Infrastructure Credit Guarantee Company Limited

Annual Report
31 December 2017

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Corporate information

Directors	Mr. Uche Orji	-	Chairman
	Mr. Chinua Azubike	-	Managing Director/Chief Executive Officer
	Mr. Christopher Vermont	-	Non-Executive Director
	Mrs. Stella Ojekwe-Onyejeli	-	Non-Executive Director

Registered office

Infrastructure Credit Guarantee Company Limited
17 Sanusi Fafunwa 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

Directors' report

for the year ended 31 December 2017

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 2017.

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 business 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 commercial papers, corporate debt securities, bonds, and other highly rated short term debts issued by the 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 period are as follows:

In thousands of Naira	**31 December 2017**
Gross earnings	290,271
Loss for the period	(402,810)

4. Directors and their interests

The directors who held office during the period 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

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

5. Directors' interests in contracts

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

6. Property and equipment

Information relating to changes in property and equipment is provided in note 17 of the financial statements.

7. Shareholding analysis

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

31 December 2017	**Number of shares held**	**% Shareholding**
Shareholder:		
Nigeria Sovereign Investment Authority	9,014,499,999	100.00
NSIA Property Investment Company Limited	1	0.00
	9,014,500,000	**100.00**

Directors' report
for the year ended 31 December 2017

31 December 2016

Shareholder:		
Nigeria Sovereign Investment Authority	24,999,999	100.00
NSIA Property Investment Company Limited	1	0.00
	25,000,000	**100.00**

8. Human resources

Employment of disabled persons

The Company has no disabled persons in its employment. However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

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.

9. 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.

10. Donations and charitable gifts

The Company made no donations to charitable or other organisations during the period (2016:Nil).

11. Auditors

The Company appointed KPMG Professional Services as the Company's auditors during the year. Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors to the Company. 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

Olaniwun Ajayi LP
FRC/2013/00000000001615
Company Secretary
Plot L2, 401 Close, Banana Island,
Ikoyi,
Lagos
18/04/2018

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2017

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
11 April 2018

Mr. Chinua Azubike
FRC/2017/ICSAN/00000016559
Managing Director/Chief Executive Officer
11 April 2018

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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Internet www.kpmg.com/ng

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, 2017, 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 a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 42.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2017, 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 and Other national disclosures.

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.

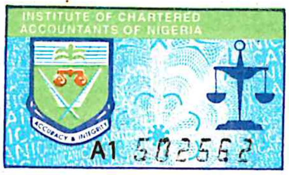
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
11 April 2018
Lagos, Nigeria



Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

In thousands of Naira	Note	12 months ended 31 December 2017	3 months ended 31 December 2016
Guarantee fee income	7	50,417	-
Guarantee fee expenses	8	(6,593)	-
		43,824	-
Interest income	9(a)	239,854	-
Interest expense	9(b)	(31,668)	
Foreign exchange loss	10	(9,698)	-
Total income		242,312	-
Personnel expenses	11	(170,067)	-
Depreciation of property and equipment	17	(19,717)	-
Amortisation of intangible asset	18	(162)	-
Other operating expenses	12	(455,176)	(119,333)
Total expenses		(645,122)	(119,333)
Loss before tax		(402,810)	(119,333)
Tax charge		-	-
Loss for the year		**(402,810)**	**(119,333)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale financial assets	22(a)	9,004	-
Total comprehensive loss		**(393,806)**	**(119,333)**

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

Statement of financial position

As at 31 December 2017

In thousands of Naira	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents	13	398,599	-
Investment securities	14	8,964,409	-
Guarantee fee receivable	15	1,095,447	
Other assets	16	85,590	25,000
Property and equipment	17	140,772	-
Intangible assets	18	1,138	-
Total assets		**10,685,955**	**25,000**
Liabilities			
Financial guarantee liability	19	1,370,447	-
Other liabilities	20	814,147	119,333
Total liabilities		2,184,594	119,333
Equity			
Share capital	21	991,595	25,000
Cummulative irredeemable preference capital	21	8,022,905	-
Fair value reserves	22(a)	9,004	-
Accumulated losses	22(b)	(522,143)	(119,333)
Total equity		8,501,361	(94,333)
Total liabilities and equity		**10,685,955**	**25,000**

The financial statements were approved by the Board of Directors on 11 April 2018 and signed on its behalf by:

Uche Orji
FRC/2014/IODN/00000007036
Chairman

Chinua Azubike
FRC/2017/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

For the period ended 31 December 2017

31 December 2017

In thousands of Naira	Share capital	Cummulative irredeemable preference capital	Fair value reserve	Accumulated losses	Total equity
Balance as at 1 January 2017	25,000	-	-	(119,333)	(94,333)
Total comprehensive income for the year					
Transfer from profit or loss and other comprehensive income	-	-	9,004	(402,810)	(393,806)
Total comprehensive income for the year	-	-	9,004	(402,810)	(393,806)
Transactions with shareholders, recorded directly in equity					
Issue of shares	966,595	8,022,905	-	-	8,989,500
Balance at 31 December 2017	**991,595**	**8,022,905**	**9,004**	**(522,143)**	**8,501,361**

31 December 2016

	Share capital	Cummulative irredeemable preference capital	Fair value reserve	Accumulated losses	Total equity
Balance as at date of incorporation (20 October 2016)	25,000	-	-	-	25,000
Total comprehensive income for the period:					
Loss for the year	-	-	-	(119,333)	(119,333)
Total comprehensive income for the year	-			(119,333)	(119,333)
Transactions with shareholders, recorded directly in equity					
Issue of shares	-	-	-	-	-
Balance at 31 December 2016	**25,000**	**-**	**-**	**(119,333)**	**(94,333)**

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

Statement of cash flows

For the year ended 31 December 2017

In thousands of Naira	**Notes**	**31 December 2017**	**31 December 2016**
Cash flow from operating activities:			
Loss after tax		(402,810)	(119,333)
Tax charge		-	-
Loss before tax		(402,810)	(119,333)
Adjustment for:			
Depreciation of property and equipment	17	19,716	-
Amortisation of intangible asset	18	162	-
Foreign exchange loss	10	9,698	-
Interest income	9	(239,854)	-
Interest expense	9	31,668	-
		(581,420)	(119,333)
Changes in :			
Net changes in Financial guarantee assets and liabilities	26(c)	275,000	-
Other assets	26(d)	(60,590)	-
Other liabilities	26(e)	663,146	119,333
Net cashflows generated from operating activities		**296,137**	**-**
Cash flow from investing activities:			
Acquisition of property and equipment	17	(160,488)	-
Acquisition of intangible asset	18	(1,300)	-
Purchase of investment securities	26(a)	(8,776,701)	-
Interest received	26(b)	50,244	-
Interest paid	26(f)	-	-
Net cashflows used in investing activities		**(8,888,245)**	**-**
Cash flow from financing activities:			
Issue of ordinary shares	26(g)	966,595	-
Issue of preference shares	26(h)	8,022,905	-
Net cashflows from financing activities		**8,989,500**	**-**
Increase in cash and cash equivalents		397,391	-
Cash and cash equivalents at beginning of period	13	-	-
Cash and cash equivalents at the end of the period	13	**397,391**	**-**

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 address of its registered office is 17 Sanusi Fafunwa 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 commercial papers, corporate debt securities, bonds, and other highly rated short term debts issued by the 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), 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 11 April 2018.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except financial instruments that are measured at amortised cost and fair value through other comprehensive income.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively.

Information about significant areas of estimation, uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the interim financial statements are described in note 5 of the financial statements.

3 Significant accounting policies

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

(a) Cash and cash equivalents

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

(b) Revenue

Revenue represents fee income from services provided and guarantees offered. 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.

Notes to the financial statements

(c) Financial assets and financial liabilities

(i) ***Initial recognition and measurement***

The Company initially recognises investment securities, other financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) ***Classification***

Financial assets

The Company classifies its financial assets into one of the following categories:

- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees, as measured at amortized cost.

(iii) ***Subsequent measurement***

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include cash and cash equivalents and trade receivables.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the financial instrument and amortised through interest income as part of the effective interest rate.

(b) Investment securities

Investment securities are classified into three:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. All fixed deposits (placements) with banks and trade receivables are classified as loans and receivables.
Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Held to maturity

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale. Held to maturity investments are quoted instruments. The Company classifies some of it treasury bill as held to maturity.
Held to maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale and would prevent the Company from classifiying investment securities as held-to-maturity for the current and the two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.

- sales or reclassifications after the Company has collected substantially all of the asset's original principal; and

- sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

Notes to the financial statements

Available for sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Financial assets classified by the Company as available for-sale are generally strategic capital investments held for an undefined period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not classified within another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of available-for- sale financial assets are recognised directly in the available-for-sale reserve in other comprehensive income (OCI) until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income (other revenue). Interest income, calculated using the effective interest rate method, is recognised in profit or loss. The Company classifies some of its treasury bills as available for sale financial assets.

(c) Financial liabilities

The Company classifies its financial liabilities as measured at amortised cost. The Company issues financial guarantee contracts and accounts for them as financial instruments. Financial guarantee contracts are measured initially at fair value, which is usually the premium received. Subsequently, they are measured at the higher of the amount determined in accordance with IAS 37 and the amount recognised initially less, when appropriate, cummulative amortisation recognised in accordance with IAS 18.

(iv) ***Derecognition***

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) ***Amortized cost measurement***

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments due, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) ***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 market 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.

Notes to the financial statements

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.

(vii) ***Impairment of financial assets***

Assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are also considered in assessing objective evidence of impairment:

- significant financial difficulty of the borrower or issuer;
- default or deliquency by a borrower or issuer;
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.
- indications that a borrower or issuer will enter bankruptcy;

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Company concludes that no collective provision is required because all possible risks have been considered in the individual impairment tests.

If there is objective evidence that an impairment loss on a loan and receivable asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

(viii) ***Offsetting financial instruments***

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Notes to the financial statements

(d) Provisions

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.

(e) Financial guarantees

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.

Liabilities arising from financial guarantees are initailly measured at fair value and the initial fair value is amortised over the life of the guarantee. The liability is subsequently carried at the higher of this amortised amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

A provision in respect of financial guarantees issued is recognised when it is probable that the Company will be required to compensate the holder of the guarantee for the loss the holder has incurred because the debtor has failed to make payments when due.

The estimate for any liability arising from claims made under any guarantee is one of the most critical accounting estimates. There are several sources of uncertainty in estimating the likelihood of any claim arising under a guarantee and in estimating the liability that the Company will be called upon to pay on such claims.

At each reporting date, the Company assesses whether there is objective evidence that a debtor in a guarantee has defaulted and as such that a provision in respect of the guarantee is required.

(f) 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.

(g) 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%

Notes to the financial statements

(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.

(h) 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.

(i) Foreign currencies transactions

Transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

(j) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term employee benefits

Short-term employee benefit obligations 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.

(k) Share capital and other reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of equity instruments are deducted from the initial measurement of equity instruments.

(ii) Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassifed to any specified reserve.

(iii) Fair value reserve

Fair value reserve comprises the fair value changes arising from re-measurement of available-for-sale financial assets at the end of the reporting period.

(l) Taxation

The Company is exempted from income taxes by virtue of part IX, section 57(i) of the Nigeria Sovereign Investment Authority Act, 2011. This section exempts the Nigeria Sovereign Investment Authority (the Company's parent) and its wholly owned subsidiairies and wholly affiliates from the provisions of any and all taxes, fees, imports or similar fiscal laws or regulations of the Federal Government, State Government, Federal Capital Territory, Local Government and Area Councils of the Federal Republic of Nigeria including, without limitation, the Companies Income Tax Act Cap. C21 LFN 2004, the Capital Gains Tax Act Cap C1 LFN 2004, the Stamp Duties Act Cap. S8 LFN 2004, the Value Added Tax Act Cap VI LFN 2004 or other imports, taxes on interest and dividends or any similar law or regulation.

Notes to the financial statements

(m) Other expenses

All other expenses are recognised in the statement of comprehensive income on accrual basis.

(n) New standards, interpretations and amendments to existing standards that are not yet effective

The following new or revised standards and amendments which have a potential impact on the Company are not yet effective for the period ended 31 December 2017 and have not been applied in preparing these financial statements. The Company is currently assessing the impact of the new or revised standards and amendments.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company has adopted the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018. Overall, the Company expects no significant impact on its statement of financial position and equity . The Company also expects an insignificant increase in the loss allowance resulting in an impact on equity as discussed below. In addition, the Company will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and Measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The Debt securities portfolio is substantially going to be measured at amortized cost in view of the portfolio's qualification under the business model and SPPI (Solely Payment of Principal and Interest) tests. This also establishes the need to measure these instrument's impairment under the expected credit loss framework of IFRS 9.

Bank balances, trade receivables as well as other receivables that qualify as financial instruments under IFRS 9 are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The table below shows the new classes of financial assets under IFRS 9 as adopted by the Company:

Financial assets		**IAS 39**	**IFRS 9**
Fair Value through Profit or Loss		√	√
Available for Sale		√	×
Loans and receivables		√	×
Fair Value through Other Comprehensive Income		×	√
Amortised cost		×	√

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all its financial instruments to be measured at amortized cost or fair value through OCI within the scope of impairment, either on a 12-month or lifetime basis. The Company will apply the general approach to its financial guarantee contracts and apply a simplified approach to record lifetime expected losses on all trade receivables and similar assets. Also, the Company will apply the simplified approach for its debt instruments such as Treasury bills that have low credit risk at the reporting date. The Company has assumed that the credit risk on these instruments has not increase significantly since recognition and therefore the loss allowance is measured at an amount equal to 12-month credit losses.

However, the Company shall apply the general approach to other financial assets. The Company has estimated its loss allowance under the expected credit loss model and determined that the impact of IFRS 9 impairment on its financial statement based on the loan exposure of the Company as at 31st December 2017 to be a total of N 17.6million.

Notes to the financial statements

See details below:

Adjustment- Statement of profit or loss and other comprehensive income	**NGN**
Profit before tax	(17,585)

Adjustment – Statement of financial position	**NGN'000**
Financial guarantee liability	(4,961)
Investment securities	(12,624)

Impairment staging		**IAS 39 NGN'000**	**IFRS 9 NGN'000**
Stage 1		-	(17,585)
Stage 2		-	-
Stage 3		-	-

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue - Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Company which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Company has carried out an preliminary assessment and determined that IFRS 15 will have little or no impact on the reported number in the financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes the following lease standard and interpretations upon its effective date: IAS 17 Leases; IFRIC 4 Determining whether an arrangement contains a lease; SIC 15 Operating leases- Incentives; and SIC 27 Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contract on the basis of whether there is an identified asset controlled by the customer. IFRS 16 introduces significant changes to lessee accounting: It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases except for short term leases and low value assets. In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require the lessor to classify a lease as either an operating lease or a finance lease. In addition, IFRS 16 also provides guidance on accounting for sale and leaseback transactions. Extensive disclosures are also required by the new standard.

IFRS 16 is effective for reporting periods begining on or after 1 January 2019 with earlier application permitted for entities applying IFRS 15 at or before the initial date of application of IFRS 16. A preliminary assessment revealed that IFRS 16 will not impact the Company as the Company is not involved in any long term lease transactions.

Notes to the financial statements

IFRIC 22: Foreign currency transactions and advance consideration

The amendments clarifies the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when a Company:

- pays or receives consideration in a foreign currency; and
- recognises a non-monetary asset or liability – eg. non- refundable advance consideration – before recognising the related item. The Company will adopt the amendments for the year ending 31 December 2018.

Notes to the financial statements

4 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 an encompassing Enterprise Risk Management (ERM) framework that considers 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 external shocks.

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

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

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

(c) Risk management framework

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

The risk policy is detailed in the Enterprise Risk Management (ERM) Framework, 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 Enterprise Risk Management Framework 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

Notes to the financial statements

The Chief Risk Officer has the primary responsibility for risk management and for the review of the ERM Framework. All amendments to the Company's Enterprise Risk Management Framework 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.

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 money market placements.

The investment policy of the Company however restricts its investment portfolio to high-quality, maximum 2-year tenor securities that primarily requires preservation of the principal in a bid to protect against significant interest rate risks.

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

Notes to the financial statements

31 December 2017

In thousands of naira	Note	Carrying amount	Interest bearing instruments: Less than 3 months	3 months - 6 months	6 months - 1 year	Over 1 year	Non-interest bearing instruments
Assets							
Cash and cash equivalents	13	398,599	316,208	-	-	-	82,391
Investment securities	14	8,964,409	6,315,503	2,473,469	175,437	-	-
Guarantee fee receivable	15	1,095,447	-	-	-	-	1,095,447
Other assets	16	29,735	-	-	-	-	29,735
		10,488,190	6,631,711	2,473,469	175,437	-	1,207,573
Liabilities							
Financial guarantee liability	19	1,370,447	-	-	-	-	1,370,447
Other liabilities	20	596,575	-	-	-	247,500	349,075
		1,967,022	-	-	-	247,500	1,719,522
Total interest re-pricing gap		8,521,168	6,631,711	2,473,469	175,437	(247,500)	(511,949)

31 December 2016

In thousands of naira	Note	Carrying amount	Interest bearing instruments: Less than 3 months	3 months - 6 months	6 months - 1 year	Over 1 year	Non-interest bearing instruments
Assets							
Other assets	16	25,000	-	-	-	-	25,000
		25,000	-	-	-	-	25,000
Liabilities							
Other liabilities	20	119,333	-	-	-	-	119,333
		119,333	-	-	-	-	119,333
Total interest re-pricing gap		(94,333)	-	-	-	-	(94,333)

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 2017	31 December 2016
Profit or loss & equity		
Increase	180,662	-
Decrease	(180,662)	-

Notes to the financial statements

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 the Nigerian Naira. The Company's exposure to foreign exchange rate risk arises majorly from its bank balance, money market placement, due to related parties and other financial liabilities that are denominated in foreign currency.

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

31 December 2017

In thousands of Naira	**Naira**	**US Dollar**	**Total**
Assets			
Cash and cash equivalents	334,374	64,225	398,599
Investment securities	784,506	8,179,903	8,964,409
Guarantee fee receivable	1,095,447	-	1,095,447
Other assets	26,169	3,566	29,735
	2,240,496	8,247,694	10,488,190
Liabilities			
Financial guarantee liability	1,370,447	-	1,370,447
Other liabilities	349,075	247,500	596,575
	1,719,522	247,500	1,967,022
	520,974	8,000,194	8,521,168

31 December 2016

In thousands of Naira	**Naira**	**US Dollar**	**Total**
Assets			
Other assets	25,000	-	25,000
	25,000	-	25,000
Liabilities			
Other liabilities	68,880	50,453	119,333
	68,880	50,453	119,333
	(43,880)	(50,453)	(94,333)

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 2017**	**31 December 2016**
10% increase	800,019	(5,045)
10% decrease	(800,019)	5,045

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 bank.

• **Other assets:** These exposures represent receivables due from clients and GuarantCo.

• **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 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 2017	31 December 2016
Cash and cash equivalents	13	398,599	-
Investment securities	14	8,964,409	-
Guarantee fee receivable	15	1,095,447	-
Other assets	16	29,735	25,000
Total exposure to credit risk		**10,488,190**	**25,000**

Credit quality

31 December 2017	**Cash and cash equivalents**	**Investment securities**	**Guarantee fee receivable**	**Other assets**
In thousand of Naira				
Assets at amortised cost				
Individually Impaired	-	-	-	-
Allowance for impairment	-	-	-	-
Carrying amount	-	-	-	-
Past due but not impaired	-	-	-	-
Neither past due nor impaired	398,599	8,964,409	1,095,447	29,735
Total carrying amount	**398,599**	**8,964,409**	**1,095,447**	**29,735**

Notes to the financial statements

31 December 2016	Cash and cash equivalents	Investment securities	Guarantee fee receivable	Other assets
In thousand of Naira				
Assets at amortised cost				
Individually Impaired	-	-	-	-
Allowance for impairment	-	-	-	-
Carrying amount	-	-	-	-
Past due but not impaired	-	-	-	-
Neither past due nor impaired	-	-	-	25,000
Total carrying amount	-	-	-	25,000

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. The credit risk that the company is exposed as a result of the financial assets is considered low as the counterparty companies (mostly banks) have consistently been rated above average by international credit rating agencies. These banks include Stanbic Bank, Access Bank and Ecobank which are currently rated AAA, A and A- respectively by Fitch. As at the reporting date, none of these financial assets have shown objective evidence of impairment.

Concentration of credit risk by sector

In thousands of Naira			31 December 2017	31 December 2016
Financial institution sector	**Rating**	**Location**		
Stanbic IBTC Bank	AAA	Nigeria	5,507,233	-
Access Bank	A	Nigeria	1,991,375	-
Ecobank	A-	Nigeria	1,864,400	-
Nigerian Sovereign Investment Authority		Nigeria	-	25,000
GuarantCo	AA	UK	3,566	-
			9,366,574	**25,000**
Power sector				
Viathan Funding Plc	BBB+	Nigeria	1,119,241	-
North South Power	BBB+	Nigeria	2,374	-
			1,121,615	**-**
Total			**10,488,189**	**25,000**

(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.

(i) *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.

Notes to the financial statements

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.

The Company has no long term borrowing as at 31 December 2017.

(ii) *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 2017

In thousands of naira	Note	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 3 months**	**3 months to 6 months**	**6 months to 12 months**	**Over 12 months**
Cash and cash equivalents	13	398,599	401,310	401,310	-	-	-
Investment securities	14	8,964,409	9,075,945	6,317,537	2,562,806	195,602	-
Guarantee fee receivable	15	1,095,447	1,095,447	-	-	-	1,095,447
Other assets	16	29,735	29,735	-	-	29,735	-
		10,488,190	10,602,437	6,718,847	2,562,806	225,337	1,095,447
Financial guarantee liability	19	1,370,447	1,370,447	-	-	-	1,370,447
Other liabilities	20	596,575	633,799	-	-	-	633,799
Gap (assets-liabilities)		8,521,168	8,598,191	6,718,847	2,562,806	225,337	(908,799)
Cummulative liquidity gap				6,718,847	9,281,653	9,506,990	8,598,191

31 December 2016

In thousands of naira	Note	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 3 months**	**3 months to 6 months**	**6 months to 12 months**	**Over 12 months**
Cash and cash equivalents	13	-	-	-	-	-	-
Investment securities	14	-	-	-	-	-	-
Guarantee fee receivable	15	-	-	-	-	-	-
Other assets	16	25,000	25,000	-	25,000	-	-
		25,000	25,000	-	25,000	-	-
Financial guarantee liability	19	-	-	-	-	-	-
Other liabilities	20	119,333	119,333	-	-	-	119,333
Gap (assets-liabilities)		(94,333)	(94,333)	-	25,000	-	(119,333)
Cummulative liquidity gap				-	25,000	25,000	(94,333)

Notes to the financial statements

(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.

5 Use of estimates and judgements

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

(a) Key sources of estimation uncertainty

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in note 3(c)(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

(ii) 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.

(iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Determination of impairment of property and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. Management makes significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management’s judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Notes to the financial statements

6 Accounting classification and fair values

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

31 December 2017	**Note**	**Carrying amount**	**Held to maturity**	**Loans and receivables**	**Available for sale**	**Other financial liabilities (amortized cost)**
In thousands of Naira						
Cash and cash equivalents	13	398,599	-	398,599	-	-
Investment securities	14	8,964,409	175,437	8,179,903	609,069	-
Guarantee fee receivable	15	1,095,447	-	1,095,447	-	-
Other assets	16	29,735	-	29,735	-	-
Total financial assets		**10,488,190**	**175,437**	**9,703,684**	**609,069**	**-**
Financial guarantee liability	19	1,370,447	-	-	-	1,370,447
Other liabilities	20	596,575	-	-	-	596,575
Total financial liabilities		**1,967,022**	**-**	**-**	**-**	**1,967,022**

31 December 2016	**Note**	**Carrying amount**	**Held to maturity**	**Loans and receivables**	**Available for sale**	**Other financial liabilities (amortized cost)**
In thousands of Naira						
Cash and cash equivalents		-	-	-	-	-
Investment securities		-	-	-	-	-
Guarantee fee receivable		-	-	-	-	-
Other assets	16	25,000	-	25,000	-	-
Total financial assets		**25,000**	**-**	**25,000**	**-**	**-**
Financial guarantee liability		-	-	-	-	-
Other liabilities	20	119,333	-	-	-	119,333
Total financial liabilities		**119,333**	**-**	**-**	**-**	**119,333**

The fair value information for financial assets and liabilities not measured has not been shown, as the carrying amount is a reasonable approximation of fair value.

Notes to the financial statements

7 Guarantee fee income

In thousands of Naira	31 December 2017	31 December 2016
Mandate fees (a)	25,000	-
Guarantee fee (b)	25,000	-
Monitoring fee(c)	417	-
	50,417	**-**

(a) Amount represents the fees earned from Viathan Funding Plc (N20 million) and North South Power (N5 million) for the preliminary analysis and due diligence done by the Company for providing guarantees for the issued and proposed bonds by the two client companies respectively.

(b) Amount represents the amortized portion of the non-refundable fee calculated as a percentage of the guaranteed amount earned from Viathan Funding Plc for providing guarantee to the N10 billion bond issued by the client Company.

(c) Amount represents the amortized portion of a fixed non-refundable annual fee for providing monitoring services for guarantee issued in respect of Viathan Funding Plc's bond.

8 Guarantee fee expense

In thousands of Naira	31 December 2017	31 December 2016
Guarantee fees expense	5,742	-
Upfront fee expense	250	-
Monitoring fee expense	601	-
	6,593	**-**

(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 2017	31 December 2016
(a)	**Interest income**		
	Bank placements	208,452	-
	Treasury bills	31,402	-
		239,854	**-**
(b)	**Interest expense**		
	Due to NSIA	23,232	-
	Due to GuarantCo	8,436	-
		31,668	**-**
		208,186	**-**

Notes to the financial statements

10 Foreign exchange loss

In thousands of Naira	31 December 2017	31 December 2016
Exchange loss	**(9,698)**	-

This represents the resulting foreign exchange loss on the re-translation of the foreign denominated balances at the reporting date NAFEX rate.

11 Personnel expenses

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

In thousands of Naira	31 December 2017	31 December 2016
Wages and salaries	85,856	-
Other staff costs	81,555	-
Pension cost	2,657	-
	170,067	-

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

	31 December 2017	31 December 2016
Managerial	3	-
Other staff	7	-
	10	-

(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 2017	31 December 2016
N1 million - N2 million	2	-
N2 million - N5 million	1	-
N5 million - N10 million	1	-
N10 million and above	6	-
	10	-

Notes to the financial statements

(d) Directors' remuneration

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

In thousands of Naira	31 December 2017	31 December 2016
Non-executive Directors		
Fees	9,459	-
Other emoluments	-	-
Allowances	-	-
	9,459	**-**
Executive Directors		
Short term benefits	70,707	-
Pension contribution	-	-
	70,707	**-**
	80,166	**-**

Directors' remuneration shown above includes:

In thousands of Naira	31 December 2017	31 December 2016
Chairman	-	-
Highest paid Director	70,707	-

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

	31 December 2017	31 December 2016
N10 million and above	1	-

12 Other operating expenses

In thousands of Naira	31 December 2017	31 December 2016
Directors remuneration (Non-executive)	9,459	-
Marketing & advertising	3,145	21
Stationery & printing	2,985	518
Traveling & entertainment	44,105	19,364
Communication expenses	4,922	390
Auditors remuneration	13,028	-
Training expenses	16,060	-
Administration & membership fees	9,817	-
Professional fees (See note (a) below)	331,538	61,711
Maintenance expenses	706	-
Insurance expenses	1,886	-
Rental expenses	5,917	-
Unsubstantiated asset written off	1,110	-
Other expenses (See note (b) below)	10,498	37,329
	455,176	**119,333**

Notes to the financial statements

(a) Professional fees

Legal and secretarial fees	65,994	7,372
Project manager	5,000	-
Risk consultancy fees	3,501	3,793
Other professional fees	417	-
Professional tax advisory - KPMG	8,304	1,441
Business set up-consultancy fee	151,128	41,210
HR consultancy	34,606	-
Environmental resource manager	1,226	-
Credit rating expenses	44,835	7,895
Financial consultancy fee	16,527	-
	331,538	**61,711**

(b) Other expenses

Bank charges	2,693	-
Board meeting expenses	5,866	-
Other expenses	1,155	-
Management fees	637	34,244
Recruitment costs	147	2,572
Business registration costs	-	514
	10,498	**37,329**

13 Cash and cash equivalents

In thousands of Naira	**31 December 2017**	**31 December 2016**
Cash in hand	224	-
Balances with banks	82,167	-
Placement (see note (a) below)	316,208	-
Cash and cash equivalents in the statement of financial position	**398,599**	**-**
Interest receivable	(1,208)	-
Cash and cash equivalents in the statement of cash flows	**397,391**	**-**
Current	398,599	-

(a) Amount represents a short term placement with Access Bank Plc at an interest rate of 13%.

Notes to the financial statements

14 Investment securities

In thousands of Naira	31 December 2017	31 December 2016
Loans and receivables		
Placements with banks (see note (a) below)	8,179,903	-
Held to maturity		
Treasury bills	175,437	-
Available-for-sale		
Treasury bills	609,069	-
	8,964,409	-
Current	8,964,409	-

(a) Amount represents placements of $14.5 million, $5million and $2.72 million with Stanbic Bank, Ecobank Plc and Access Bank at interest rates of 4%, 7% and 5.25% respectively.

15 Guarantee fee receivable

In thousands of Naira	31 December 2017	31 December 2016
Guarantee fee receivable (see (a) below)	1,095,447	-
Current	21,552	-
Non-current	1,073,895	-

(a) Amount represents the present value of guarantee fees receivable under the contract undertaken by the Company to guarantee a 10 year N10 billion bond issued by Viathan Funding Plc during the year (2016:Nil)

16 Other assets

In thousands of Naira	31 December 2017	31 December 2016
Other financial assets		
Trade receivable	26,169	-
Receivable from Guarantco	3,566	-
Receivable for shares (see note 23)	-	25,000
	29,735	25,000
Non financial assets		
Prepayments	52,214	-
Cash advance	3,641	-
	55,855	-
	85,590	25,000
Current	**85,590**	**25,000**

Notes to the financial statements

17 Property and equipment

In thousands of Naira	Office equipment	Computer equipment	Furniture & fittings	Motor vehicles	Total
Cost					
Balance as at 31 December 2016	-	-	-	-	-
Additions	20,113	46,424	38,951	55,000	160,488
Balance at 31 December 2017	**20,113**	**46,424**	**38,951**	**55,000**	**160,488**
Accumulated depreciation					
Balance as at 31 December 2016	-	-	-	-	-
Depreciation for the year	3,680	7,754	7,303	979	19,716
Balance at 31 December 2017	3,680	7,754	7,303	979	**19,716**
Carrying amounts					
Balance at 31 December 2017	**16,433**	**38,670**	**31,648**	**54,021**	**140,772**
Balance as at 31 December 2016	-	-	-	-	-

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (2016:Nil).

(ii) There were no impairment losses on any class of property and equipment during the period (2016:Nil).

(iii) There are no restriction on the Company's title to its property and equipment (2016:None).

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

Notes to the Financial Statements

18 Intangible assets

Purchased software

In thousands of Naira	31 December 2017	31 December 2016
Cost		
Balance as at beginning of period	-	-
Additions	1,300	-
Balance at end of the period	1,300	-
Accumulated Amortisation		
Balance as at beginning of period	-	-
Charge for the period	162	-
Balance at end of the period	162	-
Carrying amount	**1,138**	**-**

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

19 Financial guarantee liability

In thousands of Naira	31 December 2017	31 December 2016
Financial guarantee liability (see (a) below)	1,370,447	-
Current	296,552	-
Non-current	1,073,895	-
	1,370,447	-

(a) This represents the fair value of the unamortized portion of the guarantee fee received and receivable from Viathan Funding Plc in respect of the provision of guarantee for the ten year N10 billion infrastructure bond issued by client company.

20 Other liabilities

In thousands of Naira	31 December 2017	31 December 2016
Financial liabilities		
Due to NSIA (Refer to note (a) below and note 23)	349,075	68,880
Due to GuarantCo (See note (b) below)	247,500	50,453
	596,575	119,333
Non financial liabilities		
Accruals (See note (c) below)	109,540	-
Provisions (See note (d) below)	23,232	-
Employee liabilities	51,927	-
Other payables	11,910	-
Output VAT	16,380	-
Unearned income	4,583	-
	217,572	-
	814,147	**119,333**

Notes to the Financial Statements

Current	217,572	-
Non current	596,575	119,333
	814,147	**119,333**

(a) Nigeria Sovereign Investment Authority (NSIA), being a shareholder to the Company, provided administrative and financial support in the incorporation and set-up of the Company and incurred significant expenses on behalf of the Company before and after incorporation and commencement of operations. These expenses range from professional fees, legal fees, registration costs, travels costs etc.

(b) This represents the payables due to GuarantCo in respect of the consultancy services rendered to the Company during the set-up of the Company. These services include professional fees, legal fees, credit rating fees, travel expenses and other miscellaneous expenses.

(c) This represents the payables in respect of services rendered to the Company by different firms and companies including KPMG Advisory Services for advisory services, Deloitte for Human Resources services, Environmental Resource Manager Limited for environmental and social due dilligence, and Richard Elliot for risk consultancy services and Olaniwun Ajayi LP for legal and secretarial services.

(d) This amount represents provision made with respect to interest payable on payables due to NSIA, as a result of pre-incorporation expenses incurred on behalf of Infrastructure Credit Guarantee Company limited. An agreement has been reached for the amount to be converted to a loan, however the interest rate and tenure have not been finalised. Hence, a best estimate of the interest accruals have been made as at year end.

Notes to the Financial Statements

21 Share capital

In thousands of Naira	31 December 2017	31 December 2016
(a) Ordinary shares		
Authorised:		
50,000,000,000 ordinary shares of N1 each (2016: 100,000,000 ordinary shares of N1 each)	**50,000,000**	**100,000**
Issued and unpaid		
25,000,000 ordinary shares of N1 each	**-**	**25,000**
Issued and fully paid		
991,595,000 ordinary shares of N1 each	**991,595**	**-**
(b) Preference shares		
Authorised, issued and fully paid cummulative irredeemable preference shares		
8,022,905,000 cummulative irredeemable preference shares of N1 each	**8,022,905**	**-**

(c) 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. The Callable capital agreement became effective on 12 December 2017.

22 Other reserves

(a) Fair value reserve

Fair value reserves includes the net accumulated 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 2017	31 December 2016
At the beginning of the year	-	-
Changes in available-for-sale financial assets	9,004	-
Balance at the end of year	**9,004**	-

(b) Accumulated/retained losses

In thousands of Naira	31 December 2017	31 December 2016
Opening balance	(119,333)	-
Loss for the period	(402,810)	(119,333)
	(522,143)	**(119,333)**

Notes to the Financial Statements

23 Related parties transactions

(a) Related parties

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

(i) *Parent and ultimate controlling party*

The parent and ultimate controlling party of the Company during the period was Nigeria Sovereign Investment Authority (NSIA).

(ii) *Transactions with related party*

A number of transactions were entered into with related party in the normal course of business. The related party transactions and outstanding balances as at period end are as follows:

Related entity	***Nature of transactions***	***Note***	**December 2017 N'000**	**December 2016 N'000**
Amount due to				
Nigeria Sovereign Investment Authority	Payables - Pre-incorporation expenses		35,470	35,470
	Payables - Pre-operational expenses		52,089	33,410
	Payables - Start-up funding		261,516	-
			349,075	**68,880**
Amount due from				
Nigeria Sovereign Investment Authority	Receivable for shares		**-**	**25,000**

24 Contingent liabilities, litigations and claims

There was no litigation or claim against the Company as at 31 December 2017 (2016:Nil).

25 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 2017 and its financial performance for the period ended which have not been adequately provided for or

Notes to the Financial Statements

26 Statement of cash flow notes

(a) Purchase and redemption of investment securities

In thousands of Naira	31 December 2017	31 December 2016
At the beginning of the year	-	-
Interest receivable on investment securities (see note 26(b))	189,577	-
Fair value gain on AFS treasury bills	9,004	-
Exchange loss	(10,873)	-
Purchase of investment securities (cash outflow)	8,776,701	-
At the end of the year	**8,964,409**	**-**

(b) Interest received

In thousands of Naira	31 December 2017	31 December 2016
Interest income (see note 9)	239,854	-
Interest receivable on investment securities (see note 26(a))	(189,577)	-
Exchange difference on interest receivable	1,175	-
Interest receivable on cash and cash equivalents (see note 13)	(1,208)	-
Cash inflow	**50,244**	**-**

(c) Changes in Financial Guarantee assets and liabilities

In thousands of Naira	31 December 2017	31 December 2016
Guarantee fee receivables (see note 15)	(1,095,447)	-
Financial guarantee liabilities (see note 19)	1,370,447	-
Cash inflow	**275,000**	**-**

(d) Changes in other assets

In thousands of Naira	31 December 2017	31 December 2016
At the beginning of the year	25,000	-
Call in arrears for share capital (see note 23)	-	25,000
Net movement (cash outflow)	60,590	-
At the end of the year	**85,590**	**25,000**

(e) Changes in other liabilities

In thousands of Naira	31 December 2017	31 December 2016
At the beginning of the year	119,333	-
Interest expense payable (see note 9)	31,668	-
Exchange difference	10,873	-
Net movement (cash inflow)	663,146	119,333
At the end of the year	**814,147**	**119,333**

Notes to the Financial Statements

(f) Interest paid

In thousands of Naira	31 December 2017	31 December 2016
Interest expense (see note 9)	31,668	-
Interest expense payable (see note 26(e))	(31,668)	-
	-	-

(g) Movement in ordinary share capital

In thousands of Naira	31 December 2017	31 December 2016
At the beginning of the year (see note 21)	25,000	-
Call in arrears for share capital (see note 26(e)	-	25,000
Net movement (net inflow)	966,595	-
At the end of the year	**991,595**	**25,000**

(h) Movement in preference shares

In thousands of Naira	31 December 2017	31 December 2016
At the beginning of the year (see note 21)	-	-
Net movement (net inflow)	8,022,905	-
At the end of the year	**8,022,905**	**-**

OTHER NATIONAL DISCLOSURES

Other national disclosures
Value Added Statement

In thousands of Naira	31 December 2017	%	31 December 2016	%
Gross income	280,573	-155%	-	-
Bought in goods and services - Local	(461,769)	255%	(119,333)	100%
Value eroded	**(181,196)**	**100%**	**(119,333)**	**100%**
Applied to pay:				
Employees				
Wages, salaries and other benefits	170,067	-80%	-	-
Government				
Taxation	-			
Retained in the business				
For replacement of property and equipment (depreciation)	19,716	-9%	-	-
For replacement of computer software (amortisation)	162	0%	-	-
To deplete reserves	(402,810)	189%	(119,333)	100%
Value eroded	**(212,865)**	**100%**	**(119,333)**	**100%**

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