2021, there was no charge of expected credit losses on guarantee fee receivables and N21.1million was estimated as impairment reversal in 2020.

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 & other receivables 12-month	Guarantee fee receivable 12-month ECL	Cash Equivalents 12-month ECL	Investment Securities 12-month ECL	Total
As at 1 January 2020	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**
New financial assets originated or purchased	125,457	-	620	330,439	456,516
Financial assets that have been derecognised	(8,813)	-	(46,121)	(228,580)	(283,514)
Impairment loss for the year (see note 10)	116,644	-	(45,501)	101,859	173,002
As at 31 December 2021	125,457	-	620	330,439	456,516

(i) For financial guarantee contract, the gross carrying amount represents the maximum amount the Company has guaranteed under the contract. Nil loss write back (2020: N21.10 million) 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 N116.60 million (2020: N1.05 million) which has been recognised in profit or loss .

(iii) The loss allowance of N102.00 million (2020: N165.00 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 reversal of N45.5million (2020: N38 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 2021

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	1,760,077	1,760,698	1,760,698	-	-	-
Investment securities	16	67,040,896	67,371,335	5,326,943	2,880,555	8,332,913	50,830,924
Guarantee fee receivable	17	4,558,673	4,558,673	-	-	1,005,926	3,552,747
Other assets	18	229,107	229,106	229,106	-	-	-
		73,588,753	73,919,812	7,316,747	2,880,555	9,338,839	54,383,671
Financial guarantee liability	22	5,353,627	5,353,627		-	1,109,629	4,243,998
Other liabilities	24	534,294	534,294	534,294	-	-	-
Unsecured subordinated long term loan	29	30,333,140	30,333,140	-	-	3,688,609	26,644,531
Gap (assets-liabilities)		37,367,692	37,698,751	6,782,452	2,880,555	4,540,601	23,495,141
Cummulative liquidity gap				**6,782,452**	**9,663,008**	**14,203,609**	**37,698,750**

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 and cash equivalents	15	11,634,017	11,634,017	11,634,017	-	-	-
Investment securities	16	49,586,875	49,815,456	-	-	7,580,882	42,234,574
Guarantee fee receivable	17	3,298,324	3,298,324	-	-	744,203	2,554,121
Other assets	18	222,328	231,140	231,140	-	-	-
		64,741,544	64,978,937	11,865,157	-	8,325,085	44,788,695
Financial guarantee liability	22	3,821,543	3,821,543		-	255,648	3,565,895
Other liabilities	24	407,714	407,714	407,714	-	-	-
Unsecured subordinated long term loan	29	24,767,316	24,767,316	-	-	3,688,609	21,078,707
Gap (assets-liabilities)		35,744,971	35,982,364	11,457,443	-	4,380,828	20,144,094
Cummulative liquidity gap				**11,457,443**	**11,457,443**	**15,838,271**	**35,982,364**

(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 2021**	**31 December 2020**
Qualifying capital		
Investment securities	67,040,896	49,586,875
Cash and bank balances	1,760,077	11,587,896
Projected operating expenses	(648,640)	(540,704)
Qualifying core capital	**68,152,333**	**60,634,067**
Unfunded contingent capital	10,602,750	10,008,250
Other non-credit guarantee related liabilities	(1,225,280)	(996,496)
Qualifying capital	**77,529,802**	**69,645,821**
Notional amount guaranteed		
Amount guaranteed	74,946,465	42,561,819
Co-guarantee (USAID)	(6,500,000)	(6,500,000)
Accrued interest	-	-
Credit risk mitigant/reserve account	(5,028,538)	-
Notional amount guaranteed	**63,417,927**	**36,061,819**
Net capital leverage ratio	**0.82**	**0.52**
Gross capital leverage ratio	**0.90**	**0.61**

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 2020 and thereafter, "7.5" (seven point five). The Company has kept in line with its capital management policy on it's leverage ratio.

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 2021

In thousands of Naira	**Note**	**Carrying amount**	**Amortised Cost**	**Other financial liabilities (amortized cost)**	**Fair value**
Cash and cash equivalents	15	1,760,077	1,760,077	-	1,760,077
Investment securities	16	67,040,896	67,040,896	-	71,197,432
Guarantee fee receivable	17	4,558,673	4,558,673	-	4,558,673
Other assets	18	229,107	229,107	-	229,107
Total financial assets		**73,588,753**	**73,588,753**	**-**	**77,745,289**
Unsecured subordinated long term loan	28	30,333,140	-	30,333,140	30,333,140
Financial guarantee liability	22	5,353,627	-	5,353,627	5,353,627
Other liabilities	24	534,294	-	534,294	534,294
Total financial liabilities		**36,221,061**	**-**	**36,221,061**	**36,221,061**

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	159,865	159,865	-	159,865
Total financial assets		**64,632,960**	**64,632,960**	**-**	**65,692,536**
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**

Notes to the financial statements

7 Guarantee fee income

In thousands of Naira	31 December 2021	31 December 2020
Mandate fees (a)	100,000	34,000
Guarantee fees (b)	1,129,524	832,375
Monitoring fees (c)	21,333	18,500
	1,250,857	**884,875**

(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 fee calculated as a percentage of the guaranteed amount earned from customers. See Note 30 for breakdown of all guarantees issued.

(c) Amount represents the amortized portion of fixed non-refundable annual fees for providing monitoring services for guarantees issued.

8 Guarantee fee expense

In thousands of Naira	31 December 2021	31 December 2020
Guarantee fee expense (a)	76,548	75,212
Upfront fee expense (a)	3,003	2,252
Monitoring fee expense (a)	7,916	7,948
Due diligence/project development expense (b)	136,568	11,858
	224,035	**97,270**

(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 2021	31 December 2020
(a)	**Interest income**		
	Eurobonds	4,038,456	3,187,691
	Bank placements	504,306	148,901
	Treasury bills	-	4,019
		4,542,762	**3,340,611**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N4.54 billion (2020: N3.34 billion)

(b)	**Interest expense**		
	Interest expense long-term unsecured subordinated loans	1,801,398	1,686,526
	Interest expenses leased liabilities	17,812	15,612
	Investment management fee expenses	9,606	6,208
		1,828,816	**1,708,346**
	Net interest income	**2,713,946**	**1,632,265**

The total interest expense calculated using the effective interest rate (EIR) method for financial liabilities measured at amortised cost is N1.8 billion (2020: N1.7 billion).

Notes to the financial statements

10 Impairment charge / (reversal) on financial instruments

In thousands of Naira	31 December 2021	31 December 2020
Investment securities (see note 16(a))	101,858	165,007
Guarantees Receivable (Impairment reversal)/ Charge (see note 17(b))	-	(21,143)
Other receivables Charge/(Impairment reversal) (see note 18(b))	116,645	(1,049)
Cash equivalents (see note 15(b))	(45,501)	38,070
	173,002	**180,885**

11(a) Other Income

In thousands of Naira	31 December 2021	31 December 2020
Write back of accrual no longer required (i)	**-**	**17,565**

(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	31 December 2021	31 December 2020
Exchange gains	**1,713,712**	**1,812,393**

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 2021	31 December 2020
Wages and salaries	469,865	472,139
Other staff costs	437,546	318,119
Pension cost	53,223	46,318
	960,634	**836,576**

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

	31 December 2021	31 December 2020
Managerial	7	5
Other staff	19	21
	26	**26**

(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 2021	31 December 2020
N1 million - N2 million		2
N2 million - N5 million		1
N5 million - N10 million	4	6
N10 million - N25 million	11	8
N25 million and above	11	9
	26	**26**

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 2021	31 December 2020
Non-Executive Directors (NEDs)		
Fees	113,085	86,083
	113,085	**86,083**

The emoluments of all Non-Executive Directors fell within the following ranges:

	31 December 2021	31 December 2020
N10 million and above	8	8

13 Other operating expenses

In thousands of Naira	31 December 2021	31 December 2020
Directors remuneration (Non-executive)	113,085	86,083
Marketing & advertising (See note (a) below)	38,008	45,968
Stationery & printing	7,657	3,993
Traveling & entertainment	26,740	20,579
Custody fees	33,610	22,243
Communication expenses	-	917
Auditors remuneration(see note (b) below)	24,000	21,500
Information technology expenses	71,934	44,637
Training expenses	42,490	56,181
Administration & membership fees	25,738	35,759
Professional fees (See note (c) below)	215,502	214,400
Maintenance expenses	13,961	11,785
Insurance expenses	25,306	24,974
Utility and electricity	16,126	14,630
Other expenses (See note (d) below)	90,244	54,792
	744,400	**658,441**

(a) Included in Marketing and advertising expenses for 2020 are donations and charitable gifts of N13.5 million. There were no donations in 2021.

(b) Auditor's remuneration for 2021 includes fees for half year audit of N6 million (2020: N6milllion).

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

In thousands of Naira	31 December 2021	31 December 2020
Short term incentive scheme review	5,229	3,386
Credit model automation	-	4,300
Valuation exercise	3,763	-
	8,992	**7,686**

Notes to the financial statements

(c)	**Professional fees**		
	Legal and secretarial fees	31,440	21,093
	Other professional fees	136,228	154,079
	HR consultancy	22,084	19,056
	Credit rating expenses	25,750	20,172
		215,502	**214,400**

(d)	**Other expenses**		
	Bank charges	14,621	11,304
	Board meeting expenses	18,820	18,062
	Recruitment costs	5,248	3,195
	(Gain) or Loss on disposal of property and equipment (see note 32(j))	(69)	6,041
	ITF Levy	17,016	3,903
	Other expenses (i)	34,608	12,286
		90,244	**54,791**

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

14 Taxation

(a) Tax Charge/ (Credit)

	In thousands of Naira	**31 December 2021**	**31 December 2020**
i	**Minimum tax**		
	Minimum tax	14,484	-
		14,484	**-**
ii	**Current tax**		
	Companies income tax	-	-
	Information technology tax	34,675	24,367
	Police Trust Fund levy	173	122
	Current Income tax expense (See note 14(c))	**34,848**	**24,489**
iii	**Deferred tax**		
	Deferred tax charge/(credit) (see note 23)	(24,505)	(265,080)
	Income tax charge/ (credit)	**10,343**	**(240,591)**
	Total income charge/ (credit)	**24,827**	**(240,591)**

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 2021		**31 December 2020**	
In thousands of Naira	**Amount**	**Rate**	**Amount**	**Rate**
Profit before tax	3,467,457		2,466,560	
Tax using the Company's tax rate	1,040,237	30%	739,968	30%
Tax exempt income	(1,745,616)	-50%	(1,530,795)	-62%
Non-deductible expenses	626,077	18%	525,747	21%
Information technology tax	34,675	1%	24,367	1%
Police Trust Fund levy	173	0%	122	0%
Unrecognised tax losses	79,302	2%	-	0%
Derecognition of previously recognised deductible temporary differences	(24,504)	-1%	-	0%
	10,343	0.30%	**(240,591)**	-10%

Notes to the financial statements

(c) Current tax liability

In thousands of Naira	31 December 2021	31 December 2020
Balance as at 1 January	24,363	10,401
Charge for the year see note 14(a)	49,332	24,489
Payment during the year	(24,667)	(10,527)
At end of year	**49,030**	**24,363**

15 Cash and cash equivalents

In thousands of Naira	31 December 2021	31 December 2020
Cash in hand	3	7
Cash Equivalents:		
Balances with banks	1,760,694	1,899,537
Bank placement (see note (a) below)	-	9,734,473
Cash equivalents (gross)	1,760,694	11,634,010
Impairment allowance on cash equivalents (see note (b) below)	(620)	(46,121)
Cash equivalents (net)	1,760,074	11,587,889
Cash and cash equivalents in the statement of financial position	**1,760,077**	**11,587,896**
Impairment allowance on cash equivalents (see note (b) below)	620	46,121
Cash and cash equivalents in the statement of cash flows	**1,760,697**	**11,634,017**
Current	1,760,077	11,587,896

(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 2021	31 December 2020
Opening balance	46,121	8,051
Recognised in income statement (See note 10)	(45,501)	38,070
Closing balance	620	46,121

16 Investment securities

In thousands of Naira	31 December 2021	31 December 2020
Commercial paper	298,932	-
FGN Eurobonds at amortised cost (i)	54,635,356	37,150,629
Corporate Eurobonds at amortised cost (ii)	7,805,744	8,293,126
FGN Bonds (ii)	4,631,303	4,371,701
	67,371,335	49,815,456
Impairment allowance on investment securities (see note (a) below)	(330,439)	(228,581)
Investment securities	67,040,896	49,586,875
Current	16,540,411	7,580,882
Non-Current	50,500,485	42,005,993
Total	**67,040,896**	**49,586,875**

(i) FGN and corporate Eurobonds have stated yields of 4.83% to 11.6% and mature in five months to nine years (2020: ten months to ten years).

(ii) FGN Bonds have stated yields of 5% to 9.8% and mature in a month to six years (2020: 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 2021	31 December 2020
Opening balance	228,581	63,574
Recognised in income statement (See note 10)	101,858	165,007
Closing balance	330,439	228,581

17 Guarantee fee receivable

In thousands of Naira	31 December 2021	31 December 2020
Opening Balance	3,298,324	2,793,546
Present value of guarantee fee received	(1,168,027)	(581,995)
Addition during the year	2,428,376	1,086,773
Gross guarantee fee receivable	4,558,673	3,298,324
Impairment allowance	-	-
Guarantee fee receivable (see (a) below)	4,558,673	3,298,324
Current	1,005,926	744,203
Non-current	3,552,747	2,554,121

(a) Amount represents the present value of guarantee fees receivable under the contracts undertaken by the Company to provide financial guarantee contracts. See Note 30 for the guarantees issued by the Company.

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

In thousands of Naira	31 December 2021	31 December 2020
Opening balance	-	21,143
Impairment reversal/(charge) during the year (See note 10)	-	(21,143)
Closing balance	-	-

18 Other assets

In thousands of Naira	31 December 2021	31 December 2020
Other financial assets		
Trade receivable (a)	340,308	168,677
Receivable from GuarantCo	12,112	-
Other receivables	2,144	-
	354,564	168,677
Impairment (see note (b) below)	(125,457)	(8,812)
	229,107	159,865
Non financial assets		
Prepayments	60,511	61,913
Cash advance	1,192	550
	61,703	62,463
Total- Other assets	**290,810**	**222,328**
Current	290,810	222,328
Non-Current	**-**	**-**
Total	**290,810**	**222,328**

Notes to the financial statements

(a) Trade receivables relates to 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 2021	31 December 2020
Opening balance	8,812	9,861
Recognised in income statement (See note 10)	116,645	(1,049)
Closing balance	125,457	8,812

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 1 January 2020	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 as at 31 December 2020	**34,610**	**85,163**	**58,564**	**81,800**	**5,883**	**101,983**	**368,003**
Additions	15,403	6,617	9,338	42,384	-	26,505	100,247
Disposals	-	(470)	(534)	-	-	-	(1,004)
Transfer	2,560	1,217		-	(3,777)	-	-
Balance at 31 December 2021	**52,573**	**92,527**	**67,368**	**124,184**	**2,106**	**128,488**	**467,246**
			531				
Accumulated depreciation							
Balance as at 1 January 2020	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
Disposal	(5,538)	(3,573)	(10,834)	-	-	-	(19,945)
Balance as at 31 December 2020	**25,099**	**49,110**	**33,017**	**51,607**	**-**	**10,032**	**168,865**
Depreciation for the year	8,597	15,734	12,444	23,117	-	11,762	71,653
Disposals	-	(450)	(534)	-	-	-	(984)
Balance at 31 December 2021	**33,696**	**64,394**	**44,927**	**74,724**	**-**	**21,794**	**239,534**
Carrying amounts							
Balance at 31 December 2021	**18,877**	**28,133**	**22,441**	**49,460**	**2,106**	**106,694**	**227,711**
Balance as at 31 December 2020	**9,511**	**36,053**	**25,547**	**30,193**	**5,883**	**91,951**	**199,138**

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2020:Nil).

(ii) There were no impairment losses on any class of property and equipment during the year (2020:Nil).

(iii) There are no restriction on the Company's title to its property and equipment in the year (2020:Nil).

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

20 Right of use asset

In thousands of Naira	**31 December 2021**	**31 December 2020**
Cost		
Balance as at beginning of the year	218,966	218,966
Balance at end of the year	218,966	218,966
Accumulated Depreciation		
Balance as at beginning of the year	23,722	1,825
Charge for the year	21,897	21,897
Balance at end of the year	45,619	23,722
Carrying amount	**173,347**	**195,244**
Amounts recognised in profit or loss		
Interest on lease liabilities	17,812	15,612
Lease expense		-
Balance as at 31 December	17,812	15,612

There was no cash outflow for leases in the year (2020: Nil) with fixed annual payment of N33 million.

There was no cash outflow in respect of leases in the year (2020: Nil).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 2021	31 December 2020
Cost		
Balance as at beginning of the year	61,726	49,389
Additions	6,426	-
Work in progress- ERP	2,015	12,337
Balance at end of the year	70,167	61,726
Accumulated Amortisation		
Balance as at beginning of the year	10,875	1,523
Charge for the year	15,438	9,352
Balance at end of the year	26,313	10,875
Carrying amount	**43,854**	**50,851**

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 assets

22 Financial guarantee liability

In thousands of Naira	31 December 2021	31 December 2020
Opening balance	3,821,543	3,173,458
Amortised guarantee liability during the year	(1,043,289)	(714,688)
Addition during the year	2,575,373	1,362,773
	5,353,627	3,821,543
Current	1,109,629	255,648
Non-current	4,243,998	3,565,895
	5,353,627	**3,821,543**

Financial guarantee liability represents the present value of guarantee fees receivable less the cumulative amount of guarantee fee income recognised. See Note 30 for the guarantees issued by the Company.

23 Deferred tax asset

In thousands of Naira	31 December 2021	31 December 2020
Property and equipment	3,225	40,303
Tax losses	249,591	170,251
Allowance for expected credit losses & other deferred tax items	67,297	85,054
	320,113	**295,608**

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% (2020: 30%).

Notes to the Financial Statements

Movements in temporary differences 1 January 2021 to 31 December 2021:

In thousands of Naira	1 January 2021	Recognized in profit or loss	31 December 2021
Property and equipment	40,303	(37,078)	3,225
Tax losses	170,251	79,340	249,591
Allowance for expected credit losses & other deferred tax items	85,054	(17,757)	67,297
	295,608	**24,505**	**320,113**

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**

24 Other liabilities

In thousands of Naira	31 December 2021	31 December 2020
Financial liabilities		
Due to GuarantCo (See note (a) below)	3,761	13,487
Accruals (See note (b) below)	530,533	394,227
	534,294	407,714
Non financial liabilities		
Employee liabilities (c)	294,884	255,923
Other payables (d)	24,329	32,971
Output VAT	46,478	23,837
Deferred revenue	192,040	125,275
	557,731	438,006
Total- Other Liabilities	**1,092,025**	**845,720**
Current	1,088,264	845,720
Non current	3,761	-
	1,092,025	**845,720**

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 2021**	**31 December 2020**
Lease liabilities		
Opening	126,413	110,801
Unwinding of discount	(42,188)	15,612
	84,225	126,413

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 2021**	**31 December 2020**
Non-current	84,225	126,413
Current	-	-
	84,225	126,413

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 2021	31 December 2020
(a) Authorised		
Authorised:		
50,000,000,000 shares of N1 each (2020: 50,000,000,000 shares of N1 each)	**50,000,000**	**50,000,000**
Ordinary shares		
Issued and fully paid		
3,497,636,698 ordinary shares of N1 each (2020:2,974,785,003 ordinary shares of N1 each)		
Movement in the year		
Opening balance	2,974,785	1,983,190
Issue of ordinary shares	522,852	991,595
	3,497,637	**2,974,785**

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. In 2021, 522,851,695 units of ordinary shares of N1 each was allotted to Leadway Assurance Company Limited.

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 2021	31 December 2020
(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 preference shares		
Opening balance	18,841,917	8,022,905
Issue of redeemable preference shares	1,439,586	9,119,770
Capitalization of preference dividends	-	1,699,242
	20,281,503	**18,841,917**

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. In Septermber 2021, 1,439,586 preference shares of N1 each was allotted to Leadway Assurance Company Limited.

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. Redemption is solely at the option of the Company.

Notes to the Financial Statements

(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.

(e) Deposit for Shares

In thousands of Naira	31 December 2021	31 December 2020
Opening balance	426,819	-
Additions	-	426,819
Closing balance	**426,819**	**426,819**

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

This has been classified in equity because there is no possibility of this deposit being reversed or refunded and the Company has an obligation to deliver these shares.

(f) Share premium

	113,945	**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 and 522,851,695 units of ordinary shares alloted to Leadway at N1.18 per sahre. This was applied as detailed below:

In thousands of Naira	31 December 2021	31 December 2020
991,595,001 ordinary shares of N0.02k each	19,832	19,832
522,851,695 ordinary shares of N0.18k each	94,113	-
Gross proceeds	**113,945**	**19,832**

27 Retained earnings

In thousands of Naira	31 December 2021	31 December 2020
Balance, beginning of the year	1,717,994	710,085
Preference dividends	-	(1,699,242)
	1,717,994	(989,157)
Profit for the year	3,442,630	2,707,151
Balance at the end of year	**5,160,624**	**1,717,994**

28 Unsecured subordinated long term loan

In thousands of Naira	31 December 2021	31 December 2020
Unsecured subordinated long-term loan at amortised cost		
Opening	28,613,973	23,170,389
Accrued Interest	1,633,519	1,420,884
Revaluation loss	1,627,328	2,337,029
Interest repayment	(1,541,680)	(2,134,774)
Additions (see Note (a))	-	3,820,445
	30,333,140	**28,613,973**
Current	3,846,657	2,107,018
Non-Current	26,486,483	26,506,955
	30,333,140	**28,613,973**

Notes to the Financial Statements

(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, In 2020, Africa Development Bank (AfDB) advanced an unsecured subordinated 10-year loan of USD10 million (N3.86 billion) at a simple interest rate of 4.07%.

See summary of the loan below:

	Amount disbursed	Date disbursed	Maturity date	Interest rate	Balance as at Dec 2021	Balance as at Dec 2020
KFW 1	35,116,800	31 Dec 2018	19 Dec 2028	6%	35,184,848	35,186,447
KFW 2	26,196,548	20 Dec 2019	30 Nov 2029	5.25%	26,246,793	26,240,779
AFDB	10,000,000	14 Sept 2020	1 Feb 2030	4.07%	10,090,228	10,028,555

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), InfraCo Africa Investment Limited and Leadway Assurance Company Limited (See Note 8 of Directors' Report and Note 26 for details of shareholdings).

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

Related party transactions and outstanding balances as at year end are as follows:

Related entity	Nature of transactions	Note	31 December 2021	31 December 2020
Guarantco	Payables - Fee accrual in respect of callable capital provided by GuarantCo.	24	3,761	13,487

30 Contingent liabilities, litigations and claims

As at 31 December 2021, the Company had issued the following guarantees which represent contingent liabilities outstanding:

In thousands of Naira

Client	Guaranteed amount	Oustanding balance 2021	Oustanding balance 2020	*Amount due within 12 Months	*Amount due over 12 months	Issue date	Maturity date
Viathan Funding Ltd	10,000,000	8,514,025	9,314,000	2,259,537	11,297,687	15 December 2017	14 December 2027
North South Power	8,500,000	8,045,210	8,247,819	1,481,663	17,039,130	28 February 2019	27 February 2034
GEL Utility Limited	13,000,000	13,000,000	13,000,000	2,316,507	25,481,579	28 August 2019	27 August 2034
Transport Services Limited (TSL)	12,000,000	12,000,000	12,000,000	1,200,000	16,500,000	6 October 2020	5 October 2030
North South Power	1,364,079	1,364,079	-	136,408	1,722,150	18 May 2021	30 June 2027
Viathan Funding Ltd	1,523,151	1,523,151	-	213,241	2,066,916	30 September 2021	30 March 2028
Lagos Free Zone Company	10,500,000	10,500,000	-	1,391,250	30,000,281	16 September 21	16 September 41
GPC Energy and Logistics	20,000,000	20,000,000	-	2,600,000	15,360,824	23 November 21	23 November 31
	76,887,230	**74,946,465**	**42,561,819**	**11,598,606**	**119,468,567**		

There was no claim against the Company as at 31 December 2021 (2020: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

Notes to the Financial Statements

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 2021 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 2021	31 December 2020
At the beginning of the year	49,815,456	29,155,877
Interest income (see note 9)	4,542,762	3,340,611
Interest received	(3,982,774)	(3,323,089)
Exchange gain on investment securities	3,341,040	4,149,422
Closing balance	(67,371,335)	(49,815,456)
Cash outflow	**(13,654,851)**	**(16,492,635)**

(b) Interest received

In thousands of Naira	31 December 2021	31 December 2020
Interest income (see note 9)	4,542,762	3,340,611
Interest receivable on investment securities	(559,988)	(17,522)
Cash inflow	**3,982,774**	**3,323,089**

(c) Changes in financial guarantee liability

In thousands of Naira	31 December 2021	31 December 2020
At the beginning of the year	3,821,543	3,173,458
Net movement (cash outflow)	1,532,084	648,085
At the end of the year	**5,353,627**	**3,821,543**

(d) Changes in other assets

In thousands of Naira	31 December 2021	31 December 2020
At the beginning of the year	231,140	131,891
Net movement (cash outflow)	59,670	99,249
At the end of the year	**290,810**	**231,140**

(e) Changes in guarantee fee receivable

In thousands of Naira	31 December 2021	31 December 2020
At the beginning of the year	3,298,324	2,793,546
Net movement (cash outflow)	1,260,349	504,778
At the end of the year	**4,558,673**	**3,298,324**

(f) Changes in other liabilities

In thousands of Naira	31 December 2021	31 December 2020
At the beginning of the year	845,720	344,757
Net movement (cash inflow)	246,305	500,963
At the end of the year	**1,092,025**	**845,720**

Notes to the Financial Statements

(g) Movement in ordinary share capital

In thousands of Naira	31 December 2021	31 December 2020
At the beginning of the year (see note 26(a))	2,974,785	1,983,190
Net movement (net inflow)	522,852	991,595
At the end of the year	**3,497,637**	**2,974,785**

(h) Movement in irredeemable preference shares

In thousands of Naira	31 December 2021	31 December 2020
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**

(i) Movement in redeemable preference shares

In thousands of Naira	31 December 2021	31 December 2020
At the beginning of the year (see note 26(c))	18,841,917	8,022,905
Dividend capitalization	-	1,699,242
Net movement (net inflow)	1,439,586	9,119,770
At the end of the year	**20,281,503**	**18,841,917**

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

In thousands of Naira	31 December 2021	31 December 2020
Cost (see note 19)	1,004	27,456
Accumulated depreciation (see note 19)	(984)	(19,945)
Net Book Value	**20**	**7,511**
Sales proceed	**89**	**1,470**
Profit/ Loss on Disposal	**69**	**(6,041)**

(k) Unrealised foreign exchange gain/(loss)

In thousands of Naira	31 December 2021	31 December 2020
Exchange difference loss/gain on unsecured subordinated long term loan	1,627,328	2,337,029
Exchange gain on investment securities	(3,341,040)	(4,149,422)
	(1,713,712)	**(1,812,393)**

OTHER NATIONAL DISCLOSURES

Other national disclosures

Value added statement

In thousands of Naira	31 December 2021	%	31 December 2020	%
Gross income	7,507,330	118%	6,055,444	118%
Bought in goods and services - Local & foreign	(1,141,436)	-18%	(936,596)	-18%
Value added	**6,365,894**	**100%**	**5,118,849**	**100%**
Applied to pay:				
Providers of finance				
Interest expense	1,828,816	28.7%	1,708,346	33.4%
Employees				
Wages, salaries and other benefits	960,634	15.1%	836,576	16.3%
Government				
Tax (credit)/charge	24,827	0.4%	(240,591)	-4.7%
Retained in the business				
For replacement of property and equipment and ROU assets (depreciation)	93,549	1.5%	98,014	1.9%
For replacement of computer software (amortisation)	15,438	0.2%	9,352	0.2%
To augument reserves	3,442,630	54.1%	2,707,151	52.9%
Value added	**6,365,894**	**100%**	**5,118,849**	**100%**

Other national disclosures

Five-Year Financial summary

Statement of Financial Position

In thousands of Naira	*Note*	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Assets:						
Cash and cash equivalents	15	1,760,077	11,587,896	13,025,708	13,763,541	398,599
Investment securities	16	67,040,896	49,586,875	29,092,303	17,413,427	8,964,409
Guarantee fee receivable	17	4,558,673	3,298,324	2,772,403	836,826	1,095,447
Other assets	18	290,810	222,328	122,030	97,133	85,590
Property and equipment	19	227,711	199,138	240,912	122,379	140,772
Right of use asset	20	173,347	195,244	217,141	-	-
Intangible assets	21	43,854	50,851	47,866	2,133	1,138
Deferred tax asset	23	320,112	295,608	30,528	38,307	-
Total assets		**74,415,481**	**65,436,264**	**45,548,891**	**32,273,746**	**10,685,955**
Liabilities:						
Current tax liability	14(c)	49,030	24,363	10,401	639	-
Financial guarantee liability	22	5,353,627	3,821,543	3,173,458	1,073,895	1,370,447
Other liabilities	24	84,225	126,413	344,757	680,996	814,147
Lease liability	25	1,092,025	845,720	110,801	-	-
Unsecured subordinated long term loan	28	30,333,140	28,613,973	23,170,389	12,813,690	-
Total liabilities		**36,912,048**	**33,432,012**	**26,809,806**	**14,569,220**	**2,184,594**
Net assets		**37,503,433**	**32,004,252**	**18,739,085**	**17,704,526**	**8,501,361**
Capital and reserves:						
Ordinary share capital	26(a)	3,497,637	2,974,785	1,983,190	1,983,190	991,595
Irredeemable preference share capital	26(b)	8,022,905	8,022,905	8,022,905	8,022,905	8,022,905
Redeemable preference share capital	26(c)	20,281,503	18,841,917	8,022,905	8,022,905	-
Fair value reserves		-	-	-	-	9,004
Share premium	26(f)	113,945	19,832	-	-	-
Deposit for shares	26(e)	426,819	426,819	-	-	-
Retained earnings (accumulated losses)	27	5,160,624	1,717,994	710,085	(324,474)	(522,143)
Total shareholders' funds		**37,503,433**	**32,004,252**	**18,739,085**	**17,704,526**	**8,501,361**

Statement of profit or loss and other comprehensive income

Income statement					
Operating income	5,281,478	4,068,943	2,032,331	776,155	242,312
Operating expenses	(1,814,021)	(1,602,383)	(979,592)	(605,058)	(645,122)
Profit before tax	3,467,458	2,466,560	171,097	171,097	(402,810)
Tax credit/(expense)	(10,343)	240,591	(18,180)	37,668	-
Profit after tax	**3,457,114**	**2,707,151**	**152,917**	**208,765**	**(402,810)**