

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

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CORPORATE INFORMATION

DIRECTORS

| | | |
|----------------------------|-------------------------|-----------------------------|
| Lazarus A. Angbazo (Ph.D) | Chairman | Resigned on 1st Jan, 2025 |
| Mobolaji O. Osunsanya (Mr) | Chief Executive Officer | Resigned on 1st Jan, 2025 |
| Timothy Ononiwu (Mr) | Chief Executive Officer | Appointed on 21st Feb, 2025 |
| Ogbemi Ofuya (Mr) | Non-Executive Director | Resigned on 21st Feb, 2025 |
| Tuoyo Ejueyitchie (Mr) | Non-Executive Director | Appointed on 1st Jan, 2025 |
| Jeremy Bending (Mr) | Non-Executive Director | British |
| Kaat Van Hecke (Ms) | Non-Executive Director | Belgian |

SECRETARY

Tuoyo Ejueyitchie (Mr)
17a, Ozumba Mbadiwe Avenue
Victoria Island, Lagos

REGISTERED NUMBER

RC1517428

**TAX IDENTIFICATION
NUMBER**

21070307-0001

REGISTERED OFFICE

17a, Ozumba Mbadiwe Avenue
Victoria Island, Lagos

AUDITOR

Ernst & Young,
10th & 13th Floors UBA House
57 Marina, Lagos, Nigeria

PRINCIPAL BANKERS

First Bank of Nigeria Limited
35, Marina, Lagos

Ecobank Nigeria Limited
Plot 2, Ajose Adeogun Street
Victoria Island, Lagos.

SOLICITORS

Aluko & Oyeboode
1 Murtala Muhammed Drive,
Ikoyi,
Lagos

The New Practice
49, Raymond Njoku Street,
Ikoyi,
Lagos

Olaniwun Ajayi
The Adunola, Plot L2 Banana Island,
Ikoyi,
Lagos

AXXELA FUNDING 1 PLC
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CORPORATE GOVERNANCE REPORT

The Company complies with the relevant provisions of the Securities & Exchange Commission (SEC) Code of Corporate Governance of 2011 and the Nigerian Code of Corporate Governance of 2018 by the Financial Reporting Council of Nigeria ("FRC").

Board of Directors

The Board of Directors (the "Board") is made up of the Non-Executive Chairman, Non-Executive Director and Executive Director who oversee the corporate governance of the Company.

Attendance at Board meetings for the year ended 31 December 2024 are as follows:

| Directors | | Attendance | No. of Meetings |
|-------------------------------|------------------------------------|-------------------|------------------------|
| Lazarus A. Angbazo (Ph.D) | Chairman - resigned | 3 | 4 |
| Mobolaji O. Osunsanya (Mr) | Chief Executive Officer - resigned | 4 | 4 |
| Ogbemi Ofuya (Mr) | Non-Executive Director - resigned | 4 | 4 |
| Jeremy Bending (Mr) - British | Non-Executive Director | 4 | 4 |
| Kaat Van Hecke (Ms) - Belgian | Non-Executive Director | 4 | 4 |

Board Committees

At the Axxela Group level the Board carries out its oversight functions through its various committees each of which has a clearly defined terms of reference and a charter. The Board has three (3) standing committees, namely: Governance and Remuneration Committee, Safety, Audit and Risk Committee and Strategy and Finance Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the committees are set out below:

The Governance and Remuneration Committee is chaired by Mr. Jeremy Bending, an independent non executive director and supported by two other directors. Ms. Kaat Van Hecke leads the Safety, Audit and Risk Committee alongside two non-executive directors. The Strategy and Finance Committee is led by Mr. Ogbemi Ofuya (now resigned) as chairman and supported by two non-executive directors.

The Board of Directors met four times in the 2024 financial year.

Governance and Remuneration Committee

The Committee acts on behalf of the Board of Directors on all matters relating to the workforce.

Terms of reference

- Develop, review and recommend the remuneration policy to the Board for approval.
- The Committee may engage a remuneration consultant at the expense of the Company for the purpose of carrying out its responsibilities. Where such a consultant is engaged by the Committee, the consultant must be independent.
- To perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

| Directors | | Attendance | No. of Meetings |
|-----------------------|-------------|-------------------|------------------------|
| Jeremy Bending (Mr) | Chairperson | 4 | 4 |
| Nitin Kaul (Mr) | Member | 4 | 4 |
| Sugiyama Daisuke (Mr) | Member | 4 | 4 |

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CORPORATE GOVERNANCE REPORT - Continued

Safety, Audit and Risk Committee

The Committee is responsible for evaluating and handling issues relating to risk management in the Company.

Terms of reference

- Receive reports on, and review the adequacy and effectiveness of the Company's risk and control processes to support its strategy and objectives.
- Endorse definition of risk and return preferences and target risk portfolio.
- Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile.
- Review the effectiveness of the risk management system on an annual basis.
- To perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

| Directors | | Attendance | No. of Meetings |
|---------------------------------|-------------|-------------------|------------------------|
| Kaat Van Hecke (Ms) | Chairperson | 4 | 4 |
| Jeremy Bending (Mr) | Member | 4 | 4 |
| Lazarus Angbazo (Mr) - Resigned | Member | 3 | 4 |

Strategy and Finance Committee

The Committee acts on behalf of the Board of Directors on all matters relating to financial management, and reports to the Board for approval/ratification.

Terms of reference

- Establish the Company's financial policies in relation to the operational plan, capital budgets, and the reporting of results.
- Monitor the progress and achievement of the Company's financial targets.
- Review significant corporate financing and liquidity programs and tax plans.
- Review contract awards for significant expenditure above EXCO limit.
- Review significant transactions and new business initiatives for the Board's approval.
- To perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

| Directors | | Attendance | No. of Meetings |
|------------------------------|-------------|-------------------|------------------------|
| Ogbemi Ofuya (Mr) - Resigned | Chairperson | 4 | 4 |
| Sugiyama Daisuke (Mr) | Member | 4 | 4 |
| Kaat Van Hecke (Ms) | Member | 4 | 4 |

**AXXELA FUNDING 1 PLC
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CORPORATE GOVERNANCE REPORT - Continued

The Company Secretary

The Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that the Company's Memorandum and Articles of Association together with other relevant rules and regulations are complied with. He also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flow within the Board and its committees and between Management and Non-Executive Directors. The Company Secretary also facilitates orientation of new Directors and coordinates the professional development of Directors.

The Company Secretary is responsible for designing and implementing a framework for the Company's compliance with the listing rules of the Nigerian Stock Exchange, including advising Management on prompt disclosure of material information.

The Company Secretary attends and prepares the minutes for all Board meetings. As Secretary for all Board Committees, he assists in ensuring coordination and liaison between the Board, the Board Committees and Management. The Company Secretary also assists in the development of the agendas for the various Board and Board Committee meetings.

The appointment and removal of the Company Secretary are subject to the Board's approval.

Sustainability Report

Axxela Funding 1 Plc firmly believes in the importance of contribution to the creation of a thriving society in Nigeria. To this end, the Company is committed to the support of environmentally sustainable initiatives and investments that will impact the lives of our immediate community and the society as a whole. It does this via providing funding to the Axxela entities.

Whistle Blowing Process

The Company is committed to the highest standards of openness, probity and accountability, hence the need for an effective and efficient whistle blowing process as a key element of good corporate governance and risk management.

Whistle blowing process is a mechanism by which suspected breaches of the Company's internal policies, processes, procedures and unethical activities by any stakeholder (staff, customers, suppliers and applicants) are reported for necessary actions.

It ensures a sound, clean and high degree of integrity and transparency in order to achieve efficiency and effectiveness in our operations.

The reputation of the Company is of utmost importance and every staff of the Company has a responsibility to protect the Company from any persons or act that might jeopardize its reputation.

An essential attribute of the process is the guarantee of confidentiality and protection of the whistle blower's identity and rights. It should be noted that the ultimate aim of this policy is to ensure efficient service to the customer, good corporate image and business continuity in an atmosphere compliant with best industry practice.

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CORPORATE GOVERNANCE REPORT - Continued

The Company has a Whistle Blowing channel via the Company's website, dedicated telephone hotlines (accessible via <https://www.axxelagroup.com/wp-content/uploads/2019/05/Whistle-Blowing-Policy.pdf>) and external e-mail address (kpmgethicsline@ng.kpmg.com). Also, the Company's General Counsel and Company Secretary is responsible for monitoring and reporting on whistle blowing.

Process of Board Appointments

The Board Governance & Remuneration Committee has the responsibility for leading the process for Board appointments as either Executive or Non-Executive Directors.

The Committee, in performance of its duties under the Board Charter, shall review the need for appointments and recommend such appointments to the Board for approval. The Committee shall note the specific experience and abilities needed and shall identify, review and recommend to the Board candidates for potential appointment as Directors.

In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefit of diversity on the Board, including gender mix as well as the balance of appropriate skills and experience.

The appointment of Directors by the Board is subject to the approval of the Shareholders.

BY ORDER OF THE BOARD



**Tuoyo Ejueyitchie (Mr)
Company Secretary
FRC/2025/PRO/DIR/003/232261**

25 June 2025

AXXELA FUNDING 1 PLC
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FOR THE YEAR ENDED 31 DECEMBER 2024

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2024.

LEGAL FORM

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 wholly owned subsidiary of Axxela Limited and ultimately controlled by Glover Gas & Power BV Netherlands.

PRINCIPAL ACTIVITIES

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 finance for the business of Axxela and subsidiaries of Axxela (together the "Axxela Group"). The Company was set up in particular to act as the issuer under Axxela's proposed bond programme as there is a requirement for the issuer to be a public limited company.

STATE OF AFFAIRS

In the opinion of the Directors, the state of affairs of the Company is satisfactory and no events have occurred since the reporting date which would affect the financial statements as presented.

RESULTS FOR THE YEAR

The following is a summary of the Company's operating result:

| | 2024 ₦'000 | 2023 ₦'000 |
|---|---------------|---------------|
| Interest income using effective interest rate | 3,640,565 | 1,430,696 |
| Profit before tax | - | - |
| Income tax expense | - | - |
| Profit for the year | - | - |

DIRECTORS

The names of the Directors at the date of this report and of those who held office during the year are as follows:

| | | |
|----------------------------|-------------------------|-----------------------------|
| Lazarus A. Angbazo (Ph.D) | Chairman | Resigned on 1st Jan, 2025 |
| Mobolaji O. Osunsanya (Mr) | Chief Executive Officer | Resigned on 1st Jan, 2025 |
| Timothy Ononiwu (Mr) | Chief Executive Officer | Appointed on 21st Feb, 2025 |
| Ogbemi Ofuya (Mr) | Non-Executive Director | Resigned on 21st Feb, 2025 |
| Tuoyo Ejueyitchie (Mr) | Non-Executive Director | Appointed on 1st Jan, 2025 |
| Jeremy Bending (Mr) | Non-Executive Director | British |
| Kaat Van Hecke (Ms) | Non-Executive Director | Belgian |

**AXXELA FUNDING 1 PLC
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REPORT OF THE DIRECTORS - Continued

DIRECTORS' INTERESTS IN SHARES

Pursuant to Section 301 and 302 of the Companies and Allied Matter Act, 2020, None of the Directors who held office during the year has any direct or indirect interest in the shares of the Company as at 31 December 2024.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act, 2020 of any direct or indirect interest in contracts or proposed contracts with which the Company is involved as at 31 December 2024.

DONATIONS AND GIFTS

The Company did not give any donation in the year ended 31 December 2024 (2023: Nil).

SHAREHOLDING STRUCTURE

The issued share capital of the Company as at 31 December 2024 was beneficially owned as follows:

| | 2024 | | 2023 | |
|----------------|---------------------|-------------|---------------------|-------------|
| | Number of shares | % | Number of shares | % |
| Axxela Limited | 2,000,000 | 100% | 2,000,000 | 100% |
| | <u>2,000,000</u> | <u>100%</u> | <u>2,000,000</u> | <u>100%</u> |

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the Company that there is no discrimination in considering applications for employment including those from disabled persons. All employees are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their careers. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

EMPLOYEES' INVOLVEMENT AND TRAINING

The development and training of the Company's staff continues to receive constant attention. Relevant training was provided to employees during the year.

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REPORT OF THE DIRECTORS - Continued

HEALTH AND SAFETY

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. Careful attention is given to employees' health through the use of top class clinics. However the Company has one employee (the Chief Executive Officer), who is seconded from the parent company during the year (2023: nil).

PROTECTION OF THE ENVIRONMENT

The Company is committed to protecting the environment within and around its operational areas. In this regard, it has established a framework for complying with all statutory environmental requirements, applying best industry practice and operating in a manner that assumes no harm to the environment.

FORMAT OF FINANCIAL STATEMENTS

The financial statements are presented in accordance with the reporting and presentation requirements of IFRS Accounting Standards as issued by the International Accounting Standards Board, in compliance with the Financial Reporting Council Act of Nigeria (Amendment) Act, 2023 and the Companies and Allied Matters Act, 2020. The Directors consider that the format adopted is most suitable for the Company.

EVENTS AFTER THE REPORTING DATE

As stated in Note 23 to the financial statements, no events have occurred after the reporting date which have a material effect on the financial statements, or the omission of which will make the financial statements misleading as to the financial position or results of operations.

INDEPENDENT AUDITOR

Ernst & Young have expressed their willingness to continue in office as the auditor to the Company in accordance with section 401(2) of the Companies and Allied Matters Act, 2020.

A resolution will be proposed at the Annual General Meeting empowering the Directors to fix their remuneration.

BY ORDER OF THE BOARD



**Tuoyo Ejueyitchie (Mr)
Company Secretary
FRC/2025/PRO/DIR/003/232261**

25 June 2025

**AXXELA FUNDING 1 PLC
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FOR THE YEAR ENDED 31 DECEMBER 2024**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF
THE FINANCIAL STATEMENTS**

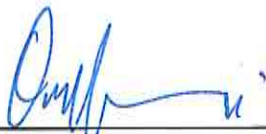
The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, 2020, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act 2023;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act 2023.

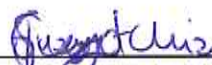
The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its financial performance for the year ended 31 December 2024. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Timothy Ononiwu (Mr)
Chief Executive Officer
FRC/2014/PRO/DIR/003/00000007632

25 June 2025



Tuoyo Ejueyitchie (Mr)
Director
FRC/2025/PRO/DIR/003/232261

25 June 2025

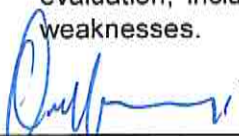
**AXXELA FUNDING 1 PLC
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STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Certification Pursuant to Section 405(1) of Companies and Allied Matter Act, 2020.

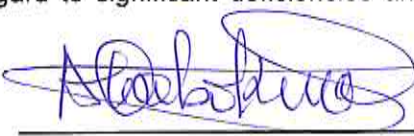
We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2024 that:

- a. We have reviewed the report;
To the best of our knowledge, the report does not contain:
 - Any untrue statement of a material fact, or
 - Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;
- b. To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.
- c. We:
 - are responsible for establishing and maintaining internal controls.
 - have designed such internal controls to ensure that material information relating to the Company is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
 - have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
 - have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- d. We have disclosed to the auditors of the Company and Audit Committee:
 - All significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and
 - Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;
- e. We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



Timothy Ononiwu (Mr)
Chief Executive Officer
FRC/2014/PRO/DIR/003/00000007632

25 June 2025



Ayoola Onabokun (Mr)
Financial Controller
FRC/2022/PRO/ICAN/004/164217

25 June 2025

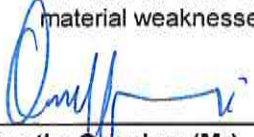
**AXXELA FUNDING 1 PLC
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FOR THE YEAR ENDED 31 DECEMBER 2024**

CERTIFICATION OF MANAGEMENT'S ASSESSMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To comply with the provisions of Section 1.1 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007 we hereby make the following statements regarding the Internal Controls of Axxela Funding 1 Plc for the year ended 31 December 2024.

I Timothy Ononiwu, certify that:

- 1 I have reviewed this management assessment on internal control over financial reporting of Axxela Funding 1 Plc.
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly presenting all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4 The Company's other certifying officer and I:
 - i) are responsible for establishing and maintaining internal controls;
 - ii) have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - iii) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - iv) have evaluated the effectiveness of the Company's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- 5 The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control system, to the Company's auditor and the audit committee of the Company's board of directors:
 - i) There were no significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - ii) There were no fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control system.
- 6 The company's other certifying officer and I have identified, in the report there were no significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including no corrective actions with regard to significant deficiencies and material weaknesses.



Timothy Ononiwu (Mr)
Chief Executive Officer
FRC/2014/PRO/DIR/003/00000007632
...25..... 2025


**AXXELA FUNDING 1 PLC
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CERTIFICATION OF MANAGEMENT'S ASSESSMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To comply with the provisions of Section 1.1 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007 we hereby make the following statements regarding the Internal Controls of Axxela Funding 1 Plc for the year ended 31 December 2024.

I Onabokun Oluwaseun Ayoola, certify that:

- 1 I have reviewed this management assessment on internal control over financial reporting of Axxela Funding 1 Plc.
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly presenting all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4 The Company's other certifying officer and I:
 - i) are responsible for establishing and maintaining internal controls;
 - ii) have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - iii) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - iv) have evaluated the effectiveness of the Company's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- 5 The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control system, to the Company's auditor and the audit committee of the Company's board of directors:
 - i) There were no significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - ii) There were no fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control system.
- 6 The company's other certifying officer and I have identified, in the report there were no significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including no corrective actions with regard to significant deficiencies and material weaknesses.


Ayoola Onabokun (Mr)
Financial Controller
FRC/2022/PRO/ICAN/004/164217
25 June 2025

**AXXELA FUNDING 1 PLC
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FOR THE YEAR ENDED 31 DECEMBER 2024**

MANAGEMENT'S ANNUAL ASSESSMENT OF AND REPORT ON THE ENTITY'S INTERNAL CONTROL OVER FINANCIAL REPORTING

To comply with the provisions of Section 1.3 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007, we hereby make the following statements regarding the Internal Controls of Axxela Funding 1 Plc for the year ended 31 December 2024:

- i Axxela Funding 1 Plc's management is responsible for establishing and maintaining a system of Internal control over financial reporting ("ICFR") that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.
- ii Axxela Funding 1 Plc's management used the Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control-Integrated Framework to conduct the required evaluation of the effectiveness of the entity's ICFR;
- iii Axxela Funding 1 Plc's management has assessed that the entity's ICFR as of the end of 31 December 2024 is effective.
- iv Axxela Funding 1 Plc's external auditor Messrs Ernst & Young that audited the financial statements, included in the annual report, has issued an attestation report on management's assessment of the entity's internal control over financial reporting.

The attestation report of Messrs Ernst & Young that audited its financial statements will be filed as part of the annual report.



Timothy Ononiwu (Mr)
Chief Executive Officer
FRC/2014/PRO/DIR/003/00000007632

..... 25 June 2025



Ayoola Onabokun (Mr)
Financial Controller
FRC/2022/PRO/ICAN/004/164217

..... 25 June 2025

Independent Auditor's Attestation Report on Management's Assessment of Internal Control over Financial Reporting

To the members of AXXELA FUNDING 1 PLC

Scope

We have been engaged by AXXELA FUNDING 1 Plc to perform a 'limited assurance engagement', based on International Standards on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, herein referred to as the engagement, to report on AXXELA FUNDING 1 Plc Internal Control over Financial Reporting (ICFR) (the "Subject Matter") contained in AXXELA FUNDING 1 Plc's (the "Company's") Management's Assessment on Internal Control over Financial Reporting as of 31 December 2024 (the "Report").

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Criteria applied by AXXELA FUNDING 1 Plc

In designing, establishing and operating the Internal Control over Financial Reporting (ICFR) and preparing the Management's assessment of the Internal Control over Financial Reporting (ICFR), AXXELA FUNDING 1 Plc applied the requirements of Internal Control-Integrated Framework (2013) of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework and SEC Guidance on Management Report on Internal Control Over Financial Reporting (Criteria). Such Criteria were specifically designed to enable organizations effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization; As a result, the subject matter information may not be suitable for another purpose.

Independent Auditor's Attestation Report on Management's Assessment of Internal Control over Financial Reporting

To the members of AXXELA FUNDING 1 PLC - Continued

AXXELA FUNDING 1 Plc's responsibilities

AXXELA FUNDING 1 Plc's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying AXXELA FUNDING 1 Plc's management's assessment of the Internal Control over Financial reporting as of 31 December 2024 in accordance with the criteria.

Our responsibilities

Our responsibility is to express a conclusion on the design and operating effectiveness of the Internal Control over Financial Reporting based on our Assurance engagement.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, those standards require that we plan and perform our engagement to obtain limited assurance on the entity's internal control over financial reporting based on our assurance engagement.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA code) and have the required competencies and experience to conduct this assurance engagement.

We also apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

The procedures we performed included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Our engagement also included performing such other procedures as we considered necessary in the circumstances. We believe the procedures performed provides a basis for our report on the internal control put in place by management over financial reporting.

Conclusion

In conclusion, nothing has come to our attention to indicate that the internal control over financial reporting put in place by management as contained and assessed in AXXELA FUNDING 1 Plc's Management Assessment on Internal Control over Financial Reporting is not adequate as of 31 December 2024, based on the requirements of Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework and SEC Guidance on Management Report on Internal Control Over Financial Reporting.

Independent Auditor's Attestation Report on Management's Assessment of Internal Control over Financial Reporting

To the members of AXELA FUNDING 1 PLC - Continued

Other Matter

We also have audited, in accordance with the International Standards on Auditing, the financial statements for the year ended 31 December 2024 of AXELA FUNDING 1 Plc, and we expressed an unmodified opinion in our Auditor's report dated 25 June 2025. Our conclusion is not modified in respect of this matter.



Adewuyi Adeyemo, FCA
FRC/2012/PRO/ICAN/004/00000000148

For Ernst & Young
Lagos, Nigeria

25 June 2025



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXELA FUNDING 1 PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Axxela Funding 1 Plc ('the Company'), which comprise the statement of financial position as at 31 December 2024, 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 material accounting policy information .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Axxela Funding 1 Plc as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act 2023.

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) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AXXELA FUNDING 1 PLC - Continued**

The Key Audit Matter(s) applies to the audit of the financial statements.

| Key Audit Matter | How the matter was addressed in the audit |
|---|--|
| <p>Accounting for Issued Bond</p> <p>Series 1 Bond</p> <p>In year 2020, the Company issued a public debt (Bond) of N10 billion through its Debt Issuance Programme (DIP) at the coupon rate of 14.3% per annum. The Bond was oversubscribed to the tune of N11.5 billion and the excess subscription of N1.5billion was accepted as the DIP authorizes the Company to raise up to N50 billion debt capital through public offering, private placement, book building process or any other method.</p> <p>The proceeds realized from the bond issue were distributed via Call notes to the following Axxela entities - Axxela Limited, Gaslink Nigeria Limited and Transit Gas Nigeria Limited in the following proportion of 19%, 35% and 46% respectively. The terms of the Call Notes to the related companies mirror the terms of Bond Instruments between Axxela Funding 1 Plc and the Bond Holders.</p> <p>Series 2 Bond</p> <p>In April 2024, Axxela Funding 1 PLC issued Series II drew down on a 10-Year 21% Fixed Rate Bonds of N16.4 billion due April 2034 under its N50 Billion Medium Term Note Programme. The purpose of the bond was for business expansion.</p> <p>The proceeds realized from the bond issue were distributed via Call notes to the following Axxela entities - Gaslink Nigeria Limited and Transit Gas Nigeria Limited in the following proportion of 81% and 19% respectively.</p> <p>Due to the significance of the issued bond and the complexity around its treatment as a financial instrument with both liability and asset characteristics. The policies, credit risk management and details relating to the bond instrument are provided in Notes 21, and 22 to the financial statements.</p> | <p>Our procedures included, amongst others, the following:</p> <p>We gained an understanding of the Debt Issuance Programme (DIP) also called the bond agreement, spelling out the terms and conditions of the bond reading through the related documents.</p> <p>We reviewed the Call Notes agreements between the Company and related entities to gain an understanding of the related transaction and the fund applications.</p> <p>For the bond financial liability carried at amortized cost, we tested the accuracy of the bond amortization by recomputing the bond amortization schedule using the applicable inputs derived from the DIP.</p> <p>For financial assets carried at amortized cost, we tested the accuracy of the loan amortization schedule by recomputing the loan amortization schedule using the applicable inputs derived from the call notes agreement.</p> <p>We tested the accuracy of the related transaction costs by assessing and evaluating all incidental costs incurred in acquiring the bond.</p> <p>We obtained confirmation responses from both the Bond issuers and Call notes issuers.</p> <p>We also checked the adequacy of the Company disclosure regarding the financial instruments, expected credit loss and related credit risks.</p> |

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AXXELA FUNDING 1 PLC - Continued**

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Axxela Funding 1 Plc Annual Report for the year ended 31 December 2024", which includes the Report of the Directors, Statement of Directors' Responsibilities in relation to the preparation of the Financial Statements, Statement of Corporate Responsibility for the Financial Statements, Certification of Management's Assessment on Internal Control over Financial Reporting, Management's Annual Assessment of and Report on the Entity's Internal Control over Financial Reporting, Corporate information and Other National Disclosures. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act 2023, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXELA FUNDING 1 PLC - Continued

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AXELA FUNDING 1 PLC - Continued**

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books;
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

In accordance with the requirements of the Financial Reporting Council of Nigeria (FRC) Guidance on Assurance Engagement Report on Internal Control over Financial Reporting:

We performed a limited assurance engagement and reported on management's assessment of the Company's internal control over financial reporting as of December 31, 2024. The work performed was done in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)") and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, and we have issued an unmodified conclusion in our report dated 25 June 2025.


Adewuyi Adeyemo, FCA
FRC/2012/PRO/ICAN/004/00000000148

**For Ernst & Young
Lagos, Nigeria**

25 June **2025**



AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | 2024 N'000 | 2023 N'000 |
|--|-------|---------------|---------------|
| Interest income using effective interest rate | 6 | 3,640,565 | 1,430,696 |
| Interest expense using effective interest rate | 7 | (3,640,565) | (1,430,696) |
| Net interest income | | - | - |
| Other operating income | 8 | 56,321 | 10,056 |
| Net Operating income | | 56,321 | 10,056 |
| Administrative expenses | 9 | (56,321) | (10,056) |
| Profit before tax | | - | - |
| Income tax expense | 10 | - | - |
| Profit for the year | | - | - |
| Other comprehensive income | | - | - |
| Total Comprehensive Income for the year, net of tax | | - | - |
| Earnings per share | | | |
| Basic/Diluted earnings per share | 11 | - | - |

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

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

| Assets | Notes | 2024 ₦'000 | 2023 ₦'000 |
|--------------------------------------|--------------|-----------------------|-----------------------|
| Non-current assets | | | |
| Financial assets | 14 | 16,414,599 | 6,732,983 |
| | | <u>16,414,599</u> | <u>6,732,983</u> |
| Current assets | | | |
| Cash and cash equivalents | 12 | 7,744,087 | 1,504,563 |
| Other receivables | 13 | 56,091 | 29,789 |
| Financial assets | 14 | 3,354,347 | 2,247,723 |
| | | <u>11,154,525</u> | <u>3,782,075</u> |
| Total assets | | <u>27,569,124</u> | <u>10,515,058</u> |
| Equity | | | |
| Share capital | 15 | 2,000 | 2,000 |
| Accumulated losses | | (510) | (510) |
| Total equity | | <u>1,490</u> | <u>1,490</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowing | 21 | 19,301,950 | 6,683,503 |
| Other financial liabilities | 16 | 4,024,732 | 1,630,298 |
| | | <u>23,326,682</u> | <u>8,313,801</u> |
| Current liabilities | | | |
| Interest-bearing loans and borrowing | 21 | 4,240,952 | 2,197,505 |
| Other payables | 17 | - | 2,262 |
| | | <u>4,240,952</u> | <u>2,199,767</u> |
| Total equity and liabilities | | <u>27,569,124</u> | <u>10,515,058</u> |

The financial statements were approved and authorised for issue by the Board of Directors on 31.12.2024 and were signed on its behalf by:



Timothy Ononiwu (Mr)
Chief Executive Officer
FRC/2014/PRO/DIR/003/00000007632



Tuoyo Ejueyitchie (Mr)
Director
FRC/2025/PRO/DIR/003/232261



Ayoola Onabokun (Mr)
Financial Controller
FRC/2022/PRO/ICAN/004/164217

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

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

STATEMENT OF CHANGES IN EQUITY

| | Notes | Share capital ₦'000 | Accumulated losses ₦'000 | Total equity ₦'000 |
|--|-------|------------------------|-----------------------------|-----------------------|
| As at 1 January 2023 | | 500 | (210) | 290 |
| Profit for the year | | - | - | - |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | - | - | - |
| Transactions with owners of equity/Shareholders | | | | |
| Issue of shares | 15 | 1,500 | - | 1,500 |
| Transaction costs incurred | 13.1 | - | (300) | (300) |
| As at 31 December 2023 | | 2,000 | (510) | 1,490 |
| As at 1 January 2024 | | 2,000 | (510) | 1,490 |
| Profit for the year | | - | - | - |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | - | - | - |
| As at 31 December 2024 | | 2,000 | (510) | 1,490 |

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

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

STATEMENT OF CASH FLOWS

| | Notes | 2024 R'000 | 2023 R'000 |
|--|-----------|---------------------|------------------|
| Operating activities | | | |
| Profit before taxation | | - | - |
| Working capital adjustments | | | |
| (Increase)/decrease in other receivables | | (379,687) | 14,796 |
| Increase/(decrease) in trade and other payables | | 2,392,171 | (5,303) |
| Net cash Inflow from operating activities | | 2,012,484 | 9,494 |
| Interest received from co-obligors | 6 | 3,578,505 | 1,390,860 |
| interest paid to bond holders | 7 | (3,578,505) | (1,390,860) |
| Net cash Inflow from operating activities | | 2,012,484 | 9,494 |
| Investing activities | | | |
| Call notes disbursed | 14.1 | (12,172,960) | - |
| Net cash flows used in investing activities | | (12,172,960) | - |
| Financing activities | | | |
| Proceed on borrowings | 22.1 | 16,400,000 | - |
| Repayment of borrowings | 22.1 | (1,243,125) | (1,722,685) |
| Interest paid | 22.1 | (863,002) | (141,595) |
| Proceeds from co-obligors | 14.1 | 2,106,127 | 1,864,280 |
| Transaction cost on issue of shares | | - | (300) |
| Net cash inflow/(outflow) from financing activities | | 16,400,000 | (300) |
| Net increase in cash and cash equivalents | | 6,239,524 | 9,194 |
| Cash and cash equivalents at 1 January | | 1,504,563 | 1,495,369 |
| Cash and cash equivalents at 31 December | 12 | 7,744,087 | 1,504,563 |

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

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024
NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

Axxela Funding 1 PLC was incorporated on 10 August 2018 as a Public Company Limited by shares. It is a subsidiary of Axxela Limited. The principal activities of the Company are business development and raising of finance for the business of Axxela Limited and its subsidiaries.

Axxela Funding 1 PLC is domiciled in Nigeria and its registered office address is 8th Floor, the Wings Complex, East Tower 17A Ozumba Mbadiwe Avenue, Victoria Island, Lagos.

The Company is a wholly owned subsidiary of Axxela Limited and ultimately controlled by Glover Gas & Power BV Netherlands.

2 Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Company and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

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. 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.

c. 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 held primarily for the purpose of trading
- it is expected to be settled in normal operating cycle
- 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.

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES TO THE FINANCIAL STATEMENTS- Continued

2.2 Summary of material accounting policies

The accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

a. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

At the reporting date, the Company's financial assets primarily include, cash and cash equivalents, intercompany receivable and other receivables. The Company's financial liabilities comprise bond liabilities, accrued interest on bonds.

Financial Instruments: Disclosures.

Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI (FVOCI) - debt investment; FVOCI - equity investment; or Fair value through profit or loss (FVTPL).

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

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 31 December 2024 satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include call receivables, intercompany receivables, other receivables and cash and bank balances. 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 on 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 other payables and interest bearing loans and borrowings.

**AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES TO THE FINANCIAL STATEMENTS- Continued

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 of 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.

Derecognition of 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.

AXXELA FUNDING 1 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES TO THE FINANCIAL STATEMENTS- Continued

Summary of material accounting policies (continued)

a) Financial instruments (continued)

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.

Interest income & interest expenses

The Company recognizes interest income arising from its Call Notes (Financial asset) issued to connected entities using the effective interest method. The interest expense on the Bond (Financial liability) issued to third parties is also recognized using the effective interest method.

Other operating income

The Company recognises reimbursibles on administrative expenses incurred as other operating income. These reimbursibles are due from the bond co-obligors. Examples of these reimbursibles include audit fees and annual stock exchange listing fees and other expenses.

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

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.

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NOTES TO THE FINANCIAL STATEMENTS- Continued

Summary of material accounting policies (continued)

a) Financial instruments (continued)

Fair value of Financial instruments (continued)

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.

b. Share capital

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

c. 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, and bank overdrafts.

d. 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.

e. 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.

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NOTES TO THE FINANCIAL STATEMENTS- Continued

Summary of material accounting policies (continued)

e) Fair value (continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

2.3 Changes in accounting policies and disclosures

New Standards and amendments

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

| | Impact | Effective dates |
|--|---------------|------------------------|
| • Amendments to IFRS 16: Lease Liability in a Sale and Leaseback | None | 1-Jan-24 |
| • Amendments to IAS 1: Classification of Liabilities as Current or Non-current | None | 1-Jan-24 |
| • Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 | None | 1-Jan-24 |

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The amendments did not have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments did not have a material impact on the Company's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments is already effective from 2024 annual reporting periods. The amendments did not have a material impact on the Company's financial statements.

Standards Issued But Not Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance.

| | Effective dates |
|---|------------------------|
| • Lack of exchangeability – Amendments to IAS 21 | 1-Jan-25 |
| • IFRS 18 Presentation and Disclosure in Financial Statements | 1-Jan-27 |
| • IFRS 19 Subsidiaries without Public Accountability: Disclosures | 1-Jan-27 |
| • Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 | 1-Jan-26 |

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NOTES TO THE FINANCIAL STATEMENTS - Continued
Standards Issued But Not Effective (continued)

| | Effective dates |
|--|----------------------------|
| · Annual improvements to IFRS Accounting Standards - Volume 11 | 1-Jan-26 |
| · Power purchase agreements - Amendments to IFRS 9 and IFRS 7 | 1-Jan-26 |
| · Sales or contribution of assets between an investors and its associate or joint venture - amendments to IFRS 10 and IAS 28 | 1-Jan-26 |

Lack of Exchangeability - Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The amendments are not expected to have a material impact on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

Standards Issued But Not Effective (continued)

**Contracts Referencing Nature-dependent Electricity (previously Power Purchase Agreements)
(Amendments to IFRS 9 and IFRS 7)**

On 18 December 2024, the IASB issued amendments to enhance the reporting of financial effects from nature-dependent electricity contracts, commonly structured as power purchase agreements (PPAs).

These contracts help companies secure electricity from wind and solar sources. Since the amount of electricity generated under these contracts may vary based on uncontrollable factors related to weather conditions, current accounting requirements may not adequately capture how these contracts affect a company's performance. To address this, the IASB amended IFRS 9 and IFRS 7 to improve disclosure.

Key requirements

The amendments include:

- a) Clarifying the application of 'own-use' requirements,
- b) Allowing hedge accounting for these contracts when used as hedging instruments, and
- c) Introducing new disclosures to help investors assess their impact on financial performance and cash flows.

The amendments take effect for annual reporting periods beginning on or after 1 January 2026, with early adoption permitted.

The amendments are not expected to have a material impact on the Company's financial statements.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture –
Amendments to IFRS 10 and IAS 28**

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments will have no impact on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

Standards Issued But Not Effective (continued)

Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

The amendments clarify that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice to derecognise financial liabilities settled using an electronic payment system before the settlement date. Other clarifications include the classification of financial assets with ESG linked features via additional guidance on the assessment of contingent features. Clarifications have been made to non-recourse loans and contractually linked instruments. Additional disclosures are introduced for financial instruments with contingent features and equity instruments classified at fair value through OCI.

The amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The amendments are not expected to have material impact on the Company and the Company does not plan to adopt the amendments earlier than the effective date.

Annual Improvements to IFRS Accounting Standards—Volume 11

In July 2024, the International Accounting Standards Board (IASB) issued a set of narrow-scope amendments to five standards as part of its annual improvements process. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The amendments include:

IFRS 1 – First-time Adoption of IFRS:

Clarifies the application of hedge accounting transition requirements for first-time adopters to align with IFRS 9.

IFRS 7 – Financial Instruments: Disclosures:

Clarifies the required disclosures relating to the derecognition of financial instruments, credit risk, and the difference between transaction price and fair value.

IFRS 9 – Financial Instruments:

Clarifies the accounting for derecognition of financial liabilities and aligns terminology relating to 'transaction price' with IFRS 15.

IFRS 10 – Consolidated Financial Statements:

Resolves inconsistency in guidance on assessing control where an investor uses a 'de facto agent'.

IAS 7 – Statement of Cash Flows:

Clarifies the classification of cash flows when the cost method is applied to investments in subsidiaries, associates, and joint ventures.

The Company does not expect the application of these amendments to have a material impact on its financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

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 objectives and policies (Note 22)

Estimates and assumptions

(i) Contingencies

By their nature, contingencies will only materialize 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.

(ii) 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. See Note 5 for further disclosures.

(iii) 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 21 for further disclosures.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

4 Capital 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 31 December 2024 and 2023.

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 shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company's policy is to keep the gearing ratio between 1% and 99%. The Company computes net debts as borrowings plus trade and other payables less cash and bank balances.

The gearing ratios as at the reporting dates are as follows:

| | 2024 | 2023 |
|---|--------------------------|--------------------------|
| | ₦'000 | ₦'000 |
| Interest-bearing loans and borrowings (Note 21) | 23,542,902 | 8,881,008 |
| Other financial liabilities (Note 16) | 4,024,732 | 1,630,298 |
| Less: | | |
| Cash and cash equivalents (Note 12) | <u>(7,744,087)</u> | <u>(1,504,563)</u> |
| Net debt | <u>19,823,547</u> | <u>9,006,743</u> |
| Total equity | 1,490 | 1,490 |
| Equity plus net debt | <u>19,825,037</u> | <u>9,008,233</u> |
| Gearing ratio | <u>99.99%</u> | <u>99.98%</u> |

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 any interest-bearing loans and borrowings that define capital structure requirements.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The company is not subject to externally imposed capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

5 Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Fair value hierarchy for assets not measured at fair value as at 31 December 2024:

| Date of valuation | Total | Fair value measurement using | | |
|------------------------------------|--------------|--|--|--|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 31 December 2024 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Assets measured at amortised costs | | | | |
| Call notes | 17,726,021 | - | 17,726,021 | - |

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

| Date of valuation | Total | Fair value measurement using | | |
|------------------------------------|--------------|--|--|--|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 31 December 2023 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Assets measured at amortised costs | | | | |
| Call notes | 8,334,963 | - | 8,334,963 | - |

Fair value measurement hierarchy for liabilities as at 31 December 2024:

| Date of valuation | Total | Fair value measurement using | | |
|--|--------------|--|--|--|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 31 December 2024 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Liabilities measured at amortised cost | | | | |
| Borrowings (Note 21) | 20,744,209 | - | 20,744,209 | - |

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

| Date of valuation | Total | Fair value measurement using | | |
|--|--------------|--|--|--|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 31 December 2023 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Liabilities measured at amortised cost | | | | |
| Borrowings (Note 21) | 8,193,368 | - | 8,193,368 | - |

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

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NOTES TO THE FINANCIAL STATEMENTS - Continued

| 6 Interest income using effective interest rate | 2024 | 2023 |
|--|------------------|------------------|
| | ₦'000 | ₦'000 |
| Interest income on financial assets | 3,578,505 | 1,390,860 |
| Transaction cost amortization (EIR) | 62,060 | 39,836 |
| | <u>3,640,565</u> | <u>1,430,696</u> |

This represents amortization of transaction cost on Bond proceeds receivable from related parties.

| 7 Interest expense using effective interest rate | 2024 | 2023 |
|---|------------------|------------------|
| | ₦'000 | ₦'000 |
| Interest on bond | 3,578,505 | 1,390,860 |
| Transaction cost amortization (EIR) | 62,060 | 39,836 |
| | <u>3,640,565</u> | <u>1,430,696</u> |

This represents amortization of transaction cost on the Bond proceeds. See Note 21. The actual cash settlement of the interest obligation is done through one of the related entities (Call Note Investor-Gaslink Nigeria Limited).

| 8 Other operating Income | 2024 | 2023 |
|---------------------------------|---------------|---------------|
| | ₦'000 | ₦'000 |
| Other direct charges | 56,321 | 10,056 |
| | <u>56,321</u> | <u>10,056</u> |

Other direct charges represent reimbursable for administrative expenses at cost which is recognised under other income.

| 9 Administrative expenses | 2024 | 2023 |
|----------------------------------|---------------|---------------|
| | ₦'000 | ₦'000 |
| Audit fee (a) | 5,810 | 3,600 |
| Travel and accomodation (b) | 28,132 | - |
| Legal and consulting fee (c) | 22,379 | 6,456 |
| | <u>56,321</u> | <u>10,056</u> |

(a) The audit fee relates to audit services carried out by the auditor during the year. Also, the external auditors rendered services on Internal Control over Financial Reporting (ICFR) audit which is considered a non-audit service.

(b) Travel and accomodation represents travel expenses incurred for the Bonds, Loans & ESG Capital Markets conference

(c) A sum of N5,380,000 (2023: N5,380,000) was accrued and contained in Legal and consulting fee for the service.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Income tax

The Company is a special purpose vehicle and has no business operations of its own. The Company therefore has no minimum tax exposure as the gross turnover is nil.

Police Trust Fund Act enacted in 2019 requires that Company provides for Police Trust Fund at the rate of 0.005% of net profit before tax. Education tax is provided at 3% of assessable profits of companies operating within Nigeria. However, the Company recorded no Profit Before Tax for the financial year 2024 and comparative year 2023, as such, no provision has been made in both current and prior year.

11 Earnings per share

Basic earnings per share amounts are calculated by dividing the net earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. There was no difference in the weighted average number of ordinary shares used for basic and diluted net earnings per share from continuing operation, as there was no dilutive shares.

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

| | 2024 ₦'000 | 2023 ₦'000 |
|--|---------------|---------------|
| Net earnings attributable to ordinary equity holders of the company | - | - |
| Earnings attributable to ordinary equity holders | | |
| Net earnings attributable to ordinary equity holders of the company for basic earnings (₦'000) | - | - |
| Weighted average number of ordinary shares for basic earnings per share | 2,000 | 2,000 |
| Basic earnings per share (Naira) | - | - |
| Diluted earnings per share (Naira) | - | - |

The minimum issued number of ordinary shares is 2 million (2023: 2 million) with a par value of N1 per share.

12 Cash and cash equivalents

| | 2024 ₦'000 | 2023 ₦'000 |
|--------------|------------------|------------------|
| Cash at bank | 7,744,087 | 1,504,563 |
| | 7,744,087 | 1,504,563 |

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.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

| 13 Other receivables | 2024 | 2023 |
|--|---------------|---------------|
| | ₦'000 | ₦'000 |
| Receivables from related parties (Note 13.1 & Note 18.3) | 20,013 | 29,459 |
| WHT receivables | 36,078 | 330 |
| | 56,091 | 29,789 |

| 13.1 Receivables from related parties (Note 18.3) | 2024 | 2023 |
|--|---------------|---------------|
| | ₦'000 | ₦'000 |
| Opening | 29,459 | 3,225 |
| Share capital issued in the year | - | 1,500 |
| Other additions | 20,013 | 27,959 |
| Repayment | (29,459) | (3,225) |
| Closing | 20,013 | 29,459 |

Included in other additions are audit fee (N5.81 million), Internal Control over Financial Reporting (ICFR) fee (N5.38 million) and Transfer Pricing Compliance Services (N1.4 million) which are receivables from the co-obligors.

| 14 Financial assets | | |
|---|-------------------|------------------|
| Call notes held | 15,232,927 | 7,246,197 |
| Call notes held on behalf of call issuers | 3,219,934 | 1,493,216 |
| Call notes incurred as transaction cost | 453,083 | 99,698 |
| Accrued interest | 863,002 | 141,595 |
| | 19,768,946 | 8,980,706 |
| Non-current portion | 16,414,599 | 6,732,983 |
| Current portion | 3,354,347 | 2,247,723 |
| | 19,768,946 | 8,980,706 |

Call notes receivable represent call note amounts due from Axxela and its subsidiaries, Gaslink Nigeria Limited and Transit Gas Nigeria Limited (jointly called "the Co-Obligors"). Refer to disclosure under Note 18.3 for details.

| 14.1 Other financial assets | 2024 | 2023 |
|------------------------------------|-------------------|------------------|
| | ₦'000 | ₦'000 |
| Opening | 8,980,706 | 10,844,986 |
| Call notes disbursed | 12,172,960 | - |
| Accrued interest | 721,407 | - |
| Repayment from co-obligor | (2,106,127) | (1,864,280) |
| Closing | 19,768,946 | 8,980,706 |

| 15 Share capital | 2024 | 2023 |
|---|--------------|--------------|
| | ₦'000 | ₦'000 |
| 2,000,000 Ordinary shares, issued and fully paid at ₦1 each | 2,000 | 2,000 |
| | 2,000 | 2,000 |

Ordinary shareholder is entitled to have one vote for each ordinary share. During the year, there was no additional issue of ordinary shares. The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2024 and 31 December 2023 respectively.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

| | | |
|---|--------------|--------------|
| Ordinary shares issued and fully paid | ₦'000 | ₦'000 |
| Opening - Ordinary shares at ₦1 each | 2,000 | 500 |
| Additional shares issued - 1,500,000 Ordinary shares at ₦1 each | - | 1,500 |
| Closing | <u>2,000</u> | <u>2,000</u> |

| | | |
|--|------------------|------------------|
| 16 Other financial liabilities | 2024 | 2023 |
| | ₦'000 | ₦'000 |
| Call notes held on behalf of Co-obligors | 3,219,934 | 1,493,216 |
| Transaction cost amortized (Note 18.4) | 453,083 | 99,698 |
| Accrued expenses | 351,715 | 37,384 |
| | <u>4,024,732</u> | <u>1,630,298</u> |

Call notes outstanding represent the Debt Service Reserve Amount maintained on behalf of Axxela Limited, Transit Gas Nigeria Limited and Gaslink Nigeria Limited jointly called "the Co-Obligors" and the "Call Notes Issuers".

Transaction cost represents cost of issuing bond such as issuing house fee, legal fee and stamp duties. This is amortized to net-off the corresponding effective interest expense amortization.

Accrued expenses largely represent accrued interest on bond proceeds, audit fees as at 31 December 2024.

For explanations on the Company's credit risk management processes, refer to Note 22. Refer to Note 18.5 for the terms and conditions of transactions with related party.

| | | |
|--------------------------|--------------|--------------|
| 17 Other payables | 2024 | 2023 |
| | ₦'000 | ₦'000 |
| VAT and WHT Payable | - | 2,262 |
| | <u>-</u> | <u>2,262</u> |

VAT is largely due to fees payable to professional parties of the bond issue.

18 Related party disclosures

18.1 The ultimate parent

The ultimate parent of the Company is Glover Gas and Power BV, Netherlands.

18.2 The Parent Company

During the year, the Company had significant business dealings with companies which are related to Axxela Limited. Note 18.3 and 18.4 details the total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 December 2024 and 2023).

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NOTES TO THE FINANCIAL STATEMENTS - Continued

18 Related party disclosures (continued)

18.3 Nature of transactions with related parties

Transit Gas Nigeria Limited: Transit Gas Nigeria Limited based in Nigeria, is an entity controlled by Axxela Limited. Axxela Funding 1 Plc has a non-trade related party receivable balance of N8.4 million (2023: N12.9 million) and has issued call note of N5.9 billion (2023: N4.1 billion) with N1.02 billion yet to be taken up as at 31 December 2024 (2023: N686 million)

Gaslink Nigeria Limited: Gaslink Nigeria Limited based in Nigeria, is an entity controlled by Axxela Limited. Axxela Funding 1 Plc has a non-trade related party receivable balance of N6.4 million (2023: N9.8 million) and has issued call note of N12.47 billion (2023: N3.14 billion) with N1.9 billion yet to be taken up as at 31 December 2024 (2023: N522 million).

Axxela Limited: Axxela Limited based in Nigeria is the Parent company of Axxela Funding 1 Plc. Axxela Funding 1 Plc has a non-trade related party receivable balance of N5.2 million (2023: N6.9 million) and has issued call note of N1.31 billion (2023: N1.73 billion) with N286 million yet to be taken up as at 31 December 2024 (2023: N286 million).

18.4 Transactions & balances with related entities

| Receivables (Note 13) | 2024 | 2023 |
|---|-------------------|------------------|
| | ₦'000 | ₦'000 |
| Transit Gas Nigeria Limited | 8,397 | 12,820 |
| Gaslink Nigeria Limited | 6,397 | 9,766 |
| Axxela Limited | 5,219 | 6,872 |
| | 20,013 | 29,459 |
| Call notes receivable (Note 14) | | |
| Transit Gas Nigeria Limited | 5,984,429 | 4,117,708 |
| Gaslink Nigeria Limited | 12,469,775 | 3,137,103 |
| Axxela Limited | 1,314,741 | 1,725,895 |
| | 19,768,945 | 8,980,706 |
| Call notes held on behalf of call issuer (Note 16) | | |
| Transit Gas Nigeria Limited | 1,015,940 | 685,668 |
| Gaslink Nigeria Limited | 1,918,487 | 522,041 |
| Axxela Limited | 285,507 | 285,507 |
| | 3,219,934 | 1,493,216 |
| Call notes incurred as transaction cost (Note 16) | | |
| Transit Gas Nigeria Limited | 102,272 | 45,715 |
| Gaslink Nigeria Limited | 339,593 | 34,824 |
| Axxela Limited | 11,218 | 19,159 |
| | 453,083 | 99,698 |

The call notes issued as transaction cost represent the amount incurred by Axxela Funding 1 Plc to raise the Bond on behalf of the call notes issuers. This was passed on to the Issuers through a debit to financial assets and corresponding credit entry to call notes payable account. The transaction cost will be amortized over the life of the loan to net-off the amortization of the transaction cost capitalized as borrowing EIR as a part of the Effective Interest Rate measurement.

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18.5 Related party disclosures (continued)

Terms and conditions of transactions with related party

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 and a ₦16.4 billion Series 2 Seven-Year 21% Fixed Rate Bond due 2031 under its ₦50 Billion Medium Term Note Programme in April 2024. The net proceeds of the Bond was deployed to purchase Call Notes issued by Axxela Limited, Transit Gas Nigeria Limited and Gaslink Nigeria Limited (jointly referred to as Co-obligors), while the Co-Obligors 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 Call Notes were partially issued based on the need of the Call Notes Issuers while outstanding amount is maintained in the Debt Service Reserve Account. The total Call Notes issued is N15.2 billion (2023: N7.3 billion) with Call notes held on behalf of call issuers of N3.29 billion (2023: N1.49 billion) and Call notes incurred as transaction cost of N453.1 million (2023: N99.7 million).

The 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.

The Series 2 Bond will attract a fixed coupon rate payable semiannually in arrears on the coupon payment date over the ten-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 unsecured 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 unsecured and subordinated 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.

19 Directors and employees

19.1 Directors

The Managing Director is the only Executive Director of the Company and there is no remuneration ascribed to this role during the year (2023: Nil)

19.2 Employees

The Company has one employee (the managing director), who is seconded from the parent company with services rendered at no cost to the company.

20 Capital commitments and contingent liabilities

20.1 Contingent liabilities

There are no contingencies that may have material effect on the financial statements of the Company as at 31 December 2024 (2023: nil).

20.2 Legal claim contingency

There are no contingencies that may have material effect on the financial statements of the Company as at 31 December 2024 (2023: nil).

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NOTES TO THE FINANCIAL STATEMENTS - Continued

| | 2024 | 2023 |
|---|--------------------------|-------------------------|
| | ₦'000 | ₦'000 |
| 21 Interest-bearing loans and borrowing | | |
| The borrowings are made up as follows: | | |
| (a) Non-current interest bearing loans and borrowing | | |
| Series 1 Bond Programme | 4,241,639 | 6,732,983 |
| Series 2 Bond Programme | 16,400,000 | - |
| | <u>20,641,639</u> | <u>6,732,983</u> |
| (b) Current interest bearing loans and borrowing | | |
| Series 1 Bond Programme | 2,599,498 | 2,247,723 |
| Series 2 Bond Programme | 754,849 | - |
| | <u>3,354,347</u> | <u>2,247,723</u> |
| Total borrowings | <u>23,995,986</u> | <u>8,980,706</u> |
| Transaction cost - N11.5bn | | |
| Transaction cost at recognition | 99,698 | 139,534 |
| Additional transaction cost | - | - |
| Transaction cost amortized | (41,324) | (39,836) |
| | <u>58,374</u> | <u>99,698</u> |
| Transaction cost - N16.4bn | | |
| Transaction cost at recognition | - | - |
| Additional transaction cost | 415,446 | - |
| Transaction cost amortized | (20,736) | - |
| | <u>394,710</u> | <u>-</u> |
| N11.5bn | | |
| Non-current | 24,966 | 49,480 |
| Current | 33,408 | 50,218 |
| | <u>58,374</u> | <u>99,698</u> |
| N16.4bn | | |
| Non-current | 1,314,723 | - |
| Current | (920,013) | - |
| | <u>394,710</u> | <u>-</u> |
| Total transaction cost (N11.5bn + N16.4bn) | <u>453,084</u> | <u>99,698</u> |
| Total borrowings less transaction cost (N11.5bn) | <u>6,782,763</u> | <u>8,881,008</u> |
| Total borrowings less transaction cost (N16.4bn) | <u>16,760,139</u> | <u>-</u> |
| Total borrowings less transaction cost (N11.5bn + N16.4bn) | <u>23,542,902</u> | <u>8,881,008</u> |
| Non-current | <u>19,301,950</u> | <u>6,883,503</u> |
| Current | <u>4,240,952</u> | <u>2,197,505</u> |
| | <u>23,542,902</u> | <u>8,881,008</u> |

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NOTES TO THE FINANCIAL STATEMENTS - Continued

**21 Interest-bearing loans and borrowing
(continued)**

| | Interest rate % | Maturity | 2024 R'000 | 2023 R'000 |
|---|--------------------|-------------|-------------------|------------------|
| Current interest-bearing loans and borrowings: Series 1 | 7-yr 14.3% | 2020 - 2027 | 2,599,498 | 2,247,723 |
| Current interest-bearing loans and borrowings: Series 2 | 10-yr 21% | 2024 - 2034 | 754,849 | - |
| Total current | | | 3,354,347 | 2,247,723 |
| Non-current interest-bearing loans and borrowings: Series 1 | 7-yr 14.3% | 2020 - 2027 | 4,241,639 | 6,732,983 |
| Non-Current interest-bearing loans and borrowings: Series 2 | 10-yr 21% | 2024 - 2034 | 16,400,000 | - |
| Total non-current | | | 20,641,639 | 6,732,983 |
| Series 1 Bond Programme | | | 6,841,137 | 8,980,706 |
| Series 2 Bond Programme | | | 17,154,849 | - |
| | | | 23,995,986 | 8,980,706 |

Series 1 Bond

In May 2020, Axxela Funding 1 PLC obtained and drew down on a 7-Year 14.30% Fixed Rate Bonds of N11.5 billion due May 2027. The purpose of the bond was for business expansion as well as refinancing of existing facilities.

Transaction cost represent one-off Bond issue expenses incurred in raising the N11.5 billion Series 1 Bond in 2020. The transaction cost is included in the calculation of the effective interest rate on the Bond in line with the requirement of IFRS 9.

Series 2 Bond

In April 2024, Axxela Funding 1 PLC obtained and drew down on a 10-Year 21% Fixed Rate Bonds of N16.4 billion due April 2034. The purpose of the bond was for business expansion.

Transaction cost represent one-off Bond issue expenses incurred in raising the N16.4 billion Series 2 Bond in 2024. The transaction cost is included in the calculation of the effective interest rate on the Bond in line with the requirement of IFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

22 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.

| | 2024 | 2024 | 2023 | 2023 |
|---|-------------------|-------------------|------------------|------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Financial assets | | | | |
| Call notes issued | 15,232,927 | 13,586,898 | 7,246,197 | 6,716,824 |
| Call notes held on behalf of call issuers | 3,219,934 | 2,871,997 | 1,493,216 | 1,384,129 |
| Call notes incurred as transaction cost | 453,083 | 404,124 | 99,698 | 92,415 |
| Accrued interest | 863,002 | 863,002 | 141,595 | 141,595 |
| | <u>19,768,946</u> | <u>17,726,021</u> | <u>8,980,706</u> | <u>8,334,963</u> |
| Financial liabilities | | | | |
| Series 1 Bond Programme | 6,841,137 | 5,692,236 | 8,980,706 | 8,193,368 |
| Series 2 Bond Programme | 17,154,849 | 15,051,973 | - | - |
| | <u>23,995,986</u> | <u>20,744,209</u> | <u>8,980,706</u> | <u>8,193,368</u> |

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.

Long-term fixed-rate borrowings evaluated by the Company are based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flow method using discount rate (14.3% and 21% respectively) that reflects the issuer's borrowing rate as at the end of the reporting period.

Fair value hierarchy

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

22.1 Cash flow movement on financial liabilities

| | 2024 | 2023 |
|------------------------------|-------------------|------------------|
| | ₦'000 | ₦'000 |
| Financial liabilities | | |
| At January 1 | 8,881,007 | 10,705,452 |
| Proceeds | 16,400,000 | - |
| Repayment of borrowings | (1,243,125) | (1,722,685) |
| Interest paid | (863,002) | (141,595) |
| Movement in accrued interest | 721,408 | - |
| Additions - transaction cost | (415,446) | - |
| EIR amortisation | 62,060 | 39,836 |
| | <u>23,542,902</u> | <u>8,881,008</u> |

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NOTES TO THE FINANCIAL STATEMENTS - Continued

22 Financial risk management objectives and policies

The Company's principal financial liabilities comprise call notes outstanding, amortized transaction cost, accrued expenses and as applicable, 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 call notes issued, call notes held on behalf of co-obligors, call notes incurred as transaction cost 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 are not affected by market risk.

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. There is no exposure to the risk of changes in market interest rates as the long-term debt obligation is at fixed 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 does not conduct foreign currency transaction and is not materially exposed to foreign currencies sensitivities at the end of the reporting period.

Commodity price risk

The Company is not affected by the volatility of any commodities. At the reporting date, the Company is not exposed to any amount in commodities and as such, it is not considered exposed to commodity price risk.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

Financial risk management objectives and policies (continued)

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 bond receivables from related companies).

Related party receivables

Related party 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 related party is assessed based on credit rating scorecard and individual credit limits are defined in accordance with this assessment. 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. The Company does not hold collateral as security.

Related party receivables from co-obligors are not impaired, as the Company expects to recover 100% of these balances. This is based on the nature of the arrangement, wherein the Company acts as a funding vehicle and is assured of full reimbursement from the co-obligors.

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 12.

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 does not conduct business with entities other than its related parties and is not exposed to excessive risk concentration.

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NOTES TO THE FINANCIAL STATEMENTS - Continued

Financial risk management objectives and policies (continued)

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 borrowing, advancing / passing through funds to, and receiving funds.

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

| Year ended 31-Dec-24 | On demand | less than 12 months | 1 to 5 years | > 5 years | Total |
|------------------------------|------------------|----------------------------|---------------------|---------------------|--------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Financial Assets | | | | | |
| Call notes - Series 1 Bond | - | 3,296,739 | 4,944,446 | - | 8,241,185 |
| Call notes - Series 2 Bond | - | 3,444,000 | 21,147,996 | 15,159,293 | 39,751,288 |
| Cash and cash equivalents | - | 7,744,087 | - | - | 7,744,087 |
| Other receivables | - | 56,091 | - | - | 56,091 |
| | - | 14,540,917 | 26,092,442 | 15,159,293 | 55,792,651 |
| Year ended 31-Dec-23 | On demand | less than 12 months | 1 to 5 years | > 5 years | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Financial Assets | | | | | |
| Call notes - Series 1 Bond | - | 3,298,569 | 8,241,185 | - | 11,539,754 |
| Cash & cash equivalents | - | 1,504,563 | - | - | 1,504,563 |
| Other receivables | - | 29,789 | - | - | 29,789 |
| | - | 4,832,921 | 8,241,185 | - | 13,074,106 |
| Year ended 31-Dec-24 | On demand | less than 12 months | 1 to 5 years | > 5 years | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Financial Liabilities | | | | | |
| Series 1 Bond Program | - | 3,296,739 | 4,944,446 | - | 8,241,185 |
| Series 2 Bond Program | - | 3,444,000 | 21,147,996 | 15,159,293 | 39,751,288 |
| Other financial liabilities | - | 4,024,732 | - | - | 4,024,732 |
| Other payables | - | - | - | - | - |
| | - | 10,765,471 | 26,092,442 | 15,159,293 | 52,017,205 |
| Year ended 31-Dec-23 | On demand | less than 12 months | 1 to 5 years | > 5 years | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Financial Liabilities | | | | | |
| Series 1 Bond Program | - | 3,298,569 | 8,241,185 | - | 11,539,754 |
| Other financial liabilities | - | 1,630,298 | - | - | 1,630,298 |
| Other payables | - | 2,262 | - | - | 2,262 |
| | - | 4,931,129 | 8,241,185 | - | 13,172,314 |

23 Events after the reporting date

There are no events after the end of the reporting date which could have had a material effect on the state of affairs of the Company as at 31 December 2024 and the profit for the year ended on that date which have not been adequately accounted for or disclosed.

AXXELA FUNDING 1 PLC

OTHER NATIONAL DISCLOSURES

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VALUE ADDED STATEMENT

| | 2024 ₦'000 | 2024 % | 2023 ₦'000 | 2023 % |
|--|-----------------------------|-------------------------|-----------------------------|-------------------------|
| Interest income | 3,640,565 | | 1,430,696 | |
| Interest expense | <u>(3,640,565)</u> | | <u>(1,430,696)</u> | |
| | - | | - | |
| Other income | <u>56,321</u> | | <u>10,056</u> | |
| | 56,321 | | 10,056 | |
| Bought in materials and services (All local) | <u>(56,321)</u> | | <u>(10,056)</u> | |
| Value added | <u>-</u> | 0% | <u>-</u> | 0% |
| Distribution: | | | | |
| The future: | | | | |
| Retained profit for the year | <u>-</u> | <u>0%</u> | <u>-</u> | <u>0%</u> |
| Profit for the year | <u>-</u> | <u>0%</u> | <u>-</u> | <u>0%</u> |

The Company neither created nor consumed additional wealth in the year (2023: nil)

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FIVE-YEAR FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

| | 2024 K'000 | 2023 K'000 | 2022 K'000 | 2021 K'000 | 2020 K'000 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets employed: | | | | | |
| Cash and cash equivalents | 7,744,087 | 1,504,563 | 1,495,369 | 905,453 | 4,786,822 |
| Other receivables | 56,091 | 29,789 | 3,251 | 206,330 | 187,933 |
| Financial assets | 19,768,946 | 8,980,706 | 10,844,987 | 11,500,000 | 11,500,000 |
| Total assets | 27,569,124 | 10,515,058 | 12,343,607 | 12,611,783 | 16,474,755 |
| Total equity and liabilities | | | | | |
| Share capital | 2,000 | 2,000 | 500 | 500 | 500 |
| Accumulated losses | (510) | (510) | (210) | (210) | (210) |
| Interest-bearing loans and borrowings | 23,542,902 | 8,881,009 | 10,705,454 | 11,310,249 | 11,255,788 |
| Other financial liabilities | 4,024,732 | 1,630,298 | 1,637,863 | 1,301,244 | 5,218,677 |
| Other payables | - | 2,262 | - | - | - |
| | 27,569,124 | 10,515,058 | 12,343,607 | 12,611,783 | 16,474,755 |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Interest income using effective interest rate | 3,640,565 | 1,430,696 | 1,631,225 | 1,644,500 | 1,063,614 |
| Loss before tax | - | - | - | - | - |
| Income tax expense | - | - | - | - | - |
| Loss after tax | - | - | - | - | - |
| Loss per share | - | - | - | - | - |
| Net assets per share | 0.74 | 0.74 | 0.58 | 0.58 | 0.58 |

i) Loss per share are based on loss after taxation and the number of issue and fully paid ordinary shares at the end of each financial year.

ii) Net assets per share are based on net assets and the number of issue and fully paid ordinary shares at the end of each financial year

iii) The 2024 financial information above was for the period ended December 2024.