Infrastructure Credit Guarantee Company Limited

Annual Report

31 December 2019

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Corporate information

Directors	Mr. Uche Orji	- Chairman
	Mr. Chinua Azubike	- Managing Director/Chief Executive Officer
	Mr. Christopher Vermont (British)	-Non-Executive Director
	Mrs. Stella Ojekwe-Onyejeli	-Non-Executive Director
	Mr. Banji Fehintola	-Non-Executive Director
	Mr. Sanjeev Gupta (Indian)	-Non-Executive Director
	Mr. Solomon Quaynor *	
	***** Appointed to the Board effective October, 2019	

Registered office

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

Company Secretary

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

Auditor

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

Bankers

Access Bank Plc
Stanbic IBTC Bank Plc
Ecobank Nigeria Plc
GTBank Plc
United Bank for Africa PLC

Directors' report
for the year ended 31 December 2019

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 2019.

1. **Legal form**

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

2. **Principal activities**

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

3. **Operating results**

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

In thousands of Naira	**31 December 2019**	**31 December 2018**
Gross earnings	2,971,716	864,154
Tax (expense)/credit	(18,180)	37,668
Profit for the year	1,052,739	171,097

4. The Board of Directors did not propose any dividend for the year ended 31 December 2019 (2018: Nil)

5. **Directors and their interests**

The Directors who held office during the year are:

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

* Appointed to the Board effective October, 2019

None of the Directors have an interest in the shareholding of the Company.

6. **Directors' interests in contracts**

None of the Directors had direct or indirect interests in contracts with the Company during the year.

7. **Property and equipment**

Information relating to changes in property and equipment is provided in note 20 of the financial statements.

8. **Shareholding analysis**

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

	Number of shares held	**% Shareholding**
31 December 2019		
Shareholder:		
Nigeria Sovereign Investment Authority (NSIA)	12,514,500,001	58
Africa Finance Corporation (AFC)	9,014,500,001	42
	21,529,000,002	**100**

NSIA and AFC have equal (50% each) voting rights despite the difference in shareholdings. (See note 27 for further details on the Share Capital).

31 December 2018

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

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

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.

10. Events after the end of the reporting period

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

11. Donations and charitable gifts

The Company made no donations to charitable or other organisations during the year (2018:Nil).

12. 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 357(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.

BY ORDER OF THE BOARD

Olaniwun Ajayi LP
FRC/2013/00000000001615
Company Secretary
Plot L2, 401 Close, Banana Island,
Ikoyi,
Lagos
13-Mar-20

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2019

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, Cap C.20, Law of the Federation of Nigeria, 2004 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, Cap C.20, Law of the Federation of Nigeria, 2004 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
13-Mar-20

Mr. Chinua Azubike
FRC/2018/ICSAN/00000016559
Managing Director/Chief Executive Officer
13-Mar-20

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
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, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 9 to 58.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2019, 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, Cap C.20, Laws of the Federation of Nigeria, 2004 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' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the Corporate information, Directors' report, the Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2019 and Other national disclosures, but does not include the financial statements and our audit 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, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
13 March 2020
Lagos, Nigeria.

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

In thousands of Naira	**Note**	**31 December 2019**	**31 December 2018**
Gross revenue		**2,971,716**	**864,154**
Guarantee fee income	7	642,416	340,000
Guarantee fee expenses	8	(123,409)	(78,079)
		519,007	261,921
Interest income	9(a)	2,329,300	524,154
Interest expense	9(b)	(794,993)	(75,840)
Impairment loss on financial instruments	10	(44,097)	(47,436)
Other income	11	13,322	34,226
Foreign exchange gain/(loss)	12	9,792	79,130
		2,032,331	**776,155**
Personnel expenses	13	(448,207)	(306,935)
Depreciation of property and equipment	20	(53,854)	(43,047)
Depreciation of right of use asset	21	(1,825)	-
Amortisation of intangible asset	22	(731)	(630)
Other operating expenses	14	(474,975)	(254,446)
		(979,592)	**(605,058)**
Profit/(loss) before tax		**1,052,739**	**171,097**
Tax (charge)/ credit	15(a)	(18,180)	37,668
Profit/(loss) after tax for the year		**1,034,559**	**208,765**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:		-	-
Fair value gain on available-for-sale financial assets	28(a)	-	-
Total comprehensive profit/(loss)		**1,034,559**	**208,765**

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

Statement of financial position
As at:

In thousands of Naira	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	16	13,025,708	13,763,541
Investment securities	17	29,092,303	17,413,427
Guarantee fee receivable	18	2,772,403	836,826
Other assets	19	122,030	97,133
Property and equipment	20	240,912	122,379
Right of use asset	21	217,141	-
Intangible assets	22	47,866	2,133
Deferred tax asset	24	30,528	38,307
Total assets		**45,548,891**	**32,273,746**
Liabilities			
Current tax liability	15(c)	10,401	639
Financial guarantee liability	23	3,173,458	1,073,895
Other liabilities	25	344,757	680,996
Lease liability	26	110,801	-
Unsecured subordinated long term loan	29	23,170,389	12,813,690
Total liabilities		**26,809,806**	**14,569,220**
Equity			
Ordinary share capital	27	1,983,190	1,983,190
Cummulative irredeemable preference share capital	27	8,022,905	8,022,905
Cummulative redeemable preference share capital	27	8,022,905	8,022,905
Retained earnings/(accumulated losses)	28	710,085	(324,474)
Total equity		**18,739,085**	**17,704,526**
Total liabilities and equity		**45,548,891**	**32,273,746**

The financial statements were approved by the Board of Directors on the 13 March 2020 and signed on its behalf by:

Uche Orji
FRC/2014/IODN/00000007036
Chairman

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

Collins Eguakun
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 2019

In thousands of Naira	**Share capital**	**Cummulative irredeemable preference capital**	**Cummulative redeemable preference capital**	**Fair value reserves**	**Retained earnings/(accumulated losses)**	**Total equity**
Balance as at 31 December 2018	1,983,190	8,022,905	8,022,905	-	(324,474)	17,704,526
Balance as at 1 January 2019	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**(324,474)**	**17,704,526**
Total comprehensive income for the year						
Transfer from profit or loss and other comprehensive income	-	-	-	-	1,034,559	1,034,559
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,034,559**	**1,034,559**
Balance at 31 December 2019	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**710,085**	**18,739,085**
As at 31 December 2018						
Balance as at 31 December 2017	991,595	8,022,905	-	9,004	(522,143)	8,501,361
Adjustment on initial application of IFRS 9	-	-	-	(9,004)	(11,096)	(20,100)
Balance as at 1 January 2018	**991,595**	**8,022,905**	**-**	**-**	**(533,239)**	**8,481,261**
Total comprehensive income for the year						
Transfer from profit or loss and other comprehensive income	-	-	-	-	208,765	208,765
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**208,765**	**208,765**
Transactions with shareholders, recorded directly in equity						
Issue of shares	991,595	-	8,022,905	-	-	9,014,500
Balance at 31 December 2018	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**(324,474)**	**17,704,526**

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 2019	31 December 2018
Cash flow from operating activities:			
Profit/(loss) after tax		1,034,559	208,765
Tax charge/(credit)		18,180	(37,668)
Profit before tax		1,052,739	171,097
Adjustment for:			
Depreciation of property and equipment	20	53,854	43,047
Depreciation of Right of use asset	21	1,825	
Amortisation of intangible asset	22	731	630
Write off on Property and equipment	33(j)	1,627	871
Impairment loss on financial instruments	10	44,097	47,436
Unrealized foreign exchange loss/(gain)	33(k)	-	(17,545)
Interest income	9(a)	(2,329,300)	(524,154)
Other income	11	-	(34,226)
Interest expense	9(b)	794,993	75,840
		(379,434)	(237,004)
Changes in :			
Other assets	33(d)	(34,758)	(11,543)
Guarantee fee receivable	18	(1,956,720)	-
Financial guarantee liability	33(c)	2,099,563	-
Other liabilities	33(f)	(336,239)	(153,244)
		(228,154)	(164,787)
Interest paid	9(b)	(16,508)	-
Tax paid	15(c)	(639)	-
Net cashflows generated from operating activities		**(624,735)**	**(401,791)**
Cash flow from investing activities:			
Acquisition of property and equipment	20	(174,014)	(25,557)
Proceeds from disposal of property and equipments	33(j)	-	32
Acquisition of intangible asset	22	(46,464)	(1,625)
Purchase of investment securities	33(a)	(11,503,726)	(8,445,479)
Acquisition of right of use asset	21	(109,450)	-
Interest received	33(b)	2,138,243	465,302
Interest paid	33(f)	-	(18,383)
VAT paid	33(f)	-	(16,380)
Net cashflows used in investing activities		**(9,695,411)**	**(8,042,090)**
Cash flow from financing activities:			
Issue of ordinary shares	33(g)	-	991,595
Proceeds unsecured subordinated debt	29	9,579,500	12,806,395
Issue of redeemable preference shares	33(i)	-	8,022,905
Net cashflows from financing activities		**9,579,500**	**21,820,895**
Increase in cash and cash equivalents		(740,646)	13,377,014
Cash and cash equivalents at beginning of the year	16	13,774,405	397,391
Cash and cash equivalents at the end of the year	16	**13,033,759**	**13,774,405**

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, Cap C.20, Laws of the Federation of Nigeria, 2004. The Company was incorporated on 20 October 2016 and commenced operations in January 2017. The current address of its office is 1 Adeyemo Alakija Street, Victoria Island, Lagos.

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

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorized for issue by the Board of Directors on 13th March 2020

(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.

(d) Going concern assumption

The annual financial statemens have been prepared on the bases that the Company will continue to operate as a going concern.

3 Adoption of new and revised Standards

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company’s financial statements.

New and amended IFRS Standards that are effective for the current year

A IFRS 16 Leases

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under ***IFRIC 4 Determining whether an Arrangement contains a Lease***. The Company now assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is or contins a lease if the contract conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

ii As a lessee

(a) Leases classified as operating leases under IAS 17

As a lesee, prior to 1 January 2019, the Company only had one lease contract which was previously classified as operating lease under IAS 17. The classification as operating lease was based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16 and as at the date of initial application, the Company did not recognise right-of-use assets and lease liabilities for two reasons: (1) the lease was within 12 months of the date of initial application and (2) the lease was for a low value asset.

(b) Leases classified as finance leases under IAS 17

As a lesee, prior to 1 January 2019, the Company had no lease classified as a finance lease.

iii As a lessor

Although the Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, the Company is not a lessor with respect to any asset.

iv Impact on financial statements

(a) Impact on transition

On transition to IFRS 16 on 1 January 2019, the Company did not recognise right-of-use asset and lease liability on its existing lease because: (1) the lease was within 12 months of the date of initial application and (2) the lease was for a low value asset. Thus, there is no impact on transition to IFRS 16. However, subsequent to 1 January 2019, the Company entered into a lease contract on its Office Building on which a right-of -use asset and lease liability are recognized. The impact of application of IFRS 16 on the lease of Office Building is disclosed in note (21) and note (26) of the financial statements. Subsquently, the impact will be material from the estimation of management.

B Amendments to IFRS 9 - Prepayment Features with Negative Compensation

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the ‘solely payments of principal and interest’ (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. This is not applicable to the Company.

C Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures

The amendments clarify that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. These amendments are not applicable to the Company.

D Amendments to IAS 19 - Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. These amendments are not applicable to the Company.

Notes to the financial statements

E IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

* determine whether uncertain tax positions are assessed separately or as a Company; and

* assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

—If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

—If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

These amendments are not applicable to the Company.

F Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Company has adopted the applicable amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

i ***IAS 12 Income Taxes***

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

ii ***IAS 23 Borrowing Costs***

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are not applicable to the Company.

iii ***IFRS 3 Business Combinations***

The amendments clarify that when the Company obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. These amendments are not applicable to the Company.

iv ***IFRS 11 Joint Arrangements***

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation. These amendments are not applicable to the Company.

(b) New and revised IFRS Standards in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 Jan 2019 and earlier addoption is permitted. The company has not early addopted the new or ammended standards in preparing these financial statements.

At the date of authorisation of these financial statements for the year ended 31 December 2019, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Notes to the financial statements

- IFRS 17: Insurance Contracts
- IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8: Definition of material
- Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods when they become effective except as noted below:

i ***IFRS 17 Insurance Contracts***

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022. These amendments are not applicable to the Company.

ii ***IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. These amendments are not applicable to the Company.

iii ***Amendments to IFRS 3 Definition of a business***

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets.

Notes to the financial statements

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted. These amendments are not applicable to the Company.

iv ***Amendments to IAS 1 and IAS 8 Definition of material***

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

v ***Amendments to References to the Conceptual Framework in IFRS Standards***

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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

(i) Guarantee fees income

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

(ii) Interest income and expense

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

–the gross carrying amount of the financial asset; or

–the amortised cost of the financial liability.

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

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Office equipment	25%
Computer equipment	25%
Furniture and fittings	25%
Motor vehicles	25%
Leashold 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 ot 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.

(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

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into, on or after 1 January 2019.

Notes to the financial statements

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.

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.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

–fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

Notes to the financial statements

the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the
the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Leases were classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. The Company neither had a finance lease nor was it a lessor with respect to any asset.

The Company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The company 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

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.

Notes to the financial statements

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

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

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

(l) Financial instruments

Financial assets

(i) Initial recognition and measurement

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

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

(ii) Classification and subsequent measurement

The Company does not measure its financial assets at fair value through other comprehensive income (FVTOCI) and at fair value thrugh profit or loss. Subsequent to initial recognition and measurement, all financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

Business model assessment

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

Assessment of whether contractual cash flow are solely payments of proncipal 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.

(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.

Notes to the financial statements

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 intial recognition.

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

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

Financial instruments that are credit-impaired and for which a lifetime ECL is recognised are referred to as 'Stage 3 financial instruments.
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

Financial guarantees contracts

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

Financial guarantee contract is initially recognised at fair value and subsequently measured at the higher of:
· the amount of the impairment loss allowance on the guarantee
· the amount initially recognised less, when appropriate, the cumulative amount of fee income recognised on the guarantee

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

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

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

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

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

Redeemable cumulative 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.

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.

(i) Classification of financial assets- Business model assessment

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

(ii) Significant increase in credit risk

As explained in note 3, 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

(iii) Valuation of financial instruments

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

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

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

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

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

Notes to the financial statements

6 Financial risk management

(a) Introduction

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

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

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

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

(b) Risk management objectives

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

Risk Management practices at the Company centre 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

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

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

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

(c) Risk management framework

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

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

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

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

(ii) Independent evaluation and reviews

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

Notes to the financial statements

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

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

(d) Significant risks

(i) Market risk

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

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

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

Interest rate risk:

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

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

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

31 December 2019			**Interest bearing instruments**				**Non-interest**
In thousands of Naira	**Note**	**Carrying amount**	**Less than 3 months**	**3 months - 6 months**	**6 months - 1 year**	**Over 1 year**	**Bearing instruments**
Assets							
Cash and cash equivalents	16	13,025,708	13,025,258	-	-	-	450
Investment securities	17	29,092,303	-	-	369,091	28,723,212	-
Guarantee fee receivable	18	2,772,403	-	-	-	-	2,772,403
Other assets	19	86,069	-	-	-	-	86,069
		44,976,483	13,025,258	-	369,091	28,723,212	2,858,922
Liabilities							
Financial guarantee liability	23	3,173,458	-	-	-	-	3,173,458
Other liabilities	25	99,599	-	-	99,599		-
Unsecured subordinated long term loan	29	23,170,389	-	-	-	23,170,389	-
		26,443,446	-	-	99,599	23,170,389	3,173,458
Total interest re-pricing gap		**18,533,037**	**13,025,258**	**-**	**269,492**	**5,552,823**	**(314,536)**

Notes to the financial statements

31 December 2018			**Interest bearing instruments**				**Non-interest**
In thousands of naira	**Note**	**Carrying amount**	**Less than 3 months**	**3 months - 6 months**	**6 months - 1 year**	**Over 1 year**	**bearing instruments**
Assets							
Cash and cash equivalents	16	13,763,541	13,763,081	-	-	-	460
Investment securities	18	17,413,427	-	-	5,156,635	12,256,792	-
Guarantee fee receivable	18	836,826	-	-	-	-	836,826
Other assets	19	43,761	-	-	-	-	43,761
		32,057,555	13,763,081	-	5,156,635	12,256,792	881,047
Liabilities							
Financial guarantee liability	23	1,073,895	-	-	-	-	1,073,895
Other liabilities	25	496,187	-	-	496,187		-
Unsecured subordinated long term loan	29	12,813,690	-	-	-	12,813,690	-
		14,383,772	-	-	496,187	12,813,690	1,073,895
Total interest re-pricing gap		**17,673,783**	**13,763,081**	**-**	**4,660,448**	**(556,898)**	**(192,848)**

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

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

In thousands of Naira	**31 December 2019**	**31 December 2018**
Profit or loss & equity		
Increase	376,951	357,333
Decrease	(376,951)	(357,333)

Foreign Exchange rate risk

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

Notes to the financial statements

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

31 December 2019

In thousands of Naira	**Note**	**Naira**	**US Dollar**	**Total**
Assets				
Cash and cash equivalents	16	399,452	12,626,256	13,025,708
Investment securities	17	3,811,169	25,281,134	29,092,303
Guarantee fee receivable	18	2,772,403	-	2,772,403
Other assets	19	100,491	21,539	122,030
		7,083,515	37,928,929	45,012,444
Liabilities				
Financial guarantee liability	23	3,173,458	-	3,173,458
Unsecured subordinated long term loan	29	-	23,170,389	23,170,389
Other liabilities	25	93,144	6,455	99,599
		3,266,602	23,176,844	26,443,446
		3,816,913	**14,752,085**	**18,568,998**

31 December 2018

In thousands of Naira		**Naira**	**US Dollar**	**Total**
Assets				
Cash and cash equivalents	16	442,818	13,320,724	13,763,557
Investment securities	17	3,392,127	14,021,299	17,413,442
Guarantee fee receivable	18	836,826	-	836,844
Other assets	19	34,627	9,134	43,761
		4,706,398	27,351,156	32,057,604
Liabilities				
Financial guarantee liability	23	1,073,895	-	1,073,918
Unsecured subordinated long term loan	29	-	12,813,690	12,813,719
Other liabilities	25	477,206	18,981	496,212
		1,551,101	12,832,671	14,383,849
Net financial assets		**3,155,297**	**14,518,486**	**17,673,755**

Foreign currency sensitivity analysis

The following table details the Company’s sensitivity to a 10% increase and decrease in foreign currency 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	**31 December**	**31 December**
10% increase	1,475,208	1,451,849
10% decrease	(1,475,208)	(1,451,849)

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 mitigate credit risk. The following priniciples 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 mitiation strategies
- continous 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 2019**	**31 December 2018**
Cash and cash equivalents	16	13,025,708	13,763,541
Investment securities	17	29,092,303	17,413,427
Guarantee fee receivable	18	2,772,403	836,826
Other assets	19	86,069	43,761
Total exposure to credit risk		**44,976,483**	**32,057,555**

With respect to proprietary management of investment porfolio, the Company only transacts with financial institutions and other counterparties that are rated the equivalent of investment grade. Where the counterparties have minimum of investment grade rating, they are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Furthermore, although the value of trade receivables are grossly insignificant at the end of the year, the Company reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made in line with IFRS 9. In this regard, the directors of the Company consider that the Company’s credit risk with respect to trade receivables is significantly reduced. Trade receivables consist of receivables for upfront fees from clients in respect of due diligence on proposed guarantee of infrastructure bonds.

Notes to the financial statements

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

As noted above, the Company is exposed to credit risk in relation to financial guarantees given to customers which are companies engaged in infrastructure development. The Company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantees are called on. As at 31 December 2019, an amount of NGN21.1 million (2018: Nil) has been estimated as a loss allowance in accordance with IFRS 9 and recognised in profit or loss.

Collateral held as security and other credit enhancements

The Company holds collateral or other credit enhancements to mitigate credit risk associated with financial guarantee contracts. Below shows the nature and value of collaterals helds as securities for the guarantee contracts issued as at 31 December 2019:

As of the last asset valuation report, assets were valued as follows for the respective customers:

Nature of collateral (In thousands of Naira)	Open Market Value	Investment method	Plus new investment	Total value
Island Power I & II (Marina power)	5,858,798	-	-	5,858,798
PIPP LVI Genco (Lekki power)	1,942,159	-	-	1,942,159
Viathan Engineering (Ilupeju power)	828,911	-	-	828,911
Gasco Marine (CNG Plant & Gas logistics)	1,896,167	-	-	1,896,167
Lisabi Power (Abeokuta power)	2,241,561	-	-	2,241,561
Akute Power	1,902,338	-	-	1,902,338
Sapio Utilities	698,208	-	-	698,208
Reserve account (Bank balance)	803,584	803,584	-	803,584
	16,171,726	**803,584**	**-**	**16,171,726**

The valuation of the security charged in favour of InfraCredit should not be less than 1.25 times of its guaranteed obligation. The perfection costs of registering the mortgage debenture would be borne by the customer. If a professional valuation discloses that the market value of the security is less than 1.25 times the guarantee amount outstanding on the Bond, the customer will be required to top up the security. At the time of initial capital approval, Board Credit Committee might wish to impose a higher security margin (i.e. greater than 1.25 times) if the security is perceived to be unusual or difficult to value.

• On all transactions, the Company takes senior security over all assets and shares of the Issuer and the Co-Obligors, with security held b a Security Trustee appointed by the Company

• The Security Trustee holds all security documents and also manages the Reserve Account (holding 1-2 debt service payments on tl bonds) and the Perfection Reserve Account (holding funds required to perfect documents in the event that enforcement is required)

•In the case of Viathan Funding Plc, the Company appointed Stanbic IBTC Trustees Limited as the Security Trustee

• By policy, Company executes All Assets Debenture Deeds with the Issuer and all Co-Obligors (and the Security Trustee) and register t charge at the Corporate Affairs Commission (CAC)

• The cost of stamp duties and registration of security at CAC are borne by the client, who pays at least 50% of the cost into a Perfectic Reserve Account (held by the Security Trustee) prior to closing. The client then funds the balance of this cost into the Perfection Reserve Account over time (e.g. 2-4 years))

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.

Notes to the financial statements

North South Power (NSP)

Nature of collateral (In thousands of Naira)	Discounted Cash flow (average)	Comparable Companies (average)	Comparable Transactions (average)	Plus new investment	Total value
NSP-SPV Powercorp Plc Shiroro Dam Concession*	72,750,000	59,946,250	68,413,850	-	72,750,000
Reserve account (bank balance)	1,645,184	1,645,184	1,645,184	-	1,645,184
	74,395,184	**61,591,434**	**70,059,034**	**-**	**74,395,184**

*Average valuation of the concession based on the 2018 report from Deloitte & Touche estimating value between N67.9bn and N77.6bn.

GEL Utility

Nature of collateral (In thousands of Naira)	Open Market Value	Investment method	Plus new investment	Total value
3 Dual Fired Gas Turbines with accessories	16,628,008	11,639,606	-	16,628,008
Ancillary equipment	496,518	347,564	-	496,518
Medium Voltage Room	11,569	8,098	-	11,569
Low Voltage Room	123,375	86,332	-	123,375
Reserve account (bank balance)	1,663,944	1,657,274	-	1,663,944
	18,923,414	**13,738,874**	**-**	**18,923,414**

Overview of the Company's exposure to credit risk

As at 31 December 2019, 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 categorise 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 creditimpaired
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 2019	**Note**	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount (i)**	**Loss allowance**	**Net carrying amount (i)**
Cash and cash equivalents	16	A1 - AAA	Performing	12-month ECL	13,033,309	(8,051)	13,025,258
Investment securities	17	A1 - AAA	Performing	12-month	29,155,877	(63,574)	29,092,303
Guarantee fee receivables	18	BBB-	Performing	12-month ECL	2,793,546	(21,143)	2,772,403
Other assets	19	BBB- AA	Performing	12-month ECL	86,069	(9,861)	76,208
Total exposure to credit risk					**45,068,801**	**(102,629)**	**44,966,172**

31 December 2018	**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	16	A1 - AAA	Performing	12-month	13,779,854	(16,773)	13,763,081
Investment securities	17	A1 - AAA	Performing	12-month	17,455,186	(41,759)	17,413,427
Guarantee fee receivables	18	BBB-	Performing	12-month	836,826	-	836,826
Other assets	19	BBB- AA	Performing	12-month	43,761	-	43,761
Total					**32,115,627**	**(58,532)**	**32,057,095**

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 2019 for the years 2019 to 2020.

	2020	**2021**	**2022**
GDP growth rate (%)	1.50	1.30	3.10
Exchange Rate	364.06	374.74	389.49
Inflation	12.20	12.90	12.10

Source: Fitch Solutions

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.

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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 Govenment of Nigeria, Stanbic Bank, Access Bank, Ecobank, United Bank for Africa, Zenith Bank and GuarantCo . As at the reporting date, none of these financial assets have shown objective evidence of impairment.

Concentration by Sector

			Cash Equivalents		**Investment securities**	
In thousands of Naira	***Rating***	***Location***	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Financial Institutions						
Stanbic IBTC Bank limited	AAA **	Nigeria	384,557	5,421,182	-	-
Access Bank Plc	A+ **	Nigeria	6,316,872	2,745,389	1,326,402	1,345,054
Zenith Bank Plc	AA- **	Nigeria	-	-	1,248,909	1,238,622
United Bank for Africa Plc	AA- ***	Nigeria	2,214,937	3,726,843	1,247,219	1,236,916
Ecobank Plc	A- ***	Nigeria	3,984,498	1,717,435	3,728,373	1,867,447
GTB	AA **	Nigeria	132,446	152,233	-	-
			13,033,309	**13,763,081**	**7,550,902**	**5,688,040**
Sovereign/ Government						
Federal government of Nigeria	B+ **	Nigeria	-	-	21,541,400	11,725,386
Total			**13,033,309**	**13,763,081**	**29,092,304**	**17,413,426**

Concentration by product

In thousands of Naira	**31 December 2019**	**31 December 2018**
Bank balances	1,471,240	331,111
Placement with banks	11,562,519	13,449,203
Treasury bills	369,114	3,290,405
Eurobonds	7,604,463	12,289,833
FGN bonds	3,136,516	-
Total	**24,143,852**	**29,360,552**

Notes to the financial statements

Concentration by region

In thousands of Naira	31 December 2019	31 December 2018
Nigeria	24,143,852	29,360,552
Total	**24,143,852**	**29,360,552**

Trade and other receivables at amortised cost
Concentration by sector

In thousands of Naira	*Rating*	*Location*	31 December 2019	31 December 2018
Power Sector				
Viathan Funding Plc	BBB- *	Nigeria	613,876	836,826
North South Power Company Limited	A- ***	Nigeria	882,041	14,096
GEL Utility Limited	BBB+ *	Nigeria	1,297,629	20,164
			2,793,546	**871,086**
Financial Institution				
GuarantCo	AA- **	United Kingdom	21,539	9,134
Total			**2,815,085**	**880,220**

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

Concentration by region

In thousands of Naira	31 December 2019	31 December 2018
Nigeria	2,793,546	871,086
United Kingdom	21,539	9,134
	2,815,085	**880,220**

Financial guarantee contracts (off balance sheet)

In 2019, the Company issued additional unconditional and irrevocable guarantees in respect of a 10-year N8.5 billion bond issued by North South Power Ltd and 15-year N13 billion bond issued by GEL Utility Limited . The credit exposure is contingent on the guarantees being called due to inability of the obligors to pay the principal and interest due to investors in the bonds.

Loss allowance by financial instrument

In thousands of Naira	Note	31 December 2019	31 December 2018
Cash and cash equivalent	16	8,051	16,773
Investment securities at amortised cost	17	63,574	41,759
Trade and other receivables	19	9,861	-
		81,486	**58,532**

As at 31 December 2019, an amount of NGN21.1 million (31 Dec 2018: Nill) has been estimated as a loss allowance for financial guarantees contract in accordance with IFRS 9, allowance has been recognised in profit or loss.

Notes to the financial statements

(A) Analysis of movement in loss allowance

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

In thousands of Naira	Trade and other receivables 12-month ECL	Guarantee fee receivable 12-month ECL	Cash Equivalents 12-month ECL	Investment Securities 12-month ECL	Total
As at 1 January 2018	-	-	408	10,688	11,096
					0
New financial assets originated or purchased	-	-	16,773	41,759	58,532
Financial assets that have been derecognised	-	-	(408)	(10,688)	(11,096)
Impairment loss for the year (see note 10)	-	-	16,365	31,071	47,436
As at 31 December 2018	-	-	**16,773**	**41,759**	**58,532**
New financial assets originated or purchased	9,861	21,143	7,961	63,574	102,539
Financial assets that have been derecognised	-	-	(16,365)	(31,071)	(47,436)
Impairment loss for the year (see note 10)	9,861	21,143	(8,404)	32,503	55,103
As at 31 December 2019	9,861	21,143	**8,051**	**63,574**	**113,635**

(i) For financial guarantee contract, the gross carrying amount represents the maximum amount the Company has guaranteed under the contract. Loss allowance of N21.1 million (2018: Nil) 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 N9.8 million (2018: Nil) which has been recognised in profit or loss .

(iii) The loss allowance on investment securities measured at amortised is determined based on the credit ratings of the institutions in which the securities 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.

Notes to the financial statements

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.

31 December 2019

In thousands of naira	**Note**	**Carrying amount**	**Gross nominal**	**Less than 3 months**	**3 months to 6 months**	**6 months to 12 months**	**Over 12 months**
Cash equivalents	16	13,025,708	13,033,309	13,033,309	-	-	-
Investment securities	17	29,092,303	29,155,877	369,113	-	-	28,786,764
Guarantee fee receivable	18	2,772,403	5,872,592	-	-	744,203	5,128,389
Other assets	19	86,069	86,069	86,069	-	-	-
		44,976,483	48,147,847	13,488,491	-	744,203	33,915,153
Financial guarantee liability	23	3,173,458	5,847,592		-	744,203	5,103,389
Other liabilities	25	99,599	99,599	99,599	-	-	-
Unsecured subordinated long term loan	29	23,170,389	-	-	-	-	23,170,389
Gap (assets-liabilities)		18,533,037	42,200,656	13,388,892	-	-	5,641,375
Cummulative liquidity gap				**13,388,892**	**13,388,892**	**13,388,892**	**19,030,267**

31 December 2018

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	16	13,432,430	13,546,312	13,546,312	-	-	-
Investment securities	17	17,413,427	18,269,873	200,000	1,929,103	3,586,683	12,554,086
Guarantee fee receivable	18	836,826	1,586,421	-	-	300,000	1,286,421
Other assets	19	43,761	43,761	43,761	-	-	-
		31,726,444	33,446,366	13,790,073	1,929,103	3,886,683	13,840,507
Financial guarantee liability	23	1,073,895	1,861,422	-	-	300,000	1,561,422
Other liabilities	25	496,187	527,746	82,676	-	445,070	-
Unsecured subordinated long term loan	29	12,813,690	-	-	-	-	12,813,690
Gap (assets-liabilities)		17,342,672	31,057,198	13,707,397	1,929,103	3,141,613	(534,604)
Cummulative liquidity gap				**13,707,397**	**15,636,500**	**18,778,113**	**18,243,509**

(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 contigent 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 2019**	**31 December 2018**
Qualifying capital		
Investment securities	29,092,303	17,413,427
Cash and bank balances	13,025,708	13,763,541
Projected operating expenses	(405,803)	(266,250)
Qualifying core capital	**41,712,208**	**30,910,718**
Unfunded contingent capital	9,117,500	9,104,500
Other non-credit guarantee related liabilities	455,558	(675,306)
Qualifying capital	**51,285,266**	**39,339,912**
Notional amount guaranteed		
Amount guaranteed	31,500,000	10,000,000
Co-guarantee (USAID)	(6,500,000)	-
Accrued interest	1,200,384	74,521
Credit risk mitigant/reserve account	(4,287,067)	(603,769)
Notional amount guaranteed	**21,913,318**	**9,470,752**
Net capital leverage ratio	**0.43**	**0.24**
Gross capital leverage ratio	**0.55**	**0.24**

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

Notes to the financial statements

6 Category of financial instruments and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities.

31 December 2019

In thousands of Naira	Note	Carrying amount	Amortised Cost	Other financial liabilities (amortized cost)	Fair value
Cash and cash equivalents	16	13,025,708	13,025,708	-	13,025,708
Investment securities	17	29,092,303	29,092,303	-	30,547,959
Guarantee fee receivable	18	2,772,403	2,772,403	-	2,772,403
Other assets	19	86,069	86,069	-	86,069
Total financial assets		**44,976,483**	**44,976,483**	**-**	**46,432,139**
Unsecured subordinated long term loan	29	23,170,389	-	23,170,389	23,170,389
Financial guarantee liability	23	3,173,458	-	3,173,458	3,173,458
Other liabilities	25	99,599	-	99,599	99,599
Total financial liabilities		**26,443,446**	**-**	**26,443,446**	**26,443,446**

31 December 2018

In thousands of Naira	Note	Carrying amount	Amortised Cost	Other financial liabilities (amortized cost)	Fair value
Cash and cash equivalents	16	13,763,541	13,763,541	-	13,763,541
Investment securities	17	17,413,427	17,413,427	-	16,611,521
Guarantee fee receivable	18	836,826	836,826	-	836,826
Other assets	19	43,761	43,761	-	43,761
Total financial assets		**32,057,555**	**32,057,555**	**-**	**31,255,649**
Unsecured subordinated long term loan	27	12,813,690	-	12,813,690	12,813,690
Financial guarantee liability	22	1,073,895	-	1,073,895	1,073,895
Other liabilities	24	496,187	-	496,187	496,187
Total financial liabilities		**14,383,772**	**-**	**14,383,772**	**14,383,772**

Notes to the financial statements

7 Guarantee fee income

In thousands of Naira	31 December 2019	31 December 2018
Mandate fees (a)	35,500	35,000
Guarantee fees (b)	592,958	300,000
Monitoring fees (c)	13,958	5,000
	642,416	**340,000**

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

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

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

8 Guarantee fee expense

In thousands of Naira	31 December 2019	31 December 2018
Guarantee fee expense (a)	67,817	67,863
Upfront fee expense (a)	48,305	3,003
Monitoring fee expense (a)	7,287	7,213
	123,409	**78,079**

(a) Amounts represent the fee expenses incurred by the Company in respect of the callable capital funding facility agreement with GuarantCo.

9 Net investment income

In thousands of Naira	31 December 2019	31 December 2018
(a) Interest income		
Bank placements	398,413	375,554
Treasury bills	539,000	137,467
Eurobonds (i)	1,391,887	11,133
	2,329,300	**524,154**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N2.34 billion (2018: N524.15 million)

i Represents interest income accrued on Eurobonds for 12 months as against less than one-month interest income accrued in 2018. Significant increase is also attributable to increase in the Eurobond investments undertaken in 2019.

(b) Interest expense		
Interest expense KFW	777,199	24,689
Interest expense NSIA	16,508	41,204
Interest expense GuarantCo	-	9,947
Interest expenses leased asset	1,286	-
	794,993	**75,840**
Net interest income	**1,534,307**	**448,314**

The total interest expense calculated using the effective interest rate (EIR) method for financial liabilities measured at amortised cost is N795 million (2018: N76 million).

Notes to the financial statements

10 Impairment loss on financial instruments

In thousands of Naira	31 December 2019	31 December 2018
Investment securities	21,815	31,071
Guarantees	21,143	-
Trade and other receivables	9,861	-
Cash equivalents	(8,722)	16,365
	44,097	**47,436**

11 Other Income

In thousands of Naira	31 December 2019	31 December 2018
Write back of accrual no longer required (a)	**13,322**	**34,226**

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

12 Foreign exchange loss

In thousands of Naira	31 December 2019	31 December 2018
Exchange gain/(loss)	**9,792**	**79,130**

This largely represents the resulting net foreign exchange gain/(loss) on the re-translation of the USD denominated financial assets and liabilities as at the reporting date .

13 Personnel expenses

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

In thousands of Naira	31 December 2019	31 December 2018
Wages and salaries	254,539	162,476
Other staff costs	166,441	125,108
Pension cost	27,227	19,351
	448,207	306,935

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

	31 December 2019	31 December 2018
Managerial	5	4
Other staff	17	9
	22	13

(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 2019	31 December 2018
N1 million - N2 million	2	2
N2 million - N5 million	2	2
N5 million - N10 million	2	1
N10 million and above	16	8
	22	**13**

(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 2019	31 December 2018
Non-executive Directors		
Fees	24,482	16,072
Other emoluments	-	-
Allowances	-	-
Total- NEDs	**24,482**	**16,072**
Executive Director		
Short term benefits	70,707	70,707
Pension contribution	1,404	1,404
	72,111	**72,111**
	96,593	**88,183**

Directors' remuneration shown above includes:

In thousands of Naira	31 December 2019	31 December 2018
Chairman	-	-
Highest paid Director	72,111	72,111

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

	31 December 2019	31 December 2018
N10 million and above	1	1

14 Other operating expenses

In thousands of Naira	31 December 2019	31 December 2018
Directors remuneration (Non-executive)	24,482	16,072
Marketing & advertising	23,822	14,936
Stationery & printing	7,769	3,519
Traveling & entertainment	47,075	39,032
Custody fees	6,270	-
Communication expenses	2,001	4,322
Auditors remuneration	15,500	12,700
Information technology expenses	16,161	7,016
Training expenses	40,339	23,828
Administration & membership fees	23,630	6,323
Professional fees (See note (a) below)	153,226	88,201
Maintenance expenses	2,919	1,189
Insurance expenses	12,359	6,996
Rental expenses	9,447	5,000
Utility and electricity	570	34
Other expenses (See note (b) below)	89,405	25,278
	474,975	**254,446**

(a) Professional fees

Legal and secretarial fees	25,711	12,500
Risk consultancy fees	-	1,803
Other professional fees (i)	84,106	19,583
Business set up-consultancy fee	-	1,021
HR consultancy	23,090	23,341
Credit rating expenses	20,319	29,953
	153,226	**88,201**

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

(b) Other expenses

Bank charges	20,041	5,017
Board meeting expenses	55,484	11,030
Recruitment costs	5,387	2,945
Loss on disposal of property and equipment (se	1,627	871
ITF Levy	2,985	660
Lunch Expenses	3,151	929
Business registration costs	730	3,826
	89,405	**25,278**

15 Taxation

(a) Tax Charge/ (Credit)

In thousands of Naira	**31 December 2019**	**31 December 2018**
Companies income tax	-	481
Tertiary education tax	-	96
Information technology tax	10,350	62
Police Trust Fund levy	51	-
Current Income tax expense (See note 15(c))	**10,401**	**639**
Deferred tax charge/(credit) (see note 24)	**7,779**	**(38,307)**
Income tax charge/ (credit)	**18,180**	**(37,668)**

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 2019		**31 December 2018**	
In thousands of Naira	**Amount**	**Rate**	**Amount**	**Rate**
Profit before tax	1,052,739		171,097	
Tax using the Company's tax rate	315,822	30%	51,329	30%
Non-deductible expenses	44,047	4%	-	0%
Tax exempt income	(352,090)	-33%	(85,826)	-50%
Changes in estimate relating to opening balance (ECL allowance)	-	0%	(3,329)	-2%
Information technology tax	10,350	1%	62	0%
Tertiary education tax	-	0%	96	0%
Police Trust Fund levy	51	0%	-	0%
	18,180	2%	**(37,668)**	-22%

Notes to the financial statements

(c) Current tax liability

In thousands of Naira	31 December 2019	31 December 2018
Balance as at 1 January 2018	639	-
Charge for the year see note 15(a)	10,401	639
Payment during the year	(639)	-
At end of year	**10,401**	**639**

16 Cash and cash equivalents

In thousands of Naira	31 December 2019	31 December 2018
Cash in hand	450	460
Cash Equivalents:		
Balances with banks	1,470,790	330,651
Bank placement (see note (a) below)	11,562,519	13,449,203
Cash equivalents (gross)	13,033,309	13,779,854
Impairment allowance on cash equivalents (see note (b) below)	(8,051)	(16,773)
Cash equivalents (net)	13,025,258	13,763,081
Cash and cash equivalents in the statement of financial position	**13,025,708**	**13,763,541**
Impairment allowance on cash equivalents (see note (b) below)	8,051	16,773
Cash and cash equivalents in the statement of cash flows	**13,033,759**	**13,780,314**
Current	13,025,708	13,763,541

(a) Bank placements consist of USD denominated assets with the banks. The USD assets have an average interest rate of 4.85%. All bank placements 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 2019	31 December 2018
Opening balance	16,773	-
Impairment charge/(reversal) during the year:		
Recognised in income statement	(8,722)	16,365
Recognised in equity	-	408
Closing balance	8,051	16,773

17 Investment securities

In thousands of Naira	31 December 2019	31 December 2018
Bank placements	-	1,874,948
Treasury bills (a):	369,114	3,290,405
FGN Eurobonds at amortised cost (b)	18,045,784	-
Corporate Eurobonds at amortised cost (b)	7,604,463	12,289,833
FGN Bonds (c)	3,136,516	-
	29,155,877	17,455,186
Impairment allowance on investment securities (see note (d) below)	(63,574)	(41,759)
	29,092,303	17,413,427
Current	369,091	5,156,635
Non-Current	28,723,212	12,256,792
Total	**29,092,303**	**17,413,427**

(a) Treasury bills have yields of 11.35% to 14.90% and mature in less than one year.
(b) Eurobonds have stated yields of 5.49% to 9.00% and mature in two to eight years.
(c) FGN Bond have stated yields of 9.35% with average tenor of two years

Notes to the financial statements

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

In thousands of Naira	31 December 2019	31 December 2018
Opening balance	41,759	-
Impairment charge/(reversal) during the year:		
Recognised in income statement	21,815	31,071
Recognised in equity	-	10,688
Closing balance	63,574	41,759

18 Guarantee fee receivable

In thousands of Naira	31 December 2019	31 December 2018
Opening Balance	836,826	836,826
Present value of guarantee fee received (Viathan)	(222,950)	-
Addition during the year	2,179,670	-
Gross guarantee fee receivable	2,793,546	836,826
Impairment allowance (see note (b) below)	(21,143)	-
Guarantee fee receivable (see (a) below)	2,772,403	836,826
Current	744,203	222,949
Non-current	2,028,200	613,877

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

(b) The movement in impairment allowance on guarantee fee receivable is as follows:

In thousands of Naira	31 December 2019	31 December 2018
Opening balance	-	-
Impairment charge/(reversal) during the year:		
Recognised in income statement	21,143	-
Closing balance	21,143	-

19 Other assets

In thousands of Naira	31 December 2019	31 December 2018
Other financial assets		
Trade receivable (a)	64,530	34,627
Receivable from Guarantco	21,539	9,134
	86,069	43,761
Non financial assets		
Prepayments	44,650	53,222
Cash advance	1,172	150
	45,822	53,372
Total- Other assets	131,891	97,133
Impairment Provision	(9,861)	-
	122,030	97,133
Current	122,030	97,133
Non-Current	-	-
Total	**122,030**	**97,133**

Trade receivables arise from unpaid mandate fees billed to clients. The average credit period is 30 days. No interest is charged on outstanding trade receivables. A loss allowance has been recognised in the profit or loss account.

Notes to the financial statements

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

In thousands of Naira	31 December 2019	31 December 2018
Opening balance	-	-
Impairment charge/(reversal) during the year:		
Recognised in income statement	9,861	-
Closing balance	9,861	-

20 Property and equipment

In thousands of Naira	Office equipment	Computer equipment	Furniture & fittings	Motor vehicles	Leasehold improvement	Total
Cost						
Balance as at 31 December 2017	20,113	46,424	38,951	55,000	–	160,488
Additions	17,817	2,936	4,804	-	–	25,557
Disposals		(1,884)		-	–	(1,884)
Balance as at 31 December 2018	**37,930**	**47,476**	**43,755**	**55,000**	**-**	**184,161**
Additions	694	35,230	26,349	26,800	84,941	174,014
Write off	(2,403)	-	(2,167)	-	–	(4,570)
Balance at 31 December 2019	**36,221**	**82,706**	**67,937**	**81,800**	**84,941**	**353,605**
Accumulated depreciation						
Balance as at 31 December 2017	3,680	7,754	7,303	979	–	19,716
Depreciation for the year	7,430	11,543	10,324	13,750	–	43,047
Disposal		(981)	-	-	–	(981)
Balance as at 31 December 2018	**11,110**	**18,316**	**17,627**	**14,729**	**-**	**61,782**
Depreciation for the year	12,140	13,623	10,841	16,542	708	53,854
Write off	(1,543)	-	(1,400)	-		(2,943)
Balance at 31 December 2019	**21,707**	**31,939**	**27,068**	**31,271**	**708**	**112,693**
Carrying amounts						
Balance at 31 December 2019	**14,514**	**50,767**	**40,869**	**50,529**	**84,233**	**240,912**
Balance as at 31 December 2018	**26,820**	**29,160**	**26,128**	**40,271**	**-**	**122,379**

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2018:Nil).

(ii) There were no impairment losses on any class of property and equipment during the year (2018:Nil).

(iii) There are no restriction on the Company's title to its property and equipment in the year (2018:Nil).

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

(v) Items below capitalization threshold with aggregate cost of N4.5 million less accmulated depreciation of N2.9 million were written off during the year. The write-off of N1.6 million is presented in the statement of profit or loss.

Notes to the financial statements

21 Leases
Right -of use asset

In thousands of Naira	31 December 2019	31 December 2018
Cost		
Balance as at beginning of the year	-	-
Additional payment during the year	109,450	
Lease liability (see note 26)	109,516	-
Balance at end of the year	218,966	-
Accumulated Depreciation		
Balance as at beginning of the year	-	-
Charge for the year	1,825	-
Balance at end of the year	1,825	-
Carrying amount	**217,141**	-
Amounts recognised in profit or loss		
Interest on lease liabilities	1,286	-
Lease expense	9,447	5,000
Balance as at 31 December	10,733	5,000

The total cash outflow for leases amount to N 109 million (2018: Nill) with fixed annual payment of N33 million.

achieved by the fact that the comparative financial information has been prepared on IAS 17 bases. Refer to note 3A for more detail on the adoption of IFRS 16

Notes to the Financial Statements

22 Intangible assets

Purchased software

In thousands of Naira	31 December 2019	31 December 2018
Cost		
Balance as at beginning of the year	2,925	1,300
Work in progress- ERP (a)	46,464	1,625
Balance at end of the year	49,389	2,925
Accumulated Amortisation		
Balance as at beginning of the year	792	162
Charge for the year	731	630
Balance at end of the year	1,523	792
Carrying amount	**47,866**	**2,133**

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

The Company's intangible assets are not impaired

No commitment in respect of the Company's intangible

(a) This represents the total costs of emplementation of Enterprise Resource Planning (ERP) scheduled to "go-live" in February 2020.

23 Financial guarantee liability

In thousands of Naira	31 December 2019	31 December 2018
Financial guarantee liability (see (a) below)	3,173,458	1,073,895
Current	255,648	255,648
Non-current	2,917,810	818,247
	3,173,458	**1,073,895**

(a) This represents the amount initially recognised less the cummulative amount of income recognised and receivable from Viathan Funding Plc, GEL Utility and NSP in respect of the provision of guarantees for the ten-year N10 billion, fifteen-year N13 billion and fifteen-year N8.5 billion infrastructure bonds issued by the companies.

24 Deferred tax asset

In thousands of Naira	31 December 2019	31 December 2018
Opening balance	38,307	-
Property and equipment	(3,804)	20,747
Tax losses	356	-
Allowance for expected credit losses	(4,331)	17,560
	30,528	**38,307**

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% (2017: 30%).

Notes to the Financial Statements

Movements in temporary differences during the year:

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

Movements in temporary differences 1 January 2018 to 31 December 2018:

In thousands of Naira	1 January 2018	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2018
Property and equipment	-	20,747	-	20,747
Allowance for expected credit losses	-	17,560	-	17,560
	-	**38,307**	**-**	**38,307**

25 Other liabilities

In thousands of Naira	31 December 2019	31 December 2018
Financial liabilities		
Due to NSIA (Refer to note (a) below and note 28)	-	413,511
Due to GuarantCo (See note (b) below)	6,455	18,981
Accruals (See note (c) below)	93,144	63,695
	99,599	496,187
Non financial liabilities		
Employee liabilities	138,668	75,517
Other payables	11,480	10,912
Output VAT	16,255	16,630
Unearned income	78,755	81,750
	245,158	184,809
Total- Other Liabilities	**344,757**	**680,996**
Current	338,302	248,504
Non current	6,455	432,492
	344,757	**680,996**

Notes to the Financial Statements

(a) Amount due to NSIA was paid off during the year
(b) This represents guarantee fee accrual in respect of callable capital provided by GuarantCo.
(c) This represents the payables in respect of services rendered to the Company by different professional services firms and vendors.

26 Lease liabilities

In thousands of Naira	**31 December 2019**	**31 December 2018**
Lease liabilities		
Opening	-	-
Additions	109,516	-
Unwinding of discount	1,285	
Payment	-	-
	110,801	-

Maturity analysis:

In thousands of Naira

	Opening Balance	**Payments**	**Discount**	**Closing Balance**
Year 1	109,516	–	15,431	124,946
Year 2	124,946	–	17,605	142,551
Year 3	142,551	–	20,085	162,637
Year 4	162,637	33,333	18,219	147,522
Year 5	147,522	33,333	16,089	130,278
Year 6	130,278	33,333	13,660	110,604
Year 7	110,604	33,333	10,887	88,159
Year 8	88,159	33,333	7,725	62,550
Year 9	62,550	33,333	4,117	33,333
Year 10	33,333	33,333	-	-

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

In thousands of Naira	**31 December 2019**	**31 December 2018**
None -current	110,801	-
Current	-	-
	110,801	-

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

Notes to the Financial Statements

27 Share capital

In thousands of Naira	31 December 2019	31 December 2018
(a) Authorised		
Authorised:		
50,000,000,000 shares of N1 each (2018: 50,000,000,000 shares of N1 each)	**50,000,000**	**50,000,000**
Ordinary shares		
Issued and fully paid		
1,983,190,000 ordinary shares of N1 each (2018:1,983,190,000 ordinary shares of N1 each)	**1,983,190**	**1,983,190**

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 in order to maintain a 50:50 parity in voting right between the AFC and the NSIA. With these additional shares, NSIA and AFC now hold 52% and 48% shares respectively in the Company although both shareholders have equal voting rights.

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.

(b) Preference shares (irredeemable)		
Authorised, issued and fully paid cummulative irredeemable preference shares		
8,022,905,000 cummulative irredeemable preference shares of N1 each (2017: 8,022,905,000 cummulative irredeemable preference shares of N1 each	**8,022,905**	**8,022,905**
(c) Preference shares (redeemable)		
Authorised, issued and fully paid cummulative redeemable preference shares		
8,022,905,000 cummulative redeemable preference shares of N1 each (2017: Nil)	**8,022,905**	**8,022,905**

The Company and AFC entered into a Share Subscription Agreement dated 4 July 2018 to document the terms of the equity investment (the "Shares Subscription Agreement"). By a resolution dated 19 December 2018, the Company approved the allotment of 991,595,001 units of Ordinary Shares at N1 each, and 8,022,905,000 units of Preference Shares at N1 each, in the authorised share capital of the Company.

(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.

28 Other reserves

(a) Fair value reserve

Fair value reserve is the net cumulative change in the fair value of available for sale asset until the investment is derecognized or impaired.

Movement in the fair value reserve:	**31 December 2019**	**31 December 2018**
At the beginning of the year	-	9,004
Changes in available-for-sale financial asset	-	-
Derecognition of available-for-sale financial asset (see note i below)	-	(9,004)
Balance at the end of year	-	-

(i) The adjustment was passed to reflect the derecognition of available for sale financial asset upon application of IFRS 9.

(b) Retained earnings/accumulated losses

In thousands of Naira	**31 December 2019**	**31 December 2018**
Balance, beginning of the year	(324,474)	(522,143)
Adjustment on initial application of IFRS 9	-	(11,096)
Adjusted balance as at 1 January 2018	(324,474)	(533,239)
Profit/(loss) for the year	1,034,559	208,765
Balance at the end of year	**710,085**	**(324,474)**

29 Unsecured subordinated long term loan

In thousands of Naira	**31 December 2019**	**31 December 2018**
Unsecured subordinated long-term loan at amortised cost		
Opening	12,813,690	-
Accrued Interest	777,199	-
Additions	9,579,500	12,813,690
	23,170,389	**12,813,690**
Current	-	-
Non-Current	23,170,389	12,813,690
	23,170,389	12,813,690

During the year, KfW advanced an additional unsecured subordinated 10-year loan of USD26 million (2018: USD35 million) at a simple interest rate of 5.25%.

30 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.

Notes to the Financial Statements

(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 both NSIA and Africa Finance Corporation (AFC) with equal voting rights. (See note 27 for details of shareholdings).

(ii) *Transactions with related party*

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

Related entity	***Nature of transactions***	***Note***	**December 2019 N'000**	**December 2018 N'000**
Amount due to				
Nigeria Sovereign Investment Authority	Payables - Start-up funding	24	-	413,511
			-	**413,511**

31(a) Contingent liabilities, litigations and claims

There was no litigation or claim against the Company as at 31 December 2019 (2018:Nil).

31(b) Financial guarantee liability

The Company does not recognise the full value of the financial guarantees it issues (N31.5 Billion for Viathan Bond, NSP Bond and GELU Bond) as its guarantee liability because it is an unfunded contingent obligation.

Rather, financial guarantee liabilities recorded in the Statement of Financial Position is recognised as the fair value of the guarantee fees received and expected to be received under the terms of the guarantee. Subsequently, the guarantee liabilities are measured at the higher of:

(i) the unamortized balance of the amount initially recognized, and

(ii) the expected losses under IFRS 9.

As of 31 December 2019, a guarantee liability of N3,173,458,000 was reported on the Statement of Financial Position representing the unamortized balance of sum of the received guarantee fees and the present value of total guarantee fees expected to be received under the terms of the guarantee.

The reported guarantee fee receivable of N2,772,403,000 represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2019.

32 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 2019 and its financial performance for the period ended which have not been adequately provided for or disclosed.

33 Statement of cash flow notes

(a) Purchase and redemption of investment securities

In thousands of Naira	**31 December 2019**	**31 December 2018**
At the beginning of the year	17,413,427	8,964,409.00
Interest receivable on investment securities	196,965	54,151
Fair value (loss) / gain on AFS	-	(9,004)
Exchange gain on investment securities	-	151
Impairment charge on financial assets (see note 26)	(21,815)	(41,759)
Net purchase of investment securities (cash outflow)	11,503,726	8,445,479
At the end of the year	**29,092,303**	**17,413,427**

Notes to the Financial Statements

(b) Interest received

In thousands of Naira	31 December 2019	31 December 2018
Interest income (see note 9)	2,329,300	524,154
Interest receivable on investment securities (see note 26(a))	(191,057)	(54,151)
Cash inflow	**2,138,243**	**470,003**

(c) Changes in financial guarantee liability

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year	1,073,895	1,370,447
Net movement (cash outflow)	2,099,563	(296,552)
At the end of the year	**3,173,458**	**1,073,895**

(d) Changes in other assets

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year	97,133	85,590
Net movement (cash outflow)	34,758	11,543
At the end of the year	**131,891**	**97,133**

(e) Changes in guarantee fee receivable

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year	836,826	1,095,447
Net movement (cash outflow)	1,956,720	(258,621)
At the end of the year	**2,793,546**	**836,826**

(f) Changes in other liabilities

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year	680,996	814,147
Interest payable - NSIA and GuarantCo (see note 9)	-	51,151
Interest paid during the year (GuarantCo)	-	(18,383)
VAT paid during the year	-	(16,380)
Write back of accrual no longer required (a)	-	(34,226)
Unearned income on financial guarantee contract	-	37,931
Net movement (cash inflow)	(336,239)	(153,244)
At the end of the year	**344,757**	**680,996**

Notes to the Financial Statements

(g) Movement in ordinary share capital

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year (see note 25)	1,983,190	991,595
Net movement (net inflow)	-	991,595
At the end of the year	**1,983,190**	**1,983,190**

(h) Movement in irredeemable preference shares

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year (see note 25)	8,022,905	8,022,905
Net movement (net inflow)	-	-
At the end of the year	**8,022,905**	**8,022,905**

(i) Movement in redeemable preference shares

In thousands of Naira	31 December 2019	31 December 2018
At the beginning of the year (see note 25)	8,022,905	8,022,905
Net movement (net inflow)	-	-
At the end of the year	**8,022,905**	**8,022,905**

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

In thousands of Naira	31 December 2019	31 December 2018
Cost (see note 20)	4,570	1,884
Accumulated depreciation (see note 20)	(2,943)	(981)
Net Book Value	**1,627**	**903**
Sales proceed	-	**32**
Profit/(Loss) on Disposal	**(1,627)**	**(871)**

(k) Unrealised foreign exchange (gain) / loss

In thousands of Naira	31 December 2019	31 December 2018
Exchange difference (gain) / loss on unsecured subordinated long term loan	-	(17,394)
Exchange gain on investment securities	-	(151)
At the end of the year	**-**	**(17,545)**

OTHER NATIONAL DISCLOSURES

Other national disclosures

Value added statement

In thousands of Naira	31 December 2019	%	31 December 2018	%
Gross income	2,994,830	127%	977,510	164%
Bought in goods and services - Local	(642,481)	-27%	(379,961)	-64%
Value added/(eroded)	**2,352,349**	**100%**	**597,550**	**100%**
Applied to pay:				
Providers of finance				
Interest expense	794,993	34%	75,840	13%
Employees				
Wages, salaries and other benefits	448,207	19%	306,935	51%
Government				
Taxation	18,180	1%	(37,668)	-6%
Retained in the business				
For replacement of property and equipment and ROU assets (depreciation)	55,679	2%	43,047	7%
For replacement of computer software (amortisation)	731	0%	630	0%
To deplete reserves	1,034,559	44%	208,765	35%
Value eroded	**2,352,349**	**100%**	**597,550**	**100%**

This is the Company's fourth IFRS financial statements. As such, no five-year financial summary was presented

Other national disclosures

Three Year Financial summary

Statement of Financial Position

In thousands of Naira	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Assets:				
Cash and cash equivalents	13,025,708	13,763,541	398,599	-
Investment securities	29,092,303	17,413,427	8,964,409	-
Guarantee fee receivable	2,772,403	836,826	1,095,447	-
Other assets	122,030	97,133	85,590	25,000
Property and equipment	240,912	122,379	140,772	-
Right of use asset	217,141	-	-	-
Intangible assets	47,866	2,133	1,138	-
Deferred tax asset	30,528	38,307	-	-
Total assets	**45,548,891**	**32,273,746**	**10,685,955**	**25,000**
Liabilities:				
Current tax liability	10,401	639	-	-
Financial guarantee liability	3,173,458	1,073,895	1,370,447	-
Lease liability	110,801	-	-	-
Other liabilities	344,757	680,996	814,147	119,333
Unsecured subordinated long term loan	23,170,389	12,813,690	-	-
Total liabilities	**26,809,806**	**14,569,220**	**2,184,594**	**119,333**
Net assets	**18,739,085**	**17,704,526**	**8,501,361**	**(94,333)**
Capital and reserves:				
Ordinary share capital	1,983,190	1,983,190	991,595	25,000
Cummulative irredeemable preference share capital	8,022,905	8,022,905	8,022,905	-
Cummulative redeemable preference share capital	8,022,905	8,022,905	-	-
Fair value reserves	-	-	9,004	-
Accumulated losses	710,085	(324,474)	(522,143)	(119,333)
Total shareholders' funds	**18,739,085**	**17,704,526**	**8,501,361**	**(94,333)**

Statement of profit or loss and other comprehensive income

Income statement				
Operating income	2,032,331	776,155	242,312	-
Operating expenses	(979,592)	(605,058)	(645,122)	(119,333)
Profit before tax	1,052,739	171,097	(402,810)	(119,333)
Tax credit	(18,180)	37,668	-	
Profit after tax	**1,034,559**	**208,765**	**(402,810)**	**(119,333)**

This is the Company's fourth IFRS financial statements. As such, no five-year financial summary was presented