

GUARANTCO LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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GUARANTCO LTD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
CORPORATE DATA

1.

Directors

Resident	Appointment	Position held until
Rajkamal Taposeea	1 December 2014	Ongoing
Patrice Maveyraud	1 March 2015	30 April 2022
Cyril Wong	1 Avril 2018	Ongoing

Non-Resident

Yukiko Omura	1 January 2013	30 April 2022
Layth Al-Falaki	15 May 2018	Ongoing
Martijn Proos	30 April 2022	Ongoing
Philip Valahu	30 April 2022	Ongoing

Fund Manager

GuarantCo Management Company Limited (GMC)	Appointment date: 9 May 2016
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Corporate Secretary

Intercontinental Trust Limited Level 3, Alexander House, 35 Cybercity Ebène Mauritius	Appointment date: 1 April 2016
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Registered Office

Level 3
Alexander House
35 Cybercity
Ebène
Mauritius

Auditor

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

The Directors present their report together with the audited financial statements of GuarantCo Ltd (the "Company") for the period ended 31 December 2022.

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.

Results 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 (2021: nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 auditor, BDO Mauritius, have indicated their willingness to continue in office.

By order of the Board



Director:.....
Layth Al-Falaki



Director:.....
Cyril Wong

Date: 3 April 2023

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 2022, 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
Ebene 72201
Mauritius
Date: 3 April 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GuarantCo Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GuarantCo Ltd (the "Company"), on pages 7 to 55 which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 7 to 55 give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with 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 information included in 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 Statements

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 Shareholders of GuarantCo Ltd

Responsibilities of Directors and Those Charged with Governance for the Financial Statements (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 Statements

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

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

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

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of GuarantCo Ltd

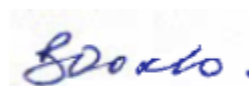
Report on Other Legal and Regulatory Requirements*Mauritian Companies Act 2001*

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 Company's Shareholders, 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 Shareholders 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 Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



BDO & Co
Chartered Accountants



Ameenah Ramdin, FCCA, FCA
Licensed by FRC

Port Louis,
Mauritius

April 03, 2023

GUARANTCO LTD**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022****7.**

	Notes	2022 USD	2021 USD
Portfolio Result			
Realised fees on financial guarantee contracts at FVTPL	9(i)	12,244,883	12,515,075
Change in fair value of financial guarantee contracts and facility agreements at FVTPL	26	56,341,843	(33,361,470)
Net results for financial guarantee contracts and facility agreements at FVTPL		68,586,726	(20,846,395)
Loan receivables impairments and adjustment for credit risk	30	(73,973,210)	(17,070,578)
Interest on funded exposures	9(ii)	2,223,328	1,532,913
Other income and expenses	9(ii)	697,515	60,098
Net Portfolio Result		(2,465,641)	(36,323,962)
Finance Income			
Net investment income	12	3,681,208	7,612,967
Gain on derivative financial instruments at FVTPL	16	277,810	36,521
Loss on disposal of financial instruments at FVTPL	15	(4,327,812)	(4,463,560)
Fair value loss on financial instruments at FVTPL	15	(3,036,291)	(3,526,831)
Net Finance Loss		(3,405,085)	(340,903)
Operational Expenses			
Fund manager expenses	10	(18,660,438)	(16,391,409)
Administrative expenses	11	(2,203,144)	(2,011,780)
Total Operational Expenses		(20,863,582)	(18,403,189)
Result before Taxation		(26,734,308)	(55,068,054)
Taxation	13	(25,493)	(47,918)
Total loss for the year		(26,759,801)	(55,115,972)

No other comprehensive income was recognised in the year ended 31 December 2022 (2021: nil); therefore, the loss for the year is also the total comprehensive loss.

The notes on pages 11 to 55 form an integral part of these financial statements.

GUARANTCO LTD
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022
8.

	Notes	2022 USD	2021 USD
Assets			
Non-current assets			
Loan receivables	30	10,327,899	11,515,250
Deferred expenses	17	736,406	528,077
Total non-current assets		11,064,305	12,043,327
Current assets			
Financial guarantee contracts and facility agreements at FVTPL	26	978,066	2,988,952
Financial instruments at FVTPL	15	119,475,836	125,377,089
Derivative financial instruments at FVTPL	16	473,941	-
Tax asset	14	432,207	432,207
Trade and other receivables	18	5,227,050	3,507,160
Cash and cash equivalents	19	131,378,018	186,493,381
Deferred expenses	17	53,897	40,767
Total current assets		258,019,015	318,839,556
Total assets		269,083,320	330,882,883
Equity and Liabilities			
Share capital	20	344,256,485	322,128,106
Accumulated losses		(119,115,294)	(92,355,493)
Total equity		225,141,191	229,772,613
Non-current liability			
Loan payables	31	31,799,331	31,799,331
Total non-current liability		31,799,331	31,799,331
Current liabilities			
Financial guarantee contracts and facility agreements at FVTPL	26	4,330,546	62,683,274
Derivative financial instruments at FVTPL	16	80,963	166,192
Trade and other payables	22	6,510,830	5,189,411
Payable to related party	21	1,220,459	1,272,062
Total current liabilities		12,142,798	69,310,939
Total equity and liabilities		269,083,320	330,882,883

The financial statements were approved by the Board of Directors and authorised for issue on 3 April 2023.



Layth Al-Falaki, Director



Cyril Wong, Director

The notes on pages 11 to 55 form an integral part of these financial statements.

GUARANTCO LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

9.

		2022	2021
	Notes	USD	USD
Cash flows from operating activities			
Proceeds from guarantee contracts		12,827,120	14,164,597
Proceeds from loan repayments	30	8,958,902	1,265,025
Loans disbursed	30	(81,249,326)	(17,608,231)
Payments to suppliers		(2,248,206)	(1,966,194)
Change in payable to related party		(66,815)	(406,206)
GMC management and performance fees		(17,577,801)	(14,616,134)
Investment management fees		(150,747)	(148,463)
Net income tax paid		-	(528,791)
Net cash generated used in operating activities		(79,506,873)	(19,844,397)
Cash flows from investing activities			
Investment income		2,968,430	7,682,925
Net proceeds from repayments and disbursements by investment agents ¹		(672,359)	(7,522,080)
Net cash flows generated from investing activities		2,296,071	160,845
Cash flows from financing activities			
Proceeds from the issue of shares	20	22,095,439	5,144,689
Proceeds from loans	31	-	31,799,331
Net cash flows used in financing activities		22,095,439	36,944,020
Net (decrease)/increase in cash and cash equivalents		(55,115,363)	17,260,468
Cash and cash equivalents at beginning of year	19	186,493,381	169,232,913
Cash and cash equivalents at end of year	19	131,378,018	186,493,381

The notes on pages 11 to 55 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.

GUARANTCO LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

10.

	Notes	Share capital	Accumulated losses	Total
		USD	USD	USD
At 1 January 2021		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		-	(55,115,972)	(55,115,972)
At 31 December 2021		<u>322,128,106</u>	<u>(92,355,493)</u>	<u>229,772,613</u>
At 1 January 2022		322,128,106	(92,355,493)	229,772,613
Issue of shares	20	22,128,379	-	22,128,379
Total comprehensive loss for the year		-	(26,759,801)	(26,759,801)
At 31 December 2022		<u>344,256,485</u>	<u>(119,115,294)</u>	<u>225,141,191</u>

The notes on pages 11 to 55 form an integral 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 have been prepared on a historical cost basis, except for financial guarantee contracts and facility agreements at FVTPL, financial instruments at FVTPL and derivative financial instruments at FVTPL, all of which have been measured at fair value. Relevant financial assets and financial liabilities are stated at amortised cost. The financial statements are presented in US dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

The Company has prepared its financial statements on the basis that it will continue to operate as a going concern.

4. FUNCTIONAL AND PRESENTATION CURRENCY

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The financial statements are presented in US Dollars which is the Company's functional currency and presentation currency.

5. USE OF ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Significant judgements

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

(i) Going concern

The GuarantCo Ltd's Board has made an assessment of its ability to continue as a going concern and is satisfied that it 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 on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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:

5. USE OF ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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).

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

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.

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. In 2022, GMC's Risk and Finance Committee comprised of GMC's Chief Executive Officer (CEO), GMC's Chief Credit Officer (CCO), GMC's Chief Operating Officer/Chief Financial Controller (COO/CFO), GMC's General Counsel, a Non-Executive Director of GMC, Private Infrastructure Development Group Ltd.'s (PIDG Ltd.) Chief Risk Officer (CRO) and PIDG Ltd.'s CFO. PIDG Ltd. has been delegated the authority by the GuarantCo Board to oversee GuarantCo by their mutual parent entity the PIDG Trust.

5. USE OF ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(ii) Assumptions and estimation uncertainties (Continued)

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.

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.

5. USE OF ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(ii) Assumptions and estimation uncertainties (Continued)

Provision in respect of loan receivables and trade receivables

The Company uses rating transition matrices to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The transition matrices used have been derived by employing data as captured by a consortium of financial institutions operating in emerging markets (from GEMs) from 1988 to 2019 across countries and sectors relevant to PIDG. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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 transaction 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 in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in profit or loss are also recognised in profit or loss).

In determining the spot exchange rate to use on initial recognition of the monetary asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

(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 uses derivative financial instruments to hedge its foreign currency risks of the investment portfolio. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. (Refer to Note 6 - Significant accounting policies - (h) Financial assets and financial liabilities (under IFRS 9), section (i) - financial assets)

(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 assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (Continued)

(ii) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments.

These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Company also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Company only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Company's intention to settle on a net basis.

(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.

(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 at amortised cost, or through 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) *Financial assets (continued)*

Initial recognition and measurement (Continued)

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

- Level 2 — financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) *Financial assets (Continued)*

Initial recognition and measurement (Continued)

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

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.

Financial assets at amortised cost

The Company measures financial investments at amortised cost only 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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) 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.

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 FVTPL (Continued)

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 has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor has 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 has 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.

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.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Company performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) *Financial assets (Continued)*

Modifications of financial assets (continued)

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. 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 plans 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 is not accounted for as derecognition, then the amortised cost of the asset 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 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 and fees incurred are recognised as an adjustment to the carrying amount of the asset and amortised over the remaining term of the modified financial asset by recomputing the EIR on the instrument.

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 are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Financial liabilities (Continued)

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) *Financial liabilities (Continued)*

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.

Derecognition

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with an existing lender one debt instrument with another one with the substantially different terms, such an exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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)

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

(ii) *Financial liabilities (Continued)*

Modification of financial liabilities (Continued)

Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value from the remaining cash flows of the financial liability. If the modification is not substantial the difference between (1) carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gain or losses.

(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*

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Related party (Continued)

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 23 Related party transactions.

(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 the statement 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.

All other assets are classified 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.

The Company classifies all other liabilities as non-current.

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, 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 the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

7. STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 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.

8. STANDARDS OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE JANUARY 2022

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.

8. STANDARDS OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE JANUARY 2022 (CONTINUED)

Effective date 1 January 2023 (Continued)

IAS 1 Presentation of Financial Statements

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.

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 unchanged.

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.

Effective date January 1, 2024

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.

Non-current Liabilities with Covenants: Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of ‘settlement’ for the purpose of classifying a liability as current or non-current.

IFRS 16 Leases

Lease Liability in a Sale and Leaseback: The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Amendments for which the 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.

8. STANDARDS OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE JANUARY 2022

Amendments for which the effective date has been deferred indefinitely until further notice (Continued)

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.

9. REALISED FEES, INTEREST INCOME AND OTHER INCOME

	2022	2021
	USD	USD
(i) <i>Realised fees from financial guarantee contracts at FVTPL:</i>		
Guarantee fees	10,211,424	11,723,979
Upfront fees	1,541,015	551,192
Commitment fees	124,223	42,696
Monitoring fees	368,221	197,208
	12,244,883	12,515,075
(ii) Other income:		
Interest on funded exposures	2,223,328	1,532,913
Other income and expenses	697,515	60,098
	2,920,843	1,593,011

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").

10. FUND MANAGER EXPENSES (CONTINUED)

(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 2022 the Company had met some of its pre-agreed financial and development targets agreed for 2022. The performance fee amount was subject to approval by PIDG Ltd. and the Board in March 2023.

(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 Ltd'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 Ltd is obligated to pay GMC the balance between the amount withheld from any performance fee payments and the corresponding LTIP fee. The LTIP condition was met in April 2022, however no amount was payable by the Company, as the amount had been fully funded through retained performance fees.

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 2022.

Analysis of fund management fees:

	2022	2021
	USD	USD
Management fees	11,918,364	11,460,404
Performance fees	6,742,074	4,931,005
	18,660,438	16,391,409

In March 2023, the LTIP scheme was removed and GMC will be replacing it with a deferred incentive scheme, which will be fully funded by the performance fee, thereby removing any liability the Company may have had in future years under the LTIP.

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11. ADMINISTRATIVE EXPENSES

	2022	2021
	USD	USD
Leverage facility expenses (i)	113,558	(25,762)
Consultancy fees	379,495	342,919
Secretarial, legal and advisory services	214,794	394,325
Directors' travel expenses	22,461	-
Directors' fees	33,444	57,510
Company administration fees	87,382	21,879
PIDG expenses (ii)	963,962	905,260
Audit and tax services	111,019	127,661
Environmental and advisory fees	9,024	71,174
Investment Management Fees and custodian fees	169,292	178,217
Other administrative expenses	98,713	(61,403)
	<u>2,203,144</u>	<u>2,011,780</u>

(i) In 2021, an adjustment was made to amortise the 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 over the life of the facility. Leverage facility also includes a monitoring fee of SEK 120 000 and an origination fee of SEK 2 600 000 for a guarantee facility with SIDA (Swedish International Development Cooperation Agency) which has also been amortised over the life of the facility.

(ii) PIDG expenses 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

	2022	2021
	USD	USD
Interest on bank deposits	189,518	47,835
Gain / (Loss) on foreign exchange	48,803	(58,305)
Investment income	2,249,514	7,552,147
Money Market Fund Income	1,193,373	71,290
	<u>3,681,208</u>	<u>7,612,967</u>

The investment income relates to realised bond interest income on the 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.

13. TAXATION (CONTINUED)

The components of income tax expense for the years ended 31 December 2022 and 2021 are, as follows:

	2022 USD	2021 USD
Current tax	-	-
Current income tax	-	-
Adjustment in respect of current income tax of prior years	-	-
Deferred tax	-	-
Relating to origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
 (i) Income Tax Expense		
	2022 USD	2021 USD
Income tax expense (Note 13(ii))	-	(1,211)
Withholding tax suffered	(25,493)	(46,707)
	<u>(25,493)</u>	<u>(47,918)</u>
 (ii) Reconciliation of effective income		
Loss before tax	(26,734,308)	(55,068,054)
 Add: non allowable expenses		
Net foreign exchange loss on bank balances	-	21,156
Impairment of loan receivables	73,973,210	17,070,578
Investment management and custodian fees	169,292	178,217
Unrealised loss in fair value financial guarantee contracts	-	33,361,469
Legal and consultancy fees	223,447	689,906
Fair value movement for financial instruments at FVTPL and loss on disposal	7,364,103	3,526,831
Realised foreign exchange loss on forward contracts	115,168	-
	<u>55,110,912</u>	<u>(219,897)</u>
 Less:		
Exempted bank interest		(137)
Foreign exchange differences on retranslation of bank accounts	(48,803)	-
Unrealised gain on derivative financial instrument	(392,977)	-
Change in fair value of financial guarantee contracts	(56,341,843)	-
Gains on financial instruments at FVTPL	-	(36,521)
Chargeable income	(1,672,711)	(256,554)
Tax liability at 15%	-	-
Less: Credit for foreign tax	-	-
	<u>-</u>	<u>-</u>
Underprovision of income tax in prior year	<u>-</u>	<u>1,211</u>

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14. TAX ASSET

	2022	2021
	USD	USD
Opening balance	432,207	(95,373)
Income tax expense for the year (Note 13 (i))	-	-
Tax paid during the year	-	528,791
Underprovision of income tax in prior year	-	(1,211)
Tax asset at the end of the year	432,207	432,207

15. FINANCIAL INSTRUMENTS AT FVTPL

	2022	2021
	USD	USD
At 1 January	125,377,089	126,209,840
Net change	1,462,850	7,157,640
Loss on disposal of financial instruments at FVTPL	(4,327,812)	(4,463,560)
Fair value movement	(3,036,291)	(3,526,831)
At the end of the year	119,475,836	125,377,089

(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 2022, total cash invested with PIMCO amounted to USD 107,500,000 (31 December 2021: USD 107,500,000).

Breakdown of investments

	2022	2021
	USD	USD
Financial	119,475,836	125,377,089
Cash	1,407,979	621,316
Derivatives	(66,830)	(166,192)
	120,816,985	125,832,213

The total fees relating to PIMCO for the period up to and including Q4 2022 totalled USD 133 thousand (Q4 2021: USD 143 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.

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 2022 is as follows:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
United States Dollar	120,667,458	125,752,926
Great Britain Pound Sterling	5,922	(8,253)
Euro	42,460	44,780
Australian Dollar	61,507	28,387
Canadian Dollar	35,665	10,770
Mexican Peso	3,973	3,603
	<u>120,816,985</u>	<u>125,832,213</u>

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16. DERIVATIVE FINANCIAL INSTRUMENTS AT FVTPL

	2022	2021
	USD	USD
Derivative financial instruments at FVTPL:		
Non-current assets	473,941	-
Current liabilities	(80,963)	(166,192)
	392,978	(166,192)
	2022	2021
	USD	USD
Unrealised gain/(loss) on derivative financial instruments at FVTPL	392,978	(166,192)
Realised (loss)/gain on derivative financial instruments at FVTPL	(115,168)	202,713
Gain on derivative financial instruments at FVTPL	277,810	36,521

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.

17. DEFERRED EXPENSE

Stand-by/Counter Guarantee Facility Fees

	2022	2021
	USD	USD
At 1 January	568,844	295,042
Movement during the year	262,802	611,845
Amortised during the year	(41,343)	(338,043)
At the end of the year	790,303	568,844
Analysed as follows:		
Non-current	736,406	528,077
Current	53,897	40,767
	790,303	568,844

17. DEFERRED EXPENSE (CONTINUED)

- (i) The stand-by fees amortised in 2021 relate to the stand-by facility agreements between the Company and FMO and AFD respectively. The stand-by facility with FMO matured in December 2021. The stand-by facility with AFD, which was signed in December 2020, matures in December 2035. The stand-by facility with AFD are amortised in 2021 and 2022. In December 2022, the Company agreed a counter guarantee facility with SIDA. Fees in relation to the counter guarantee facility with SIDA, which matures in December 2042, have also been deferred.
- (ii) Stand-by and counter guarantee fees are amortised over the length of the facilities. See Note 20.

18. TRADE AND OTHER RECEIVABLES

	2022	2021
	USD	USD
Guarantee fees	4,776,692	5,564,264
Loan interest receivables	3,818,940	2,640,569
Account receivables	326,138	49,529
	8,921,770	8,254,362
Less: loss allowable on receivables	(4,098,574)	(4,800,406)
Accrued interest on fixed deposit account	135,606	2,427
Other receivables	268,248	50,777
	5,227,050	3,507,160

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

Provisions on receivables

	2022	2021
	USD	USD
Provision on guarantee fees	(3,637,742)	(4,658,939)
Provision on loan interest receivable	(304,696)	(86,661)
Provision on other receivables	(156,136)	(54,806)
	(4,098,574)	(4,800,406)

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19. CASH AND CASH EQUIVALENTS

	2022	2021
	USD	USD
<i>(a) Money market funds</i>		
Institutional Liquidity Fund (ILF) (i)	66,864,951	131,690,898
<i>(b) Cash at bank</i>		
Cash on deposit	17,611,214	4,000,000
Cash held with investment agents (Note 15 (a) and (b))	1,407,979	621,316
Cash at bank - GAC Funding	32,015,303	31,831,174
Cash at bank	13,478,571	18,349,994
	64,513,067	54,802,484
	131,378,018	186,493,382

As at 31 December 2022, the Company had no fixed or floating charges (2021: 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.

20. SHARE CAPITAL

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

	2022		2021
	Number of shares	USD	Number of shares USD
At 1 January	322,217,864	322,128,106	317,073,175 316,983,417
Issue of shares	22,128,379	22,128,379	5,144,689 5,144,689
At the end of the year	344,346,243	344,256,485	322,217,864 322,128,106

Callable capital facility (i)

	2022	2021
	USD	USD
At 1 January	175,937,204	54,614,965
Increase	-	126,921,450
Revaluation	(18,647,428)	(5,599,211)
At the end of the year	157,289,776	175,937,204

The Shareholding structure of the Company is as follows:

	2022	2021
FMO	9.87%	10.53%
Private Infrastructure Development Group Trust (PIDG Trust)	90.13%	89.47%
At the end of the year	100%	100%

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20. SHARE CAPITAL (CONTINUED)

- (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). As at 31 December 2022, the Company could leverage these facilities three times. Details of these facilities are included below:
- (iii) The Company entered in a guarantee agreement with Swedish International Development Cooperation Agency (Sida), a government agency under the law of Sweden on 16 December 2022. The counter guarantee agreement serves to support GuarantCo by providing a counter guarantee against each Eligible Underlying Portfolio and thus, bearing part of the risk of non-payment of the principal amount and scheduled interest of Eligible Financings by Eligible Project Companies up to a maximum of 50% of the portion of risk assumed under each Eligible Underlying Guarantee.

Counter party	Currency	Amount	Amount drawn	Date of maturity	Draw trigger
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.
SIDA	USD	100,000,000	-	December 2042	If a payment default has occurred and if reasonable efforts have been pursued by the Company against the defaulting Eligible Project Company and any other entity that may be liable on the Financing covered by the Guaranteed Underlying Guarantee.

The net cash balance as at 31 December 2022 is USD 250,787,024.

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21. PAYABLE TO RELATED PARTY

	<u>2022</u>	<u>2021</u>
	USD	USD
At 1 January	1,272,062	1,706,086
Funds received during the year (Note 23)	1,215,821	1,358,527
Funds disbursed during the year	(1,267,424)	(1,792,551)
At the end of the year	1,220,459	1,272,062

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

	<u>2022</u>	<u>2021</u>
	USD	USD
Fees due to Fund Manager (Note 23)	5,882,994	4,577,800
Fees received in advance	125,000	135,000
Other payables	502,836	476,611
	6,510,830	5,189,411

23. RELATED PARTY TRANSACTION

	<u>2022</u>	<u>2021</u>
	USD	USD
<i>(i) Private Infrastructure Development Group Trust (PIDG Trust)</i>		
(The PIDG Trust is one of two shareholders in the Company, the other shareholder being FMO).		
Technical Assistance Facility (TAF) grants received.	1,187,174	1,358,527
Other TAF funds received.	28,648	-
Technical Assistance Facility (TAF) payable (Note 21).	1,220,459	1,272,062
Payments received in respect of PIDG Ltd. management fee.	1,320,542	1,304,807
<i>(ii) Private Infrastructure Development Group Ltd. (PIDG Ltd.)</i>		
(PIDG Ltd. is a subsidiary of the PIDG Trust. It oversees PIDG's operations and is the effective "holding company" for all PIDG companies).		
<i>(a) Transactions during the year</i>		
Management fees charged	2,284,504	2,210,067

23. RELATED PARTY TRANSACTION (CONTINUED)

(b) Loan to PIDG Ltd.

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 2022, the facility had not been utilised.

(iii) Compensation of key Board personnel

	2022	2021
	USD	USD
Directors' remuneration	27,078	56,372
Other Directors expenses	6,366	1,138
Total Directors' remuneration and short term benefits	33,444	57,510
Directors' remuneration		
Yukiko Omura	4,661	17,503
Patrice Maveyraud	3,479	12,966
Rajkamal Taposeea	9,462	12,969
Cyril Wong	9,476	12,934
Martijn Proos	-	-
Philip Valahu	-	-
Layth Al-Falaki	-	-
	27,078	56,372

(iv) GMC

(GMC provides the Company with management, advisory and support services under an exclusive long term contract).

	2022	2021
	USD	USD
<i>a)</i> Transactions during the year		
Management and Performance fees (Note 10).	18,660,438	16,391,409
<i>b)</i> Outstanding balances		
Management and Performance fees payable (Note 22).	5,882,994	4,577,800

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 90.13% of the Company's shares. The remaining 9.87% of the shares is owned by FMO (Note 20).

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
2022					
(i) Financial assets measured at fair value					
Financial guarantee contracts	978,066	-	-	978,066	978,066
Derivative financial instruments	473,941	-	473,941	-	473,941
Debt instruments at FVTPL	119,475,836	119,475,836	-	-	119,475,836
	120,927,843	119,475,836	473,941	978,066	120,927,843
(ii) Financial liabilities measured at fair value					
Financial guarantee contracts	4,330,546	-	-	4,330,546	4,330,546
Derivative financial instruments	80,963	-	80,963	-	80,963
	4,411,509	-	80,963	4,330,546	4,411,509
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

25. FAIR VALUES (CONTINUED)

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the company manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

26. DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

(i) Financial guarantee contracts and facility agreements at FVTPL

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

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.

26. DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial guarantee contracts and facility agreements

Rating	2022		2021	
	USD		USD	
	Assets	Liabilities	Assets	Liabilities
AAA	37,020	-	-	-
BBB-	-	-	-	-
BB+	-	-	-	-
BB	-	53,266	158,259	748,950
BB-	215,238	632	430,016	145,194
B+	346,222	-	415,726	-
B	-	663,328	1,469,036	-
B-	87,635	674,403	364,112	789,621
CCC+	152,431	1,632,020	-	-
CCC	91,710	1,306,897	93,155	11,372
CCC-	-	-	-	-
CC	47,810	-	58,648	-
D	-	-	-	60,988,136
	978,066	4,330,546	2,988,952	62,683,273

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 USD	Adjustment for credit risk USD	Cost of capital USD	Risk calibration factor USD	Fair value USD
At 1 January 2021	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)
New financial guarantee contracts in the year	17,609,973	(2,747,877)	(3,929,073)	(10,830,279)	102,743
Existing financial guarantee contracts in the year	(23,239,118)	67,995,000	3,596,900	7,886,317	56,239,100
Fair value movement during the year	(5,629,145)	65,247,123	(332,173)	(2,943,962)	56,341,843
At 31 December 2022	40,296,345	(11,141,939)	(10,901,128)	(21,605,758)	(3,352,480)

(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 obligor's PD by their expected EAD and LGD.

The PD is derived from Internal Rating (IR) methods. The lifetime PD is calculated for each guarantee and loan. This is the anticipated probability of a default occurring during the life of the guarantee and loan. 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 transaction is reviewed at least annually over the lifetime of the guarantee is 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:

Description	Definition
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 (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

27. FAIR VALUE- VALUATION PROCESS (CONTINUED)

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

Loss Given Default (LGD) The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately and it is usually expressed as a percentage of the EAD.

Recovery Rates Recovery rates reflect the estimated loss that the Company will suffer given expected defaults. The recovery rate is given as a percentage and reflects the opposite of loss severity (i.e., 100% recovery reflects 0% loss severity). In line with general market convention, loss severity is applied to asset-backed securities while recovery rate is more often used as pricing input for corporate or government instruments. Higher loss severity levels / lower recovery rates indicate lower expected cash flows upon the default of the instruments. Recovery rates for complex, less liquid instruments are usually unobservable and are estimated based on historical data.

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%	2,072,708
Probability of default	3	5	1.00%	3,937,442
Loss given default	3	4	10.00%	5,409,427

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.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2022, 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.

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

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

(a) Credit risk

Credit risk is the risk that counterparties may not be able to meet repayment obligations as and when due thereby exposing GuarantCo to the risk of reduced earnings and a diminution of capital. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored on a monthly basis by the Executive Committee and on a quarterly basis by the Portfolio Committee. New transactions are assessed against the PIDG risk appetite framework and allocated limits at Credit Committee. Requests for additional limit can be made to PIDG Ltd, via quarterly pipeline review meetings, where the limits across all PIDG companies are assessed collectively.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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	6-12 months	1-5 years	Total
	USD	USD	USD	USD
2022				
<i>Assets</i>				
Financial instruments at FVTPL	119,475,836	-	-	119,475,836
Loan receivables	-	-	10,327,899	10,327,899
Derivative financial instruments at FVTPL	473,940	-	-	473,940
Trade and other receivables	5,227,050	-	-	5,227,050
Cash and cash equivalents	131,378,018	-	-	131,378,018
<i>Liabilities</i>				
Trade and other payables	(6,510,830)	-	-	(6,510,830)
Derivative financial instruments at FVTPL	(80,963)	-	-	(80,963)
	<u>249,963,051</u>	<u>-</u>	<u>10,327,899</u>	<u>260,290,950</u>
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)
	<u>310,022,027</u>	<u>-</u>	<u>11,515,250</u>	<u>321,537,277</u>

- (i) Financial guarantee contracts at FVTPL which have a maximum exposure of USD 893,080,951 (2021: USD 835,662,517) 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.

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
	2022		2021	
	USD	USD	USD	USD
United States Dollar	267,154,850	10,922,339	329,611,943	68,038,877
Euro	598,894	-	200,310	-
Great Britain Pound Sterling	5,922	-	(8,253)	-
Australian Dollars	61,506	-	28,387	-
Central African CFA franc	-	-	35,072	-
Canadian Dollar	35,665	-	10,770	-
Mexican Peso	3,973	-	3,603	-
	267,860,810	10,922,339	329,881,832	68,038,877

Sensitivity analysis

As at 31 December 2022, if the United States Dollar had weakened/strengthened by the percentages indicated below 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.

	31 December 2022 USD	31 December 2021 USD
Effect on profit and loss		
Euro (3%)	16,859	5,834
Great Britain Pound Sterling (4%)	234	(317)
Australian Dollars (6%)	3,547	1,352
Central African CFA franc (3%)	-	1,022
Canadian Dollar (4%)	1,214	414
Mexican Peso (6%)	222	236
	22,076	8,541

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(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.

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 profit and loss
	31 December 2022		31 December 2022		31 December 2022
	USD		USD		USD
PIMCO	120,816,985	+/-	119,616,983	+/-	1,200,002
	31 December 2021		31 December 2021		31 December 2021
	USD		USD		USD
PIMCO	125,832,213	+/-	123,831,125	+/-	2,001,088

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):

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29. POLITICAL RISK (CONTINUED)

	Guarantees		Loan and other receivables*		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	USD	USD	USD	USD	USD	USD
<i>Africa:</i>						
Ghana	2,223,144	4,244,619	-	-	2,223,144	4,244,619
Mali	6,533,148	6,945,235	-	-	6,533,148	6,945,235
Madagascar	12,794,589	9,011,222	-	-	12,794,589	9,011,222
Malawi	37,000,000	37,000,000	-	-	37,000,000	37,000,000
Nigeria	28,219,601	33,740,347	10,622,000	10,961,000	38,841,601	44,701,347
Tanzania	49,790,323	50,333,678	-	-	49,790,323	50,333,678
Uganda	1,155,000	1,522,500	-	-	1,155,000	1,522,500
Kenya	73,710,916	79,650,411	-	-	73,710,916	79,650,411
Cameroon	38,371,363	-	-	-	38,371,363	-
Togo	48,628,758	51,498,830	-	-	48,628,758	51,498,830
Côte d'Ivoire	16,327,409	-	-	-	16,327,409	-
<i>Asia:</i>						
Bangladesh	48,584,334	61,355,984	-	-	48,584,334	61,355,984
Cambodia	47,377,976	25,000,000	-	-	47,377,976	25,000,000
India	219,648,979	87,797,093	22,425,563	21,651,738	242,074,542	109,448,831
Pakistan	74,098,242	110,467,834	-	-	74,098,242	110,467,834
Philippines	-	20,765,434	-	-	-	20,765,434
Thailand	-	-	5,946,586	10,762,064	5,946,586	10,762,064
Nepal	-	19,856,217	22,649,854	3,649,269	22,649,854	23,505,486
Vietnam	118,296,166	126,404,101	-	-	118,296,166	126,404,101
Jordan	-	35,679,827	-	-	-	35,679,827
<i>Other:</i>						
Multi-country	70,321,002	74,389,185	53,316,926	-	123,637,928	74,389,185
Total	893,080,950	835,662,517	114,960,929	47,024,071	1,008,041,879	882,686,588

* The amounts shown are gross of adjustment for credit risks. The amount net of this allowance is USD 104,633,033 (2021: USD 35,508,824) - per Note 30 - Loan receivables.

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
AAA	56,852,185	9,265,547	-	-	66,117,732
B	124,479,301	4,657,341	-	52,000,000	181,136,642
B-	107,807,960	-	-	46,400,000	154,207,960
B+	72,389,367	-	-	-	72,389,367
BB	20,946,175	-	-	-	20,946,175
BB-	37,605,433	3,565,343	-	25,000,000	66,170,776
BBB-	15,114,598	4,534,380	-	200,000,000	219,648,978
C	-	-	-	-	-
CC	3,219,601	-	-	-	3,219,601
CCC	14,818,973	20,326,504	10,622,000	-	45,767,477
CCC+	47,261,828	20,043,295	-	6,793,119	74,098,242
D	-	-	104,338,929	-	104,338,929
Total	500,495,421	62,392,410	114,960,929	330,193,119	1,008,041,879

- (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 330,193,119 (2021: USD 267,400,000).

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30. LOAN RECEIVABLES

	2022	2021
	USD	USD
<i>(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	-	-
<i>(ii) Thai Biogas Energy Company Ltd (TBEC)</i>		
At 1 January	10,762,065	12,581,652
Repayments	(423,031)	(594,975)
Revaluation	(538,344)	(1,224,612)
Write off	(3,854,104)	-
	5,946,586	10,762,065
Adjustment for credit risk	(5,946,586)	(10,762,065)
At 31 December	-	-
<i>(iii) Accugas Ltd</i>		
At 1 January	10,961,000	10,961,000
Revaluation	(704)	-
Repayments	(338,296)	-
	10,622,000	10,961,000
Adjustment for credit risk	(294,101)	(66,125)
At 31 December	10,327,899	10,894,875
<i>(iv) Solu Hydropower Private Ltd</i>		
At 1 January	3,649,268	1,514,533
Disbursements	19,000,587	2,134,735
	22,649,855	3,649,268
Adjustment for credit risk	(22,649,855)	(3,028,893)
At 31 December	-	620,375
<i>(v) Tower Aluminium Nigeria Plc</i>		
At 1 January	-	295,320
Repayments	-	(295,320)
	-	-
Adjustment for credit risk	-	-
At 31 December	-	-
<i>(vi) KUL Urban Development Private Limited</i>		
At 1 January	1,164,710	-
Disbursements	3,204,360	15,473,496
Revaluation	233,422	(8,786)
Repayments	(2,663,957)	-
Write off	-	(14,300,000)
	1,938,535	1,164,710
Adjustment for credit risk	(1,938,535)	(1,164,710)
At 31 December	-	-

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30. LOAN RECEIVABLES (CONTINUED)

	2022	2021
	USD	USD
(vii) <i>Albatros Energy Mali S.A.</i>		
At 1 January	-	-
Disbursements	3,727,454	-
Revaluation	(193,837)	-
Repayment	(3,533,617)	-
	-	-
Adjustment for credit risk	-	-
At 31 December	-	-
(viii) <i>Sindicatum Renewable Energy FIA</i>		
At 1 January	-	-
Disbursements	55,316,926	-
Repayment	(2,000,000)	-
	53,316,926	-
Adjustment for credit risk	(53,316,926)	-
At 31 December	-	-
Total loan receivables	10,327,899	11,515,250

(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:

	2022	2021
	USD	USD
At 1 January	35,508,824	33,957,827
Movement during the year	72,978,313	15,850,997
Write-off	(3,854,104)	(14,300,000)
At the year of the year	104,633,033	35,508,824

During the year, the Company enhanced the model used to calculate allowances for credit losses and a number of sub-components of this computation. This is in line with IFRS 9 which advises that an entity should regularly review the methodology and assumptions used for estimating expected credit losses (ECL) to reduce any differences between estimates and actual credit loss experience.

This change in accounting estimate only has an effect on Accugas Ltd. The impact of these changes on the allowance for credit losses of Accugas Ltd is a reduction of USD 908,929.

30. LOAN RECEIVABLES (CONTINUED)

- (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:

	<u>2022</u>	<u>2021</u>
	USD	USD
Movements during the year	(72,978,313)	(15,850,997)
FX results	(994,897)	(1,219,581)
Loan receivables impairments and adjustments for credit risk	<u>(73,973,210)</u>	<u>(17,070,578)</u>

31. LOAN PAYABLES

	<u>2022</u>	<u>2021</u>
	USD	USD
(i) Global Affairs Canada		
At 1 January	31,799,331	-
Disbursements	-	31,799,331
At 31 December	<u>31,799,331</u>	<u>31,799,331</u>

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

There are no significant events after the reporting date which need disclosure or amendment through the financial statements.