Auditors

PriceWaterHouseCoopers
Plot 252E Muri Okunola Street
Victoria Island, Lagos
Nigeria

Bankers

United Bank for Africa
UBA House, 57 Marina,
P.O. Box 2406, Lagos
Nigeria

Citibank International Plc
33 Canada Square
London, E14 5LB

Standard Chartered Bank
Head Office
1 Basinghall Avenue
London EC2V 5DD

Zenith Bank Plc
Plot 84 Ajobe Adeogun Street
Lagos
Nigeria
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Chairman’s Statement

Introduction

I am pleased to present this inaugural Annual Report and Financial Statements for the Africa Finance Corporation (AFC), particularly after a challenging first full period of operation for the corporation, both internally and in terms of external business conditions. Despite a major global financial crisis which has particularly affected infrastructure financing flows to Africa, and teething challenges associated with the start-up of the Corporation, I am delighted to present financial statements and an operations update that reflect the growth and progress that AFC has made over the two years since it was founded.

2008 in Review

The year 2008 presented numerous challenges, opportunities and new developments, the effective management of which represents a milestone in the history of AFC. It was a year in which the corporation was subjected to intense public scrutiny and inquiry over its legal status, ties to the host country government, and internal operations; yet emerged with a strong team and viable pipeline of projects, despite tough wider operating conditions in the financial markets.

Financial Health and Stability

The Corporation remains financially stable, evidenced by a strong, liquid balance sheet, and a clean audit opinion obtained from internationally renowned accountants, PriceWaterhouseCoopers. AFC continues to maintain a significant amount of equity capital (US$1.1bn), targeted at selective participation in well-structured projects with major developmental impacts across Sub-Saharan Africa. The corporation continues to actively seek means of expanding the impact of its balance sheet, by accessing local and international financial markets, as well as by partnering with various groups of lenders and investors across the continent.

Country Membership Expansion

AFC has made substantial progress in expanding its membership among African countries. Various countries have progressed to different levels of acceptance, and work continues in this regard. To date, six countries - Nigeria, Guinea-Bissau, Sierra-Leone, The Gambia, Liberia and Guinea have signed up to membership. Ghana is in the process of completing due-diligence on AFC, with the aim of acceding to membership of the corporation. Several other countries have expressed interest
in membership and are in discussions with the corporation. They include Zambia, Zimbabwe, Mozambique and Mauritania. Progress is expected before the end of the year.

Corporate Governance

AFC maintains corporate policies and ethical standards designed to adhere to best international corporate governance practices and to avoid potential conflicts of interest. The names of the directors of the corporation are set out in the full report. Mr. Andrew Alli was appointed the second chief executive officer of the corporation in November 2008. Mr. Solomon Asamoah and Dr. Adesegun Akin-Olugbade joined the Board as executive directors. We look forward to their contribution to the development of the Corporation.

People

AFC continues to be managed by an accomplished team of investment professionals, with an abiding passion for channeling private sector financing towards transformational infrastructure and industrial projects across Africa. AFC's people, operating procedures and processes remain comparable to the best international financial institutions, but focused solely on developmental transactions in Africa.

Operations

AFC’s operations are based on international best practices in project development, advisory services and financing, leading to a book of approved transactions to date totaling more than US$204m, across debt and equity categories, and in crucial sectors such as heavy industries, telecommunications infrastructure and oil & gas. The corporation remains actively engaged with sponsors, promoters, lenders, financiers and other institutions across the continent and globally, towards bringing various large projects with major developmental impacts to effective financial closure. AFC's presence ensures that the financing doors remain open for potential infrastructure and industrial projects in Africa, despite major capital outflows and reduced appetite by foreign investors for these asset classes. In this regard, AFC boasts a sizable project pipeline of transactions under evaluation and awaiting Board approval.

Financial Performance

Despite various challenges during the year, the corporation finished 2008 with a modest, but laudable financial performance, given global market conditions and wider performance of international financial institutions. Setting the standard for similar financial institutions with African ownership and management, the corporation reported its accounts under the globally accepted International Financial Reporting Standard (IFRS), ensuring the highest level of scrutiny, detail and accuracy in reported numbers. AFC earned operating income of US$82.9m in the 14 months to December 2008. On account of significant, one-time foreign exchange translation charges (US$53.9m), the Corporation reported a modest net profit of US$4.4m for the period.
Investment Strategy

Going forward, the Board and Management have undertaken and approved a detailed Investment Strategy Review. It is expected to help safeguard the corporation from the impact of the global financial crisis, position its operations for improved short-term profitability, while remaining poised to take advantage of opportunities thrown up by the crisis, and benefit from the ultimate economic recovery.

Conclusion

Recent events in global financial markets and the collapse of private capital flows into Africa (particularly into urgently required infrastructure projects) strongly vindicate the original business case for AFC as a hybrid investment bank and development finance institution focused on helping bring infrastructure projects to successful financial close within the challenging African operating terrain. Managed by a world-class team of African professionals, strongly capitalized and well structured to focus on its core mandate, I am certain that AFC will achieve significant progress over the next few years to become the dominant institution of its kind operating in Sub-Saharan Africa. I thank you all for your continued support of the AFC.

I would like to conclude by expressing our gratitude to all our shareholders and partners for their support to the corporation during the year. I would also like to thank the Board, management and staff of the corporation for their dedication and diligence in nurturing the institution to its present status. AFC’s future is bright and as the pioneers of this venture, we look forward to fulfilling the institution’s laudable mission.

Chukwuma C. Soludo, CFR
Chairman
The Corporation

Africa Finance Corporation (AFC) is an international organisation established by treaty between independent sovereign states. The AFC was created by two constitutive legal instruments: (i) the Agreement for the establishment of the Africa Finance Corporation (the AFC Treaty) and (ii) the Charter of the Africa Finance Corporation (the AFC Charter). AFC is headquartered in the Federal Republic of Nigeria, based on the Headquarters Agreement dated 28th May 2007 between the Federal Republic of Nigeria and the Africa Finance Corporation.

The Corporation’s membership is comprised of African States, corporate entities such as major commercial banks and financial institutions, other private sector commercial entities and a few individuals. The current Member States are Nigeria, Sierra Leone, Guinea Bissau, The Gambia, Liberia and Guinea Conakry. Other potential member States are going through the process of achieving membership of the Corporation in accordance with their respective internal procedures. As at 31 December 2008, thirty eight shareholders had subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter.

The corporation commenced operations on November 1, 2007. During 2008, it was subjected by the host country to intense public scrutiny and inquiry over its legal status, ties to the host country government, and internal operations. In January 2009, the President of the Federal Republic of Nigeria, directed that the report of the 2008 investigation Committee be set aside, and that the Central Bank of Nigeria progress with its investment in the AFC and reduce its holding to 10% within a period of five years. The Central Bank of Nigeria equity investment of $463,287,000, which was warehoused during the investigation, would be returned in full to the AFC account.
Financial Highlights

Balance Sheet

Total assets | Total liabilities | Total equity
---|---|---
1,098,352 | 4,616 | 1,093,738

Total assets | Loans & advances to banks | Intangible assets | Investment securities
---|---|---|---
1,098,352 | 443,287 | 582,183 | 4,676

Share capital | Retained earnings | Total equity | Total liabilities & equity
---|---|---|---
1,089,319 | 4,419 | 1,093,738 | 1,098,352
Income Statement
## Cash Flow Statement

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Interest and similar income received</td>
<td>80,118</td>
</tr>
<tr>
<td>Fee and commission receipts</td>
<td>458</td>
</tr>
<tr>
<td>Net trading expense</td>
<td>(53,873)</td>
</tr>
<tr>
<td>Cash payments to employees and suppliers</td>
<td>(19,903)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(43,633)</td>
</tr>
<tr>
<td>Deposits with central banks</td>
<td>(463,176)</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>(279,500)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>562</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(778,947)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase of software</td>
<td>(2,066)</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(2,486)</td>
</tr>
<tr>
<td>Disposal of property and equipment</td>
<td>335</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>14</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(10,314)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Issue of ordinary shares</td>
<td>21</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>24</td>
</tr>
</tbody>
</table>
Board of Directors

AFC Board of Directors as at 31 December, 2008

Chairman of the Board:
Professor Chukwuma C. Soludo, CFR
Governor
Central Bank of Nigeria

Director:
Mr. Solomon Asamoah
Deputy Chief Executive Officer and Chief Investment Officer
Africa Finance Corporation

Director:
Mr. Aigboje Aig-Imoukhuede
Group Managing Director /CEO
Access Bank PLC

Director:
Dr. Barth Bassey Ebong
Managing Director
Union Bank of Nigeria

Director:
Mr. Oye Hassan-Odukale, MFR
Managing Director
Leadway Assurance Co. Ltd

Director:
Mr. Tunde Lemo
Deputy Governor FSS
Central Bank of Nigeria

Director:
Dr. Shamsudeen Usman
Honourable Minister of Planning
Federal Republic of Nigeria

Director:
Mr. Andrew Alli
Chief Executive Officer
Africa Finance Corporation

Director:
Dr. Adesegun Akin-Olugbade
Executive Director, Corporate Services, General Counsel and Corporate Secretary
Africa Finance Corporation

Director:
Mr. Tony Elumelu, MFR
Managing Director
United Bank For Africa Plc

Director:
Dr. Erastus Akingbola, OON
Managing Director
Intercontinental Bank Plc

Director:
Mrs. Cecilia Ibru, OFR
Managing Director/ CEO
Oceanic International Bank Plc

Director:
Mr. Jim Ovia
Managing Director
Zenith Bank Plc

Director:
Mr. Lewis Tung
Managing Director
Wempco Group

Director:
Mr. Robert Tung
Director
Gloria investments Limited
Corporate Governance

Commitment to Corporate Governance

Africa Finance Corporation is a hybrid investment bank and multilateral development financial institution. AFC was established in May 2007 as an African-led financial institution with the mission to improve African economies by proactively creating, acquiring, financing and managing infrastructure, industrial and financial assets. The Corporation’s authorized capital is US$2.0 billion and has mobilized over US$1.0 billion of paid-up capital from private and public African institutions.

AFC maintains corporate policies and ethical standards designed to adhere to best international corporate governance practices and avoid potential conflicts of interest.

Board Composition

The AFC is majority owned by private sector investors and has a 21-member board. In line with global best practices and corporate governance, twenty percent are independent directors and the additional six available board seats are reserved for shareholders from other African countries.

Role of the Board

The Board of Directors subject to the provisions of the AFC Charter, has responsibility for the general conduct of the business of the Corporation. It exercises transparent independent judgment and acts in the best interests of the Corporation. As at 31 December 2008, the Board comprised 15 Directors: 12 non-executive, the chief executive officer and 2 executive directors.
Board Committees as at 31 December 2008

During the financial year, the Board delegated some of its responsibilities to the following committees, whose composition included independent director representation, following international best practice.

Board Risk and Investment Committee (BRIC)

The mandate of the Board Risk and Investment Committee is to assist the Board of Directors in fulfilling its risk management responsibilities as defined by the corporation’s charter and internal regulations by periodic:

- Review and assessment of the integrity and adequacy of the risk management function of the corporation
- Review of the adequacy of the corporation’s capital and its allocation to the corporation’s businesses
- Review of risk limits and reports
- Review of the Corporation’s Credit Policy
- Approval of credit exposures
- Review of the Corporation’s corporate and sustainable development responsibility.

Committee Composition
The Committee consists of:
- Mr. Tony Elumelu
- Mr. Aigbaje Aig-Imoukhuede
- Mr. Oye Hassan-Odukale
- Mr. Tunde Lema
- Mr. Jim Ovia
- Mr. Lewis Tung
- Independent Director

Board Audit and Compliance Committee

The mandate of the Board Audit and Compliance Committee is to assist the Board of Directors in meeting its oversight functions. Specifically, the Audit and Compliance Committee responsibilities are to:

- Monitor and assess the overall integrity of the financial statements, disclosures and financial condition of the corporation
- Monitor Management’s responsibilities to ensure effective financial and internal controls, safeguard the assets and income of the corporation, assure the integrity of the corporation’s financial statements, and maintain compliance with the corporation’s ethical standards, policies plans and procedures
- Monitor compliance with legal and regulatory requirements including disclosure controls as outlined in the AFC Charter
- Monitor and evaluate the qualifications, independence and performance of the External Auditors and Internal Audit department
Committee Composition

The Committee consists of:

- Mr. Aigboje Aig-Imoukhuede
- Dr. Erastus Akingboya
- Dr. Barth Basset Ebong
- Mr. Tunde Lemo
- Mrs. Cecilia Ibru
- Mr. Robert Tung
- Independent Director

Board Nomination and Governance Committee

The Nomination and Governance Committee exercises general oversight with respect to the governance of the Board of Directors. The purpose of the committee is to:

- Develop and recommend corporate governance principles applicable to the Corporation
- Establish procedures for director nomination
- Recommend members for all committees to the Board
- Discharge the Board's responsibilities relating to compensation
- Appraise and evaluate the performance of the Board

Committee Composition

The Committee consists of:

- Professor Chukwuma C. Soludo
- Mrs. Cecilia Ibru
- Dr. Erastus Akingboya
- Dr. Barth Basset Ebong
- Mr. Tony Elumelu
- Mr. Oye Hassan-Odukale
- Independent Director
Management Team

Until his recent appointment in November, 2008, Mr Alli was the Deputy Chief Executive Officer of Travant Capital, a private equity fund. Prior to that, Andrew was with the International Finance Corporation (“IFC”), the private sector financing arm of the World Bank Group, in Washington as an investment officer working first in the Oil, Gas and Mining Department and then in the Telecommunications Department. In 2002 he was appointed IFC’s Country Manager for Nigeria, responsible for managing IFC’s operations in the country. In 2006, he was appointed Country Manager for Southern Africa, where he was responsible for South Africa and seven other countries.

Former Vice President for Private Sector and International Investments at the Development Bank of Southern Africa (DBSA) with over 20 years of experience originating and executing transactions, Mr Asamoah was the Special Assistant to the Executive Vice President and Managing Director of the International Finance Corporation (IFC). He later became a Principal Investment Officer at the IFC in Johannesburg, where he led the IFC’s activities across Africa in the ICT sector. Prior to IFC, Mr. Asamoah was an Investment Banker with HSBC Markets in the City of London.
Dr. Adesegun Akin-Olugbade
Executive Director and General Counsel

Former General Counsel and Director at the African Development Bank, Dr. Akin-Olugbade has over 20 years of experience in the legal and financial sector, having worked at both technical and management levels, in the public and private sector, for leading corporate and commercial law firms, development banks and international financial institutions. Dr. Akin-Olugbade was also the pioneer Chief Legal Officer and Head of the Legal Services Department of the African Export-Import Bank (Afrexim Bank).

Oliver Tunde Andrews
Head, Infrastructure, CEO Africa Infrastructure

Former CEO of TCI Infrastructure Limited, Mr. Andrews has a background in engineering, transport, power and project finance, with over 30 years experience in the transport sector and 20 years as an infrastructure project developer and strategic adviser.
Recently a Senior Vice-President of Citigroup within the Corporate and Investment Banking Division and Chief Financial Officer of Citibank Nigeria (Citibank’s second largest franchise in Africa), Dr. Adeduntan has 15 years of experience in the financial sector. Prior to his work at Citigroup, he was senior manager in the financial services group of KPMG/Arthur Andersen where he led the audit teams of several high profile clients and many risk management and financial advisory assignments mainly in the financial services sector.

Before joining AFC as Chief Risk Officer, Roger Ellender was Head, Risk & Quality Assurance at Afrinvest West Africa Limited, Lagos. Roger has over thirty years experience of investment and commercial banking, working mainly in an emerging markets environment. Roger joined Bank of America in 1978 working in the Bank's London and Bahrain branches in corporate banking, financial institutions and risk management. Subsequently he worked for Banque Nationale de Paris’ (now BNP Paribas) London Branch before being seconded to United Bank for Africa, Lagos, with responsibility for syndicated lending and structured products. Roger’s experience spans spells at Standard Chartered Bank, Credit Suisse, and UBS. His responsibilities covered structured trade and Export Credit backed Vendor Financing. In 1999, Roger returned to Nigeria as Executive Director, Operations & Risk Management, FCMB, before joining Travelex Nigeria in 2004, as General Manager.
Macroeconomic Overview

In 2008, global macroeconomic conditions proved to be some of the most challenging in recent history. Indeed, the global economy faced the worst downturn since the 1930’s, with aggregate output growth slowing to 2.5% in 2008, and forecasts for the negative GDP growth witnessed in the second half of 2008 to extend well into 2009 -0.75% (estimated). Significantly lower global output and major disruptions to the normal flow of credit, particularly in the developed economies had knock-on effects on global commodity prices and hence the economic prospects of many of the world’s commodity rich countries, particularly African exporters. Emerging markets, while somewhat less affected than their established counterparts also suffered from the global economic and credit crisis, with GDP growth slowing to 2.0% in 2008, from a robust 6.1% in 2007, and following a strong five year period of growth. Africa’s frontier markets, emerging from the strongest half decade of growth in post-colonial history (2003-2008) were also significantly affected by the global financial crisis. While the primary impact observed was on the balance of payment deficits arising from falling commodity prices, and the unavoidable fiscal deficits associated with major reductions in government earnings across the continent; there have also been follow-on effects related to constrictions in the supply of Foreign Portfolio Inflows (FPI) and Foreign Direct Investments (FDI) into the continent. In many instances, wholesale foreign outflows helped precipitate major currency declines for leading African markets (including South Africa, Nigeria and Kenya).

On account of these factors, the volume of infrastructure finance flows into Africa began to reduce in 2008, with many major providers re-assessing their risk limits and constraining exposure in line with reduced credit availability and fundamentally altered macro-economic assumptions. Indeed, global FDI inflows and cross-border mergers and acquisitions (M&As) - the main mode of FDI - drastically declined in the last quarter of 2008, with the fall continuing into 2009, according to data from the United Nations Conference on Trade and Development (UNCTAD). The statistics have not been any less dire for Africa, particularly as investments in commodity prospecting related assets have historically been the major driver of flows into Sub-Saharan Africa. Overall, this environment helped ensure that the financing of infrastructure projects in Africa (a challenging task even in the best of times), became an even more daunting proposition in 2008. While pockets of investor interest in the asset class continue to exist, the barrier for projects to be considered bankable has risen significantly (with higher risk pricing and softer economic fundamentals), with the population of credible sponsor groups and supporting local financiers reduced appreciably.

Within this challenging environment, the Africa Finance Corporation has taken the lead in helping to ensure that a window of opportunity remains open for credible projects to find support towards
achieving successful financial close. In this regard, AFC actively engaged with sponsor groups, international financial institutions, Africa-focused banks, local financiers and government agencies. Across our focus sectors of power, telecoms, oil and gas, transport infrastructure and heavy industries, AFC was actively involved with all stakeholders at the highest levels to help ensure that a strong pipeline of well-structured projects continued to be nurtured towards financial close. Some of these projects have since begun to see some success, attracting local and foreign financial interest, even in the midst of continuing risk aversion to Africa. In the telecoms sector, AFC played a major role as a leading equity investor in ensuring progress with the US$240m Main One undersea cable project, aimed at significantly expanding regional telecoms/internet bandwidth and connectivity across West Africa. In the oil and gas sector, AFC was active as the only indigenous African financial institution involved in the landmark US$750m financing for the Jubilee oilfield in Ghana (Jubilee is believed to be the largest deepwater oil find in West Africa over the last decade). In the transport infrastructure sector, AFC (in partnership with the African Export-Import Bank) was awarded the prestigious Euromoney Trade Finance Deal of the Year award for Africa, in recognition of its efforts in the US$100m aircraft acquisition financing transaction undertaken to support a major regional airline seeking to expand its business across major African markets. In the heavy industries sector, AFC concluded a major equity investment in Sub-Saharan Africa’s largest fertilizer production facility, working in conjunction with major international technical and private equity partners, as well as local commercial banks in Nigeria. In the power sector, AFC continued to play an active role in helping shape policy decisions and support indigenous sponsor groups towards resolving the longstanding power supply crisis in West Africa’s largest market (Nigeria). AFC was actively involved as a co-sponsor of a major integrated coal power plant planned for Northern Nigeria, as well as in structuring regional emergency power supply options in Nigeria and Liberia.

Overall, the Africa Finance Corporation remained active in 2008 as a major provider of financial advice; technical expertise and policy support, as well a leading financial institution with a strong appetite for investment risk in the Africa infrastructure asset class. As global economic conditions begin to stabilize in 2009, with emerging markets (particularly China and India) beginning to show signs of a robust rebound, expectations are for a rejuvenation of interest in Africa's raw materials. In the event, more stable commodity prices may well combine with continued political stability across much of the continent to renew investor interest in wider opportunities in Africa. AFC will be well positioned to benefit from a wider African recovery.
Project Achievements: Oil & Gas

Kosmos Energy Development of Jubilee Field, Ghana

AFC participated in the signing of a 7-year USD$ 750 million syndicated Reserved Base Lending facility to develop Phase 1 of the landmark Ghanaian Jubilee Oil Field - West Africa’s largest offshore deepwater find in over a decade, with proven reserves in excess of 300 million barrels of recoverable oil.

Kosmos Energy, operating in a consortium with leading oil investors will use the loan facility to finance its share of the capital expenditure requirement for the development of the project. This will play a pivotal role in accelerating and deepening cross-border, economic growth and development in the West African region.

Other Jubilee partners in the development of the oil field are: Anadarko Petroleum Corporation, USA, Tullow Oil plc UK, and the flagship Ghana National Petroleum Corporation. Kosmos Energy is backed by two of the world’s largest private equity firms; Warburg Pincus and the Blackstone Group, who between them have USD$ 148 billion of assets under management. AFC is partnering Standard Chartered Bank London - Structuring bank/Global coordinator, IFC, BNP Paribas, Société Générale, Calyon, Barclays ABSA and Cordiant Emerging Loan Fund, all leading international financiers, in the financing of the project.

Standard Chartered Bank, London, the Lead Arranger on the transaction expressed satisfaction with working with an African financial institution on an African transaction of this magnitude. The project sponsor, Kosmos Energy of Houston, USA, views AFC’s participation in the transaction as strategic given Kosmos Energy’s position as a leading exploration and production company in Africa. AFC as an African financial institution is best positioned to play a significant role in the future development of exploration and production projects across Africa.
Project Achievements: Telecommunications

Main One Submarine Cable

AFC is one of the largest equity investors in the USD$240 million African led project Main-One Submarine Optical Fibre Cable System. Debt finance for the project is being provided by a consortium of development finance institutions led by the African Development Bank and by a group of Nigerian banks.

The Main-One Cable System is an undersea fibre optic cable system that will provide much needed telecommunications capacity and link countries on the West Coast of Africa to Europe and other parts of the world. The project consists of approximately 7000 km of cable between Portugal and Nigeria with branching units to the Canary Islands, Morocco, Senegal, Côte d’Ivoire and Ghana. The Main-One Cable will deliver 1.92Tbps of bandwidth - equivalent to ten times the available capacity of the existing fibre optic cable serving the west coast of Africa and approximately two hundred times the satellite capacity currently available across Sub-Saharan Africa. The service will operate on an open access basis to telecommunications, internet, and data providers in West Africa.

In 2010, Main-One is scheduled to improve access to the internet and vital telecommunications services to over two hundred and fifty (250) million people in West Africa whilst also lowering associated communication costs in the region. A second phase of the project, extending connectivity to South Africa is anticipated. Low internet penetration rates, poor services and relatively high costs associated with telecommunications services in Africa is made worse by inadequate bandwidth capacity. Main-One will address this issue and contribute to the evolution of the West African telecommunications industry. It will act as a catalyst for business efficiency and competitiveness hence aiding the economic development of the region.
Project Achievements: Trade Finance

Trade Finance Partnership with Afreximbank

AFC in partnership with Africa Export-Import Bank (Afreximbank), concluded its first trade finance deal for the acquisition of aircraft for Arik Air Limited. The aircraft will augment the Arik Air fleet and service its key international markets including Johannesburg, Ghana, Banjul, Dakar, Freetown, London. In recognition of this landmark transaction, the lending consortium of AFC, Afreximbank and HSBC was awarded the 2008 Trade Finance Deal of the Year Africa.

AFC is a key financier in the USD$100million transaction and is providing a refinancing facility in a Pan-African partnership with Afreximbank and major International Banks. AFC’s participation in the financing for Arik Air is a natural extension of the extensive trade finance services offered in partnership with Afreximbank and enables African banks to access trade finance lines in a turbulent global financial climate. This builds on AFC’s foundation for a sustained expansion of trade finance activities across Africa.
Project Achievements: Transport

Equity Investment in Logistics and Leasing Company

The AFC contribution in enhancing Nigeria’s financial infrastructure and provision of services in the financial sector was demonstrated through the provision of equity investment in Bankers Warehouse, a cash/assets in transit, cash processing, electronic security and services organisation. Demand for cash in transit services in Nigeria is significant and is expected to grow rapidly over the next 3 to 5 years. Clients include companies which handle large cash volumes; commercial banks, quick service restaurants, retail outlets, gasoline and diesel operators.
The Growing Membership Base

- **Actual Members**
  - Nigeria
  - Guinea Bissau
  - Sierra Leone
  - The Gambia
  - Liberia
  - Guinea

- **Prospective Members**
  - Ghana
  - Zambia
  - Zimbabwe
  - Mozambique
  - Mauritania
  - Banque Centrale des États de l’Afrique de l’Ouest (BCEAO)
    (Central Bank of West African States)
Africa Finance Corporation
Financial Statements for the fourteen months
Ended 31 December 2008

Statement of directors’ responsibility

The directors are responsible for the preparation of the financial statements for each financial year that give a true and fair view of the state of financial affairs of the Corporation at the end of the year and of its profit or loss. The directors are also responsible for ensuring that the Corporation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards. 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 Corporation and of its profit or loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Approval of Annual Financial Statements

The annual financial statements, presented on pages 3 to 26 were approved by the board of directors on 12 May 2009 and signed on its behalf by:

[Signatures]
Chairman
Chief Executive Officer
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AFRICA FINANCE CORPORATION

We have audited the accompanying financial statements of Africa Finance Corporation which comprise the balance sheet as of 31 December 2008, income statement for the period then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2008, and of its financial performance and its cash flow for the period then ended in accordance with international Financial Reporting Standards.

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## Income Statement

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>6</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>7</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td></td>
</tr>
<tr>
<td>Exchange loss</td>
<td>8</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>9</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td></td>
</tr>
</tbody>
</table>

Earnings per share for profit attributable to the equity holders during the period (expressed in United States Cents per share):

- basic: 11, 0.41
- diluted: 11, 0.41

The notes on pages (32) to (53) are an integral part of these financial statements.
Balance Sheet

<table>
<thead>
<tr>
<th>Note</th>
<th>ASSETS</th>
<th>2008 US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and balances with central banks</td>
<td>463,287</td>
</tr>
<tr>
<td></td>
<td>Loans and advances to banks</td>
<td>582,183</td>
</tr>
<tr>
<td></td>
<td>Property and equipment</td>
<td>4,697</td>
</tr>
<tr>
<td></td>
<td>Intangible assets</td>
<td>2,066</td>
</tr>
<tr>
<td></td>
<td>Other assets</td>
<td>43,633</td>
</tr>
<tr>
<td></td>
<td>Investment securities</td>
<td>2,486</td>
</tr>
<tr>
<td></td>
<td><strong>Total assets</strong></td>
<td><strong>1,098,352</strong></td>
</tr>
<tr>
<td></td>
<td>LIABILITIES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accrued expenses and other liabilities</td>
<td>4,614</td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities</strong></td>
<td><strong>4,614</strong></td>
</tr>
<tr>
<td></td>
<td>EQUITY</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital and reserves attributable to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the Corporation’s equity holders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share capital</td>
<td>1,089,319</td>
</tr>
<tr>
<td></td>
<td>Retained earnings</td>
<td>4,419</td>
</tr>
<tr>
<td></td>
<td><strong>Total equity</strong></td>
<td><strong>1,093,738</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>1,098,352</strong></td>
</tr>
</tbody>
</table>

The notes on pages (32 to 53) are an integral part of these financial statements.
Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital US$'000</th>
<th>Retained earnings US$’000</th>
<th>Total US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from shares issued</td>
<td>1,089,319</td>
<td>-</td>
<td>1,089,319</td>
</tr>
<tr>
<td>Net profit</td>
<td>-</td>
<td>4,419</td>
<td>4,419</td>
</tr>
<tr>
<td>As at 31 December 2008</td>
<td>1,089,319</td>
<td>4,419</td>
<td>1,093,738</td>
</tr>
</tbody>
</table>

The notes on pages (32 to 53) are an integral part of these financial statements.
Cash Flow Statement

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Interest and similar income received</td>
<td>80,118</td>
</tr>
<tr>
<td>Fee and commission receipts</td>
<td>458</td>
</tr>
<tr>
<td>Net trading expense</td>
<td>(53,873)</td>
</tr>
<tr>
<td>Cash payments to employees and suppliers</td>
<td>(19,903)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(43,633)</td>
</tr>
<tr>
<td>Deposits with central banks</td>
<td>(463,176)</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>(279,500)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>562</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(778,947)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase of software</td>
<td>(2,066)</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(2,486)</td>
</tr>
<tr>
<td>Disposal of property and equipment</td>
<td>335</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>14</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(10,314)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Issue of ordinary shares</td>
<td>21</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>1,089,319</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>24</td>
</tr>
</tbody>
</table>

The notes on pages (32 to 53) are an integral part of these financial statements.
Notes to the Financial Statements

1. General information

Africa Finance Corporation (the Corporation or AFC) is an international organization established by treaty between independent sovereign states.

The AFC was created by two constitutive legal instruments: (i) the Agreement for the establishment of the Africa Finance Corporation (the AFC Treaty) and (ii) the Charter of the Africa Finance Corporation (the AFC Charter). The AFC is headquartered in the Federal Republic of Nigeria, based on the Headquarters Agreement dated 28th May 2007 between the Federal Republic of Nigeria and the Africa Finance Corporation. The AFC's headquarters is located at No. 3a Osborne Road, Ikoyi, Lagos, Nigeria.

The Corporation’s membership is comprised of African States, corporate entities such as major commercial banks and financial institutions, other private sector commercial entities and a few individuals. The current Member States are Nigeria, Sierra Leone, Guinea Bissau, The Gambia, Liberia and Guinea and other potential member States are going through the process of achieving membership of the Corporation in accordance with their respective internal procedures. Thirty eight (38) shareholders (including the Central Bank of Nigeria, First Bank of Nigeria Plc, United Bank of Africa, Access Bank Plc, Oceanic Bank International Plc, Intercontinental Bank Plc, Union Bank of Nigeria Plc and WEMPCO Group) have thus far subscribed and paid for shares in AFC in accordance with the terms of the AFC Charter.

The Corporation commenced operations on November 1, 2007 after certain conditions prescribed in its constitutive instruments were fulfilled.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies shall be consistently applied to all the years, unless otherwise stated.

2.1 Basis of presentation

The Corporation’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention except where otherwise stated in the accounting policies below. The financial statements are presented in United States Dollars (US$) rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation’s accounting policies.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business
segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

2.3 Foreign currency translation

a) Functional and presentation currency
   The financial statements are presented in US Dollars which is the Corporation’s functional and presentation currency.

b) Transactions and balances
   Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within ‘interest income’ and ‘interest expense’ in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.5 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

2.6 Financial assets

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

c) Held-to maturity

Held-to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation’s management has the positive intention and ability to hold to maturity. If the Corporation were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

d) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.
Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade date- the date on which the Corporation commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset which is not active (and for unlisted securities), the Corporation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2.8 Sale and repurchase agreement

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repudiate the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to
other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.9 Impairment of financial assets

a) Assets carried at amortised cost

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

a) significant financial difficulty of the borrower;
b) a breach of contract, such as default or delinquency in interest or principal repayments;
c) the corporation granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Corporation would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Corporation, including:
- adverse changes in the payment status of borrowers in the Corporation; or
- national or local economic conditions that correlate with defaults on the assets in the Corporation.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.
The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the corporation may measure impairment on the basis of an instrument’s fair value using an observable market price.

The calculation of the present value of the estimated cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Corporation’s grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Corporation and historical loss experience for assets with credit risk characteristics similar to those in the Corporation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Corporation and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.
b) **Assets classified as available for sale**

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### 2.10 Intangible assets

a) **Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Costs associated with developing or maintaining computer software programs are recognised as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Corporation, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

b) **Project Development Expenditure**

Costs associated with development of projects are capitalized when they meet the following recognition requirements of IAS38: (i) the cost can be separated from other costs of the business; (ii) future economic benefits will flow to the Corporation; and (iii) the cost of the asset can be measured reliably.

Transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset (loan or equity investment) are capitalised. Transaction costs are incremental costs that the corporation would not have incurred if it had acquired, issued or disposed the financial instrument.

### 2.11 Property and equipment

All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvements: 25 years, or over the period of the lease if less.
- Furniture and equipment: 5 years.
- Computer and computer equipment: 3 years.
- Motor vehicles: 4 years.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three month’s maturity from date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term government securities.

2.13 Provisions

Provisions are recognised when the Corporation 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.
2.14 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

2.15 Share capital

a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Corporation’s shareholders.

Dividends declared after the balance sheet date are dealt with in the subsequent events note.

c) Treasury shares

Where the Corporation purchases its equity shares, the consideration paid is deducted from total shareholders’ equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

3. Financial risk management

AFC’s business philosophy recognizes that risks are an inevitable consequence of its being in business. Its aim therefore is not to eliminate all risks, but to design policies, processes and procedures that would enable it to achieve an appropriate balance between risk and return. AFC believes that a strong risk management function is key to its successful long-term operations.

AFC operates a multi-layered risk management governance structure, with the Board of Directors at the apex of the structure, exercising and assuming ultimate authority and responsibility for the Corporation’s risk management. Other layers in the risk management governance structure are (i) Board Risk and Investment Committee, responsible for oversight and approval of risk policies, and credit approvals above management’s authority levels; (ii) Management Executive Committee, (EXCO) responsible for review of investment proposals, and exercise of management’s delegated authority for investment approvals; (iii) Management Risk Committee, responsible for the risk policies review and implementation; (iv) Risk Management Department, responsible for risk policies development and monitoring; and (v) Business Units, responsible for the creation and management of risk assets.

The most important types of risks faced by the Corporation are credit risk, market risk and operational risk. These individual sources of risk and how the Corporation manages them are described in more detail below.
3.1 Credit risk

The Corporation takes on exposures to credit risk, which is the risk of financial loss as a result of a failure by a client or counterparty to meet its contractual obligation to the Corporation. The Corporation has two principal sources of credit risk: (i) credit risk on its project loans and investments; and (ii) counterparty credit risk on its portfolio of treasury investments. While the first source of credit risk is currently very limited given the Corporation’s lean level of investment operations, it will become significant as the level of operations increases, and will be the most important risk element for the Corporation. The Corporation’s credit risks are managed within a framework of credit policies, guidelines and processes, which are described in more detail in 3.1.1 and 3.1.2 below.

3.1.1 Project and Investment Credit Risk

The Corporation has developed a comprehensive Credit Risk Policy (CRP) that details its risk philosophy and metrics. The CRP defines the level and type of credit exposures that AFC is prepared to accept in order to achieve its business goals and objectives. It defines the Corporation’s risk appetite along three key metrics, viz. Capital Adequacy Framework, Exposure Limits Framework and Credit Risk Acceptance Criteria.

AFC’s Capital Adequacy Framework creates a quantifiable link between the risks assumed and the amount of risk capital required to support those risks. The capital adequacy framework ensures that the Corporation holds adequate levels of capital to support its investment operations.

AFC uses the Exposure Limits Framework to manage its exposures to individual and group credit risks. The objective is to ensure that AFC avoids excessive portfolio concentration either in single projects or groups of projects, or in particular sectors that could be simultaneously affected by similar exogenous events. The Exposure Limits Framework defines the limits of risk exposures in relation to a single borrower or groups of borrowers, to industry sectors and to individual countries. The limits are recommended by management and approved by the Board Risk and Investment Committee.

The Credit Risk Acceptance Criteria refer to the set of terms and conditions to be met before an investment is accepted into AFC’s portfolio. These include specific industry financial, managerial and competitive benchmarks that proposed investments must attain before they are considered for AFC credit exposures.

3.1.2 Counterparty Credit Risk

AFC invests its liquid resources in different financial instruments to generate income, pending disbursements to investment projects. These financial instruments involve, to some degree, the risk that the counterparty to the transaction may be unable to meet its obligation to the Corporation when it falls due. The Corporation manages this counterparty risk by executing transactions within a prudent framework of approved counterparties, counterparty credit rating standards and counterparty risk exposures limits. The risk exposure limit for each counterparty is a function of the counterparty’s credit rating and its shareholders funds. The risk
limits are proposed by the Risk Management Department and approved by the Management Risk Committee.

3.1.3 Credit Concentration

<table>
<thead>
<tr>
<th></th>
<th>Maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment securities</td>
<td>US$’000</td>
</tr>
<tr>
<td>Loan and advances to banks</td>
<td>2,486</td>
</tr>
<tr>
<td>Other assets</td>
<td>582,183</td>
</tr>
<tr>
<td><strong>At 31 December 2008</strong></td>
<td><strong>628,302</strong></td>
</tr>
</tbody>
</table>

The above table represents a worse case scenario of credit risk exposure of the Corporation at 31 December 2008 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Over 90% of the maximum exposure relates to loans and advances to banks.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Corporation resulting from its loan and advances portfolio given that the obligors are mainly top tier banks in Nigeria.

3.1.4 Loans and advances

<table>
<thead>
<tr>
<th></th>
<th>US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances are summarised as follows:</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to Banks</td>
<td></td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>582,183</td>
</tr>
</tbody>
</table>

The Corporation has no provision for loans and advances as at 31st December 2008 because no loans and advances were considered to be impaired.

3.1.5 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table analyses the Corporation’s main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2008. For this table, the Corporation has allocated exposures to regions based on the country of domicile of our counterparties.

<table>
<thead>
<tr>
<th></th>
<th>Nigeria US$’000</th>
<th>Others US$’000</th>
<th>Total US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td>554,105</td>
<td>28,078</td>
<td>582,183</td>
</tr>
</tbody>
</table>
3.2 Market risk

AFC takes on exposures to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

3.2.1 Foreign exchange risk

The Corporation takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency which are monitored. The table below summarizes the Corporation’s exposure to foreign exchange rate risk at 31 December 2008. Included in the table is the Corporation’s financial instruments at carrying amounts, categorized by currency.

Concentrations of currency risk on-balance sheet financial instruments

<table>
<thead>
<tr>
<th>31 December 2008</th>
<th>Dollar US$'000</th>
<th>Naira US$'000</th>
<th>Total US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>463,287</td>
<td>-</td>
<td>463,287</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>227,438</td>
<td>354,746</td>
<td>582,183</td>
</tr>
<tr>
<td>Other assets</td>
<td>42,910</td>
<td>723</td>
<td>43,633</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>733,635</td>
<td>355,469</td>
<td>1,089,103</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other liabilities</td>
<td>4,517</td>
<td>97</td>
<td>4,614</td>
</tr>
</tbody>
</table>

3.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Corporation takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken.
The table below summarises the Corporation’s exposure to interest rate risks. It includes the Corporation’s financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

<table>
<thead>
<tr>
<th>As at 31 December 2008</th>
<th>Up to 3 months</th>
<th>Non-interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>-</td>
<td>463,287</td>
<td>463,287</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>582,183</td>
<td>-</td>
<td>582,183</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>43,633</td>
<td>43,633</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>582,183</td>
<td>506,920</td>
<td>1,089,103</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>4,614</td>
<td>4,614</td>
</tr>
<tr>
<td><strong>Total interest repricing gap</strong></td>
<td>582,183</td>
<td>502,306</td>
<td>1,084,489</td>
</tr>
</tbody>
</table>

### 3.3 Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The company’s liquidity management process includes:
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Monitoring balance sheet liquidity ratios against internal requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the month. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

#### a) Non-derivative cash flows

The table below analyses the Corporation’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.
### 3.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes the risk of failing to comply with applicable laws and regulations as well as reputation and franchise risks associated with the corporation’s business practise or market conduct. Failure to manage and adequately control operational risks could result in significant financial losses.

AFC’s operational risk procedures comprises of: identification and assessment of key operational risks; establishment and monitoring of key risk indicators; and comprehensive reporting of operational risk to executive management and Board of Directors. The primary responsibility for managing operational risks on a day-to-day basis, lies with the business and support functions. Each business and support function has established processes and controls to address the operational risks inherent in their activities.

The Board Risk and Investment Committee has approved the corporation’s operational risk management framework, which is being implemented by the Executive Management, with the Executive Risk Management Committee providing oversight. The committee receives regular reporting of operational risk exposures and loss experience and also reviews the results of the quarterly Risk and Control Self Assessment results. The Chief Risk Officer and the Head of Operational Risk are responsible for the independence, objectivity and effectiveness of the corporation’s operational risk framework. A database of operational risk events is maintained which indicates operational risk exposures.

### 3.5 Capital Management

The Corporation’s objectives when managing capital, which is a broader concept than the ‘equity’ on the balance sheets, are:
- to comply with the capital requirements set by the board of directors of the Corporation;
- to safeguard the Corporation’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy is monitored regularly by the Corporation’s management, employing techniques derived from the guidelines developed by the Basel Committee.
The Corporation’s Capital Adequacy Framework requires the business to maintain a ratio of total risk capital to the risk-weighted asset (the Basel ratio) at a minimum of 12%.

The Corporation’s capital is managed by the Finance and Treasury Division and currently comprises only of Tier I capital as shown below:

**Tier 1:** Comprises of share capital, retained earnings and reserves created by appropriations of retained earnings.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of the Corporation for the period ended 31 December 2008. Even though the corporation has no externally imposed capital requirements, it complied with its own internal rules during the period under review.

<table>
<thead>
<tr>
<th>Tier 1 capital</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>1,089,319</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,419</td>
</tr>
<tr>
<td><strong>Total qualifying Tier 1 capital</strong></td>
<td><strong>1,093,738</strong></td>
</tr>
</tbody>
</table>

**Risk-weighted assets:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>On-balance sheet</td>
<td>167,330</td>
</tr>
<tr>
<td>Off-balance sheet</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total risk-weighted assets</strong></td>
<td><strong>167,330</strong></td>
</tr>
</tbody>
</table>

**Basel ratio**

653.6%

### 3.6 Fair value of financial assets and liabilities

The fair values of the Corporation’s other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the corporation at the balance sheet date.

### 4. Critical accounting estimates and judgements in applying accounting policies

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are
believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances
The Corporation reviews its loan portfolio to assess impairment on an ongoing basis. In determining whether an impairment loss should be recorded in the income statement, the Corporation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Corporation. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when recording its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Impairment of available for-sale equity investments
The Corporation determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Corporation evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5. Segment reporting

Business segments
AFC’s primary objective is to finance infrastructure projects in Africa. The Corporation is organised into various Products and Sector Groups.

1) Investment Division:
This service group offers financing, advisory and arranging services to infrastructure companies in Africa. AFC prioritizes project finance, taking an active role across the financial value chain to originate, structure and syndicate major projects. Financial products offered by AFC include senior debt, equity and hybrid investment products such as quasi equity or subordinated debt.

2) Project Development:
The Project Development Division is the flagship differentiating platform which underpins AFC’s strategy to play a leading role in addressing the continent of Africa’s infrastructure deficit. It identifies and develops ‘bankable’ infrastructure projects from inception to financial close and in return earn developer management fees and provide a pipeline of viable projects in which AFC can invest.
The Corporation also has an Industry Group whose responsibility entails origination, development and structuring of projects by bringing skill-sets and parties together as well as developing projects from the idea- phase to a bankable phase drawing on sector and performance capabilities. The Industry group also provides technical and economic advisory services to requisite industry segments in early stage project development, techno-economic analysis, feasibility studies and detailed engineering, environmental assessments, as well as performance enhancement of operating assets.

3) Treasury
The Treasury function manages the Corporation’s capital, borrowings and other funds available to the Corporation for short term trading and liquidity management.

Current period revenues were derived from the Corporation’s treasury business segment.

Geographical segments
Transactions between the geographical segments are on normal commercial terms and conditions. Although The Corporation's three business segments are managed on a regional basis, they operate in five main geographical areas. Capital expenditure is shown by the geographical area in which the buildings and equipment are located.

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$’000</td>
<td>US$’000</td>
</tr>
<tr>
<td>As at 31 December 2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td>18,938</td>
<td>607,346</td>
</tr>
<tr>
<td>Others</td>
<td>10,501</td>
<td>491,006</td>
</tr>
<tr>
<td></td>
<td>29,439</td>
<td>1,098,352</td>
</tr>
</tbody>
</table>

6. Interest income

Loans and advances to Banks
82,854

7. Fee and commission income

Corporate finance fees
458
8. Exchange loss

$'000

Translation gains less losses of trading assets (53,873)

Apart of the Corporation's capital was maintained in Nigeria Naira during the period under review in view of the fact that the Corporation was headquartered in Nigeria and a substantial part of its initial project pipeline were domiciled in Nigeria. The Corporation managed the currency risk exposure created by this investment strategy by setting appropriate naira depreciation trigger levels beyond which naira exposures would be closed. However, in November 2008, there was a sudden and sharp depreciation of the naira against the US Dollar driven by sharp increase in foreign currency demands in the system and limited supply by the Central Bank of Nigeria. The depreciation in the naira was accompanied by an almost total freeze of the Interbank Foreign Exchange Market (IFEM). The suddenness and sharpness of the naira depreciation, coupled with the freezing of the IFEM, meant the Corporation could not execute its plan of closing its open naira positions once its allowable naira depreciation level was breached. This confluence of factors left the Corporation with a translation loss on its portfolio of treasury investments.

9. Administrative expenses

$'000

Staff cost:
Wages and salaries 16,431

Administrative expenses:
- Rent, rates and utilities 712
- Insurance 75
- Advertising and promotion 529
- Auditor's remuneration 75
- Operational losses and fines 3
- Communications 371
- Travels 1,252
- Board activities 16
- Training 111
- Repairs and maintenance 29
- Donations 25
- Other administrative expenses 4,326
Depreciation (Note 14) 1,065

25,020

10. Taxation

Under the Headquarters Agreement between AFC and the Government of the Federal Republic of Nigeria signed in October 2007, AFC is exempt from tax on all its income arising from operations in Nigeria.
11. Earnings per share

Basic
Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the corporation by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the corporation and held as treasury shares.

\[
\begin{array}{lcc}
\text{Profit attributable to equity holders of the corporation} & \$4,419 \\
\text{Weighted average number of ordinary shares in issue (thousands)} & 1,089,319 \\
\text{Basic earnings per share (expressed in cents per share)} & 0.41 \\
\end{array}
\]

Diluted
Earnings per share are diluted by the potential shares arising from the share option scheme. The dilutive earnings is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. (There were no potential dilutive ordinary shares during the period).

\[
\begin{array}{lcc}
\text{Weighted average number of ordinary shares in issue (thousands)} & 1,089,319 \\
\text{Dilutive earnings per share (expressed in cents per share)} & 0.41 \\
\end{array}
\]

12. Cash and balances with central banks

\[
\begin{array}{lcc}
\text{Cash in hand} & 111 \\
\text{Balances with central banks} & 463,176 \\
\text{} & 463,287 \\
\end{array}
\]

Included in balances with central banks is an amount of $462.9 million placed with the Central Bank of Nigeria (CBN) pending the outcome of an investigation by the Federal Government of Nigeria of the propriety of CBN’s investment in the Corporation.

13. Loans and advances to banks

\[
\begin{array}{lcc}
\text{Placements with other banks} & 299,947 \\
\text{Commercial Paper Investments} & 259,500 \\
\text{Advances under letters of credit} & 20,000 \\
\text{Interest and fees receivable} & 2,736 \\
\text{} & 582,183 \\
\end{array}
\]

All loans and advances to banks are current.
14. Property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Motor Vehicles</th>
<th>Leasehold improvement</th>
<th>Furniture &amp; equipment</th>
<th>Construction work in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Additions</td>
<td>2,364</td>
<td>1,516</td>
<td>2,081</td>
<td>136</td>
<td>6,097</td>
</tr>
<tr>
<td>Disposals - cost</td>
<td>(427)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(427)</td>
</tr>
<tr>
<td>Disposals - accumulated depreciation</td>
<td>92</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>92</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(533)</td>
<td>(234)</td>
<td>(298)</td>
<td>-</td>
<td>(1,065)</td>
</tr>
<tr>
<td><strong>Closing net book amount</strong></td>
<td><strong>1,496</strong></td>
<td><strong>1,282</strong></td>
<td><strong>1,783</strong></td>
<td><strong>136</strong></td>
<td><strong>4,697</strong></td>
</tr>
</tbody>
</table>

15. Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project development costs</td>
<td>1,506</td>
</tr>
<tr>
<td>Software implementation cost</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,066</strong></td>
</tr>
</tbody>
</table>

Project development costs are costs incurred to date on some ongoing projects, which include Port Harcourt Ring Road Project, Olokola Deep Sea Port and Kogi Coal Enclave Project. There is no evidence of impairment and indication of loss events related to these projects.

Software implementation costs are costs incurred on the purchase and implementation of the newly acquired software. The software is expected to be fully implemented and functional in the next financial year.

16. Other assets

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>723</td>
</tr>
<tr>
<td>Prepayments</td>
<td>4,740</td>
</tr>
<tr>
<td>Investments awaiting capitalisation</td>
<td>38,170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,633</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>723</td>
</tr>
<tr>
<td>Non current</td>
<td>42,910</td>
</tr>
</tbody>
</table>

17. Investment securities

<table>
<thead>
<tr>
<th>Securities available for sale</th>
<th>US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity security (unlisted) - at fair value</td>
<td>2,486</td>
</tr>
</tbody>
</table>
18. Accrued expenses and other liabilities

<table>
<thead>
<tr>
<th></th>
<th>US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned commission</td>
<td>464</td>
</tr>
<tr>
<td>Accruals</td>
<td>4,053</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,614</strong></td>
</tr>
</tbody>
</table>

All liabilities above are current.

19. Contingent liabilities and commitments

a) **Legal proceedings**
   As at 31 December 2008, there were no pending legal proceedings against the Corporation.

b) **Capital commitments**
   As at 31 December 2008, there were no outstanding capital commitments.

20. Special purpose companies

During the period, the Corporation incorporated three special purpose companies namely AFC Infrastructure Limited, AFC Asia Holdings and AFC Electric Limited in Seychelles. No share capital has been paid with respect to the companies neither did the companies carry out any operations during the period.

21. Share capital

<table>
<thead>
<tr>
<th></th>
<th>No of shares</th>
<th>Ordinary shares</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>('000)</td>
<td>US$’000</td>
<td>US$’000</td>
</tr>
<tr>
<td>At beginning of period</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from private placement</td>
<td>1,089,319</td>
<td>1,089,319</td>
<td>1,089,319</td>
</tr>
<tr>
<td><strong>At 31 December 2008</strong></td>
<td>1,089,319</td>
<td>1,089,319</td>
<td>1,089,319</td>
</tr>
</tbody>
</table>

The total authorised number of ordinary shares is 2 billion with a par value of $1.00 per share.

22. Retained earnings

<table>
<thead>
<tr>
<th></th>
<th>US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of period</td>
<td>-</td>
</tr>
<tr>
<td>Retained earnings for the period</td>
<td>4,419</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,419</td>
</tr>
</tbody>
</table>

23. Dividend

Dividends are not accounted for until they have been ratified at the Annual General Meeting. No dividend is being proposed for the period.
24. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition

<table>
<thead>
<tr>
<th></th>
<th>US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks (Note 12)</td>
<td>111</td>
</tr>
<tr>
<td>Placements with other banks (Note 13)</td>
<td>299,947</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300,058</strong></td>
</tr>
</tbody>
</table>

25. Related-party transactions

A number of transactions were entered during the period with related parties in the normal course of business. These transactions were mainly placements and other banking relationships with Nigerian banks which are also shareholders of the Corporations. The volumes of related party transactions, outstanding balances at year end, and relating expense and income for the year as follows:

a) Loans and advances to related parties

<table>
<thead>
<tr>
<th>Directors and other key management personnel</th>
<th>Banks (Shareholders)</th>
<th>US$’000</th>
<th>US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans outstanding at 31 December</td>
<td>-</td>
<td>553,352</td>
<td></td>
</tr>
<tr>
<td>Interest income earned</td>
<td>-</td>
<td>66,085</td>
<td></td>
</tr>
</tbody>
</table>

No provisions have been recognized in respect of loans given to related parties.

b) Key management compensation

<table>
<thead>
<tr>
<th>US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and other short term benefits</td>
</tr>
</tbody>
</table>

26. Events after the balance sheet date

There were no events after the balance sheet date with impact on these financial statements.