

GuarantCo Ltd

Financial Statements

for the year ended 31 December 2021

GuarantCo Ltd

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GuarantCo Ltd**Financial Statements for the year ended 31 December 2021**
Corporate Data

Directors

	Appointment	Position held until
<i>Resident</i>		
Rajkamal Taposeea	1 December 2014	Ongoing
Patrice Maveyraud	1 March 2015	Ongoing
Cyril Wong	1 April 2018	Ongoing
<i>Non-Resident</i>		
Yukiko Omura	1 January 2013	Ongoing
Layth Al-Falaki	15 May 2018	Ongoing

Fund Manager

GuarantCo Management Company Limited (GMC)

Appointment date: 09 May 2016

Corporate Secretary

Intercontinental Trust Limited
Level 3,
Alexander House,
35 Cybercity
Ebène
Mauritius

Appointment date: 01 April 2016

Registered Office

Level 3
Alexander House
35 Cybercity
Ebène
Mauritius

Auditor

BDO & Co.
10, Frère Félix de Valois Street
Port Louis
Mauritius

GuarantCo Ltd

Directors' report

The Directors present their report together with the audited financial statements of GuarantCo Ltd (the "Company") for the period ended 31 December 2021.

Principal activities

The Company's principal activity is to provide guarantees offered as credit enhancements in order to facilitate investments in infrastructure and consequently the development of local capital markets in low income countries.

Result and dividends

The results for the years are shown on page 7.

The Board of directors has not declared a dividend for the year under review (2020: nil).

Statement of directors' responsibilities in respect of the financial statements

Companies law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001 and International Financial Reporting Standards ("IFRS"). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

The auditors, BDO Mauritius, have indicated their willingness to continue in office.

By order of the Board



Director



Director

Date: 31 March 2022

GuarantCo Ltd

Secretary's report

Under Section 166 (d) of the Mauritian Companies Act 2001.

We certify, to the best of our knowledge and belief, that the Company has filed with the Registrar of Companies, for the period ended 31 December 2021, all such returns as are required of the Company under the Mauritian Companies Act 2001.



Corporate Secretary
Intercontinental Trust Ltd
Level 3, Alexander House
35 Cybercity
Ebène 72201
Mauritius

INDEPENDENT AUDITOR'S REPORT

To the members of GuarantCo Ltd

Report on the audit of the Financial Statement

Opinion

We have audited the financial statements of GuarantCo Ltd (the "Company"), on pages 7 to 51 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year ended 31 December 2021, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 7 to 51 give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

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 Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the Director's report and Secretary's report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statement

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of GuarantCo Ltd

Responsibilities of Directors and Those Charged with Governance for the Financial Statement (Continued)

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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is 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 this financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of GuarantCo Ltd

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

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.

Report on Other Legal and Regulatory Requirements*Mauritian Companies Act 2001*

The Mauritian Companies Act 2001 requires that in carrying out our audit, we consider and report on the following matters. We confirm that:

- We have no relationship with, or interests in, the Company, other than in our capacity as auditor, and dealings in the ordinary course of business.
- We have obtained all information and explanations we have required.
- In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Other Matter

This report is made solely to the members of GuarantCo Ltd (the "Company"), as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinion we have formed.



BDO & Co
Chartered Accountants



Port Louis,
Mauritius

Ameenah Ramdin, FCA, FCCA
Licensed by FRC

31 March 2022

GuarantCo Ltd

Statement of Profit or Loss for the year ended 31 December 2021

	Notes	31 December 2021 USD	31 December 2020 USD
Portfolio Result			
Realised fees financial guarantee contracts at FVTPL	9	12,515,075	15,118,669
Change in fair value financial guarantee contracts and facility agreements at FVTPL	26	(33,361,470)	(5,439,584)
Net results for financial guarantee contracts and facility agreements at FVTPL		(20,846,395)	9,679,085
Loan receivables impairments and adjustment for credit risk	30	(17,070,578)	(2,697,651)
Interest on funded exposures	9	1,532,913	4,559,882
Other income and expenses	9	60,098	290,377
Net Portfolio Result		(36,323,962)	11,831,693
Finance Income			
Net investment income	12	3,149,407	4,908,598
Gain / (loss) on derivative financial instruments at FVTPL	16	36,521	(384)
Fair value (loss) / gain on financial instruments at FVTPL	15	(3,526,831)	2,806,599
Net Finance Income		(340,903)	7,714,813
Operational Expenses			
Fund manager expenses	10	(16,391,409)	(13,935,441)
Administrative expenses	11	(2,011,780)	(3,027,865)
Total Operational Expenses		(18,403,189)	(16,963,306)
Result before Taxation		(55,068,054)	2,583,200
Taxation	13	(47,918)	(459,177)
Total (loss) / profit for the year		(55,115,972)	2,124,023

No other comprehensive income was recognised in the year ended 31 December 2021 (2020: nil); therefore, the profit for the year is also the total comprehensive income.

The notes on pages 11 to 51 form an integral part of these financial statements.

GuarantCo Ltd

Statement of financial position as at 31 December 2021

	Notes	31 December 2021 USD	31 December 2020 USD
Assets			
<i>Non-current assets</i>			
Loan receivables	30	11,515,250	11,881,709
Deferred expense	17	528,077	295,042
		12,043,327	12,176,751
<i>Current assets</i>			
Financial guarantee contracts and facility agreements at FVTPL	26	2,988,952	4,118,615
Financial instruments at FVTPL	15	125,377,089	126,209,840
Tax asset	14	432,207	-
Trade and other receivables	18	3,507,160	5,872,028
Cash and cash equivalents	19	186,493,381	169,232,913
Deferred expense	17	40,767	-
		318,839,556	305,433,396
Total Assets		330,882,883	317,610,147
Equity and Liabilities			
Equity			
Share capital	20	322,128,106	316,983,417
Accumulated losses		(92,355,493)	(37,239,521)
Total Equity		229,772,613	279,743,896
Liabilities			
<i>Non-current liabilities</i>			
Loan payables	31	31,799,331	-
		31,799,331	-
<i>Current liabilities</i>			
Financial guarantee contracts and facility agreements at FVTPL	26	62,683,274	30,451,467
Derivative financial instruments at FVTPL	16	166,192	202,713
Tax liability	14	-	95,373
Trade and other payables	22	5,189,411	5,410,612
Payable to related party	21	1,272,062	1,706,086
		69,310,939	37,866,251
Total liabilities		101,110,270	37,866,251
Total Equity and Liabilities		330,882,883	317,610,147

The financial statements have been approved by the Board of Directors and authorised for issue on



Name

Yukiko Omura

31 March 2022



Name

Layth Al-Falaki

The notes on pages 11 to 51 form an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2021

	Notes	31 December 2021 USD	31 December 2020 USD
Cash flows from operating activities			
Proceeds from guarantee contracts		14,164,597	17,399,218
Proceeds from loan repayments	30	1,265,025	6,470,141
Loans disbursed	30	(17,608,231)	(2,540,274)
Payments to suppliers		(1,966,194)	(2,887,460)
Change in payable to related party		(406,206)	920,580
GMC management and performance fees		(14,616,134)	(13,630,230)
Investment management fees		(148,463)	(202,769)
Net income tax paid		(528,791)	(402,100)
Net cash (used in) / generated in operating activities		(19,844,397)	5,127,106
Cash flows from financing activities			
Proceeds from the issue of shares	20	5,144,689	5,000,000
Proceeds from loans	31	31,799,331	-
Net cash generated from financing activities		36,944,020	5,000,000
Cash flows from investing activities			
Investment income		7,682,925	5,057,906
Net proceeds from repayments and disbursements by investment agent ¹		(7,522,080)	(4,251,345)
Net cash generated from investing activities		160,845	806,561
Net increase in cash and cash equivalents		17,260,468	10,933,668
Cash and cash equivalents at beginning of year	19	169,232,913	158,299,245
Cash and cash equivalents at end of year	19	186,493,381	169,232,913

The notes on pages 11 to 51 form an integral part of these financial statements.

¹ The Company is presenting these items on a net basis because they contain a high volume of transactions.

Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Share Capital	Accumulated losses	Total
		USD	USD	USD
Balance at 1 January 2020		311,983,417	(39,363,544)	272,619,873
Issue of Shares	20	5,000,000		5,000,000
Total comprehensive profit for the year 2020		-	2,124,023	2,124,023
Balance at 31 December 2020		316,983,417	(37,239,521)	279,743,896
Issue of Shares	20	5,144,689	-	5,144,689
Total comprehensive loss for the year 2021		-	(55,115,972)	(55,115,972)
Balance at 31 December 2021		322,128,106	(92,355,493)	229,772,613

The notes on pages 11 to 51 form an integral part of these financial statements.

Financial Statements for the year ended 31 December 2021
Notes to and forming part of these financial statements

1 Reporting entity

GuarantCo Ltd, the "Company", was incorporated in Mauritius under the Mauritian Companies Act 2001 as a private company limited by shares.

The Financial Services Commission (FSC) issued a Category 1 Global Business Licence (GBL1) to the Company on 30 August 2005. Further to the changes made by the Finance (Miscellaneous Provisions) Act 2018 (FMPA 2018) to the Financial Services Act (FSA), the FSC is no longer empowered to issue any GBL1 as from 1 January 2019. Instead, the FSC may issue a Global Business Licence (GBL) if the company satisfies certain conditions. The Company is deemed to hold a GBL as from 1 July 2021 under section 96A(1)(b) of the FSA.

The main activity of the Company is to provide local currency guarantees offered as credit enhancements in order to facilitate investments in infrastructure and the development of local capital markets in low income countries. Since 9 May 2016 GMC, a subsidiary of Stichting Cardano Development, has provided the Company with management, advisory and support services. GMC subcontracts part of its services to Intercontinental Trust Limited (ITL).

2 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

3 Basis of preparation

The financial statements are prepared under historical cost convention, except that:

- (i) Investments held for trading and relevant financial assets and financial liabilities are stated at fair value;
- (ii) Relevant financial assets and financial liabilities are stated at amortised cost.

4 Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional and presentation currency. All values are rounded to the nearest USD, except when otherwise indicated.

5 Use of judgement and estimates

In preparing these financial statements, the Board has made judgements, assumptions and estimates that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Financial Statements for the year ended 31 December 2021
Notes to and forming part of these financial statements

5 Use of judgement and estimates (Continued)

Information about judgements made and estimation uncertainties in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is set out below.

(a) Significant judgements

(i) Going concern

The Company's Board has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year are set out below.

Fair value

The financial statements have been prepared on a historic cost basis except for the following items:

Items	Measurement basis
Financial guarantee contracts and facility agreements at FVTPL	Fair value
Financial instruments at fair value through profit or loss (FVTPL)	Fair value
Derivative financial instruments	Fair value

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For instruments for which there is no observable data, the Company uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value financial guarantees for which there is no active market. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

5 Use of judgement and estimates (Continued)

(ii) Assumptions and estimation uncertainties (Continued)

Fair value (Continued)

Outputs from models are always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

The Company's Board (under recommendation by GMC's Risk and Finance Committee) determines the policies and procedures for classifying and measuring assets and liabilities as fair value. From January 2021 to 13 December 2021 GMC's Risk and Finance Committee included GMC's Chief Executive Officer (CEO), GMC's Chief Credit Officer (CCO), GMC's Chief Operating Officer (COO), GMC's Finance Director, Private Infrastructure Development Group Ltd.'s (PIDG Ltd.) Chief Risk Officer (CRO) and PIDG Ltd.'s Chief Financial Officer (CFO). As of 14 December 2021 the Committee includes GMC's CEO, GMC's CCO, GMC's General Counsel, GMC's COO/CFO, PIDG Ltd.'s CFO and PIDG Ltd.'s CRO. PIDG Ltd. has been delegated the authority by the GuarantCo Board to oversee GuarantCo by their mutual parent entity the PIDG Trust.

At each reporting date, GMC's Risk and Finance Committee analyses the fair value for new assets and liabilities and the movements in the values of existing assets and liabilities required to be remeasured or re-assessed as per the Company's policies. For this analysis, GMC's Risk and Finance Committee verifies the major inputs applied when calculating the fair value. This includes agreeing an allowance for credit losses approved by GMC's Credit and Portfolio Committees and other relevant information such as discounted future cashflows and cost of capital.

The results of any changes to the fair value of assets and liabilities is presented to the PIDG Ltd. Audit Committee and the GuarantCo Board for approval. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures are summarised in Notes 25 - 27. The method of determination of fair value is detailed in Note 26 (i) - Determining the fair value of financial instruments - Issued financial guarantee contracts and facility agreements at FVTPL.

Financial Statements for the year ended 31 December 2021
Notes to and forming part of these financial statements

5 Use of judgement and estimates (Continued)

(ii) Assumptions and estimation uncertainties (Continued)

Fair value (Continued)

In determining the adjustment for credit risk, various macroeconomic factors were analysed for each region.

Scenarios in the model used to calculate an allowance for credit losses are probability weighted depending on the likelihood of occurrence. These weightings are assigned based on expert judgment and predicated on the prevailing economic and operating environment. The probability weightings assigned to the portfolio are outlined below:

Adjustment for credit risk region	Base case	Good case	Bad case
Emerging and Developing Asia (EaDA)	40%	15%	45%
Sub-Saharan Africa (SSA)	40%	15%	45%

Risk from potential claim made under guarantee agreements

The estimate for any liability arising from potential contingent claims made under any Guarantee is the most critical accounting estimate. There are several sources of uncertainty that need to be considered in first estimating the likelihood of any claim under a guarantee and secondly, estimating the liability that the Company will be called upon to pay on any such claim. These estimates are used to fair value the financial guarantee contract in addition to the consideration received for the guarantee at inception (discounted using a risk adjusted rate), the cost of capital and risk calibration factor.

To this end, the Company makes an adjustment for credit risk for each financial guarantee contract and this is used to take into account credit risk in determining the overall fair value of the financial guarantee contracts. The expected credit loss (ECL) is the best estimate that represents the associated credit risk for each financial guarantee contract. The adjustment is, therefore, determined by calculating the ECL of each financial guarantee contract by multiplying the Probability of Default (PD) of the obligor whose obligations are guaranteed by the expected Exposure at time of Default (EAD) and the Loss Given Default (LGD). Fair value related disclosures for assets and liabilities that are measured at fair value or where fair values are disclosed, are summarised in Notes 25 - 27.

Provision in respect of loan receivables and trade receivables

The Company makes impairments for trade receivables based on days overdue for all customers.

For impairments on loan receivables, the Company considers loans to be credit-impaired. For this reason the Company recognises the lifetime ECL for these loans. The PD and LGD would be re-assessed at the time the loan is recognised and any cashflows will be discounted by the credit-adjusted Effective Interest Rate (EIR). Refer to accounting policies of financial assets in section h (i) - Financial assets and financial liabilities (IFRS 9) – Initial recognition and subsequent measurement.

Outputs from models are always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. The ECL calculated for each loan receivable is shown in Note 30 - Loan receivables.

5 Use of judgement and estimates (Continued)

(ii) Assumptions and estimation uncertainties (Continued)

Estimation of probability of default and loss given default for transactions

At each reporting date, the Company assesses whether there is objective evidence that the PD and LGD for a transactions needs to be revised.

When reviewing the PD the Company would consider the following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as financial indebtedness or the borrower is not paid when due;
- for economic or legal reasons relating to the borrower's financial difficulty, such as it becomes unlawful or illegal for the borrower to comply with or to perform any of its obligation;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) a breach of the financial covenant.

The LGD for a transaction could change for a number of reasons, inter alia, if secured assets are impaired, if there is a downturn in a business cycle or if workout costs increase significantly.

6 Significant accounting policies

(a) Foreign currency

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

(b) Interest income

The interest income is recognised on amortised cost instruments using the EIR. For loans that are credit impaired, interest is recognised using the credit adjusted EIR. Interest income includes the effective interest component on debt instruments designated at FVTPL.

(c) Revenue recognition

Revenue represents fee income from services provided and guarantees offered as credit enhancement. Fee income is an input when valuing financial guarantee contracts (See Note 26 - Determining the fair value of financial instruments - Financial guarantee contracts and facility agreements at FVTPL) and is recognised in the statement of profit or loss as and when these are received.

The Company earns guarantee fees on guarantees which are active and the underlying loan or bond has been disbursed, while commitment fees are earned where guarantees are active but the underlying loan or bond has not disbursed. In addition to this, depending on how a transaction is structured, the Company may earn upfront fees (which would be charged when a transaction reaches financial close) and annual monitoring fees.

(d) Deferred expense

Deferred expenses represent arrangement fees paid for stand-by borrowing facilities. These fees are recognised systematically over the life of the facility and are presented in administrative expenses.

6 Significant accounting policies (Continued)

(e) Payable to related party

The Company acts as an agent on behalf of the Private Infrastructure Development Group Trust (PIDG Trust) with respect to managing payments relating to costs associated with providing technical assistance to projects.

These payments are presented in the statement of financial position upon receipt and until disbursement to the respective projects.

(f) Derivative financial instruments

PIMCO on behalf of the Company hold derivative financial instruments to hedge foreign currency positions from the investment portfolio.

Derivatives are recognised at FVTPL. Refer to accounting policies of financial liabilities in section h - Financial assets and financial liabilities (under IFRS9) – initial recognition and subsequent measurement.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

6 Significant accounting policies (Continued)

(ii) Deferred tax (Continued)

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; or
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and 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.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

6 Significant accounting policies (Continued)

(h) Financial assets and financial liabilities (under IFRS 9)

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as either amortised cost or FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company has elected to FVTPL its debt instruments because these financial assets are managed on a fair value basis. The Company outsources the management of these financial assets to third party investment manager PIMCO whose performance and remuneration is determined on the fair value movements of the debt instruments (within the mandates provided to them).

Derivative financial instruments are measured at FVTPL.

The Company does not have any financial assets at FVOCI.

Subsequent measurement

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

- Financial assets at amortised cost; and
- Financial assets at FVTPL.

6 Significant accounting policies (Continued)

(h) Financial assets and financial liabilities (under IFRS 9) (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at amortised cost

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 the 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.

The Company's financial assets at amortised cost includes bank deposits, cash and cash equivalents, trade receivables and loan receivables.

Financial assets at FVTPL

The Company's financial assets at FVTPL include its investment portfolio which comprise of fixed income debt instruments, derivatives and related securities which are managed by PIMCO on behalf of GuarantCo.

Fixed income debt instruments have been designated at FVTPL as these instruments are part of a portfolio of financial assets managed on fair value basis. These financial assets are not held within a business model whose objective:

- is to hold financial assets in order to collect contractual cash flows; or
- collecting both contractual cash flows and selling.

Derivative financial instruments are designated at FVTPL.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

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.

Where the Company has transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement and have neither transferred nor retained substantially all the risks and rewards of the asset nor have transferred their control, the asset is recognised to the extent of the Company's continuing involvement in the asset. 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 have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

6 Significant accounting policies (Continued)

(h) Financial assets and financial liabilities (under IFRS 9) (Continued)

(i) Financial assets (Continued)

Modifications of financial assets

If the terms of a financial asset are modified, then the Company evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see derecognition) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulty, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost does not result in derecognition of the financial asset, then the Company first recalculate the gross carrying amount of the financial asset using the original EIR of the asset and recognise the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulty of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the EIR method.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the terms and conditions of the financial asset are not substantially different, the Company recalculates the new gross carrying amount of the financial asset by discounting the modified cash flows of the financial asset using the original EIR. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss in profit or loss.

6 Significant accounting policies (Continued)

(h) Financial assets and financial liabilities (under IFRS 9) (Continued)

(i) Financial assets (Continued)

Impairment

The Company recognises an allowance for ECL's for all debt instruments not held at FVTPL.

For impairments on loan receivables, the Company considers loans to be credit-impaired. For this reason the Company recognises the lifetime ECL for these loans. The PD and LGD would be re-assessed at the time the loan is recognised and any cashflows will be discounted by the credit-adjusted EIR.

For trade receivables, the Company applies (where necessary) a simplified approach in calculating ECLs. The Company, therefore, does not track changes in credit risk, but instead recognises a loss allowance, at each reporting date, based on historical credit loss experience within the industry.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities include:

- (i) financial guarantee contracts and derivative instruments measured at fair value; and
- (ii) trade and other payables measured at amortised cost.

Financial liabilities at FVTPL

Financial liabilities classified as financial liabilities at FVTPL include financial guarantee contracts and derivative financial instruments.

Financial guarantee contracts

The financial guarantee contracts have been designated at FVTPL because the Company is a credit business which is managed on a fair value basis. Its ability to write guarantees is predicated on the cash that it has received from its owners. This cash is invested and is also managed on a fair value basis. Financial liabilities can also be designated at FVTPL on initial recognition if doing so eliminates or significantly reduces an accounting mismatch. The Company has applied the practical expedient of paragraph IFRS 9.5.7.8 not to create any accounting mismatch in profit or loss.

The financial guarantee contracts which have been designated at FVTPL are recognised on the Company's statement of financial position once the guarantee is irrevocable from the Company's perspective.

The fair value of guarantee contracts is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. All significant inputs required to fair value the Company's financial guarantees are not based on observable market data, therefore, they are measured as Level 3 instruments in the fair value hierarchy. Refer to Note 5 - Use of judgement and estimates - (a) significant judgements, section (ii) - fair value. Fair value related disclosures for assets and liabilities that are measured at fair value or where fair values are disclosed, are also summarised in Notes 25 - 27.

Financial Statements for the year ended 31 December 2021
Notes to and forming part of these financial statements

6 Significant accounting policies (Continued)

(h) Financial assets and financial liabilities (under IFRS 9) (Continued)

(ii) Financial liabilities (Continued)

Initial recognition and measurement (Continued)

Financial liabilities at FVTPL (Continued)

Derivative financial instruments at FVTPL

The Company may from time to time use derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value. These instruments are, therefore, measured as Level 2 instruments in the fair value hierarchy. Refer to Note 5 - Use of judgement and estimates - (a) significant judgements, section (ii) - fair value.

Financial liabilities at amortised cost

Financial liabilities, trade and other payables, are initially recognised at fair value plus or minus, transaction costs that are directly attributable to its acquisition or issue, when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified at amortised cost. They are subsequently measured at amortised cost using the effective interest method. Any interest expense is recognised in profit or loss. Any gain on derecognition is also recognised in profit or loss.

Subsequent measurement

Financial liabilities at FVTPL

For purposes of subsequent measurement, financial guarantees and derivative financial instruments are remeasured at fair value at each reporting date and changes therein are recognised in the statement of profit or loss.

The fair value of any financial guarantees are measured in the same way as they were on initial recognition. Refer to Note 26 - determining the fair value of financial instruments and Note 27 - fair value - valuation process.

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences.

Financial guarantees and derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial liabilities at amortised cost

For purposes of subsequent measurement trade payable continue to be measured at amortised cost.

6 Significant accounting policies (Continued)

(h) Financial assets and financial liabilities (under IFRS 9) (Continued)

(ii) Financial liabilities (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Modification of financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognised in profit or loss. For floating rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recomputing the EIR on the instrument.

6 Significant accounting policies (Continued)

(i) Cash and cash equivalents

Cash consists of cash at bank and cash equivalents which are short term, highly liquid investments that are readily convertible to known amounts of cash. This includes investments in money market funds which do not have a maturity date, but are readily convertible into an amount of cash that is known at inception and are subject to an insignificant risk of future changes in value.

(j) Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

Receivables are recognised at amortised cost. Refer to accounting policies of financial assets in section h - Financial assets and financial liabilities – initial recognition and subsequent measurement.

(k) Trade and other payables

Trade and other payables are amounts due to third parties for services provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities.

Payables are recognised at amortised cost. Refer to accounting policies of financial liabilities in section h - Financial assets and financial liabilities – initial recognition and subsequent measurement.

(l) Related party

IAS 24 Related Party Disclosures requires an entity to disclose the identity of its parent and, if different, its ultimate controlling party as well as transactions and outstanding balances with those parties who have significant influence over the company, including key management personnel and/or those parties who provide key management personnel services.

GuarantCo Ltd's parent and ultimate controlling party is the Private Infrastructure Development Group Trust (PIDG Trust) for whom the Company also acts as an agent with respect to the receipt and disbursement of technical assistance grants awarded to support certain infrastructure projects. Please refer to Note 6e and Note 21 Payable to related party.

In applying IAS 24, the Company has determined that its related parties include: the PIDG Trust; the Private Infrastructure Development Group Ltd. (PIDG Ltd.), a wholly owned subsidiary of the PIDG Trust, which carries out certain management and holding company services for the PIDG Trust Group of companies; the Company's Directors; and GMC, which provides management, advisory and support services to GuarantCo Ltd. Please refer to Note 24 Related party transactions.

6 Significant accounting policies (Continued)

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(n) Current versus non-current classification

The Company presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(o) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

(p) Equity

Ordinary shares are classified as equity attributable to the equity holders. Costs directly attributable to the issuance of new shares are deducted, net of income tax, from the proceeds and recognised in equity. Other costs, which are related but not directly attributable to issuing new shares, are recognised as an expense in the statement of profit or loss.

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7 Standards and Interpretations issued and effective from 1 January 2021

Interest Rate Benchmark (IBOR) Reform Phase 2

The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and ..

The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the EIR to reflect any change arising from the reform.

The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company.

The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the EIR to reflect any change arising from the reform. The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect:

- designating an alternative benchmark rate as the hedged risk; or
- changing the description of the hedged item, including the designated portion, or of the hedging instrument.

The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform.

Effective date 1 April 2021

IFRS 16 Leases

Covid 19 related rent concessions: Effective 1 June 2020, further to the IFRS 16 amendment to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The Company has determined, following an assessment of these standards, amendments to existing standards and interpretations that there is no material impact on the Company's financial statements when they became effective.

8 Standards or Interpretations issued but not yet effective January 2021

Effective date 1 January 2022

IFRS 1 First-time Adoption of International Financial Reporting

Annual Improvements to IFRS Standards 2018–2020: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.

IFRS 3 Business Combinations

Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

IFRS 9 Financial Instruments

Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

IAS 16 Property, Plant and Equipment

Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Onerous Contracts—Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

IAS 41 Agriculture

Annual Improvements to IFRS Standards 2018–2020: The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Effective date 1 January 2023

IFRS 17 Insurance contracts

IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. This standard replaces IFRS 4 – Insurance Contracts.

IAS 1 Presentation of Financial Statements

Classification of Liabilities as Current or Noncurrent: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

8 Standards or Interpretations issued but not yet effective January 2021 (Continued)

Effective date 1 January 2023 (Continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain

IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

Amendment for which effective date has been deferred indefinitely until further notice

IFRS 10 Consolidated Financial Statements :

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

IAS 28 Investments in Associates and Joint Ventures :

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

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9	Fees from financial guarantee contracts	31 December 2021	31 December 2020
		USD	USD
	<i>Realised fees financial guarantee contracts at FVTPL:</i>		
	Guarantee fees	11,723,979	14,225,884
	Upfront fees	551,192	510,594
	Commitment fees	42,696	62,519
	Monitoring fees	197,208	319,672
		12,515,075	15,118,669
	<i>Other income:</i>		
	Interest on funded exposures	1,532,913	4,559,882
	Other income and expenses	60,098	290,377
		1,593,011	4,850,259
		14,108,086	19,968,928

10 Fund manager expenses

On 9 May 2016 substantially all of the Company's management, administration and reporting was contracted to GMC. Refer to Note 23 Related party transactions.

Under the terms of the Management Agreement dated 9 May 2016 between the Company and GMC, GMC is entitled to receive the following fees from the Company:

(i) Management fee:

A management fee equal to the actual operating expenses of GMC incurred in providing the agreed services to the Company, as set out in the Management Agreement. The management fee is paid quarterly in advance in accordance with the agreed operating budget of GMC, which is approved by the Company's Board prior to the start of each financial year.

In the event that GMC's operating expenses actually incurred are less than the aggregate management fees paid for the financial year then GMC will reimburse the difference to the Company less an agreed cost efficiency rebate.

(ii) Performance fee:

The performance fee comprises of (a) an annual performance fee and (b) a long term incentive plan ("LTIP").

(a) Annual performance fee:

The annual performance fee is a capped amount that can be reduced depending on the level of success in achieving pre-agreed financial and development targets and also includes a portion at the discretion of the Company's board. A further reduction of up to 25% is applied to reflect payments expected under the LTIP discussed below. At the end of 2021 the Company had met some of its pre-agreed financial and development targets agreed for 2021. The performance fee amount was subject to approval by PIDG Ltd. and the Board in March 2022.

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10 Fund manager expenses (Continued)

(b) Long term incentive plan (“LTIP”):

From time to time, the Company and GMC may agree additional performance related targets to further align the interest of GMC with the long term strategic objectives of the Company. At the time of agreeing additional performance related targets with GMC, the Company will also agree the LTIP triggers and corresponding compensation. In 2016, the Company agreed to pay GMC an LTIP fee when GuarantCo’s portfolio met or exceeded USD 1 billion. The LTIP is funded by retaining up to 25% of the performance fee paid to GMC under the annual performance fee. In the event that the LTIP is triggered but not fully funded, GuarantCo is obligated to pay GMC the balance between the amount withheld from any performance fee payments and the corresponding LTIP fee. At the end of 2021 the LTIP condition was not met and therefore, no amount was payable by the Company in 2021 with respect to the LTIP.

In addition to this the Company and GMC may agree specific revenue sharing payments, to be paid by the Company upon the realisation of an agreed upside event relating to a specified activity or investment that is not in the normal course of business for the Company. No revenue sharing payments were agreed in 2021.

Analysis of fund management fees:

	31 December 2021	31 December 2020
	USD	USD
Management fee	11,460,404	9,128,083
Performance fee	4,931,005	4,807,358
	16,391,409	13,935,441

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11 Administrative expenses

	31 December 2021 USD	31 December 2020 USD
Leverage facility expenses (i)	(25,762)	906,396
Consultancy fees	342,919	397,878
Secretarial, legal and advisory services	394,325	428,236
Directors' travel expenses	-	4,654
Directors' fees	57,510	58,660
Company administration fees	21,879	38,129
PIDG expenses (ii)	905,260	871,382
Audit and tax services	127,661	66,231
Environmental and advisory fees	71,174	42,625
Investment Management Fees and custodian fees	178,217	181,604
Other administrative expenses	(61,403)	32,070
	2,011,780	3,027,865

- (i) Leverage facility expenses in 2020 included an arrangement fee of EUR 500 thousand which was paid to Agence Française de Développement (AFD) and relates to the stand-by facility agreement between the Company and AFD which was signed in December 2020. In 2021 an adjustment has been made to amortise the arrangement fee over the life of the facility.
- (ii) PIDG costs include management fees charged by PIDG Ltd. less any payments received from PIDG Trust with respect to PIDG Ltd. See Note 23 – Related party transactions.

12 Net investment income

	31 December 2021 USD	31 December 2020 USD
Interest on bank deposits	47,835	142,254
Loss on foreign exchange	(58,305)	(17,685)
Investment income	3,088,587	3,955,390
Money market fund income	71,290	828,639
	3,149,407	4,908,598

The investment income relates to realised bond interest income on PIMCO and Fidelity portfolios of investments. See Note 15 - Financial instruments at FVTPL.

13 Taxation

The Company, being the holder of a Category 1, Global Business License, is currently liable to income tax in Mauritius on its taxable profit arising from its world-wide income at the rate of 15%. The Company's foreign sourced income, however, is eligible for a foreign tax credit which is computed as the lower of the Mauritian tax and the foreign tax on the respective foreign sourced income.

Before July 2021, the foreign tax for a GBL1 company was based on either the foreign tax charged by the foreign country or a presumed amount of foreign tax: the presumed amount of foreign tax was based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total foreign tax credit, the Company is allowed to pool all its foreign sourced income.

From 1 July 2021, the company will not be allowed to compute its foreign tax according to a presumed amount of 80% of the Mauritian tax of the relevant foreign sourced income and therefore profit arising from the Company's world-wide income will be taxed at the rate of 15%.

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13 Taxation (Continued)

(i) Income tax expense

	31 December 2021 USD	31 December 2020 USD
Income tax expense (Note 13(ii))	(1,211)	(254,112)
Withholding tax suffered	(46,707)	(205,065)
	<u>(47,918)</u>	<u>(459,177)</u>

(ii) Reconciliation of effective income tax rate

(Loss) / Profit before tax	<u>(55,068,054)</u>	2,583,200
Add: non allowable expenses		
Net foreign exchange loss on bank balances	21,156	16,741
Impairment of loan receivables	17,070,578	2,697,651
Investment management and custodian fees	178,217	181,604
Unrealised loss in fair value financial guarantee contracts	33,361,469	5,439,583
Legal and consultancy fees	689,906	457,031
Losses on financial instruments at FVTPL	3,526,831	-
	<u>(219,897)</u>	11,375,810
Less:		
Exempted bank interest	(137)	(99,180)
Gains on financial instruments at FVTPL	(36,521)	(2,806,215)
Chargeable income	<u>(256,554)</u>	8,470,415
Tax liability at 15%	-	1,270,562
Less: Credit for foreign tax	-	(1,016,450)
	<u>-</u>	254,112
Underprovision of income tax in prior year	1,211	-
	<u>1,211</u>	254,112

14 Tax asset / (liability)

	31 December 2021 USD	31 December 2020 USD
Opening balance	(95,373)	(243,351)
Income tax expense for the year (Note 13(i))	-	(254,112)
Tax paid during the year	528,791	402,090
Underprovision of income tax in prior year	(1,211)	-
Tax asset / (liability) at the end of the year	<u>432,207</u>	<u>(95,373)</u>

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15 Financial instruments at FVTPL

	31 December 2021	31 December 2020
	USD	USD
At 1 January	126,209,840	120,190,582
Net change	2,694,080	3,212,659
Fair value movement	(3,526,831)	2,806,599
At the end of the year	125,377,089	126,209,840
PIMCO (Debt instruments at FVTPL)	31 December 2021	31 December 2020
	USD	USD
At 1 January	126,209,840	120,190,582
Net change	2,694,080	4,345,494
Fair value movement	(3,526,831)	1,673,764
At the end of the year	125,377,089	126,209,840
Fidelity (Debt instruments at FVTPL)	31 December 2021	31 December 2020
	USD	USD
At 1 January	-	-
Net change	-	(1,132,835)
Fair value movement	-	1,132,835
At the end of the year	-	-

(a) PIMCO

In June 2014, following Board and Counter-Guarantor approval, USD 65 million was initially invested by PIMCO (the “manager”) through BNY Mellon (the “custodians”) in fixed income and related securities with 50% of the securities to be capable, under normal circumstances, of liquidation in full within three business days, provided that GuarantCo will provide PIMCO with seven days prior written notice of its intention to liquidate. At the time of reporting none of the financial assets were either past due or impaired.

As at 31 December 2021, total cash invested with PIMCO amounted to USD 107,500,000 (31 December 2020: USD 107,500,000).

Breakdown of investments

	31 December 2021	31 December 2020
	USD	USD
Financial	125,377,089	126,209,840
Cash	621,316	226,809
Derivatives	(166,192)	(202,713)
	125,832,213	126,233,936

The total fees relating to PIMCO for the period up to and including Q4 2021 totalled USD 143 thousand (Q4 2020: USD 136 thousand). Fees are payable quarterly in arrears and are computed based on the market value of the portfolio as reported on the Investment Management’s statement computed by averaging the month end market value for each month at the end of the following periods: 31 March, 30 June, 30 September and 31 December.

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15 Financial instruments at FVTPL (Continued)

(b) Fidelity International

In July 2019, the Board agreed to liquidate the investments in the Fidelity portfolio and invest the proceeds in the Institutional Liquidity Fund (ILF) which is managed by Fidelity. Units in the ILF do not have a maturity date, but are readily convertible into an amount of cash that is known at inception and are subject to an insignificant risk of future changes in value. For this reason GuarantCo's investments in the money market fund have been classified in "substance" as cash and cash equivalents.

- (c)* The market value of the securities does not include derivative instruments. Prices used to recognise the Company's assets designated as Financial instruments at FVTPL are quoted on financial data platforms.
- (d)* The Company invests in marketable debt instruments in high quality credit securities. The markets for these investments are highly liquid and therefore the Company classifies these instruments as current assets. The fair value measurements for these investments are categorised as being in Level 1 of the fair value hierarchy set out in IFRS 13 - 'quoted prices in active markets for identical assets or liabilities that an entity can access at the measurement date'.
- (e)* The Company limits its exposure to credit risk by investing only in liquid debt securities. The maximum exposure to credit risk for debt securities classified as financial instruments at FVTPL, cash and derivatives at 31 December 2021 is as follows:

	31 December 2021	31 December 2020
	USD	USD
United States Dollar	125,752,926	113,744,394
Great Britain Pound Sterling	(8,253)	3,781,984
Euro	44,780	1,463,955
Australian Dollar	28,387	-
Canadian Dollar	10,770	7,243,603
Mexican Peso	3,603	-
	125,832,213	126,233,936

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16 Derivative financial instruments at FVTPL

	31 December 2021 USD	31 December 2020 USD
Derivatives PIMCO	(166,192)	(202,713)
	<u>(166,192)</u>	<u>(202,713)</u>
	31 December 2021 USD	31 December 2020 USD
Unrealised loss on derivative financial instruments at FVTPL	(166,192)	(202,713)
Realised gain on derivative financial instruments at FVTPL	202,713	202,329
Gain / (loss) on derivative financial instruments at FVTPL	<u>36,521</u>	<u>(384)</u>

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

PIMCO, on behalf of the Company, holds derivative financial instruments to mitigate the Company's foreign currency exposure. The fair value measurements for these derivatives are categorised as being in Level 2 of the fair value hierarchy set out in IFRS 13 - 'inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly'. Such inputs include interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads and inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs'). PIMCO undertakes an assessment of the effectiveness of the hedging instruments in accordance with its policies in place, which are reviewed from time to time.

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17 Deferred expense

Standby fees

	31 December 2021	31 December 2020
	USD	USD
At 1 January	295,042	310,520
Movement during the year	611,845	286,250
Amortised during the year	(338,043)	(301,728)
At the end of the year	568,844	295,042
Analysed as follows:		
Non-current	528,077	295,042
Current	40,767	-
	568,844	295,042

(i) The standby fees amortised in 2020 relate to the stand-by facility agreement between the Company and FMO, which was signed in December 2016 and matured in December 2021. In 2021 standby fees in relation to the stand-by facility with AFD, which was signed in December 2020, have also been deferred.

(ii) Standby fees are amortised over the length of the facilities. See note 20.

18 Trade and other receivables

	31 December 2021	31 December 2020
	USD	USD
Accrued interest on fixed deposit account	2,427	2,831
Fund Manager fees paid in advance	-	141,608
Guarantee fees	905,325	2,053,032
Loan receivable interest	2,553,908	1,472,021
Other receivables	45,500	2,202,536
	3,507,160	5,872,028

Trade receivables are non-interest bearing and are generally on terms of 30 days.

<i>Provisions on receivables</i>	31 December 2021	31 December 2020
	USD	USD
Provisions on guarantee fees	(4,658,939)	(612,642)
Provisions on other receivables	(54,806)	-
	(4,713,745)	(612,642)

19 Cash and cash equivalents

	31 December 2021	31 December 2020
	USD	USD
(a) <i>Money market funds</i>		
Institutional Liquidity Fund (ILF) (i)	131,690,898	147,642,014
(b) <i>Cash at bank</i>		
Cash on deposit	4,000,000	9,451,755
Cash held with investment agents (Note 15 (a) and (b))	621,316	226,809
Cash at bank - GAC Funding	31,831,174	-
Cash at bank	18,349,993	11,912,335
	54,802,483	21,590,899
	186,493,381	169,232,913

As at 31 December 2021, the Company had no fixed or floating charges (2020: nil) over its bank accounts.

(i) Institutional Liquidity Fund (ILF) is managed by Fidelity. See Note 6 - Significant accounting policies- (i) Cash and cash equivalents and Note 15 - Financial instruments at FVTPL - (b) Fidelity International.

GuarantCo Ltd

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20 Share Capital

Issued and fully paid ordinary shares (at no par value)

	31 December 2021		31 December 2020	
	Number of shares	USD	Number of shares	USD
At 1 January	317,073,175	316,983,417	312,073,175	311,983,417
Share purchase account	-	-	-	-
Issue of shares	5,144,689	5,144,689	5,000,000	5,000,000
	322,217,864	322,128,106	317,073,175	316,983,417

Callable capital facility (i)

	31 December 2021 USD	31 December 2020 USD
At 1 January	54,614,965	53,064,473
Increase	126,921,450	-
Revaluation	(5,599,211)	1,550,492
At the end of the year	175,937,204	54,614,965

The Shareholding structure of the Company is as follows:

	31 December 2021	31 December 2020
FMO	10.53%	10.73%
Private Infrastructure Development Group Trust (PIDG Trust)	89.47%	89.27%
	100%	100%

- (i) The Foreign, Commonwealth & Development Office (UK) (FCDO) (formerly Department For International Development (UK) (DfID)) has made a callable capital facility available to the Company through the PIDG Trust in an amount of GBP 130 million. Under the terms of the facility, if the Company's net cash position (being the cash value of permitted investments, including money market funds and securities in GuarantCo's bond portfolio, plus any cash balances) is less than USD 100 million at any month end, the Company may request the amount of GBP 130 million to be disbursed under the facility. This will be paid in three tranches as follows first tranche: GBP 40 million, second tranche: GBP 40 million and a final tranche: GBP 50 million. GuarantCo will receive such funds in the form of an equity subscription by the PIDG Trust, its controlling entity. The facility will terminate on 11 June 2041, unless this is extended by agreement.
- (ii) In addition to the callable capital facility from the FCDO, the Company has a stand-by facility agreement with AFD and a repayable contribution agreement with the Canadian Department of Foreign Affairs, Trade and Development (Global Affairs Canada or GAC). A stand-by facility with FMO matured on 14 December 2021. Details of these facilities are included below:

Counter party	Currency	Amount	Amount drawn	Date of maturity	Draw trigger
FMO	USD	30,000,000	-	December 2021	If the Company's maximum potential exposure with respect to its guarantee commitments reaches or exceeds 5x the value of its equity. The Company's maximum potential exposure with respect to its guarantee portfolio at 31 December 2021 was USD 835,662,516 and its equity was \$USD 487,807,674 If Company's portfolio (being its outstanding guarantee commitments) to its equity reaches or exceeds 5:1.
AFD	EUR	100,000,000	-	December 2035	If Company's net cash balance (defined as cash value of all permitted investments plus any cash balance, determined on a monthly basis) falls below the activated facility amount (EUR 5.2m 31 December 2021).
GAC	USD	31,799,331	-	March 2036	If Company's net cash balance (defined as cash value of all permitted investments plus any cash balance, determined on a monthly basis) falls below USD 121.3 million.

The net cash balance as at 31 December 2021 is USD 311,870,470.

As at 31 December 2021, the Company could leverage these facilities three times

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21 Payable to related party

	31 December 2021	31 December 2020
	USD	USD
At 1 January	1,706,086	774,481
Funds received during the year (Note 23)	1,358,527	2,047,127
Funds disbursed during the year	(1,792,551)	(1,115,522)
At the end of the year	1,272,062	1,706,086

The Company acts as an agent on behalf of PIDG Trust (refer to Note 23 Related party transactions) with respect to managing payments relating to costs associated with providing technical assistance to projects. These payments are presented in the statement of financial position upon receipt and until disbursement to the respective projects.

22 Trade and other payables

	31 December 2021	31 December 2020
	USD	USD
Fees due to Fund Manager (Note 24)	4,577,800	4,801,338
Fees received in advance	135,000	108,636
Other payables	476,611	500,638
	5,189,411	5,410,612

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23	Related party transactions	31 December 2021 USD	31 December 2020 USD
(i)	Private Infrastructure Development Group Trust (PIDG Trust) (The PIDG Trust is one of two shareholders in the Company, the other shareholder being FMO).		
	Technical Assistance Facility (TAF) payments received (Note 21).	1,358,527	2,047,127
	Technical Assistance Facility (TAF) payable (Note 21).	1,272,062	1,706,086
	Payments received in respect of PIDG Ltd. management fee.	1,304,807	1,094,535
(ii)	Private Infrastructure Development Group Ltd. (PIDG Ltd.) (PIDG Ltd. is a subsidiary of the PIDG Trust. It oversees PIDG's operations and is the effective "holding company" for all PIDG companies).		
(a)	<i>Transactions during the year</i> Management fees charged	2,210,067	1,965,917
(b)	<i>Loan to PIDG Ltd.</i> In March 2019, the Company granted a revolving loan facility (of up to USD 5 million) to PIDG Ltd.. PIDG Ltd. will only utilise this facility if there is a risk that it will have insufficient funds to meet its financial obligations as they fall due because it has not received sufficient funding from PIDG Trust in time to enable it to meet its financial obligations as they fall due. The facility is unsecured. Interest is charged, if drawn, at 3% above the 1 month USD LIBOR. As at 31 December 2021 the facility had not been utilised.	-	-
(iii)	Compensation of key Board personnel		
	Directors' remuneration	56,372	51,282
	Other Directors expenses	1,138	7,378
	Total Directors' remuneration and short term benefits	57,510	58,660
	Directors' remuneration		
	Yukiko Omura	17,503	15,881
	Patrice Maveyraud	12,966	11,831
	Rajkamal Taposeea	12,969	11,785
	Cyril Wong	12,934	11,785
	Layth Al-Falaki	-	-
		56,372	51,282
(iv)	GMC (GMC provides the Company with management, advisory and support services under an exclusive long term contract).		
(a)	<i>Transactions during the year</i> Management and Performance fees (Note 10).	16,391,409	13,935,441
(b)	<i>Outstanding balances</i> Management and Performance fees payable (Note 22).	4,577,800	4,801,338
	The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period-end are unsecured and interest free and settlement occurs in cash.		
24	Ultimate Holding Company		
	The Company is controlled by Private Infrastructure Development Group Trust (PIDG Trust) which owns 89.47% of the Company's shares. The remaining 10.53% of the shares is owned by FMO (Note 20).		

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25 Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Fair Value			
	Carrying amount	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
31 December 2021					
(i) Financial assets measured at fair value					
Financial guarantee contracts	2,988,952	-	-	2,988,952	2,988,952
Debt instruments at FVTPL	125,377,089	125,377,089	-	-	125,377,089
	128,366,041	125,377,089	-	2,988,952	128,366,041
(ii) Financial liabilities measured at fair value					
Financial guarantee contracts	62,683,274	-	-	62,683,274	62,683,274
Derivative financial instruments	166,192	-	166,192	-	166,192
	62,849,466	-	166,192	62,683,274	62,849,466
31 December 2020					
(i) Financial assets measured at fair value					
Financial guarantee contracts	4,118,615	-	-	4,118,615	4,118,615
Debt instruments at FVTPL	126,209,840	126,209,840	-	-	126,209,840
	130,328,455	126,209,840	-	4,118,615	130,328,455
(ii) Financial liabilities measured at fair value					
Financial guarantee contracts	30,451,467	-	-	30,451,467	30,451,467
Derivative financial instruments	202,713	-	202,713	-	202,713
	30,654,180	-	202,713	30,451,467	30,654,180

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26 Determining the fair value of financial instruments

(i) *Financial guarantee contracts and facility agreements at FVTPL*

The fair value of issued financial guarantees is equal to the consideration received and the present value of the guarantee fees over the financial guarantee contract term less a credit risk adjustment (which is equal to PD of the obligor whose obligations are guaranteed, the expected EAD and the LGD assumptions) and cost of capital. A risk calibration factor is also applied to take into account factors such as model risk, liquidity risk and counterparty risk.

Given the bespoke nature of the financial guarantees, their fair value cannot be readily determined by market prices or observable inputs only. The price required at the subsequent measurement date is therefore determined by non-observable inputs (Level 3), determining the expected loss under the guarantee over the remaining lifetime of the guarantee.

Financial guarantee contracts and facility agreements

Rating	31 December 2021		31 December 2020	
	USD		USD	
	Assets	Liabilities	Assets	Liabilities
BBB-	-	-	300,412	-
BB+	-	-	11,056	-
BB	158,259	748,950	-	604,576
BB-	430,016	145,194	883,784	-
B+	415,726	-	-	221,620
B	1,469,036	-	1,453,759	1,357,027
B-	364,112	789,621	661,676	451,608
CCC+	-	-	242,444	384,673
CCC	93,155	11,372	-	-
CCC-	-	-	565,484	-
CC	58,648	-	-	-
D	-	60,988,136	-	27,431,963
	2,988,952	62,683,273	4,118,615	30,451,467

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26 Determining the fair value of financial instruments (Continued)

(i) Financial guarantee contracts and facility agreements at FVTPL (Continued)

The following table shows the movements in fair value of financial guarantees (Level 3 financial instruments) during the year:

	Discounted future fees	Adjustment for credit risk	Cost of capital	Risk calibration factor	Fair value
	USD	USD	USD	USD	USD
At 1 January 2020	64,683,856	(65,007,796)	(10,832,578)	(9,736,751)	(20,893,269)
New financial guarantee contracts in the year	7,965,283	(6,559,843)	(1,760,646)	(6,462,194)	(6,817,400)
Existing financial guarantee contracts in the year	(13,745,430)	30,509,827	3,591,653	(18,978,234)	1,377,816
Fair value movement during the year	(5,780,147)	23,949,984	1,831,007	(25,440,428)	(5,439,584)
At 31 December 2020	58,903,709	(41,057,812)	(9,001,571)	(35,177,179)	(26,332,853)
New financial guarantee contracts in the year	6,269,490	(6,870,943)	(3,923,211)	8,116,305	3,591,641
Existing financial guarantee contracts in the year	(19,247,709)	(28,460,307)	2,355,827	8,399,078	(36,953,111)
Fair value movement during the year	(12,978,219)	(35,331,250)	(1,567,384)	16,515,383	(33,361,470)
At 31 December 2021	45,925,490	(76,389,062)	(10,568,955)	(18,661,796)	(59,694,323)

(ii) Debt instruments at FVTPL - Fair value information

Fair value on debt instruments at FVTPL is disclosed in Note 15 Financial instruments at FVTPL.

(iii) Issued Derivative Financial Instruments - Fair value information

Fair value on derivatives is disclosed in Note 16 Derivative financial instruments at FVTPL.

27 Fair value - valuation process

Valuation process - financial guarantee contracts and facility agreements at FVTPL

Financial guarantee contracts are valued at Level 3 in the fair value hierarchy, based on a model that reflects the consideration received for the guarantee at inception (discounted using a risk adjusted rate), an adjustment for credit risk and the cost of capital. A risk calibration factor is also applied to take into account factors such as model risk, liquidity risk and counterparty risk.

The adjustment for credit risks of a financial guarantee contract is determined by multiplying the obligors PD by their expected EAD and LGD.

The PD is derived from Internal Rating (IR) methods. The lifetime PD is calculated for each guarantee. This is the anticipated probability of a default occurring during the life of the guarantee. The IR is determined by using a model which incorporates historical and forward-looking information and identifies main risk drivers. The risks drivers identified are calibrated based on historical data over a suitable time period.

The LGD for each guarantee is the amount that the Company could lose if a guarantee was paid. LGD can be expected to change over the life of the project. Factors that influence this will include, inter-alia:

- availability of security
- seniority of transactions
- country of risk
- stage of project (i.e. construction or operational)

For this reason the LGD for each transactions is reviewed at least annually over the lifetime of the guarantee and are subject to the review and approval of the GMC's Portfolio Committee.

The LGD model is reviewed annually as part of the Company's model governance and control policy and is subject to the approval of GMC's Portfolio Committee.

The EAD is the gross exposure under a guarantee upon default of the obligor. The EAD used to calculate the fair value of a guarantee is the maximum exposure of the guarantee at the reporting date.

The Level 3 valuation uses the following significant unobservable inputs for determining the fair value:

<i>Description</i>	<i>Definition</i>
Cost of capital	The opportunity cost of making a specific investment. It is the rate of return that could have been earned by putting the same money into a different investment with equal risk.
Probability of default	The likelihood of a default over the life of the transaction which is expressed as a percentage.
Recovery rate	The extent to which principal and accrued interest on defaulted debt can be recovered, expressed as a percentage of face value. The recovery rate can also be defined as the value of a security when it emerges from default.

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27 Fair value - valuation process (continued)

Valuation process - financial guarantee contracts and facility agreements at FVTPL (Continued)

In cases where the Company has obtained risk mitigation for guarantees issued, the reported fair value reflects the gross exposure under the guarantee to the Company.

Sensitivity analysis

The uncertainty of each significant input reflects the measure of uncertainty that the Company faces in estimating each significant input (1 is less uncertain, 5 is most uncertain) over the lifetime of each guarantee and the contribution to the outcome (1 is low, 5 is high). The sensitivity of the inputs is expressed in terms of the impact being linear or non-linear:

	Uncertainty (1-5)	Contribution (1-5)	Reasonable possible changes	Change in fair value
Cost of capital	1	1	0.50%	1,951,331
Probability of Default	3	5	1.00%	3,118,218
Recovery Rates	3	4	10.00%	4,825,855

The significant inputs are country and counterparty specific and reviewed at least annually by the Portfolio Committee.

28 Financial risk management

The Company is exposed to a variety of risks which include financial, operational, capital, liquidity, market and political risks. The Board of GuarantCo has delegated authority to three GMC committees established in 2018 who are now responsible for each of these risks. The three committees are Credit Committee, Portfolio Committee and Risk and Finance Committee. GMC seeks to monitor and control the Company's risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. The Board and GMC believe they have in place effective procedures for evaluating and managing the market, credit and other risks to which the Company is exposed.

The credit review is performed by GMC's Credit Committee. This committee determines the type and extent of transaction exposure that may be taken and also establishes the risk parameters guiding these decisions. Exposures above a certain threshold or outside risk appetite are escalated to the PIDG Credit Committee. GMC's Portfolio Committee reviews and monitors risk exposure on an ongoing basis and the Risk and Finance Committee is responsible for managing operational risk, ensuring the Company is compliant with its licensing conditions and any applicable laws, ensure financial performance is in line with budget and perform central treasury function for the Company. The PIDG Risk Committee and PIDG Audit Committee review the activities of the GMC committees and provide oversight over the activities of GuarantCo.

The Board of directors regularly reviews and manages its capital structure to maintain a balance between its liabilities and equity level and also ensures that the Company is adequately capitalised to meet economic and regulatory requirements.

As at 31 December 2021, all commitments were fully financed by the issue of equity capital. However, GuarantCo is also funded by a callable capital facility with FCDO, a stand-by facility with AFD and a loan facility with GAC.

The triggers which would allow GuarantCo to access and use these facilities are disclosed in Note 20 Share Capital.

The GAC facility was disbursed in April 2021. However, there is a risk under the callable capital facility with FCDO and the stand-by facility with AFD that either funder fails to meet their contractual obligations to fund the Company. This risk is mitigated by the credit standing of both FCDO and AFD.

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28 Financial risk management (Continued)

The Company's exposure to financial risks are as follows:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) *Credit risk*

The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Company performs ongoing credit evaluation of its customers' financial conditions. It is the Company's policy to extend credit guarantee facilities to a diversity of creditworthy counter-parties so that the Company has no significant concentration of credit risk. The demographic spread of the counter-parties and the default risk of the industry and country in which the counter-party operates has an influence on this.

(b) *Liquidity risk*

The Company monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements.

In addition to this, GMC's Risk and Finance Committee reviews each quarter the maximum amount that could be called on each project, to ensure the Company has sufficient cash to meet any call on these contingent liabilities.

The table below shows the contractual maturities of the financial assets and liabilities at the reporting date, including interest payments and excluding the impact of netting agreements and analyses 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.

	Less than 6 months USD	6-12 months USD	1 - 5 years USD	Total USD
31 December 2021				
<i>Assets</i>				
Financial instruments at FVTPL	125,377,089	-	-	125,377,089
Loan receivables	-	-	11,515,250	11,515,250
Derivative financial instruments at FVTPL	-	-	-	-
Trade and other receivables	3,507,160	-	-	3,507,160
Cash and cash equivalents	186,493,381	-	-	186,493,381
<i>Liabilities</i>				
Trade and other payables	(5,189,411)	-	-	(5,189,411)
Derivative financial instruments at FVTPL	(166,192)	-	-	(166,192)
	310,022,027	-	11,515,250	321,537,277
31 December 2020				
<i>Assets</i>				
Financial instruments at FVTPL	126,209,840	-	-	126,209,840
Loan receivables	-	-	11,881,709	11,881,709
Trade and other receivables	5,872,028	-	-	5,872,028
Cash and cash equivalents	169,232,913	-	-	169,232,913
<i>Liabilities</i>				
Trade and other payables	(5,410,612)	-	-	(5,410,612)
Derivative financial instruments at FVTPL	(202,713)	-	-	(202,713)
	295,701,456	-	11,881,709	307,583,165

- (i) Financial guarantee contracts at FVTPL which have a maximum exposure of USD 835,662,517 (2020: USD 819,546,686) per Note 29 (excluding loans and other receivables and facility agreements) have been excluded from the table above. These financial guarantee contracts may be called on demand in the event of default.

- (ii) The table above also excludes financial guarantee fees receivable over the financial guarantee contract term.

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28 Financial risk management (Continued)

(c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Company has financial assets and liabilities denominated in United States Dollar, Euro, Great Britain Pound Sterling, Australian Dollar, Central African CFA Franc and Canadian Dollar. Consequently, the Company is exposed to the risk that the exchange rate of the US Dollar relative to the foreign currencies may change in a manner which has material effect on the reported values of the Company's assets and liabilities which are denominated in foreign currencies.

Currency profile

The currency profile of the Company's financial assets and liabilities at the reporting date is summarised as follows:

	Financial assets	Financial Liabilities	Financial assets	Financial Liabilities
	31 December 2021		31 December 2020	
	USD	USD	USD	USD
United States Dollar	329,611,943	68,038,877	284,362,172	36,090,467
Euro	200,310	-	1,575,411	-
Great Britain Pound Sterling	(8,253)	-	3,781,984	-
Australian Dollars	28,387	-	-	-
Central African CFA franc	35,072	-	20,210,327	-
Canadian Dollar	10,770	-	7,243,603	-
Mexican Peso	3,603	-	-	-
	329,881,832	68,038,877	317,173,497	36,090,467

Sensitivity analysis

As at 31 December 2021, if the United States Dollar had weakened/strengthened by the percentages indicated below (2020: 8%) against the following currencies, there would have been a similar increase/decrease in equity and profit or loss before tax by the amount shown below.

The percentages used were derived from observing monthly foreign exchange rate movements over the last five years. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on profit or loss	31 December 2021 USD	31 December 2020 USD
Euro (3%)	5,834	116,697
Great Britain Pound Sterling (4%)	(317)	280,147
Australian Dollars (5%)	1,352	-
Central African CFA franc (3%)	1,022	1,497,061
Canadian Dollar (4%)	414	536,563
Mexican Peso (7%)	236	-
	8,541	2,430,468

(ii) Interest rate risk

The Company's income and operating cash flows are partly dependent on changes in market interest rates. The significant interest-earning financial assets are cash and cash equivalents, and interest on financial instruments (debt securities) at FVTPL. Interest income from these assets may fluctuate in amount, in particular due to changes in market interest rates. The Company's policy is to maximise returns on interest-bearing assets without loss of capital and within the constraints of the guarantee facility and the Company's treasury policy.

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28 Financial risk management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Cash is invested with ABSA Mauritius and Standard Chartered London in short term fixed deposits at interest rates which vary depending on market rates. Financial instruments (debt securities) at FVTPL include short duration bonds. Interest rates vary depending on market rates. The Company has limited financial instruments with floating interest rates.

(iii) Pricing risk

Price risk is the risk of unfavourable changes in the fair values of quoted financial instruments (debt securities) as the result of changes in the levels of markets and the value of individual instruments. Price risk exposure arises from the Company's investments in short duration bonds which are managed by institutional fund managers (PIMCO) under a fund management agreement.

A sensitivity of the bond portfolios duration is presented in the tables below.

	Actual market value		+/- 100 bps change		Effect on
	31 December 2021		31 December 2021		profit or loss
	USD		USD		31 December 2021
					USD
PIMCO	125,832,213	+/-	123,831,125	+/-	2,001,088
	Actual market value		+/- 100 bps change		Effect on
	31 December 2020		31 December 2020		profit or loss
	USD		USD		31 December 2020
					USD
PIMCO	126,233,936	+/-	123,131,242	+/-	3,102,694

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29 Political risk

The Company is exposed to political risk due to the nature of its activities, being the guarantor of loans / bonds raised by companies in Asia, Africa and the Middle East. As part of the risk analysis for any project, political risk is considered by PIDG Ltd. and GMC's Credit Committee before entering into a project and monitored thereafter as part of the general monitoring process of the project. The concentration of risk by country and counterparty are as follows (based on maximum amount guaranteed / paid out):

	Guarantees		Loan and Other Receivables*		Total	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	USD	USD	USD	USD	USD	USD
<i>Africa:</i>						
Gabon	-	26,765,453	-	-	-	26,765,453
Ghana	4,244,619	81,111,690	-	-	4,244,619	81,111,690
Mali	6,945,235	7,459,037	-	-	6,945,235	7,459,037
Madagascar	9,011,222	9,441,374	-	-	9,011,222	9,441,374
Malawi	37,000,000	-	-	-	37,000,000	-
Nigeria	33,740,347	41,140,618	10,961,000	11,256,320	44,701,347	52,396,938
South Africa	-	1,192,781	-	-	-	1,192,781
Tanzania	50,333,678	50,206,669	-	-	50,333,678	50,206,669
Uganda	1,522,500	1,837,500	-	-	1,522,500	1,837,500
Kenya	79,650,411	29,533,320	-	-	79,650,411	29,533,320
Togo	51,498,830	28,459,186	-	-	51,498,830	28,459,186
<i>Asia:</i>						
Bangladesh	61,355,984	62,953,869	-	-	61,355,984	62,953,869
Cambodia	25,000,000	-	-	-	25,000,000	-
India	87,797,093	110,294,209	21,651,738	20,487,028	109,448,831	130,781,237
Pakistan	110,467,834	127,579,004	-	-	110,467,834	127,579,004
Philippines	20,765,434	22,081,060	-	-	20,765,434	22,081,060
Thailand	-	-	10,762,064	12,581,651	10,762,064	12,581,651
Nepal	19,856,217	22,239,968	3,649,269	1,514,534	23,505,486	23,754,502
Vietnam	126,404,101	78,361,763	-	-	126,404,101	78,361,763
Jordan	35,679,827	42,500,000	-	-	35,679,827	42,500,000
<i>Other:</i>						
Multi-country	74,389,185	76,389,185	-	-	74,389,185	76,389,185
Total	835,662,517	819,546,686	47,024,071	45,839,533	882,686,588	865,386,219

* The amounts shown are gross of adjustment for credit risks. The amount net of this allowance is USD 35,508,824 (2020: USD 33,957,827) - per Note 30 - Loan receivables.

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29 Political risk (Continued)

Rating	Active and Disbursed in USD	Active and not Disbursed in USD	Funded Exposures in USD	Non-active in USD	Total Exposure in USD
B	76,903,645	10,605,391	10,961,000	25,000,000	123,470,036
B-	133,875,341	8,706,295	-	55,400,000	197,981,636
B+	50,041,466	32,279,229	-	75,000,000	157,320,695
BB	80,138,416	22,607,403	-	-	102,745,819
BB-	48,775,399	10,225,606	-	25,000,000	84,001,005
BBB-	-	-	-	50,000,000	50,000,000
CC	8,740,347	-	10,762,064	-	19,502,411
CCC	6,945,235	-	-	-	6,945,235
CCC+	-	-	-	37,000,000	37,000,000
D	71,437,142	6,981,602	25,301,007	-	103,719,751
Total	476,856,991	91,405,526	47,024,071	267,400,000	882,686,588

- (i) Non-active transactions relate to guarantees that have been issued by the Company which are yet to be activated as the documentation in relation to the corresponding loans / bonds has not been completed. These guarantee have a maximum exposure of USD 267,400,000 (2020: USD 203,491,309).

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30	Loan receivables	31 December 2021 USD	31 December 2020 USD
(i)	<i>Calcom Cement India Ltd (Calcom)</i>		
	At 1 January	-	8,343,271
	Repayments	-	(4,251,020)
	Write-off	-	(4,092,251)
		-	-
	Adjustment for credit risk	-	-
	At 31 December	-	-
(ii)	<i>Vinca Development Private Ltd (Hubtown)</i>		
	At 1 January	20,487,031	20,487,031
	Adjustment for credit risk	(20,487,031)	(20,487,031)
	At 31 December	-	-
(iii)	<i>Thai Biogas Energy Company Ltd (TBEC)</i>		
	At 1 January	12,581,652	12,803,345
	Repayments	(594,975)	(119,729)
	Disbursements	-	-
	Revaluation	(1,224,612)	(101,964)
		10,762,065	12,581,652
	Adjustment for credit risk	(10,762,065)	(12,581,652)
	At 31 December	-	-
(iv)	<i>Hello Products Ltd</i>		
	At 1 January	-	1,699,972
	Repayments	-	(1,699,972)
		-	-
	Adjustment for credit risk	-	-
	At 31 December	-	-
(v)	<i>Accugas Ltd</i>		
	At 1 January	10,961,000	11,300,000
	Repayments	-	(339,000)
		10,961,000	10,961,000
	Adjustment for credit risk	(66,125)	(74,710)
	At 31 December	10,894,875	10,886,290
(vi)	<i>Solu Hydropower Private Ltd</i>		
	At 1 January	1,514,533	-
	Disbursements	2,134,735	1,514,533
		3,649,268	1,514,533
	Adjustment for credit risk	(3,028,893)	(681,540)
	At 31 December	620,375	832,993
(vii)	<i>Tower Aluminium Nigeria Plc</i>		
	At 1 January	295,320	-
	Repayments	(295,320)	(60,420)
	Disbursements	-	355,740
		-	295,320
	Adjustment for credit risk	-	(132,894)
	At 31 December	-	162,426
(viii)	<i>Spenco</i>		
	At 1 January	-	-
	Disbursements	-	670,000
	Write-off	-	(670,000)
	At 31 December	-	-
(ix)	<i>KUL Urban Development Private Limited</i>		
	At 1 January	-	-
	Disbursements	15,473,496	-
	Revaluation	(8,786)	-
	Write-off	(14,300,000)	-
		1,164,710	-
	Adjustment for credit risk	(1,164,710)	-
	At 31 December	-	-
	Total loan receivables	11,515,250	11,881,709

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30 Loan receivables (Continued)

(a) Loan receivables are originated as credit impaired assets. For this reason, a lifetime adjustment for credit risk is calculated for each loan receivable.

(b) A reconciliation of the adjustment for credit risk on Loan receivables is included below:

	31 December 2021 USD	31 December 2020 USD
At 1 January	33,957,827	36,022,427
Movement during the year	15,850,997	2,697,651
Write-off	(14,300,000)	(4,762,251)
At the end of the year	35,508,824	33,957,827

(c) A reconciliation of the Loan receivables impairments and adjustment for credit risk as disclosed in the Statement of Profit or Loss is included below:

	31 December 2021 USD	31 December 2020 USD
Movement during the year	(15,850,997)	(2,697,651)
FX results	(1,219,581)	-
Loan receivables impairments and adjustment for credit risk	(17,070,578)	(2,697,651)

31 Loan payables

	31 December 2021 USD	31 December 2020 USD
(i) <i>Global Affairs Canada</i>		
At 1 January	-	-
Disbursements	31,799,331	-
Repayments	-	-
At 31 December	31,799,331	-

The company has a repayable contribution agreement with the Canadian Department of Foreign Affairs, Trade and Development (Global Affairs Canada or GAC), which was signed 20 March 2021 and disbursed April 2021.

32 Events after the reporting period

PIDG Group's operating geographies continue to face considerable challenges. Even as governments, businesses and individuals contend with the aftermath of the pandemic and evolve to a post-covid environment, risks from outbreaks driven by new variants persist. Sooner than expected monetary policy tightening in key developed economies presents credit and market risks to PIDG and its projects.

Equally, rising conflict and political instability in the Sahel, for instance the coup in Burkina Faso on 23rd January 2022, remains an area of concern and presents financial and security risks to Group operations.

Finally, the ongoing invasion of Ukraine by Russia, which started on 24th February 2022, is causing a rise in commodity & food prices and could adversely impact macroeconomic fundamentals for select countries, impact individual livelihoods as inflation rises, and potentially affect commercial viability of Group projects as input costs increase.

All of these factors may impact the Company's ability to manage the Group's delivery of performance targets agreed with its members. The Directors will continue to work with senior management to closely monitor these emerging risks and assess the impact on operations, PIDG projects and its performance targets in the short and long-term. These have all been concluded as immaterial to the Company's financials for 2021 and therefore are considered to be non-adjusting events.