Infrastructure Credit Guarantee Company Limited

Annual Report

31 December 2018

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Corporate information

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

* Appointed to the Board effective December 19, 2018

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
GTBank Ltd
United Bank for Africa PLC

Directors' report
for the year ended 31 December 2018

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 2018.

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

2. **Principal activities**
The principal activity of the Company is to provide credit enhancement and issue credit guarantees for eligible infrastructure transactions. The Company is also involved in investing in 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 year are as follows

In thousands of Naira	**31 December 2018**	**31 December 2017**
Gross earnings	864,154	290,271
Tax credit	37,668	-
Profit/(Loss) for the year	171,097	(402,810)

4. **Directors and their interests**
The directors who held office during the year are

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

* Appointed to the Board effective December 19, 2018

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 20 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 2018	**Number of shares held**	**% Shareholding**
Shareholder:		
Nigeria Sovereign Investment Authority (NSIA)	12,514,500,001	58
Africa Finance Corporation (AFC)	9,014,500,001	42
	21,529,000,002	**100**

NSIA and AFC have equal (50% each) voting rights despite the difference in shareholdings. (See note 25 for further details on the Share Capital).

Directors' report
for the year ended 31 December 2018

31 December 2017

Shareholder:		
Nigeria Sovereign Investment Authority	9,014,500,000	100
NSIA Property Investment Company Limited	1	0
	9,014,500,001	**100**

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 year (2017:Nil)

11. Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditors to the Company. In accordance with section 357(2) of the Companies and Allied matters Act of Nigeria therefore, the auditors will be re-appointed at the next general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

OLANIWUN AJAYI LP

OLANIWUN AJAYI LP

Olaniwun Ajayi LP
FRC/2013/00000000001615
Company Secretary
Plot L2, 401 Close, Banana Island,
Ikoyi,
Lagos
26 April 2019

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2018

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
26 April 2019

Mr. Chinua Azubike
FRC/2018/ICSAN/00000016559
Managing Director/Chief Executive Officer
26 April 2019

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Infrastructure Credit Guarantee Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Infrastructure Credit Guarantee Company Limited ("the Company"), which comprise the statement of financial position as at 31 December, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes. comprising significant accounting policies and other explanatory information, as set out on pages 09 to 52.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 .

Basis for Opinion

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

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the Corporate information, Directors' report, the Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2018, Value added statement and Three Year Financial summary , but does not include the financial statements and our audit report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

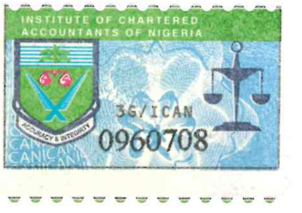
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

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

Oluwafemi O. Awotoye , FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
26 April 2019
Lagos, Nigeria



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

In thousands of Naira	Note	31 December 2018	31 December 2017
Guarantee fee income	7	340,000	50,417
Guarantee fee expenses	8	(78,079)	(6,593)
		261,921	43,824
Interest income	9(a)	524,154	239,854
Interest expense	9(b)	(75,840)	(31,668)
Impairment loss on financial instruments	10	(47,436)	-
Other income	11	34,226	-
Foreign exchange gain/(loss)	12	79,130	(9,698)
		776,155	**242,312**
Personnel expenses	13	(306,935)	(170,067)
Depreciation of property and equipment	20	(43,047)	(19,717)
Amortisation of intangible asset	21	(630)	(162)
Other operating expenses	14	(254,446)	(455,176)
		(605,058)	**(645,122)**
Profit/(loss) before tax		**171,097**	**(402,810)**
Tax credit	15(a)	37,668	-
Profit/(loss) after tax for the year		**208,765**	**(402,810)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale financial assets	26(a)	-	9,004
Total comprehensive profit/(loss)		**208,765**	**(393,806)**

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

Statement of financial position
As at:

In thousands of Naira	Note	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents	16	13,763,541	398,599
Investment securities	17	17,413,427	8,964,409
Guarantee fee receivable	18	836,826	1,095,447
Other assets	19	97,133	85,590
Property and equipment	20	122,379	140,772
Intangible assets	21	2,133	1,138
Deferred tax asset	23	38,307	-
Total assets		**32,273,746**	**10,685,955**
Liabilities			
Current tax liability	15(c)	639	-
Financial guarantee liability	22	1,073,895	1,370,447
Other liabilities	24	680,996	814,147
Unsecured subordinated long term loan	27	12,813,690	-
Total liabilities		**14,569,220**	**2,184,594**
Equity			
Ordinary share capital	25(a)	1,983,190	991,595
Cummulative irredeemable preference share capital	25(b)	8,022,905	8,022,905
Cummulative redeemable preference share capital	25(c)	8,022,905	-
Fair value reserves	26(a)	-	9,004
Accumulated losses	22(b)	(324,474)	(522,143)
Total equity		**17,704,526**	**8,501,361**
Total liabilities and equity		**32,273,746**	**10,685,955**

The financial statements were approved by the Board of Directors on **26 April 2019** and signed on its behalf by:

Uche Orji
FRC/2014/IODN/00000007036
Chairman

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

Collins Eguakun
FRC/2013/ICAN/00000000843
Financial Controller

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

Statement of changes in equity
As at 31 December 2018

In thousands of Naira	Share capital	Cummulative irredeemable preference capital	Cummulative redeemable preference capital	Fair value reserves	Accumulated losses	Total equity
Balance as at 31 December 2017	991,595	8,022,905	-	9,004	(522,143)	8,501,361
Adjustment on initial application of IFRS 9 (see 3(a)(v))	-	-	-	(9,004)	(11,096)	(20,100)
Balance as at 1 January 2018	991,595	8,022,905	-	-	(533,239)	8,481,261
Total comprehensive income for the year						
Transfer from profit or loss and other comprehensive income	-	-	-	-	208,765	208,765
Total comprehensive income for the yea	-	-	-	-	208,765	208,765
Transactions with shareholders, recorded directly in equity						
Issue of shares (See note 25(a) & 25(c) respectively)	991,595	-	8,022,905	-	-	9,014,500
Balance at 31 December 2018	**1,983,190**	**8,022,905**	**8,022,905**	**-**	**(324,474)**	**17,704,526**

As at 31 December 2017

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 yea	-	-	-	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**

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

Statement of cash flows
For the year ended

In thousands of Naira	Notes	31 December 2018	31 December 2017
Cash flow from operating activities:			
Profit/(loss) after tax		208,765	(402,810)
Tax credit		(37,668)	-
Profit/(loss) before tax		171,097	(402,810)
Adjustment for:			
Depreciation of property and equipment	20	43,047	19,716
Amortisation of intangible asset	21	630	162
Loss on disposal of Property and equipment	14(b)	871	-
Impairment loss on financial instruments	10	47,436	-
Unrealized foreign exchange loss/(gain)	31(l)	(17,545)	9,698
Interest income	9(a)	(524,154)	(239,854)
Other income	11	(34,226)	-
Interest expense	9(b)	75,840	31,668
		(237,004)	(581,420)
Changes in :			
Other assets	31(d)	(11,543)	(60,590)
Other liabilities	31(e)	(153,244)	938,146
Net cashflows generated from operating activities		**(401,791)**	**296,137**
Cash flow from investing activities:			
Acquisition of property and equipment	20	(25,557)	(160,488)
Proceeds from disposal of property and equipments	31(k)	32	-
Acquisition of intangible asset	21	(1,625)	(1,300)
Purchase of investment securities	31(a)	(8,445,479)	(8,776,701)
Interest received	31(b)	465,302	50,244
Interest paid	31(f)	(18,383)	-
VAT paid	31(e)	(16,380)	-
Net cashflows used in investing activities		**(8,042,090)**	**(8,888,245)**
Cash flow from financing activities:			
Issue of ordinary shares	31(g)	991,595	966,595
Proceeds unsecured subordinated debt capital	31(j)	12,806,395	-
Issue of irredeemable preference shares	31(h)	-	8,022,905
Issue of redeemable preference shares	31(i)	8,022,905	-
Net cashflows from financing activities		**21,820,895**	**8,989,500**
Increase in cash and cash equivalents		13,377,014	397,391
Cash and cash equivalents at beginning of the year	16	397,391	-
Cash and cash equivalents at the end of the year	16	**13,774,405**	**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) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorized for issue by the Board of Directors on **26 April 2019**.

(b) 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.

(c) Basis of measurement

These financial statements have been prepared on the historical cost basis except financial instruments that are measured at amortised cost.

3 Adoption of new and revised Standards

The Company adopted IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are also affective from 1 January 2018 but they do not have a material effect on the financial statements.

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

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Thus, the Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments. Additionally, the Company has adopted consequential amendments to IFRS 7 ***Financial Instruments: Disclosures*** that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for: 1) The classification and measurement of financial assets and financial liabilities, 2) Impairment of financial assets, and 3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements (to the extent they are applicable to the Company) are described below.

(i) *Classification and measurement of financial assets*

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

· debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

Notes to the financial statements

· debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

· all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).
The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

· The Company's investments in fixed deposits that were classified as loans and receivables under IAS 39 were reclassified and subsequently measured as financial assets at amortized cost because they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding;

· The Company investment in one of the treasury bills valued at N609 million that was classified as available for sale under IAS 39 was reclassified to amortized cost because they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Thus, the change in the classification of the treasury bill has resulted in the cumulative gain of N9 million previously recognised in other comprehensive income being reclassified to retained earnings/(accumulated losses). Note 3(a)(v) below shows the adjustment(s) resulting from reclassifications.

· The Company's investments in a treasury bill (N175 million) that was classified as held to maturity under IAS 39, was reclassified to and subsequently measured as amortized cost for same reason as above.

In the current year, the Company has not designated any debt investments that meet the amortised cost criteria as measured at FVTPL.
For an explanation of how the Company classifies its financial assets under IFRS 9, see note 3(a)(v) below.
Thus, all debt instruments that are measured subsequently at amortised cost are subject to impairment. See note 3 (a)(ii) below.

(ii) ***Impairment of financial assets***

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on: (1) Debt investments measured subsequently at amortised cost or at FVTOCI; (2) Lease receivables; (3) Trade receivables and contract assets; and (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2018. The result of the assessment is shown in note 3(a) (v).

(iii) ***Classification and measurement of financial liabilities***

A significant change introduced by IFRS 9 is the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

The amendment has no effect on the Company's financial liabilities.

Notes to the financial statements

(iv) *General hedge accounting*

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. However, hedge accounting is not applicable to the Company, hence there is no impact.

(v) *Disclosures in relation to the initial application of IFRS 9*

There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9. At 31 December 2017, the carrying amounts of the financial instruments held by the Company in each of the IAS 39 measurement categories were as follows:

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	**Note**	**Credit risk attributes at 01/01/2018**	**Cumulative additional loss allowance recognised on 01/01/2018**
Placement with banks (external ratings ranging from A to AAA)	16, 17	These items are assessed to have low credit risk at the date of initial application based on their respective external credit ratings. As such, the Company evaluated that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by IFRS 9 and recognised 12-months ECL for these assets.	10,965
Treasury bills (external rating - AAA)	17	These are instruments issued by the Federal Government and are assessed to have low credit risk.	131
Trade receivables	19	The Company applies the simplified approach and recognises lifetime ECL for these assets.	-
Bank balances	16	All bank balances are assessed to have low or no credit risk at the date of initial application as they are held with reputable banking institutions. Thus, no impairment loss was recognized.	-
Financial guarantee	18, 22	IFRS 9 requires that after initial recognition of financial guarantee contracts the issuer should subsequently measure it at the higher of: (i) the amount of the loss allowance determined (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. As at 1 January 2018, the carrying amount of the financial guarantee was higher than the impairment assessed thus the impairment was not recognised	-

Notes to the financial statements

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 as at 1 January 2018

Financial instrument	Note	Original classification - IAS 39	Original carrying Value under IAS 39 (i)	Remeasurement of carrying amount		New classification - IFRS 9	New carrying Value under IFRS 9 (i+ii+iii)
				Impact on OCI (ii)	Impact on retained earnings - 12 months ECL (iii)		
Financial assets							
Cash and cash equivalents							
- Balances with banks	16	Loans & receivables	82,167	-	-	At amortised cost	82,167
- Bank placements	16	Loans & receivables	316,208	-	(408)	At amortised cost	315,800
Investment securities							
- Bank placements	17	Loans & receivables	8,179,903	-	(10,557)	At amortised cost	8,169,346
- Treasury bills (held to maturity)	17	Held to maturity	175,437	-	(29)	At amortised cost	175,408
- Treasury bills (available for sale)	17	Available for sale	609,069	(9,004)	(102)	At amortised cost	599,963
Guarantee fee receivable	18		1,095,447	-	-		1,095,447
Other assets	19	Loans & receivables	29,735	-	-	At amortised cost	29,735
Financial assets			**10,487,966**	**(9,004)**	**(11,096)**		**10,467,866**
Financial liabilities							
Financial guarantee liability	22		1,370,447	-	-		1,370,447
Other liabilities	24	Other financial liabilities	706,115	-	-	At amortised cost	706,115
Financial liabilities			**2,076,562**	**-**	**-**		**2,076,562**
			8,411,404	**(9,004)**	**(11,096)**		**8,391,304**

Retained earnings

In thousands of Naira	**Impact of adopting IFRS 9**
Balance at 31 December 2017 under IAS 39	(522,143)
Additional impairment loss recognised at 1 January 2018 on:	
	ECL Allowance
Cash and cash equivalents	(408)
Investment securities	(10,688)
IFRS 9 Impact	(11,096)
Balance at 1 January 2018 under IFRS 9	(533,239)

Fair value reserve

In thousands of Naira	**Impact of adopting IFRS 9**
Balance at 31 December 2017 under IAS 39	9,004
Investment securities	
- On reclassification of available-for-sale investments to investment securities at amortised cost	(9,004)
	(9,004)
Balance at 1 January 2018 under IFRS 9	-

Notes to the financial statements

Impact of application of IFRS 15 Revenue from Contracts with Customers
In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

The Company's accounting policies for its revenue streams are disclosed in detail in note 4(e)(i). Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had any impact on the financial position and/or financial performance of the Company.

(b) New and revised IFRS Standards in issue but not yet effective
At the date of authorisation of these financial statements, The Company has not applied the following relevant new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16: Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IAS 12 Income
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- IFRIC 23: Uncertainty over Income Tax Treatments
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Ammendments to References to Conceptual Framework in IFRS Standards

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

IFRS 16: Leases
IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The application of IFRS 16 will not have any impact on the Company because the Company has no lease transaction apart from lease of office.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail solely payment of principal and interest (SPPI) test.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle
The Annual Improvements include amendments to four Standards of which only one (i.e. IAS 12 Income Taxes) is relevant to the Company.

IAS 12 Income Taxes
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

Notes to the financial statements

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

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

• determine whether uncertain tax positions are assessed separately or as a group; and

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

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

– If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company’s financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of ‘material’ which is quoted below from the final amendments.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company’s financial statements.

Notes to the financial statements

4 Significant accounting policies

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

(a) Cash and cash equivalents

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

(b) Revenue recognition

(i) Guarantee fees income

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

(ii) Interest income and expense- Policy applicable from 1 January 2018

Policy applicable from 1 January 2018

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

Presentation

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

Notes to the financial statements

(iii) Policy applicable before 1 January 2018

Interest income and expense were recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the net carrying amount of the financial assets or liability. When calculating the effective interest rate, the Company estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability. Where the estimated cashflows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cashflows. Interest income and expense presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.

(c) Property and equipment

(i)Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Office equipment	25%
Computer equipment	25%
Furniture and fittings	25%
Motor vehicles	25%

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

(iv) De-recognition

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

(d) Intangible assets

Computer Software

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

(e) Impairment of non-financial assets

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

Notes to the financial statements

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

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

(f) Foreign currency transactions

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

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

(g) Employee benefits

Short-term employee benefits

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

Post employment benefits

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

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company neither has a finance lease nor is it a lessor with respect to any asset. The Company's office building is under an operating lease.

The Company as lessee

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

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

(i) Provision

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

(j) Contingent liabilities

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

Notes to the financial statements

(k) Taxation

Current income tax

Income tax payable is calculated on the basis of the tax law in Nigeria and is recognised as an expense or (income) for the period except to the extent that current tax relates to items that are charged or credited directly to equity. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. The Company does not offset current income tax liabilities and current income tax assets.

Deferred income tax

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

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

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

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

(l) Financial instruments

Financial assets

(i) Initial recognition and measurement

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

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

(ii) Classification and subsequent measurement- Policy applicable from 1 January 2018

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

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

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements

Business model assessment

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

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

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

· contingent events that would change the amount or timing of cash flows;
· terms that may adjust the contractual coupon rate, including variable-rate features;
· prepayment and extension features; and
· terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

(iii)Classification and subsequent measurement- Policy applicable before 1 January 2018

The Company classifies its financial assets (investment securities and trade and other receivables) into one of the following categories:
- Loans and receivables
- Held to maturity
- Available for sale

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

(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 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.
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) 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

Notes to the financial statements

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

(c) 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.

Financial liabilities

(i) Classification and subsequent measurement

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

Derecognition

(i) Financial assets

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

(ii) Financial liabilities

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

Offsetting

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

Impairment of financial assets- Policy applicable from 1 January 2018

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

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

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

Loss allowances are measured at 12 month ECLs:

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

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

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

Notes to the financial statements

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

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

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

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

Impairment of financial assets- Policy applicable before 1 January 2018
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.

Financial guarantees contracts- Policy applicable from 1 January 2018
Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.
Financial guarantee contract is initially recognised at fair value and subsequently measured at the higher of:

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

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

Notes to the financial statements

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

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

Financial guarantees contracts- Policy applicable before 1 January 2018

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.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

Notes to the financial statements

(m) Share capital

(i) Ordinary shares

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

(ii) Preference shares

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

Redeemable cumulative preference shares are also classified and accounted for as equity because payment of dividend and repayment of capital sum are on best efforts basis.

5 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

(i) Classification of financial assets- Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(ii) Significant increase in credit risk

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

(b) Key sources of estimation uncertainty

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

(i) Income taxes

Significant estimates are required in determining the provision for income taxes. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Income taxes also include the judgement on whether to recognise deferred tax assets. This is based on the assessment of if and when future taxable profits will be realized to utilise the tax losses carried forward.

Notes to the financial statements

(ii) Calculation of loss allowance

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

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

(iii) Valuation of financial instruments

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

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

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

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

Notes to the financial statements

5 Financial risk management

(a) Introduction

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

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

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

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

(b) Risk management objectives

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

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

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

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

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

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

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

(c) Risk management framework

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

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

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

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

(ii) Independent evaluation and reviews

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

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

Notes to the financial statements

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

(d) Significant risks

(i) Market risk

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

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

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

Interest rate risk:

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

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

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

31 December 2018			**Interest bearing instruments**				**Non-interest**
In thousands of naira	**Note**	**Carrying amount**	**Less than 3 months**	**3 months - 6 months**	**6 months - 1 year**	**Over 1 year**	**Bearing instruments**
Assets							
Cash and cash equivalents	16	13,763,541	13,763,081	-	-	-	460
Investment securities	17	17,413,427	-	-	5,156,635	12,256,792	-
Guarantee fee receivable	18	836,826	-	-	-	-	836,826
Other assets	19	43,761	-	-	-	-	43,761
		32,057,555	13,763,081	-	5,156,635	12,256,792	881,047
Liabilities							
Financial guarantee liability	22	1,073,895	-	-	-	-	1,073,895
Other liabilities	24	496,187	-	-	-	496,187	-
Unsecured subordinated long term loan	27	12,813,690	-	-	-	12,813,690	-
		14,383,772	-	-	-	13,309,877	1,073,895
Total interest re-pricing gap		**17,673,783**	**13,763,081**	**-**	**5,156,635**	**(1,053,085)**	**(192,848)**

Notes to the financial statements

31 December 2017			**Interest bearing instruments**				**Non-interest**
In thousands of naira	**Note**	**Carrying amount**	**Less than 3 months**	**3 months - 6 months**	**6 months - 1 year**	**Over 1 year**	**bearing instruments**
Assets							
Cash and cash equivalents	16	398,599	316,208	-	-	-	82,391
Investment securities	18	8,964,409	6,315,503	2,473,469	175,437	-	-
Guarantee fee receivable	18	1,095,447	-	-	-	-	1,095,447
Other assets	19	29,735	-	-	-	-	29,735
		10,488,190	6,631,711	2,473,469	175,437	-	1,207,573
Liabilities							
Financial guarantee liability	22	1,370,447	-	-	-	-	1,370,447
Other liabilities	24	706,115	-	-	-	247,500	458,615
		2,076,562	-	-	-	247,500	1,829,062
Total interest re-pricing gap		**8,411,628**	**6,631,711**	**2,473,469**	**175,437**	**(247,500)**	**(621,489)**

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 2018**	**31 December 2017**
Profit or loss & equity		
Increase	357,333	180,662
Decrease	(357,333)	(180,662)

Foreign Exchange rate risk

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

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

31 December 2018

In thousands of Naira	**Naira**	**US Dollar**	**Total**
Assets			
Cash and cash equivalents	442,818	13,320,724	13,763,541
Investment securities	3,392,127	14,021,299	17,413,425
Guarantee fee receivable	836,826	-	836,826
Other assets	34,627	9,134	43,761
	4,706,398	27,351,156	32,057,553
Liabilities			
Financial guarantee liability	1,073,895	-	1,073,895
Unsecured subordinated long term loan	-	12,813,690	12,813,690
Other liabilities	477,206	18,981	496,187
	1,551,101	12,832,671	14,383,772
	3,155,297	**14,518,486**	**17,673,781**

Notes to the financial statements

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	458,615	247,500	706,115
	1,829,062	247,500	2,076,562
Net financial assets	**411,434**	**8,000,194**	**8,411,628**

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 constan

In thousands of Naira	31 December 2018	31 December 2017
10% increase	1,451,849	800,019
10% decrease	(1,451,849)	(800,019)

(ii) Credit risk

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

•**Cash and cash equivalents:** The risk of these exposures are tied to the financial health of the Company's banking counterparties.

•**Investment securities:** The risk of this exposure is also tied to the financial health of the counterparty or financial institution.

• **Other assets:** These exposures represent receivables due from clients and related parties

• **Guarantee fee receivables:** These exposures represent receivables due from Viathan Funding Plc relating to the guarantee fees due from the financial guarantee contract.

Management of credit risk

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

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

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

The Board of Directors has overall responsibility for all aspects of Risk Management within the Company.

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

In thousand of Naira	*Note*	31 December 2018	31 December 2017
Cash and cash equivalents	16	13,763,541	398,599
Investment securities	17	17,413,427	8,964,409
Guarantee fee receivable	18	836,826	1,095,447
Other assets	19	43,761	29,735
Total exposure to credit risk		**32,057,555**	**10,488,190**

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

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

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

As noted above, the Company is exposed to credit risk in relation to financial guarantees given to customers which are companies engaged in infrastructure development. The Company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantee is called on (see below). As at 31 December 2018, an amount of NGN222 million (1 January 2018: N201 million) has been estimated as a loss allowance in accordance with IFRS 9, however, no loss allowance was recognised in profit or loss because the premium received less cumulative amount recognised in profit or loss was higher than expected amount of loss allowance.

Collateral held as security and other credit enhancements
The Company holds collateral or other credit enhancements to mitigate credit risk associated with financial guarantee contracts. Below shows the nature and value of collaterals helds as securities for the only guarantee contract issued as at 31 December 2018:

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

Nature of collateral (In thousands of Naira)	Cost method	Investment method	After time erosion	Plus new investment	Total value
Island Power (Marina power) - 37% eroded investment basis, plus N2 billion new investment	3,635,000	4,161,000	2,621,430	2,000,000	4,621,430
PIPP LVI Genco (Lekki power) - 17% eroded investment basis	1,748,000	2,754,000	2,285,820	-	2,285,820
Viathan Engineering (Ilupeju power) - 10% eroded cost basis	932,000	1,227,000	838,800	-	838,800
Gasco Marine (gas logistics) - 10% eroded cost basis, plus N2 billion new investment	211,000	211,000	189,900	1,750,000	1,939,900
Lisabi Power (Abeokuta power) - 10% eroded investment basis	2,123,000	2,123,000	1,910,700	-	1,910,700
Akute Power - 58% eroded investment basis	1,606,000	3,640,000	1,528,800	-	1,528,800
Reserve account (bank balance)	603,769	603,769	603,769	-	603,769
	10,858,769	**14,719,769**	**9,979,219**	**3,750,000**	**13,729,219**

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

- On all transactions, the Company takes senior security over all assets and shares of the Issuer and the Co-Obligors, with security held by Security Trustee appointed by the Company
- The Security Trustee holds all security documents and also manages the Reserve Account (holding 1-2 debt service payments on the bond and the Perfection Reserve Account (holding funds required to perfect documents in the event that enforcement is required)
- In the case of Viathan Funding Plc, the Company appointed Stanbic IBTC Trustees Limited as the Security Trustee
- By policy, Company executes All Assets Debenture Deeds with the Issuer and all Co-Obligors (and the Security Trustee) and register t charge at the Corporate Affairs Commission (CAC)
- The cost of stamp duties and registration of security at CAC are borne by the client, who pays at least 50% of the cost into a Perfectic Reserve Account (held by the Security Trustee) prior to closing. The client then funds the balance of this cost into the Perfection Reserve Account over time (e.g. 2-4 years)

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its investment securities. There was no change in the Company's collateral policy during the year.

Overview of the Company's exposure to credit risk

As at 31 December 2018, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

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

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

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

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

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

Notes to the financial statements

31 December 2018	**Note**	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL?**	**Gross carrying amount (i)**	**Loss allowance**	**Net carrying amount (i)**
Cash and cash equivalents		A1 - AAA	Performing	12-month ECL	13,779,854	(16,773)	13,763,081
Investment securities		A1 - AAA	Performing	12-month ECL	17,455,186	(41,759)	17,413,427
Guarantee fee receivables		BBB-	Performing	12-month ECL	836,826	-	836,826
Trade and other receivables		BBB- AA	Performing	12-month ECL	43,761	-	43,761
Balance as per statement of financial position					**32,115,627**	**(58,532)**	**32,057,095**
Financial guarantee contract		BBB-	Performing	12-month ECL	10,000,000	-	10,000,000
Total exposure to credit risk					42,115,627	(58,532)	42,057,095

31 December 2017	**Note**	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL?**	**Gross carrying amount (i)**	**Loss allowance**	**Net carrying amount (i)**
Cash and cash equivalents		A1 - AAA	Performing	12-month ECL	398,375	-	398,375
Investment securities		A1 - AAA	Performing	12-month ECL	8,964,409	-	8,964,409
Guarantee fee receivables		BBB-	Performing	12-month ECL	1,095,447	-	1,095,447
Trade and other receivables		BBB- AA	Performing	12-month ECL	29,735	-	29,735
Balance as per statement of financial position					**10,487,966**	**-**	**10,487,966**
Financial guarantee contract		BBB-	Performing	12-month ECL	10,000,000	-	**10,000,000**
Total exposure to credit risk					**20,487,966**	**-**	**20,487,966**

Incorporation of forward-looking information

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

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

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2018 for the years 2019 to 2020.

	2019	**2020**
GDP growth rate (%)		
Base case scenario	2.30	3.00
Best case scenario	2.50	3.50
Worst case scenario	2.00	2.20
Exchange Rate		
Base case scenario	365.00	365.00
Best case scenario	360.00	360.00
Worst case scenario	375.00	400.00

Notes to the financial statements

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

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

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

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

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

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

Concentration by Sector

			Cash Equivalents		**Investment securities**	
In thousands of Naira	***Rating***	***Location***	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Financial Institutions						
Stanbic IBTC Bank limited	AAA **	Nigeria	5,421,182	9,135	-	5,322,660
Access Bank Plc	A+ **	Nigeria	2,745,389	389,239	1,345,054	992,843
Zenith Bank Plc	AA- **	Nigeria	-	-	1,238,622	-
United Bank for Africa Plc	AA- ***	Nigeria	3,726,843	-	1,236,916	-
Ecobank Plc	A- ***	Nigeria	1,717,435	-	1,867,447	1,864,400
GTB	AA **	Nigeria	152,233	-	-	-
			13,763,081	**398,375**	**5,688,040**	**8,179,903**
Sovereign/ Government						
Federal government of Nigeria	B+ **	Nigeria	-	-	11,725,386	784,506
Total			**13,763,081**	**398,375**	**17,413,426**	**8,964,409**

Concentration by product

In thousands of Naira	**31 December 2018**	**31 December 2017**
Bank balances	5,716,465	82,167
Placement with banks	9,914,063	8,496,112
Treasury bills	3,289,188	784,506
Eurobonds	12,256,790	-
Total	**31,176,507**	**9,362,784**

Concentration by region

In thousands of Naira	**31 December 2018**	**31 December 2017**
Nigeria	31,176,507	9,362,784
Total	**31,176,507**	**9,362,784**

Notes to the financial statements

Trade and other receivables at amortised cost
Concentration by sector

In thousands of Naira	*Rating*	*Location*	31 December 2018	31 December 2017
Power Sector				
Viathan Funding Plc	BBB- *	Nigeria	836,826	1,119,241
North South Power Company Limited	A- ***	Nigeria	14,096	2,374
GEL Utility Limited	BBB+ *	Nigeria	20,164	-
			871,086	**1,121,615**
Financial Institution				
GuarantCo	AA- **	United Kingdom	9,134	3,566
Total			**880,220**	**1,125,181**

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

Concentration by region

In thousands of Naira	31 December 2018	31 December 2017
Nigeria	871,086	1,121,615
United Kingdom	9,134	3,566
	880,220	**1,125,181**

Financial guarantee contracts (off balance sheet)
In December 2017, the Company issued an unconditional and irrevocable guarantee in respect of a 10 year N10 billion bond issued by Viathan Funding Plc. The credit exposure is contingent on the guarantee being called due to inability of the obligor, Viathan Funding Plc, to pay the principal and interest due to investors in the bond.

Loss allowance by financial instrument

In thousands of Naira	Note	31 December 2018	31 December 2017
Cash and cash equivalent	16	16,773	-
Investment securities at amortised cost	17	41,759	-
		58,532	**-**

As at 31 December 2018, an amount of NGN222 million (1 Jan 2018: NGN201 million) has been estimated as a loss allowance for financial guarantee contract in accordance with IFRS 9, however, no loss allowance was recognised in profit or loss because the present value of premium received and receivable less cumulative amount recognised in profit or loss was higher than expected amount of loss allowance.

(A) Analysis of movement in loss allowance
The tables below analyse the movement of the loss allowance during the year per class of assets.

In thousands of Naira	Cash Equivalents 12-month ECL	Investment Securities 12-month ECL	Total
As at 31 December 2017	-	-	-
Adjustment on adoption of IFRS 9 (See note 3(a)(v))	408	10,688	11,096
As at 1 January 2018	**408**	**10,688**	**11,096**
New financial assets originated or purchased	16,773	41,759	58,532
Financial assets that have been derecognised	(408)	(10,688)	(11,096)
Impairment loss for the year (see note 10)	16,365	31,071	47,436
As at 31 December 2018	**16,773**	**41,759**	**58,532**

Notes to the financial statements

(i) For financial guarantee contract, the gross carrying amount represents the maximum amount the Company has guaranteed under the contract. No loss allowance was recognised in profit or loss because the premium received less cumulative amount recognised in profit or loss was higher than expected amount of loss allowance of N222 million (1 January 2018: N201 million).

(ii) For trade receivables, the Company has estimated impairment as 1% of gross carrying amount based on expert judgement and in line with common practice in the industry. This assumption was made because the Company has no historical data on trade receivables and has no record of loss on its receivebles being a start-up. This assumption will be validated when the Company has sufficient data historical data. The estimation resulted in impairment charge of N0.437 million) which was not recognized in profit or loss because it is considered immaterial.

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

(iii) Liquidity risk

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

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

Management of liquidity risk

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

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

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

• Maintaining a contingency funding plan.

(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 2018

In thousands of naira	Note	Carrying amount	Gross nominal	Less than 3 months	3 months to 6 months	6 months to 12 months	Over 12 months
Cash equivalents	16	13,432,430	13,546,312	13,546,312	-	-	-
Investment securities	17	17,413,427	18,269,873	200,000	1,929,103	3,586,683	12,554,086
Guarantee fee receivable	18	836,826	1,586,421	-	-	300,000	1,286,421
Other assets	19	43,761	43,761	43,761	-	-	-
		31,726,444	33,446,366	13,790,073	1,929,103	3,886,683	13,840,507
Financial guarantee liability	22	1,073,895	1,861,422	1,861,422	-	-	-
Other liabilities	24	496,187	527,746	82,676	-	445,070	-
Unsecured subordinated long term loan		12,813,690	-	-	-	-	12,813,690
Gap (assets-liabilities)		17,342,672	31,057,198	11,845,975	1,929,103	3,441,613	1,026,818
Cummulative liquidity gap				**11,845,975**	**13,775,078**	**17,216,691**	**18,243,509**

Notes to the financial statements

31 December 2017

In thousands of naira	Note	Carrying amount	Gross nominal	Less than 3 months	3 months to 6 months	6 months to 12 months	Over 12 months
Cash and cash equivalents	16	398,599	401,310	401,310	-	-	-
Investment securities	17	8,964,409	9,075,945	6,317,537	2,562,806	195,602	-
Guarantee fee receivable	18	1,095,447	1,095,447	-	-	-	1,095,447
Other assets	19	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	22	1,370,447	1,370,447	-	-	-	1,370,447
Other liabilities	24	706,115	743,359	-	-	-	743,359
Gap (assets-liabilities)		8,411,628	8,488,631	6,718,847	2,562,806	225,337	(1,018,359)
Cummulative liquidity gap				**6,718,847**	**9,281,653**	**9,506,990**	**8,488,631**

(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

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

Qualifying capital is defined as:

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

Qualifying core capital means an amount equal to:

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

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

"Notional amount guaranteed" means an amount equal to:

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

In thousands of Naira	31 December 2018	31 December 2017
Qualifying capital		
Investment securities	17,413,427	8,964,409
Cash and bank balances	13,763,541	398,599
Projected operating expenses	(266,250)	(225,410)
Qualifying core capital	**30,910,718**	**9,137,599**
Unfunded contingent capital	9,104,500	9,000,000
Other non-credit guarantee related liabilities	(675,306)	(814,147)
Qualifying capital	**39,339,912**	**17,323,452**
Notional amount guaranteed		
Amount guaranteed	10,000,000	10,000,000
Accrued interest	74,521	74,521
Credit risk mitigant/reserve account	603,769	800,000
Notional amount guaranteed	**9,470,752**	**9,274,521**
Capital leverage ratio	**0.24**	**0.54**

Based on capital management policy, the Company's capital leverage ratio shall not be higher than "5" (five) within fourth year anniversary from 31 December 2017 and thereafter, "7.5" (seven point five)

Notes to the financial statements

6 Category of financial instruments and fair values

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

31 December 2018

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

31 December 2017

In thousands of Naira	Note	Carrying amount	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities (amortized cost)	Fair value
Cash and cash equivalents	16	398,599	-	398,599	-	-	398,599
Investment securities	17	8,964,409	175,437	8,179,903	609,069	-	8,964,409
Guarantee fee receivable	18	1,095,447	-	1,095,447	-	-	1,095,447
Other assets	19	29,735	-	29,735	-	-	29,735
Total financial assets		**10,488,190**	**175,437**	**9,703,684**	**609,069**		**10,488,190**
Financial guarantee liability	22	1,370,447	-	-	-	1,370,447	1,370,447
Other liabilities	24	706,115	-	-	-	706,115	706,115
Total financial liabilities		**2,076,562**	**-**	**-**	**-**	**2,076,562**	**2,076,562**

Notes to the financial statements

7 Guarantee fee income

In thousands of Naira	31 December 2018	31 December 2017
Mandate fees (a)	35,000	25,000
Guarantee fee (b)	300,000	25,000
Monitoring fee(c)	5,000	417
	340,000	**50,417**

(a) Amount represents the fees earned from GEL Utility Limited (N20 million) and North South Power Company Limited (N15 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 2018	31 December 2017
Guarantee fee expense (a)	67,863	5,742
Upfront fee expense (a)	3,003	250
Monitoring fee expense (a)	7,213	601
	78,079	**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 2018	31 December 2017
(a) Interest income		
Bank placements	375,554	208,452
Treasury bills	137,467	31,402
Eurobonds	11,133	-
	524,154	**239,854**
(b) Interest expense		
Due to KFW	24,689	-
Due to NSIA	41,204	23,232
Due to GuarantCo	9,947	8,436
	75,840	**31,668**
Net interest income	**448,314**	**208,186**

The total interest income calculated using the effective interest rate (EIR) method for financial assets at amortised cost is N524.15 million (2017: N239.85 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortised cost i N75.84 million (2017: N31.67 million).

10 Impairment loss on financial instruments

In thousands of Naira	31 December 2018	31 December 2017
Investment securities (see note 5(d)(ii)(A)	31,071	-
Cash equivalents (see note 5(d)(ii)(A))	16,365	-
	47,436	**-**

Notes to the financial statements

11 Other Income

In thousands of Naira	31 December 2018	31 December 2017
Write back of accrual/provision no longer required	**34,226**	**-**

12 Foreign exchange loss

In thousands of Naira	31 December 2018	31 December 2017
Exchange gain/(loss)	**79,130**	**(9,698)**

This largely represents the resulting foreign exchange gain/(loss) on the re-translation of the foreign denominated balances at the reporting date .

13 Personnel expenses

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

In thousands of Naira	31 December 2018	31 December 2017
Wages and salaries	162,476	85,856
Other staff costs	125,108	81,555
Pension cost	19,351	2,657
	306,935	170,067

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

	31 December 2018	31 December 2017
Managerial	4	3
Other staff	9	7
	13	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 2018	31 December 2017
N1 million - N2 million	2	2
N2 million - N5 million	2	1
N5 million - N10 million	1	1
N10 million and above	8	6
	13	**10**

(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 2018	31 December 2017
Non-executive Directors		
Fees	16,072	9,459
Other emoluments	-	-
Allowances	-	-
Total- NEDs	**16,072**	**9,459**
Executive Directors		
Short term benefits	70,707	70,707
Pension contribution	1,404	-
	72,111	**70,707**
	88,183	**80,166**

Directors' remuneration shown above includes:

Notes to the financial statements

In thousands of Naira	31 December 2018	31 December 2017
Chairman	-	-
Highest paid Director	72,111	70,707

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

	31 December 2018	31 December 2017
N10 million and above	1	1

14 Other operating expenses

In thousands of Naira	31 December 2018	31 December 2017
Directors remuneration (Non-executive)	16,072	9,459
Marketing & advertising	14,936	3,145
Stationery & printing	3,519	2,985
Traveling & entertainment	39,032	44,105
Communication expenses	4,322	4,922
Auditors remuneration	12,700	13,028
Information technology expenses	7,016	-
Training expenses	23,828	16,060
Administration & membership fees	6,323	9,817
Professional fees (See note (a) below`	88,201	331,538
Maintenance expenses	1,189	706
Insurance expenses	6,996	1,886
Rental expenses	5,000	5,917
Utility and electricity	34	-
Unsubstantiated asset written off	-	1,110
Other expenses (See note (b) below`	25,278	10,498
	254,446	**455,176**

(a) Professional fees

Legal and secretarial fees	12,500	65,994
Project manager	-	5,000
Risk consultancy fees	1,803	3,501
Other professional fees	19,583	417
Professional tax advisory - KPMG	-	8,304
Business set up-consultancy fee	1,021	151,128
HR consultancy	23,341	34,606
Environmental resource manager	-	1,226
Credit rating expenses	29,953	44,835
Financial consultancy fee	-	16,527
	88,201	**331,538**

(b) Other expenses

Bank charges	5,017	2,693
Board meeting expenses	11,030	5,866
Other expenses	-	1,155
Management fees	-	637
Recruitment costs	2,945	147
Loss on disposal of property and equipment (see note 31(k))	871	-
ITF Levy	660	-
Lunch Expenses	929	-
Business registration costs	3,826	-
	25,278	**10,498**

Notes to the financial statements

15 Taxation

Until December 2018, the Company was exempted from all taxes applicable in Nigeria being a wholly owned subsidiary of Nigeria Sovereign Investment Authority (NSIA) by virtue of part IX, section 57(i) of the Nigeria Sovereign Investment Authority Act, 2011. With Africa Finance Corporation (AFC) subscribing to the shares of the Company during the year, the Company ceases to be a wholly owned subsidiary of NSIA. Thus, the tax exemption status is no longer applicable effective 19 December 2018.

(a) Tax expense/(Credit)

In thousands of Naira	31 December 2018	31 December 2017
Companies income tax	481	-
Tertiary education tax	96	-
Information technology tax	62	-
Current Income tax expense (See note 15(c))	**639**	-
Deferred tax credit (see note 23)	**(38,307)**	-
Income tax expense/(credit)	**(37,668)**	-

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

(b) Reconciliation of effective income tax rate

	31 December 2018		31 December 2017	
In thousands of Naira	**Amount**	**Rate**	**Amount**	**Rate**
Profit/(loss) before tax	171,097		(402,810)	
Tax using the Company's tax rate	51,329	30%	(120,843)	30%
Tax exempt income	(85,826)	-50%	120,843	-30%
Changes in estimate relating to opening balance (ECL allowance	(3,329)	-2%	-	0%
Information technology tax	62	0%	-	0%
Tertiary education tax	96	0%	-	0%
	(37,668)	-22%	-	0%

(c) Current tax liability

In thousands of Naira	31 December 2018	31 December 2017
Balance as at 1 January 2018	-	-
Charge for the year	639	-
At end of year	**639**	-

16 Cash and cash equivalents

In thousands of Naira	31 December 2018	31 December 2017
Cash in hand	460	224
Cash Equivalents:		
Balances with banks	330,651	82,167
Bank placement (see note (a) below)	13,449,203	316,208
Cash equivalents (gross)	13,779,854	398,375
Impairment allowance on cash equivalents (see note 5(d)(ii)(A)	(16,773)	-
Cash equivalents (net)	13,763,081	398,375
Cash and cash equivalents in the statement of financial position	**13,763,541**	**398,599**
Impairment allowance on cash equivalents (see note 5(d)(ii)(A)	16,773	-
Interest receivable	(5,909)	(1,208)
Cash and cash equivalents in the statement of cash flows	**13,774,405**	**397,391**
Current	13,763,541	398,599

Notes to the financial statements

(a) Bank placements consist of USD and Naira denominated assets with the banks. The USD assets have interest rates of 2%to 5.5%. Naira assets have an average interest rate of 12%. All bank placements are less than three months to maturity.

17 Investment securities

In thousands of Naira	31 December 2018	31 December 2017
Bank placements (a)	1,874,948	8,179,903
Treasury bills (b):		
• Amortised cost	3,290,405	-
• Held to maturity	-	175,437
• Available for sale	-	609,069
Eurobonds at amortised cost (c)	12,289,833	-
	17,455,186	8,964,409
Impairment allowance on investment securities (see note 5(d)(ii)(A)	(41,759)	-
	17,413,427	8,964,409
Current	5,156,635	8,964,409
Non-Current	12,256,792	-

(a) Bank placements consist of USD and Naira denominated assets with the banks. The USD placements have interest rate of 5.78%. The Naira placements have an average interest rate of 10.25% and mature in less than one year.
(b) Treasury bills have yields of 11.35% to 14.90% and mature in less than one year.
(c) Eurobonds have stated yields of 5.63% to 10.50% and mature in three to five years.

18 Guarantee fee receivable

In thousands of Naira	31 December 2018	31 December 2017
Guarantee fee receivable (see (a) below)	836,826	1,095,447

(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 (2017: N1,095,447)

Current	222,949	258,621
Non-current	613,877	836,826

19 Other assets

In thousands of Naira	31 December 2018	31 December 2017
Other financial assets		
Trade receivable (a)	34,627	26,169
Receivable from Guarantcc	9,134	3,566
	43,761	29,735
Non financial assets		
Prepayments	53,222	52,214
Cash advance	150	3,641
	53,372	55,855
Total- Other assets	**97,133**	**85,590**
Current	97,133	85,590
Non-Current	-	-

Trade receivables arise from unpaid guarantee, monitoring and mandate fees billed to clients. The average credit period is 30 days. No interest is charged on outstanding trade receivables. No loss allowance was recognised in the profit or loss account as the amount determined was immaterial.

Notes to the financial statements

20 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 as at 31 December 2017	**20,113**	**46,424**	**38,951**	**55,000**	**160,488**
Additions	17,817	2,936	4,804	-	25,557
Disposals	-	(1,884)	-	-	(1,884)
Balance at 31 December 2018	**37,930**	**47,476**	**43,755**	**55,000**	**184,161**
Accumulated depreciation					
Balance as at 31 December 2016	-	-	-	-	-
Depreciation for the year	3,680	7,754	7,303	979	19,716
Balance as at 31 December 2017	**3,680**	**7,754**	**7,303**	**979**	**19,716**
Depreciation for the year	7,430	11,543	10,324	13,750	43,047
Disposal	-	(981)	-	-	(981)
Balance at 31 December 2018	**11,110**	**18,316**	**17,627**	**14,729**	**61,782**
Carrying amounts					
Balance at 31 December 2018	**26,820**	**29,160**	**26,128**	**40,271**	**122,379**
Balance as at 31 December 2017	**16,433**	**38,670**	**31,648**	**54,021**	**140,772**

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2017:Nil).

(ii) There were no impairment losses on any class of property and equipment during the year (2017:Nil).

(iii) There are no restriction on the Company's title to its property and equipment in the year (2011:Nil).

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

Notes to the Financial Statements

21 Intangible assets

Purchased software

In thousands of Naira	31 December 2018	31 December 2017
Cost		
Balance as at beginning of the year	1,300	-
Additions	1,625	1,300
Balance at end of the year	2,925	1,300
Accumulated Amortisation		
Balance as at beginning of the year	162	-
Charge for the period	630	162
Balance at end of the year	792	162
Carrying amount	**2,133**	**1,138**

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

22 Financial guarantee liability

In thousands of Naira	31 December 2018	31 December 2017
Financial guarantee liability (see (a) below)	1,073,895	1,370,447
Current	255,648	296,552
Non-current	818,247	1,073,895
	1,073,895	**1,370,447**

(a) This represents the amount initially recognised less the cummulative amount of income recognised 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.

23 Deferred tax asset

In thousands of Naira	31 December 2018	31 December 2017
Property and equipment	20,747	-
Allowance for expected credit losses	17,560	-
	38,307	**-**

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

Movements in temporary differences during the year:

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

The Company has assessed that based on the its profit forecast, it is probable that there will be future taxable profits against which the tax losses, from which deferred tax asset has been recognised, can be utilised.

Notes to the Financial Statements

24 Other liabilities

In thousands of Naira	31 December 2018	31 December 2017
Financial liabilities		
Due to NSIA (Refer to note (a) below and note 28)	413,511	349,075
Due to GuarantCo (See note (b) below)	18,981	247,500
Accruals (See note (c) below)	63,695	109,540
	496,187	706,115
Non financial liabilities		
Provisions (See note (d) below)	-	23,232
Employee liabilities (See note (e) below)	75,517	51,927
Other payables	10,912	11,910
Output VAT	16,630	16,380
Unearned income	81,750	4,583
	184,809	108,032
Total- Other Liabilities	**680,996**	**814,147**
Current	248,504	217,572
Non current	432,492	596,575
	680,996	**814,147**

(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. In 2018, the Company reached an agreement with respect to the terms of the reimbursement of the pre-operational/start up cost expenses as follows:
- Interest Rate: 13.75% p.a.
- Tenor: Two years (i.e. payable by August 2019) with the option to repay at an earlier date.

(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. In 2018, the Company reached an agreement to prepay the pre-operational/start up cost and expenses on or before 31 December 2018 together with a premium of 10%.

(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. In 2017 an agreement was reached for the amount to be converted to a loan, however the interest rate and tenure was not finalised. Hence, a best estimate of the interest accruals was made as at 31 December 2017. (See note 24(a) for details relating to 2018).

(e) Included in this amount is an accrual of N73.3 million for performance bonus payable to employees.

Notes to the Financial Statements

25 Share capital

In thousands of Naira	31 December 2018	31 December 2017
(a) Authorised		
Authorised:		
50,000,000,000 shares of N1 each (2017: 50,000,000,000 shares of N1 each)	**50,000,000**	**50,000,000**
Ordinary shares		
Issued and fully paid		
1,983,190,000 ordinary shares of N1 each (2017:991,595,000 ordinary shares of N1 each)	**1,983,190**	**991,595**

By a board resolution dated 14 September 2018, the Company allotted additional 3,500,000,000 (Three Billion, Five Hundred Million) ordinary shares of N1 each (the Specified Shares) to NSIA in order to meet the statutory requirement of alloting 25% of authorised share capital within six (6) months of an increase in share capital. NSIA has agreed to hold the Specified Shares devoid of all rights and liabilities pending the instruction of the Company in relation to further dealings with the Specified Shares in order to maintain a 50:50 parity in voting right between the AFC and the NSIA. With these additional shares, NSIA and AFC now hold 52% and 48% shares respectively in the Company although both shareholders have equal voting rights.

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

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

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

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

26 Other reserves

(a) Fair value reserve

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

Movement in the fair value reserve:	31 December 2018	31 December 2017
At the beginning of the year	9,004	-
Changes in available-for-sale financial asset	-	9,004
Derecognition of available-for-sale financial asset (see note i below)	(9,004)	-
Balance at the end of year	**-**	**9,004**

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

Notes to the Financial Statements

(b) Accumulated/retained losses

In thousands of Naira	**31 December 2018**	**31 December 2017**
Balance, beginning of the year	(522,143)	(119,333)
Adjustment on initial application of IFRS 9	(11,096)	-
Adjusted balance as at 1 January 2018	(533,239)	(119,333)
Profit/(loss) for the year	208,765	(402,810)
Balance at the end of year	**(324,474)**	**(522,143)**

27 Unsecured subordinated long term loan

In thousands of Naira	**31 December 2018**	**31 December 2017**
Unsecured subordinated long-term loan at amortised cost		
Loan from KfW	12,813,690	-
	12,813,690	**-**
Current	-	**-**
Non-Current	12,813,690	**-**
	12,813,690	**-**

The unsecured subordinated long-term loan is a tier 2 capital from KfW represents USD35.12 million which is the USD equivalent of EURO 31 million and was advanced to the Company on 19 December 2018 at a fixed simple interest rate of 6% per annum. The long-term loan is due for repayment 10 years after the date of disbursement. However, effective from the fifth anniversary of signing the agreement, the Company may effect a prepayment of the long-term loan in full before the maturity date provided that the Company notifies KFW of such early repayments no later than thirty (30) banking days. The Company shall repay the long-term loan to KfW in USD in one instalment on the maturity date.

28 Related parties transactions

(a) Related parties

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

(i) *Parent and ultimate controlling party*

Until 20 December 2018, the parent and ultimate controlling party of the Company was Nigeria Sovereign Investment Authority (NSIA). Thereafter, the Company is owned by both NSIA and Africa Finance Corporation (AFC) with equal voting rights. (See note 25 for details of shareholdings).

(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 year end are as follows:

Related entity	***Nature of transactions***	***Note***	**December 2018 N'000**	**December 2017 N'000**
Amount due to				
Nigeria Sovereign Investment Authority	Payables - Pre-incorporation expenses	24	-	35,470
	Payables - Pre-operational expenses	24	-	52,089
	Payables - Start-up funding	24	413,511	261,516
			413,511	**349,075**

Notes to the Financial Statements

29 Contingent liabilities, litigations and claims

There was no litigation or claim against the Company as at 31 December 2018 (2017:Nil).

30 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 2018 and its financial performance for the period ended which have not been adequately provided for or disclosed.

31 Statement of cash flow notes

(a) Purchase and redemption of investment securities

In thousands of Naira	31 December 2018	31 December 2017
At the beginning of the year	8,964,409	-
Interest receivable on investment securities	54,151	189,577
Fair value (loss) / gain on AFS	(9,004)	9,004
Exchange gain on investment securities	151	(10,873)
Impairment charge on financial assets	(41,759)	-
Net purchase of investment securities (cash outflow)	8,445,479	8,776,701
At the end of the year	**17,413,427**	**8,964,409**

(b) Interest received

In thousands of Naira	31 December 2018	31 December 2017
Interest income (see note 9)	524,154	239,854
Interest receivable on investment securities (see note 26(a))	(54,151)	(189,577)
Interest received on cash and cash equivalents (prior year	1,208	1,175
Interest receivable on cash and cash equivalents (see note 13)	(5,909)	(1,208)
Cash inflow	**465,302**	**50,244**

(c) Changes in Financial Guarantee assets and liabilities

In thousands of Naira	31 December 2018	31 December 2017
Guarantee fee receivables (see note 15)	(836,826)	(1,095,447)
Financial guarantee liabilities (see note 19)	1,073,895	1,370,447
Cash inflow	**237,069**	**275,000**

(d) Changes in other assets

In thousands of Naira	31 December	31 December
At the beginning of the year	85,590	25,000
Net movement (cash outflow)	11,543	60,590
At the end of the year	**97,133**	**85,590**

(e) Changes in other liabilities

In thousands of Naira	31 December 2018	31 December 2017
At the beginning of the year	814,147	119,333
Interest payable - NSIA and GuarantCo (see note 9)	51,151	31,668
Interest paid during the year (GuarantCo)	(18,383)	-
VAT paid during the year	(16,380)	-
Write back of accrual/provision no longer required	(34,226)	-
Unearned income on financial guarantee contract	37,931	-
Net movement (cash inflow)	(153,244)	663,146
At the end of the year	**680,996**	**814,147**

Notes to the Financial Statements

(f) Interest paid

In thousands of Naira	31 December 2018	31 December 2017
Interest expense (see note 9)	(75,840)	31,668
Interest paid during the year (GuarantCo)	(18,383)	-
Interest payable - NSIA and GuarantCo (see note 9)	51,151	
Interest expense on unsecured subordinated long term loan	24,689	(31,668)
At the end of the year	(18,383)	-

(g) Movement in ordinary share capital

In thousands of Naira	31 December 2018	31 December 2017
At the beginning of the year (see note 25)	991,595	25,000
Net movement (net inflow)	991,595	966,595
At the end of the year	**1,983,190**	**991,595**

(h) Movement in irredeemable preference shares

In thousands of Naira	31 December 2018	31 December 2017
At the beginning of the year (see note 25)	8,022,905	
Net movement (net inflow)	-	8,022,905
At the end of the year	**8,022,905**	**8,022,905**

(i) Movement in redeemable preference shares

In thousands of Naira	31 December 2018	31 December 2017
At the beginning of the year (see note 25)	-	
Net movement (net inflow)	8,022,905	-
At the end of the year	**8,022,905**	**-**

(j) Movement in unsecured subordinated long term loan

In thousands of Naira	31 December 2018	31 December 2017
At the beginning of the year	-	-
Interest expense on unsecured subordinated long term loan	24,689	-
Exchange difference (gain)	(17,394)	
Net movement (net inflow)	12,806,395	-
At the end of the year	**12,813,690**	**-**

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

In thousands of Naira	31 December 2018	31 December 2017
Cost (see note 20)	1,884	-
Accumulated depreciation (see note 20)	(981)	-
Net Book Value	**903**	**-**
Sales proceed	32	-
Profit/(Loss) on Disposal	**(871)**	**-**

(l) Unrealised foreign exchange (gain) / loss

In thousands of Naira	31 December 2018	31 December 2017
Exchange difference (gain) / loss on unsecured subordinated long term loa	(17,394)	9,698
Exchange gain on investment securities	(151)	-
At the end of the year	**(17,545)**	**9,698**

OTHER NATIONAL DISCLOSURES

Other national disclosures

Value added statement

In thousands of Naira	31 December 2018	%	31 December 2017	%
Gross income	977,510	164%	280,573	-155%
Bought in goods and services - Local	(379,961)	-64%	(461,769)	255%
Value added/(eroded)	**597,549**	**100%**	**(181,196)**	**100%**
Applied to pay:				
Providers of finance				
Interest expense	75,840	13%	31,668	-17%
Employees				
Wages, salaries and other benefits	306,935	51%	170,067	-94%
Government				
Taxation	(37,668)	-6%	-	0%
Retained in the business				
For replacement of property and equipment (depreciation)	43,047	7%	19,716	-11%
For replacement of computer software (amortisation)	630	0%	162	0%
To deplete reserves	208,765	35%	(402,810)	222%
Value eroded	**597,549**	**100%**	**(181,196)**	**100%**
	-			

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

Other national disclosures

Three Year Financial summary

Statement of Financial Position

In thousands of Naira	31 December 2018	31 December 2017	31 December 2016
Assets:			
Cash and cash equivalents	13,763,541	398,599	-
Investment securities	17,413,427	8,964,409	-
Guarantee fee receivable	836,826	1,095,447	-
Other assets	97,133	85,590	25,000
Property and equipment	122,379	140,772	-
Intangible assets	2,133	1,138	-
Deferred tax asset	38,307	-	-
Total assets	**32,273,746**	**10,685,955**	**25,000**
Liabilities:			
Current tax liability	639	-	-
Financial guarantee liability	1,073,895	1,370,447	-
Other liabilities	680,996	814,147	119,333
Unsecured subordinated long term loan	12,813,690	-	-
Total liabilities	**14,569,220**	**2,184,594**	**119,333**
Net assets	**17,704,526**	**8,501,361**	**(94,333)**
Capital and reserves:			
Ordinary share capital	1,983,190	991,595	25,000
Cummulative irredeemable preference share capital	8,022,905	8,022,905	-
Cummulative redeemable preference share capital	8,022,905	-	-
Fair value reserves	-	9,004	-
Accumulated losses	(324,474)	(522,143)	(119,333)
Total shareholders' funds	**17,704,526**	**8,501,361**	**(94,333)**

Statement of profit or loss and other comprehensive income

Income statement			
Operating income	776,155	242,312	-
Operating expenses	(605,058)	(645,122)	(119,333)
Profit before tax	171,097	(402,810)	(119,333)
Tax credit	37,668	-	-
Profit after tax	**208,765**	**(402,810)**	**(119,333)**