AXXELA FUNDING 1 PLC
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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AXXELA FUNDING 1 PLC
CORPORATE INFORMATION
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

DIRECTORS	Mr. O. Olusanya	Chairman
	Mr. M. Osunsanya	Chief Executive Officer
	Mr. O. Ofuya	Non-Executive Director
SECRETARY	Tuoyo Ejueyitchie (Mr.) 17a, Ozumba Mbadiwe Avenue Victoria Island, Lagos	
REGISTERED NUMBER	RC1517428	
REGISTERED OFFICE	17a, Ozumba Mbadiwe Avenue Victoria Island, Lagos	

AXXELA FUNDING 1 PLC
UNAUDITED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Revenue		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Administrative expenses	6	(2,123)	(105)
Operating profit		**(2,123)**	**(105)**
Finance cost	7.1	(608,577)	-
Finance income	7.2	599,229	-
Profit before taxation		**(11,471)**	**(105)**
Income tax expense	8.1	-	-
Profit for the year		**(11,471)**	**(105)**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		-	-
Other comprehensive income for the year, net of tax			
Total Comprehensive Income for the year, net of tax		**(11,471)**	**(105)**
Profit per share			
Basic Profit for the year attributable to ordinary equity holder	9	**(22.94)**	**(0.21)**

AXXELA FUNDING 1 PLC
UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Notes	2020 ₦'000	2019 ₦'000
Assets			
Non-current assets			
Property, plant and equipment		-	-
Deferred tax asset	8.3	-	-
		-	**-**
Current Assets			
Financial Assets	10	11,500,000	-
Other Receivables	11	599,729	500
Cash and bank	12	4,944,462	-
		17,044,191	**500**
Total assets		**17,044,191**	**500**
Equity			
Issued capital	13	500	500
Retained earnings		(11,681)	(210)
Total equity		**(11,181)**	**290**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	17.2	11,245,993	-
		11,245,993	**-**
Current liabilities			
Trade and other payables	14	5,809,379	210
Income tax liabilities	8	-	-
		5,809,379	**210**
Total equity and liabilities		**17,044,191**	**500**

See notes to the financial statements

The unaudited interim financial statements of Axxela Funding 1 PLC for the period ended 30 September 2020 were approved on ……………28 October……………………… 2020 and were signed by:

Mobolaji Osunsanya
Chief Executive Officer

Timothy Ononiwu
Chief Finance Officer

AXXELA FUNDING 1 PLC
UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2020

	Issued capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Total ₦'000
As at 1 January 2019	**500**	**-**	**(105)**	**395**
Profit for the year	-	-	(105)	(105)
Total comprehensive income	**-**	**-**	**(105)**	**(105)**
As at 31 December 2019	**500**	**-**	**(210)**	**290**
As at 1 January 2020	**500**	**-**	**(210)**	**290**
Profit for the year	-	-	(11,471)	(11,471)
				-
Total comprehensive income	500	-	(11,471)	(10,971)
As at 30 September 2020	**500**	**-**	**(11,681)**	**(11,181)**

AXXELA FUNDING 1 PLC
UNAUDITED INTERIM STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2020

	Note	2020 ₦'000	2019 ₦'000
Operating activities			
Loss before taxation		(11,471)	(105)
Adjustments to reconcile profit before taxation to net cash flows:			
Finance cost	7.1	608,577	-
Finance income	7.2	(599,229)	
		(2,123)	(105)
Working capital adjustments			
Increase in trade & other receivable and prepayment		(12,099,229)	-
Increase in trade and other payables		5,809,169	105
Net cash flows from operating activities		**(6,292,183)**	**-**
Investing activities			
Finance income		-	-
Net cash flows used in investing activities		**-**	**-**
Financing activities			
Proceed on borrowings		11,500,000	-
Payment of Transaction cost		(263,356)	-
Dividend paid		-	-
Net cash flows from/(used in) financing activities		**11,236,644**	**-**
Net increase in cash and cash equivalents		4,944,462	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 30th September		**4,944,462**	**-**

1 Corporate information

Axxela Funding 1 Plc (the "Company") was incorporated in Nigeria on the 10th of August, 2018 as a public limited company. The registered office of the Company is at The Wings Office Complex, East Tower, Ozumba Mbadiwe Avenue, Victoria Island, Lagos. The Company is a special purpose funding vehicle and wholly owned subsidiary of Axxela Limited ("Axxela") that has been set up for the purpose of raising funds on behalf of Axxela and subsidiaries of Axxela (together the "Axxela Companies"). The Company was set up in particular to act as the issuer under Axxela's bond programme as there is a requirement for the issuer to be a public limited company. The Company has and will have no business operations of its own, other than borrowing, advancing / passing through funds to, and receiving funds from the Axxela Companies.

2 Significant accounting policies

2.1 Basis of preparation

The interim financial statements of Axxela Funding 1 Plc have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). The same accounting policies and methods of computation were followed in the preperation of these interim financial statements compared with the most recent annual financial statements.The financial statements are presented in Naira, rounded to the nearest thousand, and prepared under the historical cost convention except for financial assets and liabilities measured at fair value.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 5.
This is the Company's first set of interim financial statements.

a. Functional and presentation currency

The financial statements of the Company are presented in Naira. The Company's functional currency is naira. All financial information presented in Naira has been rounded to the nearest thousands unless stated otherwise.

b. Basis of measurement

The financial statements have been prepared under the going concern assumption and historical cost convention except for financial instruments that are measured at fair value.

c. Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of preparation of the financial statements and reported income and expenses for the period. Management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and various other factors considered as reasonable which form the basis for assessing the carrying amount of assets and liabilities. Actual results may differ significantly from these estimates, if different assumptions or circumstances apply. Those significantly affected by judgments and estimates are as disclosed below:

i. Going Concern

The company's management 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, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ii. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

iii. Property, plant and equipment (PPE)

The company carries its PPE at cost in the statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its useful life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their lives.

iv. Interest Income & Interest Cost

Interest income and expense for all interest bearing financial instruments are calculated by applying the effective interest rate to the gross carrying amount for non-credit impaired financial assets and are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. For credit-impaired financial assets subsequent to initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

v. Fees, Commission Income & Expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised at a point in time, or over time as the performance obligations are satisfied.

d. Current versus non-current classification

The company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in 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 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.

a. Taxation

i. Income taxes

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

The tax currently payable is based on the taxable profits for the period. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the reporting date.

ii. Deferred taxes

Deferred tax is provided on all 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 on initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

• Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. Deferred taxes assets are recognised for all deductible temporary differences except:

• Where the deferred tax asset relates to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

An entity shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that, and only to the extent that, it is probable that:

a) the temporary difference will reverse in the foreseeable future; and
b) taxable profit will be available against which the temporary difference can be utilised.

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 income tax asset to be utilised.

iii. Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

• Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of VAT included as appropriate. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

c. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. The company has no intangible asset yet.

d. Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings, freehold land and downstream plant & machinery are subsequently shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings and plant & machinery. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Plant and machinery	3 to 20 years
Motor vehicles	3 to 5 years
Fixtures, fittings and equipment	3 to 5 years
Information technology	3 to 5 years

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Upon disposal or retirement of property, plant and equipment, the cost and related accumulated depreciation are removed from the financial statements and any resulting gain or loss is recognised in the profit or loss in the period in which the item is derecognised.

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the company. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for at amortised cost.

The company has no property plant and equipment at the endd of the reporting period.

e.Inventory

The company's inventory is defined as assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realisable value. Costs of materials and supplies represent purchase or production cost of goods and are determined on a weighted average basis for material stocks (WAC).
Inventory relating to intermediate products are valued at actual cost plus conversion costs or net realisable value whichever is lower. Costs include directly attributable costs incurred in bringing inventories to the present location and condition for intended use by management.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Where the time value of money is material, these future prices and costs to complete are discounted. Net realisable value is determined by reference to prices existing at the balance sheet date.

The company has no inventory at the end of the reporting period.

f. Accounting for leases

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The company has no inventory at the end of the reporting period.

g. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Naira (NGN), which is the company's functional and presentation currency.

(ii) Transactions and balances in the company

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/operating losses.

h. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

i. Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7.

Financial Instruments: Disclosures.

Classification and measurement

Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Company's financial assets as at 30 September 2020 satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include trade receivables, intercompany receivables, other receivables and cash and bank balances. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognised at fair value through profit or loss.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company's financial liabilities include trade and other payables and interest bearing loans and borrowings.

Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied for trade receivables and contract assets while the general approach is applied to intercompany receivables, cash and bank balances, and other receivables.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period.

The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

Significant increase in credit risk and default definition

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are classified as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

Financial liabilities

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

Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Fair value of financial instruments

The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

j. Share capital

Ordinary shares are classified as equity. Share issue costs net of tax are charged to the share premium account.

k. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, restricted cash and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

l. Employee benefits
Retirement benefit obligations
Defined contribution scheme

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Pension Reform Acts of 2014 mandates companies to deduct and remit 8% of employee annual emolument and 10% as employer's deduction. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the defined contribution plan are charged to the profit or loss in the year to which they relate. The company has no employee and as such no employee obligations at the end of reporting period.

m. Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate which reflects current market assessments of the time value of money and the specific risk. The increase in the provision due to the passage of time is recognised as interest expense.

n. Current and deferred income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current and deferred income tax.

i. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. Education tax is provided at 2% of assessable profits of companies operating within Nigeria. Tax is recognised in the income statement except to the extent that it relates to items recognised in OCI or equity respectively. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

ii. Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Current and deferred income tax is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

o. Dividend

Dividend payable to the Company's shareholders is recognised as a liability in the financial statements in the period in which they are declared (i.e. approved by the shareholders).

p. Non-current assets (or disposal Companys) held for sale.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at lower of carrying amount and fair value less costs to sell.

q. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or
In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 categorized 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 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as available for sale financial assets, and significant liabilities. Involvement of external valuers is decided upon and approved by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Board verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Board, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. 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.

3 Significant Accounting Judgment, estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, 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 particular, the Company has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management (Note 4)
- Financial risk management and policies (Note 17.4)
- Sensitivity analyses disclosures (Notes 17.4)

Estimates and assumptions

(i) Property, plant and equipment

The company carries its property, plant and equipment at cost in the Statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The company reviewed and estimated the useful lives and residual values of its property, plant and equipment, and account for such changes prospectively.

(ii) Intangible Assets

The company carries its software license at cost in the Statement of financial position. The carrying value of the Rights to Gas Transmission Pipeline is carried at revalued amount. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the company's financial position and performance. The charge in respect of periodic amortization is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of the assets are determined by management at the time the asset is acquired (or revalued) and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The company reviewed and estimated the useful lives and residual values of its intangible assets, and account for such changes prospectively.

(iii) Impairment of non-current assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(iv) Income Taxes

Given uncertainties exist with respect to the interpretation of complex tax regulations coupled with the amount and timing of future taxable income as well as the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions, based on reasonable estimates, for possible tax implications that may result in tax liabilities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the prevailing circumstances.

(v) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

(vi) Fair value hierarchy

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(vii) Fair value measurement of financial instruments.

Where 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. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 17.2 for further disclosures.

(viii) Impairment of financial asset

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The impairment of the financial assets will be carried out at year end as the call note investment of the company is less than six months from the reporting period.

4 Capital risk management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise stakeholder value. The company manages its capital structure in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2020 and 2019.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 1% and 99%.

	2020 ₦'000	2019 ₦'000
Long Term Debt (Bond)	11,245,993	-
Less:		
Cash and bank (Note 12)	4,944,462	-
Net debt	**6,301,531**	**-**
Total equity	(11,181)	290
Equity plus net debt	**6,290,350**	**290**
Gearing ratio	**1.00**	**-**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial commitments would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2020 and 2019.

5 Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities. Quantitative disclosures fair value measurement hierarchy for assets as at 30 September 2020.

	Date of valuation		Fair Value Measurement using		
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		₦'000	₦'000	₦'000	₦'000
Liabilities for which fair values are disclosed:					
Long Term Debt (Bond)	30 September 2020	11,245,993	-	-	11,245,993
Liabilities for which fair values are disclosed:					
Long Term Debt (Bond)	31 December 2019	-	-	-	-

There have been no transfers between Level 1 and Level 2 during the period.

		2020	2019
6	**Administrative Expenses**	**₦'000**	**₦'000**
	Audit fee	2,016	105
	Bank charges	107	-
		2,123	105

		2020	2019
7	**Finance cost and income:**	**₦'000**	**₦'000**
7.1	**Finance costs:**		
	Interest on debts and borrowings	608,577	-
		608,577	**-**
7.2	**Finance income:**		
	Interest income on Call Notes issued to Related Parties	599,229	-
		599,229	**-**

Interest Income on Call Notes represent interest accrued on the Call Notes Issued to Related Entities.

8 Income tax

8.1 Income tax expense

	2020	2019
The major components of income tax expense for the years are as follows:	₦'000	₦'000
Current income tax:		
Current income tax charge	-	-
Education tax	-	-
	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the statement of profit or loss	**-**	**-**

8.2 Statement of financial position

	2020	2019
	₦'000	₦'000
As at 1 January	-	-
Charge for the year	-	-
As at 31 December	**-**	**-**

8.3 Deferred tax
Deferred tax relates to the following:

	Statement of financial position		Income statement	
	2020	**2019**	**2020**	**2019**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Accelerated depreciation for tax purposes	-	-	-	-
Trade and other receivables	-	-		-
Provisions		-		-
Deferred tax expense/(income)	**-**	**-**	**-**	**-**

Reflected in the statement of financial position as follows:	Statement of financial position	
	2020	**2019**
	₦'000	**₦'000**
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Deferred tax liabilities net	**-**	**-**

Reconciliation of deferred tax assets net

	2020	**2019**
	₦'000	**₦'000**
As at 1 January	-	-
Tax expense during the year recognised in profit or loss	-	-
	-	**-**

9 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	2020 ₦'000	2019 ₦'000
Net profit attributable to ordinary equity holders of the parent		
Profit attributable to ordinary equity holders (N'000)	(11,471)	(105)
Net Profit attributable to ordinary equity holders of the parent for basic earnings (₦'000)	**(11,471)**	**(105)**
Weighted average number of ordinary shares for basic earnings per share	500	500
Basic earnings per share (Naira)	**(22.94)**	**(0.21)**

		2020	2019
10	**Financial Assets**	**₦'000**	**₦'000**
	Call Notes issued (Note 15.3a)	11,500,000	-
	Total	**11,500,000**	**-**

The call notes are classified as Financial Assets measured at Amortized Cost at an effective interest rate of 14.3%.

11 Other Receivables

	2020	2019
	₦'000	**₦'000**
Accrued Interest on Call Notes to Related Parties(Note 15.3b)	599,229	-
Share Capital Receivable (Axxela Limited)	500	500
	599,729	**500**

12 Cash and bank

	2020	2019
	₦'000	**₦'000**
Cash at bank	4,944,462	-
	4,944,462	**-**

Cash at banks earns interest at floating rates based on daily bank deposit rates.
For the purpose of the statement of cash flows, cash and cash equivalents represents the balance as shown above in the cash and bank balance.

13 Issued capital and reserves

	2020	2019
	₦'000	**₦'000**
Authorised share capital at ₦1 each	500	500
500,000 Ordinary shares at ₦1 each	**500**	**500**

The company's share alloted to Axxela Limited is yet to be paid for. The directors are of the opinion that there is no conflict of interest since the transactions were made in accordance with the agreed terms and conditions

14 Other Payables

	₦'000	**₦'000**
Call Notes held for Related Parties (14.1)	5,083,232	-
Accrued Interest income on Outstanding Bond proceed	124,693	-
Provision for Finance Charges	599,228	-
Audit Fee	2,226	210
	5,809,379	**-**

Terms and conditions of the above financial liabilities:

• Call Notes held for Related Parties represent outstanding call notes amount (including transaction cost) to be issued to the three related parties namely Gaslink Nigeria Limited, Transit Gas Nigeria Limited and Axxela Limited
• Accrued Interest represent interest earned on the outstanding bond proceed held in favour of the three related entities with the outstanding call notes.
• Provision for finance charges represent actual interest cost due on the Bond principal to Bond Investors reserved in the Debt Service Reserve Account.

		2020	2019
14.1	**Call Notes Outstanding**	**₦'000**	**₦'000**
	Transit Gas Nigeria Limited	4,491,759	-
	Gaslink Nigeria Limited	381,557	-
	Axxela Limited	209,916	-
		5,083,232	**-**

15 Related party disclosures

15.1 The ultimate parent

The ultimate parent of the company is Helios Investors III, L.P.

15.2 The Parent Company

During the year, the Company had significant business dealings with Companies which are related to Axxela Limited. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 30 September 2020 and 2019:

15.3 Financial Assets-Call Note

The following Call Notes were issued and outstanding to related parties as at the period end:

	2020	2019
Call Notes Receivable(15.3a)	**₦'000**	**₦'000**
Transit Gas Nigeria Limited	5,273,193	-
Gaslink Nigeria Limited	4,016,892	-
Axxela Limited	2,209,916	-
	11,500,000	**-**

	2020	2019
Interest Income Accrued on the Financial Assets-Call Notes (15.3b)	**₦'000**	**₦'000**
Transit Gas Nigeria Limited	274,769	-
Gaslink Nigeria Limited	209,308	-
Axxela Limited	115,152	-
	599,229	**-**

Terms and conditions of transactions with related party

Axxela Funding 1 Plc ("the Issuer") is a special purpose vehicle incorporated by Axxela Limited with the sole aim of providing debt finance to Axxela and its subsidiaries (jointly called "the Co-Obligors"). Axxela Limited is a pioneer independent gas distribution company in Nigeria, following the development of its foremost natural gas distribution network covering two major commercial cities of Lagos and Port-Harcourt. The Company's revenue is derived principally from the marketing and distribution of natural gas to industrial consumers as well as the sale of compressed natural gas ("CNG"). Axxela's operating subsidiaries include Gaslink Nigeria Limited ("GNL"), Central Horizon Gas Company Limited ("CHGC"), Gas Network Services Limited ("GNSL") and Transit Gas Nigeria Limited ("TGNL").

Axxela Funding 1 Plc issued a ₦11.5 Billion Series 1 Seven-Year 14.3% Fixed Rate Bond Due 2027 under its ₦50 Billion Medium Term Note Programme in May 2020. The net proceeds of the Bond will be used to purchase Notes to be issued by Axxela Limited, Transit Gas Nigeria Limited and Gaslink Nigeria Limited, while the Co-Obligors will ultimately apply the proceeds to refinance existing debts and fund pipeline construction project. The call notes were issued to the related entities at similar terms and conditions to the bond transaction including the transaction cost.

The proposed Series 1 Bond will attract a fixed coupon rate payable semiannually in arrears on the coupon payment date over the seven-year tenor. The principal will also be repaid half-yearly upon the expiration of a two-year moratorium upon issuance. The Bond constitutes a senior secured obligation of the Issuer and will rank pari passu without any preference to one above the other by reason of priority of date of issue, currency of payment or otherwise with all other senior secured obligations of the Sponsor, present and future, except to the extent that any such obligations are by their terms expressed to be subordinated in right of payment.

15.4 Nature of transactions with related parties

Gaslink Nigeria Limited: Gaslink Nigeria Limited based in Nigeria, is an entity controlled by Axxela Limited. Axxela Funding 1 has issued a call note of N4 billion (with N0.3 billion yet to be taken up) to GNL as at September 2020.

Axxela Limited: Axxela Limited based in Nigeria is the Parent company of Axxela Funding 1 PLC. Axxela Funding 1 Plc has issued a call note of N2.2 billion(with N0.2 billion yet to be taken up) to Axxela Limited. The Company also have Share Capital oustanding of N0.5 million receivable (2019: N 0.5 million) from Axxela Limited at year end.

Transit Gas Nigeria Limited: Transit Gas Nigeria Limited based in Nigeria, is an entity controlled by Axxela Limited. Axxela Funding 1 has issued a call note of N5.3 billion (with N4.5 billion yet to be taken up) to TGNL as at September 2020.

16.1 Contingent liabilities

There are no significant contingencies that may have material effect on the financial statements of the Company as at 30 September 2020

16.2 Legal claim contingency

There are no significant contingencies that may have material effect on the financial statements of the Company as at 30 September 2020

17 Financial liabilities

	2020	2019
The borrowings are made up as follows:	**₦'000**	**₦'000**
(a) Non-current -interest bearing loans and borrowing		
Series 1 Bond Programme	11,500,000	-
	11,500,000	**-**
(b) Current -interest bearing loans and borrowing		
Series 1 Bond Programme	-	-
	-	**-**
Bond Effective Interest Rate (Transaction Cost)		
Initial Recognition	263,356	-
Amortization	(9,348)	-
	254,007	**-**
Total borrowings	**11,245,993**	**-**

17.1 The bank loans and overdrafts are secured by a portion of the company's assets as follows:

	Interest Rate	Maturity	2020	2019
	%		**₦'000**	**₦'000**
Current interest-bearing loans and Borrowings	14.3	2020 - 2027	-	-
Total current interest-bearing loans and borrowings			**-**	**-**
Non-current interest-bearing loans and borrowings	14.3	2020 - 2027	**11,500,000**	**-**
Total non-current interest-bearing loans and borrowings			**11,500,000**	**-**

Term loan 1

In May 2020, Axxela Funding 1 PLC obtained a 7 Year 14.30% Fixed Rate Bonds of N11.5 billion due 2027. The bond was faciliated for use by operating entities in the Axxela Limited Group to acheive business expansion as well as refinancing of existing facilities. The bond's effective interest rate is 14.98%.

The interest rate is computed based on quarterly average of the Federal Government of Nigeria Bond prices plus a margin of 3%. This represent a variable interest rate, as such effective interest rate will not be calculated and the transaction cost will be carried as an asset in books of the entity to be amortised on a straight-line basis over the period of the loan.

The carrying amounts of borrowings for 2020 approximate to the fair value as the interest rates are based on market rates. Fair values are based on discounted cash flows using a discount rate which is based on the borrowing rate that directors expect would be available to the Company at the reporting date.

17.2 Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Company’s financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2020	**2019**	**2020**	**2019**
Financial liabilities	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Borrowings	11,245,993	-	11,245,993	-
	11,245,993	**-**	**11,245,993**	**-**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Hence comparison between carrying values and fair values were not provided for these items.

Fair value hierarchy

Fair value hierarchies of the financial instruments were disclosed in Note 5.

17.3 Reconciliation of fair value measurements of Level 3 financial instruments

The company classified loan notes and interest bearing loans and borrowings as Level 3 within the fair value hierarchy.

	2020	**2019**
Movement in Bond is as follows:	**₦'000**	**₦'000**
At January 1	-	-
Additional	11,500,000	-
EIR adjustment during the year	(254,007)	-
Repayment of borrowings	-	-
	11,245,993	**-**

17.4 Financial risk management objectives and policies

The company's principal financial liabilities comprise trade and other payables and borrowings. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations on a continuous basis. The company has trade and other receivables, and cash and short-term deposits directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk. The company's senior management oversees the management of these risks. The company's senior management is supported by the Company finance committee that advises on financial risks and the appropriate financial risk governance in line with the company policies framework. The finance committee provides assurance to the Company's senior management on the Company's financial risk activities which are governed by appropriate policies and procedures. The financial risks are identified, measured and managed in accordance with Company policies framework. This is to ensure that the financial risks affecting the Company operations are maintained at the level of the Company risk appetite. The company finance committee is a team made up of specialist that has the appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. The company's financial instruments affected by market risk include: Short-term deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency). The company has set up a policy requiring the management of foreign exchange risk against the functional currency. The company is not materially exposed to foreign currencies sensitivities at the end of the reporting period.

Commodity price risk

The company is affected by the volatility of certain commodities. Due to the significantly changes in the price of the underlying, the Company's Board of Directors developed a risk management strategy dealing with commodity price risk and its mitigation. At the reporting date, the Company has no significant amount in commodities and as such, it is not considered exposed to commodity price risk.

Equity price risk

At the reporting date, the Company has no amount in equity investments and as such, it is not considered exposed to equity price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and committed transactions.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. The company assesses the credit quality of the customers, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored to ensure debts are easily collected and within the control of the Company.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit at the reporting date is the carrying value of each class of financial assets disclosed in Note 17.1. The company does not hold collateral as security.

Financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as shown in Note 17.1

Liquidity risk

The company monitors its risk to shortage of funds using a liquidity planning strategy. The company's objective is to maintain a consistent strategy of internally generated earnings and equity funding. The company sometimes finances its operations through commercial borrowings.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio to dilute potential concentration of risks. The company also ensures that concentrations of credit risks are identified early enough, controlled and managed accordingly.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Year ended 30-Sep-20	**On demand ₦'000**	**Less than 3 months ₦'000**	**3 to 12 months ₦'000**	**1 to 5 years ₦'000**	**> 5 years ₦'000**	**Total ₦'000**
Borrowings		-	-	5,799,077	5,700,923	11,500,000
Trade and other payables	-	-	-	-	-	-
	-	**-**	**-**	**5,799,077**	**5,700,923**	**11,500,000**

Year ended 30-Sep-19	**On demand ₦'000**	**Less than 3 months ₦'000**	**3 to 12 months ₦'000**	**1 to 5 years ₦'000**	**> 5 years ₦'000**	**Total ₦'000**
Borrowings	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

AXXELA FUNDING 1 PLC
UNAUDITED INTERIM STATEMENT OF VALUE ADDED
AS AT 30 SEPTEMBER 2020

	2020 ₦'000	%	2019 ₦'000	%
Revenue	-		-	
Bought in materials and services (All local)	(2,123)		(105)	
Finance income and other income	599,229		-	
Value added	**597,106**	**100**	**(105)**	**100**
Distribution:				
Employees:				
Salaries and wages, pension cost and staff welfare	-	-	-	-
Providers of capital:				
interest expense	608,577	102	-	-
Maintenance of assets:				
Depreciation of PPE and amortization of intangible assets	-	-	-	-
Government:				
Tax expense	-	-	-	-
The future:				
Deferred tax (credit)	-	-	-	-
Retained profit for the year	(11,471)	(2)	(105)	100
Value added	**597,106**	**100**	**(105)**	**100**

The value added represents the additional wealth created by the company. This statement shows the allocation of wealth to employees, providers of finance, shareholders, government and that

AXXELA FUNDING 1 PLC
THREE YEAR FINANCIAL SUMMARY
AS AT 30 SEPTEMBER 2020

	2020 ₦'000	2019 ₦'000	2018 ₦'000
Assets employed:			
Non-current assets	-	-	-
Current assets	17,044,191	500	500
Total assets	**17,044,191**	**500**	**500**
Total equity and liabilities			
Share capital	500	500	500
Retained earnings	(11,681)	(210)	(105)
Current liabilities	5,809,379	210	105
Non-current liabilities	11,245,993	-	-
	17,044,191	**500**	**500**
Revenue and profit			
Revenue	-	-	-
Profit before taxation	(11,471)	(105)	(105)
Taxation	-	-	-
Profit after taxation	**(11,471)**	**(105)**	**(105)**
Earnings per share (Naira)	(23)	(0)	(0)