

**INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
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INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021

Registration Number RC1552263

Registered Office 1648C, Oko Awo Street
Victoria Island
Lagos
Nigeria

Board of Directors	Name	Nationality	Position
	Mitchell Elegbe	Nigerian	Director
	John Maguire	British	Director

Auditor PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
Plot 5B, Water Corporation Road
Victoria Island, Lagos

Bond Trustees ARM Trustees Limited
1, Mekunwen Road
Ikoyi, Lagos

Company Secretary AELEX Secretaries Limited
7th Floor, Marble House
1, Alfred Rewane Road, Falomo
Ikoyi, Lagos

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report on the affairs of Interswitch Africa One Plc (the Company), together with the financial statements and independent auditors' report for the year ended 31 March 2021.

Incorporation and address

The Company was incorporated on 11 January 2019 in Nigeria under the Companies and Allied Matters Act as a public limited liability company, domiciled in Nigeria. The address of its registered office is:
 1648C Oko Awo Street, Victoria Island
 Lagos
 Nigeria

Principal activities

The Company was set up to serve as an investment vehicle for the following objectives:

- i) To raise capital from the Nigerian capital markets or other international markets either by way of a standalone issue or by the establishment of a programme in such amounts and upon such terms and conditions as may be determined by the Board of Directors of the Company.
- ii) To invest in the bonds, notes, shares, stocks, debentures, debenture stocks, annuities or other securities (for itself or on behalf of any person(s) or corporate or incorporates) issued, sold or sponsored by Interswitch Limited, and to invest in securities issued and or sold by any company or body (governmental or otherwise whether within or outside Nigeria, for itself or on behalf of any person(s), corporates or incorporate), and to make investments of any description whatsoever and in such manner as may be determined by the Board of Directors of the Company.

	31 March 2021 N'm	15-month period ended 31 March 2020 N'm
Loss before tax	(564)	(528)
Loss after tax	(564)	(528)
Shareholders' funds	(1,091)	(527)

Dividends

No dividend was declared during the period under review (2020:Nil)

Property, plant and equipment

The Company has no item of property plant & equipment (2020:Nil)

Directors

The directors who held office during the period and to the date of this report were:

Names	Nationality	Position
Mitchell Elegbe	Nigerian	Director
John Maguire	British	Director

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021

Directors' interest in shares

The directors who have direct/ indirect interests in the Company's shares were as follows:

	Number of shares	
	Direct	Indirect
Names of directors		
Mitchell Elegbe	1	1
Shareholding	Number of shares held	Percentage shareholding
Interswitch Limited	999,999	99.9999%
Mitchell Elegbe	1	0.0001%
	1,000,000	100.0000%

Directors' interest in contracts

None of the directors has notified the Company for the purpose of section 303 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the Company during the period under review.

Employees health, safety and welfare

The Company had no employees during the period (2020:Nil). The affairs of the Company is managed by the employees of Interswitch Limited (The parent).

Employees training and involvement

The Company had no employees during the period (2020:Nil). The affairs of the Company is managed by the employees of Interswitch Limited (The parent).

Employment of disabled persons

The Company had no employees during the period (2020:Nil). The affairs of the Company is managed by the employees of Interswitch Limited (The parent).

Corporate social responsibility

No corporate social responsibility initiative was embarked upon by the Company during the period (2020:Nil).

Corporate governance


The Company strives to observe the highest standards of transparency and accountability in its dealings with all stakeholders in order to ensure the sustenance and management that will result in delivering value to its stakeholders.

The Company is a wholly owned subsidiary of Interswitch Limited. The oversight functions over the activities of the Company are performed by the Board of Interswitch Limited.

Auditor

The Company's auditor, PricewaterhouseCoopers, has indicated willingness to continue in office in accordance with section 401(2) of the Companies and Allied Matters Act.

By order of the Board of Directors



 Mitchell Elegbe
 Managing Director
 FRC/2020/003/00000020961
 29th June 2021

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 MARCH 2021

The Companies and Allied Matters Act (CAMA) requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of financial affairs of the Company at the end of the period. The responsibilities include:

- (a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- (b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) preparing the Company's statements of affairs using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and Financial Reporting Council of Nigeria Act.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The directors are of the opinion that the financial statements gives a true and fair view of the state of financial affairs of the Company and of its loss. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.



Mitchell Elegbe
Managing Director
FRC/2020/003/00000020961
29th June 2021 2021



John Maguire
Director
FRC/2020/003/00000021156
29th June 21 2021

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act, 2020, we hereby certify the financial statements of Interswitch Africa One Plc for the year ended 31 March 2021 as follows:

- a) That we have reviewed the Audited Financial Statements (AFS) of the Company for the year ended 31 March 2021;
- b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading;
- c) That the audited financial statements and all other information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the year ended 31 March 2021;
- d) That we have evaluated the effectiveness of the company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal control are effective as of that date;
- e) That we have disclosed the following information to the Company's auditors:
 - i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and
 - ii) there are no fraud that involves management or other employees who have a significant role in the Company's internal control.
- f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



Mitchell Elegbe
Managing Director
FRC/2020/003/00000020961

29th June 2021



Chinomso Nwachukwu
Chief financial officer
FRC/2020/001/00000021019

29th June 2021



Independent auditor's report

To the Members of Interswitch Africa One Plc

Report on the audit of the financial statements

Our opinion

In our opinion, Interswitch Africa One Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Interswitch Africa One Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended;
 - the statement of financial position as at 31 March 2021;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Statement of directors' responsibilities, Certification of financial statements and Value added statement, but does not include the financial statements and our auditor's report thereon.

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



In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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 scepticism 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 the 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
 - iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.
-

Udochi Muogilim



For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

30 June 2021

Engagement Partner: Udochi Muogilim
FRC/2013/ICAN/00000003209

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

		31 March 2021	15-month period ended 31 March 2020
	Note(s)	N'm	N'm
Interest income calculated using effective interest rate	5	3,490	1,533
Interest expense	5	(3,490)	(1,533)
Net interest income		-	-
Impairment allowance on loan to related party	11(b)	(564)	(528)
Net interest expense after loan impairment charges		(564)	(528)
Audit fee	6	(6)	(2)
Reimbursement of operating costs	6	6	2
Operating loss		(564)	(528)
Loss before tax		(564)	(528)
Income tax expense	7(a)	-	-
Loss after tax		(564)	(528)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		<u>(564)</u>	<u>(528)</u>
Basic and diluted loss per share (Naira)	13	(564)	(528)

The results shown above relate to continuing operations.

The accompanying notes on pages 15-37 are an integral part of these financial statements.

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

		31 March 2021 N'm	31 March 2020 N'm
Assets	Note(s)		
Non-current asset			
Loan to related party	11(b)	21,430	21,996
		<u>21,430</u>	<u>21,996</u>
Current assets			
Loan to related party	11(b)	1,528	1,533
Due from related party	11(c)	8	3
		<u>1,536</u>	<u>1,536</u>
Total assets		<u>22,966</u>	<u>23,532</u>
Liabilities			
Current liabilities			
Other payables	8	7	2
Current tax liabilities	7(a)	-	-
Borrowings	9	1,528	1,533
		<u>1,535</u>	<u>1,535</u>
Non current liabilities			
Borrowings	9	22,522	22,524
		<u>22,522</u>	<u>22,524</u>
Total liabilities		<u>24,057</u>	<u>24,059</u>
Equity			
Ordinary share capital	10	1	1
Retained loss		(1,092)	(528)
Total equity		<u>(1,091)</u>	<u>(527)</u>
Net equity and liabilities		<u>22,966</u>	<u>23,532</u>

The accompanying notes on pages 15-37 are an integral part of these financial statements.

The financial statements on pages 11 - 39 were approved and authorised for issue by the Board of Directors on

29th June 2021 and were signed on its behalf by:



Mitchell Elegbe
Managing Director

FRC/2020/003/00000020961



John Maguire
Director

FRC/2020/003/00000021156



Chinomso Nwachukwu
Chief financial officer

FRC/2020/001/00000021019

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Note(s)	Share capital N'm	Retained loss N'm	Total equity N'm
Balance at 1 April 2020		1	(528)	(527)
Loss for the period		-	(564)	(564)
Other comprehensive income for the period		-	-	-
Total comprehensive loss for the period		-	(564)	(564)
Balance at 31 March 2021		1	(1,092)	(1,091)

	Note(s)	Share capital N'm	Retained loss N'm	Total equity N'm
Balance at 1 January 2019		-	-	-
Additional issued share capital	10	1	-	1
Loss for the period		-	(528)	(528)
Other comprehensive income for the period		-	-	-
Total comprehensive loss for the period		-	(528)	(528)
Balance at 31 March 2020		1	(528)	(527)

The accompanying notes on pages 15-37 are an integral part of these financial statements.

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2021

		31 March 2021	15-month period ended 31 March 2020
		N'm	N'm
Cash flows from operating activities			
Loss before tax		(564)	(528)
Adjustment for non-cash items:			
Interest income calculated using effective interest rate	5	(3,490)	(1,533)
Interest expense	5	3,490	1,533
Impairment allowance on loan to related party	11(b)	564	528
Working capital:			
Increase in due from related party		(5)	(2)
Increase in other payables		5	2
Net cash flows generated from operating activities		-	-
Cash flows from investing activities			
Loan to related party	11(a)	-	(22,524)
Net cash flow used in investing activities		-	(22,524)
Cash flows from financing activities			
Net proceeds from bond issuance	9	-	22,524
Net cash flow generated from financing activities		-	22,524
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-
Non-cash financing activities			

Non-cash financing activity relates to issued and unpaid share capital disclosed in note 10.

The accompanying notes on pages 15-37 are an integral part of these financial statements.

INTERSWITCH AFRICA ONE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1 General information

Interswitch Africa One Plc ("the Company") is a company registered and domiciled in Nigeria. It is a 100% owned subsidiary of Interswitch Limited ("the Parent"). The Ultimate parent of the Company is Interswitch Holdings Limited ("the Ultimate Parent"). The Company was incorporated on 11 January 2019. It was set up to raise capital from the Nigerian capital markets or other international markets either by way of a standalone issue or by the establishment of a programme in such amounts and upon such terms and conditions as may be determined by the Board of Directors of the Company.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements for year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") of the IASB (together "IFRS") applicable to companies reporting under IFRS and with the requirements of the Companies and Allied Matters Act of Nigeria, Cap C20 LFN ("CAMA") and Financial Reporting Council of Nigeria Act ("FRCN Act"). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date. Although these estimates are based on the directors' best knowledge of the amounts, event or actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared on a historical cost basis except for the amortised cost basis applied to some financial instruments. The financial statements are presented in Naira and all values are rounded to the nearest million (N'm), except where stated otherwise.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. The directors have no doubt that the Company will remain in existence after 12 months from the date of the statement of financial position. The parent will continue to provide support to the Company in meeting its obligations.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Changes in accounting policy and disclosures

New and amended standards adopted and interpretation

The following amendments and interpretations are applicable to periods beginning on or after 1 January 2020 and are applied for the first time in 31 March 2021 year, but do not have any significant impact on the financial statements.

- Amendments to IFRS 7, 9 and IAS 39: addressing issues affecting financial reporting in the period leading up to IBOR reform
- Amendments to IAS 1 and IAS 8: update the definition of material
- Amendments to References to the Conceptual Framework in IFRS Standards:
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20,
IFRIC 22, and SIC-32 to update those pronouncements with regard to the revised Conceptual Framework.

2.2.2 Standards and interpretation issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the group. Below are new standards relevant to the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendment also clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

(b) Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3 Borrowings

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measure at amortised costs. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loan using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.4 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Loss before tax is therefore adjusted by non-cash items, such as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are determined by using the direct method.

2.5 Cash and cash equivalents

Cash and cash equivalent include cash in hand, bank deposits repayable on demand and highly liquid investments with original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in their fair value and are used in the management of short term commitment.

Cash and cash equivalent are carried at amortized cost in the financial statements.

2.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised in the statements of financial position when the Company becomes a party to the contractual obligations of the instrument.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments/receipts, including all fees paid or received, that form an integral part of a financial instrument over the expected life of the financial instrument to the financial instrument's initial recognition amount or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.6.1 Financial assets

(i) Initial recognition and measurement

The Company measures financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets designated at fair value through OCI (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

The classification of financial assets depends on the financial asset's contractual cashflow characteristics and the Company's business model for managing them.

The Company's business model on how it manages its financial assets is determined by how the assets generate cash flows. Cash flows results from collecting contractual cash flows, selling the financial assets, or both.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets measured subsequently at amortised cost is the only relevant class of financial assets in these financial statements.

The Company measures financial assets at amortised cost if both of the following conditions are met :

- the financial asset is held within a business model with objective to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes loan to its parent company and receivables from related party.

(iii) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's Statement of Financial Position) when:

The rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss.

(iv) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the Expected Credit Loss (ECL) model. The ECL model is applicable to financial assets measured at amortised cost or at fair value through other comprehensive income (FVOCI). The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

(iv) Impairment of financial assets (continued)

Loss allowances for financial assets are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

Further disclosures relating to impairment of financial assets are provided in the following notes:

	Note reference
Disclosures on financial risk management - credit risk	3(b)
Disclosures on related parties transactions and balances	11

2.6.2 Financial liability

(i) Initial recognition and measurement

Financial liabilities comprises other payables and borrowings. Financial liabilities are initially measured at fair value, net of transaction costs incurred.

(ii) Subsequent measurement

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The Company does not hold financial liabilities measured at FVTPL.

Financial liabilities measured subsequently at amortised cost are financial liabilities that are not

(i) contingent consideration of an acquirer in a business combination;

(ii) held for trading; or

(iii) designated as at FVTPL are measured subsequently at amortised cost using the effective interest

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.6.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Current and deferred income tax

a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the country, Nigeria, where the Company generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred tax

Deferred tax is recognised, 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 tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.8 Share capital

Ordinary shares are classified as 'share capital' in equity.

2.9 Retained earnings

This comprises the undistributed profits or losses as at the end of a reporting period.

2.10 Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognised on an accrual basis regardless of the time of cash payment. Expenses are recognised in the profit or loss when a decrease in future economic benefit related to a decrease in assets or an increase in liability has arisen that can be measured reliably.

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognised as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statements as assets. The portion of assets which is intended for earning income in the future periods shall be recognised as an expense when the associated income is earned.

Expenses are recognised in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

2.11 Interest income and expenses

Interest income comprises interest on loan to related party. Interest income is recognised as it accrues in profit or loss using the effective interest rate method. Interest income on loan to related party is recognised by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest expenses comprises interest expenses on borrowings. All borrowing cost are recognised in profit or loss using the effective interest rate. Borrowing costs are capitalised as part of the cost of that asset if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise, they are expensed.

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3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including but not limited to: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out in line with policies approved by the Board of Directors ('the Board'). The Board approves written policies for overall risk management, as well as sets the overall risk appetite for the Company. Specific risk management approaches are defined for respective risks such as market risk, credit risk and liquidity risk. The Company's overall risk management programs seek to minimize potential adverse effects on the Company's financial performance. All of the Company's financial instruments are carried at amortised cost.

(a) Market risk

(i) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the cash flow or fair value of an interest bearing financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities that are sensitive to interest rate risk are callable loan to related party and callable bond. The interest rates applicable to these financial instruments are on a combination of floating and fixed basis in line with those currently available in the market.

The Company's main interest rate risk arises from the call option on the loan to related party and borrowings (bond liability). A significant reduction in market interest rates can trigger the exercise of the call option on these financial instruments.

To manage interest rate risk, the terms and conditions of the bond raised from the capital market and the loan advanced to the Parent also known as "the Sponsor" are mirrors of each other and repayments on the bond are made directly by the Parent to the bondholders.

The exposure of the Company's financial liabilities and financial assets to interest rate changes at the end of the period are as follows:

	31 March 2021		
	Fixed rate instrument	Variable rate instrument	Non-interest bearing
	N'm	N'm	N'm
Financial assets			
*Loan to related party (note 11)	24,050	-	-
**Due from related party (note 11)	-	-	8
	24,050	-	8
Financial liabilities			
***Borrowings (note 9)	24,050	-	-

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(i) Cash flow and fair value interest rate risk (continued)

	31 March 2020		
	Fixed rate instrument N'm	Variable rate instrument N'm	Non- interest bearing N'm
Financial assets			
*Loan to related party (note 11)	23,529	-	-
**Due from related party (note 11)	-	-	3
	23,529	-	3
Financial liabilities			
***Borrowings (note 9)	24,057	-	-

*Loan to related party relates to the carrying amount of the net proceeds from the bond issued by the Company and loaned to the Parent, the accrued interest on the loan and the impairment allowance on the outstanding loan amount.

**Due from related party are non-interest bearing and are not affected by cashflow and interest rate risk.

***Borrowings relate to the carrying amount of the bond issued by the Company to bondholders.

Sensitivity

Interest rate movements affects reported income by causing an increase or decrease in net interest. A significant decrease in market interest rates can also trigger management to exercise the call option on the bond liability which would simultaneously lead to the Parent also pre-liquidating the loan to related party at

The terms and conditions of the bond raised from the capital market and the loan advanced to the Parent also known as "the Sponsor" are mirrors of each other and repayments on the bond are made directly by the Parent to the bondholders. As a result, the sensitivity of profit or loss to changes in the interest rates for the loan to related party and the borrowings (bond) offset each other.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities (primarily loan to related party).

Credit risk is monitored by the Board of Directors. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Credit risk arises from the contractual cashflows of loan to related party and amounts due from related party which are carried at amortised cost.

The Company's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

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(b) Credit risk (continued)

	31 March 2021 N'm	31 March 2020 N'm
Loan to related party (note 11(a))	24,050	23,529
Due from related party (note 11(c))	8	3
	<u>24,058</u>	<u>23,532</u>

Credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding loan to related party and amounts due from related party are regularly monitored.

Impairment of financial assets

An impairment analysis is performed at each reporting date using the 3-stage general model. The ECL calculation reflect a probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company does not hold collateral as security.

The Company evaluates the concentration of risk with respect to financial assets as high, as its counterparty is its Parent entity.

Expected credit loss measurement - General expected credit loss model applied

The Company applied the general approach in computing expected credit losses (ECL) for loan to related party. The impairment allowance on due from related party was assessed to be immaterial.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk ("SICR") on an ongoing basis throughout each reporting period. To assess whether there is a SICR, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. The following indicators are incorporated in the SICR assessment:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

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(b) Credit risk (continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. The PD is based on default rates determined by external rating agencies for the counterparties.
- **EAD** - The Exposure at Default 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, whether scheduled by contract or otherwise.
- **LGD** - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive after considering the cash recovery ratio of the counterparties and the realisation of any collateral (if any). The cash recovery ratio for counterparties are aligned to recovery rates of Moody's for senior unsecured instruments.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an

When estimating the ECLs, the Company considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different Probability of Defaults (PDs,) Exposure at Defaults (EADs) and Loss Given Defaults (LGDs). In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation rate
- Crude oil prices

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

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(b) Credit risk (continued)

The Company uses three categories for loan to related party which reflects the credit risk and how the ECL is determined for each of those categories. A summary of the assumptions underpinning the Company's ECL model is as follows:

Category	Company definition of category	Basis for recognition of ECL provision
Performing	Financial assets whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Financial assets for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable the Parent will enter bankruptcy	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off.

Interest-bearing loan to related party was not secured with a collateral.

Over the term of the loans, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of counterparty, and adjusts for forward-looking macroeconomic data. The Company provides for credit losses against loan to related party as follows:

Company internal credit rating as at 31 March 2021	*External credit rating	Expected credit loss rate	Gross carrying amount (stage 1)	Gross carrying amount (stage 2)	Gross carrying amount (stage 3)
High	B3	4.54%	24,050	-	-

Company internal credit rating as at 31 March 2020	*External credit rating	Expected credit loss rate	Gross carrying amount (stage 1)	Gross carrying amount (stage 2)	Gross carrying amount (stage 3)
High	AA+	2.19%	24,057	-	-

No significant changes to estimation techniques or assumptions were made during the reporting period.

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(b) Credit risk (continued)

The loss allowance for loan to related party as at 31 March 2021 reconciles to the opening loss allowance for that provision as follows:

	Performing	Under performing	Non-performing	Total
	N'm	N'm	N'm	N'm
As at 1 April 2020	528	-	-	528
Impairment charge on financial assets	564	-	-	564
As at 31 March 2021	1,092	-	-	1,092

	Performing	Under performing	Non-performing	Total
	N'm	N'm	N'm	N'm
New financial assets originated	528	-	-	528
As at 31 March 2020	528	-	-	528

***Credit rating definitions**

B3 - The economy is facing uncertainties and adverse conditions. However, financial condition and ability of the entity to meet its obligations as and when they fall due remain strong.

The credit ratings were sourced from Moody's Investors Service (2020: Agosto & Co. Limited)

The gross carrying amount of loan to related party and thus the maximum exposure to loss, is as follows:

	31 March 2021 N'm	31 March 2020 N'm
Performing	24,050	24,057
Total gross carrying amount	24,050	24,057
Less: Impairment allowance	(1,092)	(528)
Carrying amount net of expected credit losses	22,958	23,529

Estimation uncertainty in measuring impairment loss

The table below outlines the total ECL for financial assets, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 10%. The responsiveness of the ECL estimates to variation in macroeconomic variables have been presented below while putting in perspective, interdependencies between

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(b) Credit risk (continued)

Effect on profit before tax	31 March 2021 N'm	31 March 2020 N'm
10% increase in LGD	(45)	(47)
10% decrease in LGD	45	47
10% upturn in FLI and PD	40	18
10% downturn in FLI and PD	(40)	(18)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash flow forecasts are received and approved by the Board of Directors and used to monitor the Company's liquidity requirements and ensure it has sufficient cash to meet operational needs at all times. Such forecasts take into consideration the Company's committed and expected debt financing plans, internal and administrative cash flow requirements in arriving at the headroom for investments.

The tables below analyses the Company's financial assets and liabilities 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 31 March 2021	Undiscounted contractual cashflows					Carrying amount N'm
	< 1 year N'm	1 - 2 years N'm	2 - 5 years N'm	Over 5 years N'm	Total N'm	
Financial assets:						
Loan to related party	3,450	3,450	10,350	26,450	43,700	22,958
Due from related party	8	-	-	-	8	8
Total financial assets	3,458	3,450	10,350	26,450	43,708	22,966
Financial liabilities:						
Borrowings	3,450	3,450	10,350	26,450	43,700	24,050
Total financial liabilities	3,450	3,450	10,350	26,450	43,700	24,050
Liquidity excess	8	-	-	-	8	

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(c) Liquidity risk (continued)

At 31 March 2020	Undiscounted contractual cashflows					Carrying amount N'm
	< 1 year N'm	1 - 2 years N'm	2 - 5 years N'm	Over 5 years N'm	Total N'm	
Financial assets:						
Loan to related party (note 11(b))	3,494	3,450	10,350	29,900	47,194	23,529
Due from related party (note 11(c))	3	-	-	-	3	3
Total financial assets	3,497	3,450	10,350	29,900	47,197	23,532
Financial liabilities:						
Borrowings	3,494	3,450	10,350	29,900	47,194	24,057
Total financial liabilities	3,494	3,450	10,350	29,900	47,194	24,057
Liquidity excess	3	-	-	-	3	

The carrying values of financial assets and liabilities on the statement of financial position approximate their fair values except for borrowings.

(d) Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions.

At the reporting date, the Company did not have any financial assets or liabilities measured at fair value.

Fair value hierarchy

Specific valuation techniques used to value financial instruments include:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: Inputs other than quoted prices that are observable for the assets or liabilities either directly (for example, as prices) or indirectly (for example, derived from prices).
- (c) Level 3: Inputs for assets and liabilities that are not based on observable market data.

The appropriate level is determined on the basis of the lowest level input that is significant to fair value measurement. The carrying amounts and the fair value of the loan to related party and bond liability are disclosed below.

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(d) Fair value estimation (continued)

Financial instruments by category

Company	31 March 2021		
	Fair value hierarchy	Fair value	Carrying value
	N'm	N'm	N'm
Assets			
Carried at amortized cost:			
Loan to related party (note 11(a))	3	25,690	22,958

Liabilities

Carried at amortised cost:

Borrowings (note 9)	3	25,690	24,050
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Company	31 March 2020		
	Fair value hierarchy	Fair value	Carrying value
	N'm	N'm	N'm
Assets			
Carried at amortised cost:			
Loan to related party (note 11(a))	3	23,118	23,529

Liabilities

Carried at amortised cost:

Borrowings (note 9)	3	23,118	24,057
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Further details on the valuation inputs and valuation techniques used to determine fair values are disclosed in note 9.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximise returns for shareholders.

Consistent with other companies in the industry, the Company monitors capital on a monthly basis using the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is a sum of the short and long term borrowings less cash and cash equivalent. Total equity is calculated as the sum of all equity components of the statement of financial position.

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3.2 Capital risk management (continued)

In order to maintain or adjust the capital structure, the Company may increase or reduce its borrowings to obtain an appropriate gearing ratio.

	31 March 2021	31 March 2020
		N'm
Total debt	24,057	24,057
Less: cash and cash equivalents	-	-
Net debt	24,057	24,057
Total equity	(1,091)	(527)
Gearing ratio (%)	(2,205)	(4,565)

The Company's debt is a callable bond which is fully funded by cash flows from the loan to the Parent company. The gearing ratio of the Company is in line with management's expectation considering the nature of the entity. See note 3.1a for more details on the funding arrangement of the bond liability.

The Company was not in breach of any loan covenant during the period.

4 Critical accounting estimates and judgements

Critical accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Company's accounting policies, management has made the following judgements and estimate, which have the most significant effect on the amounts recognised in the financial statements:

4.1 Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(b).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

See details on the ECL key assumptions and the sensitivity of ECL to changes in key assumptions made in note 3.1(b).

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4.2 Financial asset and liability classification

The Company's accounting policies provides the scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- i. In classifying financial assets as measured at amortised cost, the Company has determined that it meets the description of financial assets set out in accounting policy 2.6.1.
- ii. In carrying financial liabilities at amortised cost, the Company has determined that it meets the description of financial liabilities set out in accounting policy 2.6.2.

On initial recognition of the bond liability and loan to related party, the Company assessed if the call options embedded in both debt host contracts were closely related to the host contracts. The results of the assessment carried out by management are shown below:

- the penalty for prepayment is a reasonable estimate of present value of lost interest to the holders of the instrument over the remaining tenure of the facility using the 'interest rate differential' approach. The threshold applied for this test was 5%.
- the prepayment option does not materially affect the contractual cashflows.
- The risk factors relevant to the instruments and the prepayment options are interest rate risk and credit risk.

Based on the results above, the call option on the bond was not separated from the debt host contract. The callable bond and loan to related party were classified as debt instruments carried at amortised cost.

See further details on the callable bond in note 9 and details on the loan to related party in note 11.

4.3 Income and deferred tax

The Company is subject to income taxes within Nigeria, which does not require much judgement in terms of provision for income taxes but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable income are based on forecast net cash flows from operations which management expects to be nil for the foreseeable future.

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	31 March 2020 N'm	15-month period ended 31 March 2020 N'm
5 Interest income and expenses		
Interest income from loan to related party (note 11)	3,490	1,533
Interest expense (note 9)	(3,490)	(1,533)
Net interest income	-	-

Net interest income represents the net impact of the interest expense on the bond liability issued by the Company and the interest income earned from the net proceeds of the bond loaned to the Parent.

Net interest income was earned within Nigeria.

	31 March 2021 N'm	15-month period ended 31 March 2020 N'm
6 Operating expenses		
Audit fee	6	2
*Reimbursement of operating costs	(6)	(2)
	-	-

*Reimbursements relates to amounts recharged to the parent for additional costs incurred by the Company in connection with capital raised to meet the financing needs of the parent. Costs reimbursed by the parent include but are not limited to consultancy fees, audit fees, regulatory fees and other reasonable expenses incurred by the Company.

7 Company income and deferred tax

(a) Current income tax

The Company reported a loss of N564 million for the year ended 31 March 2021 (2020:N528 million loss) and has no taxable profit. The Company is in its first four calendar years of business, hence, the Company is exempted from minimum tax.

(b) Deferred tax

Deferred tax assets are recognised only to the extent that the Company expects to utilise the deferred tax assets against future taxable profits. The Company's objective as an SPV is not to earn profits but rather, serve as the route to capital markets for various entities within the Interswitch Group. The related costs arising from the activities of the SPV are passed through to the entities within the Group who are beneficiaries of funds raised from the capital markets. The Company had unrecognised deferred tax assets of N349.4 million at 31 March 2021 arising from ECL allowance on loan to related party. (2020:N168.6 million)

	31 March 2021 N'm	31 March 2020 N'm
8 Other payables		
Accrued expenses	7	2

This represents accrual for audit fees. No non-audit service was rendered by the Company's auditor during the period.

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	31 March 2021 N'm	31 March 2020 N'm
9 Borrowings		
Opening balance	24,057	-
Additions during the period	-	23,000
Transaction cost	-	(476)
Net proceeds	24,057	22,524
Interest charged	3,490	1,533
Interest paid	(3,497)	-
Closing balance	24,050	24,057
Current portion	1,528	1,533
Non-current portion	22,522	22,524
	24,050	24,057

Callable Bond

The Company listed a N23 billion seven-year 15.00% fixed rate senior unsecured callable bond on 23 October 2019 ("Series 1 Bond") on the Nigerian Stock Exchange ("NSE"). The Company disbursed the net proceeds from the bond issue to the Parent. On initial recognition of the Series 1 Bond, management assessed the impact of the call option on the contractual cashflows to the bondholders and determined that the call option does not materially affect the contractual cashflows of the debt host contract, hence the option is closely related to the host contract and is not bifurcated from the host contract. The Series 1 Bond has been classified as a debt measured amortised cost.

The call option on the Series 1 Bond can be exercised on any date after 2 years and 1 day after the Issue Date, such date being a Coupon Payment Date, in respect of the Series 1 Bonds, Interswitch Africa One Plc is entitled to redeem the whole or any part of the Series 1 Bonds outstanding at the redemption prices (expressed as percentages of principal amount set forth below as the Call Price), plus accrued and unpaid interest.

Year 3: 105% of Par Value

Year 4: 104% of Par Value

Year 5: 103% of Par Value

Year 6: 102% of Par Value

Year 7 (before final maturity date): 101% of Par Value Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Bonds or portions thereof called for redemption on the applicable redemption date.

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9 Borrowings (continued)

The carrying amount of the bond as at 31 March 2021 is N24.051 billion (2020: N24.057 billion) and the fair value is N25.690 billion (2020: N23.118 billion). At 31 March 2021, the absence of transactions between market participants resulted in the fair value of the bond being determined using models considered to be appropriate by management. See note 3.1d for more information on fair value estimation. The fair value of the bond and the call option was calculated using discounted cashflows and Black Scholes techniques respectively. These valuation methods applied was based on unobservable market inputs including 15% interest rate volatility and a market yield of 15%. The estimated cashflows used to derive the fair value are solely based on the contractually agreed terms with bondholders. Market estimates such as interest rate volatility and market yield are based on management's assumptions and market estimates. The fair value methodology used is classified as level 3 of the fair value hierarchy for the current reporting period. The sensitivity analysis of changes in management's assumptions and market estimates are disclosed below:

At interest rate volatility of 5%, keeping other inputs constant, would have resulted in an increase/decrease in the fair value of N1.3 billion. At interest rate volatility of 20%, keeping other inputs constant, would have resulted in a decrease/increase in the fair value of N5.1 billion.

At market yields of 13.5%, keeping other inputs constant, would have resulted in an increase in the fair value of N0.95 billion and a market yield of 16.5%, keeping other inputs constant, would have resulted in a decrease in the fair value of N3.5 billion.

No entries have been recognised with respect to fair value changes in the callable bond as the bond is carried at amortised cost.

	31 March 2021 N'm	31 March 2020 N'm
10 Ordinary share capital		
Authorised shares at N1 each	1	1
Issued share capital	1	1
Issued and unpaid shares	1	1
	1	1

Upon incorporation of the Company, one million shares was issued at N1 each to shareholders.

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11 Related parties transactions and balances

The group to which the Company belongs is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest
Interswitch Limited	Immediate parent entity	Nigeria	100%
Interswitch Holdings Limited	Ultimate parent entity and controlling party	United Kingdom	100%

Interswitch Holdings Limited holds 100% of the issued ordinary shares of Interswitch Limited.

The parent and ultimate parent of the Company are private companies and their consolidated financial statements are not publicly available.

	31 March 2021 N'm	31 March 2020 N'm
(a) Loan to related party		
Beginning of the period	24,057	-
Loans advanced	-	22,524
Interest charged	3,490	1,533
Interest paid	(3,497)	-
Gross carrying amount	24,050	24,057
Loss allowance (note (b))	(1,092)	(528)
Carrying amount	22,958	23,529
(b) Impairment allowance on loan to related party		
	31 March 2021 N'm	31 March 2020 N'm
Opening balance	528	-
Loss allowance in the period	-	528
Additional provision	564	-
Closing balance	1,092	528
Loan to related party		
Current portion	1,528	1,533
Non-current portion	21,430	21,996
	22,958	23,529
(c) Due from related party		
	31 March 2021 N'm	31 March 2020 N'm
Interswitch Limited	8	3
	8	3

Due from related party represents unpaid share capital and audit fee recharged back to Interswitch Limited

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(d) Terms and conditions

Loan to related party represents the notes purchased from Interswitch Limited using the net proceeds raised from the callable bond. The terms of the loan are specified under the Master Notes Purchase Agreement (MNPA). It is a seven-year 15% fixed rate senior unsecured callable note with a repayment due date of October 2026. The terms of the notes purchased under the MNPA mirror those of the Series 1 Bond disclosed in note 9.

Due from related party relates to the amounts receivable from the Parent for one million shares subscribed to and reimbursement for operating costs incurred in the period.

The terms of related party transactions are equivalent to those that prevail in arm's length transactions.

(e) Key management compensation

Key management personnel of the Company includes the directors. There was no compensation paid or payable to key management for employees services (2020:Nil)

12 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The Group Board of Directors is designated the CODM and under the delegation of authority, all decisions involving equity, the raising of debts must be approved by the Group Board, and therefore the Group Board controls both the funding and the allocation of resources within the Company.

Segment information is required to be presented in respect of the Company's business segment. The Company's primary format for segment reporting is based on operating segments. The operating segments are determined by management based on the Company's internal organisation, management reporting structure and product similarity. Where applicable, segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management assessed that the Company has only one operating segment, "Core", established to serve as an investment vehicle to raise capital from the Nigerian capital markets or other international markets for its parent company. The Company's internal reporting structure is based on this operating segment.

The results of the segment are provided below:

Segment disclosure

	Core N'm	Total N'm
31 March 2021		
Interest income*	3,490	3,490
Interest expense	(3,490)	(3,490)
Operating expenses	(564)	(564)
Loss before tax	(564)	(564)
	Core N'm	Total N'm
31 March 2020		
Interest income*	1,533	1,533
Interest expense	(1,533)	(1,533)
Operating expenses	(528)	(528)
Loss before tax	(528)	(528)

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12 Segment information (continued)

*Interest income relates to the interest earned from the related party loan advanced to the Parent company.

The segment reports provided to the Group Board of Directors with respect to total income and expense are measured in a manner consistent with that of the financial statements.

The results, assets and liability of the segment is the same as that of the Company.

13 Loss per share

Basic loss per share (LPS) is calculated by dividing the loss after taxation by the weighted average number of ordinary shares in issue during the period. The adjusted LPS is calculated using the number of shares in issue at reporting date.

Dilutive LPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	31 March 2021	15-month period ended 31 March 2020
Profit/Loss attributable to shareholders (N'm)	(564)	(528)
Weighted average number of shares (million)	1	1
Weighted average number of ordinary shares for diluted LPS (million)	1	1
Basic and diluted loss per share (Naira)	(564)	(528)

14 Contingencies

At the statement of financial position reporting date, there was no pending litigation arising in the ordinary course of business. The Company had no contingent liability as at the time of this report (2020:Nil).

15 Commitments

The Company had no capital commitments as at 31 March 2021 (2020: Nil).

16 Events after reporting period

No subsequent events or transactions have occurred since the date of the statement of financial position or are pending that would have material effect on the financial statements as at 31 March 2021.

Other national disclosures

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<i>In millions of Naira</i>	31 March 2021	%	31 March 2020	%
Interest income	3,490	100	1,533	100
Bought-in materials and services (local only)	-	-	-	-
Value added	3,490	100	1,533	100

Distribution of value added

To providers of capital:

Interest expense	3,490	100	1,533	100
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Retained in the business:

To deplete reserves	-	-	-	-
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Total value distributed	3,490	100	1,533	100
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