LEADWAY
CAPITAL & TRUSTS LIMITED
RC 268275

LEADWAY CAPITAL AND TRUSTS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

TABLE OF CONTENTS

CORPORATE INFORMATION

Certificate of Incorporation Number	RC 268275
Date of incorporation	22 March 1995
Directors:	
Mr. Oye Hassan-Odukale	Chairman
Mr. Tunde Hassan-Odukale	Non-Executive Director
Mrs. Fehintola Obatusin	Non-Executive Director
Mr. Muftau Oyegunle	Non-Executive Director
Mr. Ayo Wuraola	Managing Director
Bankers and other professional advisors	
Acting company secretary:	Olumide Hanson
Corporate Office:	121/123 Funso Williams Avenue, Iponri Surulere, Lagos, Nigeria
Auditors:	PKF Professional Services PKF House 205A Ikorodu Road, Obanikoro, Lagos Tel: +234 (0) 9030001351 | 9030001352 www.pkf-ng.com
Bankers:	Access Bank Plc Citibank Nigeria Limited FBN Bank (UK) Limited First Bank of Nigeria Limited Stanbic IBTC Bank Plc Standard Chartered Bank Nigeria Limited Zenith Bank Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and of the profit or loss for the year ended 31 December, 2018 and in so doing they ensure that:

- Proper accounting records are maintained
- Applicable accounting standards are followed
- Suitable accounting policies are adopted and consistently applied
- Judgments and estimates made are reasonable and prudent
- The going concern basis is used, unless it is inappropriate to presume that the Company will continue in business
- Internal control procedures are instituted which as far as reasonable possible, safeguards the assets of the Company and prevent and detect fraud and other irregularities

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, Cap 20 Laws of the Federation of Nigeria 2004.

The Directors are of the opinion that the year ended 31 December, 2018 financial statements give a true and fair view of the state of affairs of the Company.

The Directors accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

Signed on behalf of the Directors:

Oye Hassan-Odukale	**Ayo Wurada**
Chairman	**Chief Executive Officer**
FRC/2013/IODN/00000001963	**FRC/2013/CISN/00000004036**

Independent Auditor`s Report

To the Shareholders of Leadway Capital and Trusts Limited

Opinion

We have audited the financial statements of Leadway Capital and Trusts Limited, which comprise the statement of financial position at **31 December 2018**, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at **31 December 2018**, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

Responsibilities of the Directors and those charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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PKF House • 205A Ikorodu Road • Obanikoro • Lagos • G.P.O. Box 2047 • Marina • Lagos • Nigeria.

List of Partners and Partner equivalents are available at 205A Ikorodu Road • Obanikoro • Lagos.

Offices in: Abuja • Jos • Kaduna • Kano.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Olatunji Ogundeyin.

Olatunji Ogundeyin, FCA
FRC/2013/ICAN/02224
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

Dated: 22 February 2019

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SG/ICAN
0252064

STATEMENT OF FINANCIAL POSITION
As at 31 December
(All amounts are in thousands of Nigerian Naira)

	Notes	2018	2017
ASSETS			
Cash and cash equivalents	5	143,317	251,000
Financial assets at fair value through profit or loss	6	151,498	169,125
Loans and advances to customers	7	3,348,975	2,676,477
Finance lease receivables	8	10,949	17,378
Investment securities			
- At fair value through other comprehensive income	9	87,357	87,357
Trade and other receivables	10	15,147	413
Sinking fund asset	11	1,593	505
Intangible assets	12	2,828	9,425
Property and equipment	13	18,140	3,487
TOTAL ASSETS		**3,779,804**	**3,215,168**
LIABILITIES			
Trade and other payables	14	318,731	183,138
Sinking fund liability	11	1,593	505
Current tax liabilities	15	137,935	108,570
Fund in Trust	16	1,044,711	1,448,722
Borrowings	17	1,032,559	405,998
Deferred tax liabilities	18	1,746	931
TOTAL LIABILITIES		**2,537,276**	**2,147,864**
EQUITY			
Share capital	19	440,000	440,000
Retained earnings	20	802,528	627,304
TOTAL EQUITY		**1,242,528**	**1,067,304**
TOTAL LIABILITIES AND EQUITY		**3,779,804**	**3,215,168**

The financial statements were approved by the Board of Directors on 21 February 2019 and signed on its behalf by:

Oye Hassan-Odukale	**Ayo Wuraola**	**David Abitoye**
Chairman	**Chief Executive Officer**	**Group Chief Finance Officer**
FRC/2013/IODN/00000001963	**FRC/2013/CISN/00000004036**	**FRC/2018/ICAN/00000017917**

The accompanying notes are an integral part of these financial statements

STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December
(All amounts are in thousands of Nigerian Naira)

	Notes	2018	2017
Revenue	21	871,191	668,065
Other operating income	22	7,785	10,191
Gross Earnings		**878,976**	**678,256**
Net trading gain/(loss) and foreign exchange income	23	(9,664)	73,203
Net impairment (loss)/gain on financial assets	24	(30,962)	(102,496)
Financial charges	25	(280,384)	(138,631)
Employee benefit expenses	26	(76,175)	(77,228)
Depreciation and amortisation	27	(8,858)	(5,000)
Other operating expenses	28	(51,618)	(44,203)
Total Expenses		**(457,661)**	**(294,355)**
Profit before tax		421,315	383,901
Taxation	15a	(118,983)	(110,764)
Profit after tax for the year		**302,332**	**273,137**
Other comprehensive income			
Exchange differences		-	-
Revaluation gain		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**302,332**	**273,137**
Basic and diluted earnings per share expressed in Naira	29	0.71	0.62

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018
(All amounts are in thousands of Nigerian Naira)

	Attributable to equity holders					
	Share capital	Fair value reserve	Translation reserve	Revaluation reserve	Retained earnings	Total equity
At 1 January 2018 (IAS 39)	**440,000**	-	-	-	**627,304**	**1,067,304**
Transition adjustments						
Increase in impairment provision due to adoption of IFRS	-	-	-	-	(6,123)	(6,123)
At 1 January 2018 (IFRS 9)	**440,000**	-	-	-	**621,181**	**1,061,181**
Profit for the period	-	-	-	-	302,332	**302,332**
Other comprehensive income	-	-	-	-	-	-
Dividend paid during the period	-	-	-	-	(120,985)	**(120,985)**
At 31 December 2018	**440,000**	-	-	-	**802,528**	**1,242,528**

For the year ended 31 December 2017

	Share capital	Fair value reserve	Translation reserve	Revaluation reserve	Retained earnings	Total equity
At 1 January 2017	**440,000**	-	-	-	**442,299**	**882,299**
Profit for the period	-	-	-	-	273,137	**273,137**
Other comprehensive income	-	-	-	-	-	-
Dividend paid during the period	-	-	-	-	(88,132)	**(88,132)**
At 31 December 2017 (IAS 39)	**440,000**	-	-	-	**627,304**	**1,067,304**

STATEMENT OF CASH FLOWS
For the year ended 31 December
(All amounts are in thousands of Nigerian Naira)

	Notes	2018	2017
Cashflow from operating activities			
Profit for the period (after tax)		302,332	273,137
Adjustments for:			
Depreciation of property and equipment	13	2,261	1,844
Amortisation of intangible assets	12	6,597	2,959
Impairment on loans and receivables	7	(30,716)	(101,132)
Impairment on trade debtors	10	(994)	(1,364)
Impairment on leases	8	748	-
Portfolio impairment charge/reversal - IFRS 9		(6,123)	-
Fair value (gain)/loss through profit or loss	6	17,628	(73,073)
Income tax expense	15	113,955	106,651
Deferred tax charge	18	815	(179)
Finance cost	25	280,384	138,631
Interest income	21	(674,461)	(498,477)
		12,425	**(151,003)**
Changes in loans and receivables		(641,782)	(318,984)
Changes in finance lease receivables		5,680	31,113
Changes in trade and other receivables		(13,739)	12,573
Changes in creditors and accruals		135,592	26,360
Changes in amounts due to parent company		-	(802)
Income tax paid	15	(84,589)	(53,683)
Net cash from operating activities		**(586,413)**	**(454,426)**
Cash flows from investing activities			
Acquisition of property and equipment	13	(16,914)	(96)
Acquisition of intangible assets	12	-	(610)
Acquisition of unquoted equities	9	-	(1,605)
Interest received	21	674,461	498,477
Net cash from investing activities		**657,547**	**496,166**
Cash flows from financing activities			
Dividends paid	30	(120,984)	(88,132)
Borrowings proceeds	17	890,000	220,000
Borrowings repaid	17	(263,440)	(560,594)
Changes in fund in trust balances		(404,011)	511,132
Finance cost paid	25	(280,383)	(138,631)
Net cash (used in)/from financing activities		**(178,818)**	**(56,225)**
Net increase/(decrease) in cash and cash equivalents		(107,683)	(14,487)
Cash and cash equivalents at beginning of the period	5	251,000	265,487
Cash and cash equivalents at end of the period	5	**143,317**	**251,000**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

1 General Information

Leadway Capital and Trusts Limited ("Leadway Capital" or the Company) is a company incorporated and domiciled in Nigeria. The address of its registered office is 121/123 Funso Williams Avenue, Iponri, Surulere, Lagos. The Company was incorporated as a private limited liability company on 22 March, 1995.

The Company is principally engaged in the business of providing trust management, investment management and related financial services to its customers. Such services include the provision of loans and advances to corporate and individual customers.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by Companies and Allied Matters Act (CAMA) has been included where appropriate.

The financial statements comprise of the the statement of financial position, statement of profit/loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements.

3 Significant accounting policies

3.1 Basis of measurement

These financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for the following:
- Financial assets measured at fair value through profit or loss.
- Financial instruments measured at fair value through other comprehensive income.

3.2 Functional and presentation currency

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

3.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements are presented fairly.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

3.4 Changes in accounting policy, amendments and disclosures

The principal accounting policies applied in the preparation of these financial statements are set out below (**Notes 3.6 - 31**). These policies have been consistently applied to all the years presented except for the new standards below (Sub-notes (i) and (ii)).
The Company has adopted the following new standards with initial date of application of 1 January, 2018

(i) IFRS 15: Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 is recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

Adoption of this standard does not have any significant impact on the Company.

(ii) IFRS 9: Financial instruments

Effective 1 January 2018, the Company adopted IFRS 9 - Financial Instruments. Subsequent upon adoption of IFRS 9, the Company's accounting policies were changed in the areas outlined below, and these new policies became applicable from 1 January 2018. As permitted by the transition provisions of IFRS 9, we elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with our previous accounting policies, as described in our 2017 Financial Statements. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (1 January 2018) were recognized in opening retained earnings and other components of equity in the current period. New disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in the prior year.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

a. Classification and measurement of financial assets

Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).
Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.
All other debt and equity instruments are measured at FVTPL.

The Company has irrevocably elected to measure unquoted equity instruments at FVOCI.

b. Business model assessment

The Company determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the its business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:
- How the economic activities of our businesses generate benefits and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Company's business models fall into three categories, which are indicative of the key strategies used to generate returns:

- Hold-to-Collect (HTC): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

c. SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

d. Investment securities

All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for sale securities and held-for-trading securities.

Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized in other operating income.

The Company accounts for all securities using trade date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI.

Equity securities classified as held-for-trading under IAS 39 are measured at fair value through profit or loss under IFRS 9.

e. Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses. Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as interest income over the expected term of such loans using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

f. Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans and receivables. These are carried at amortised cost and presented net of ACL on the Consolidated Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and receivables.

We measure the ACL at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition:
1) Performing financial assets:
• Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.
• Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

2) Impaired financial assets
• Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. Write-offs and recoveries of amounts previously written off are recorded against ACL. The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

g. Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

h. Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Company's process to assess changes in credit risk is based on the use 'backstop' indicators. Instruments which are more than 30 days past due may be credit impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Company has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.
The following are considered as exceptions:
1. Outstanding obligation is a result of an amount being disputed between the Company and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset will not move back from Stage 3 to Stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

i. Use of forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in our expected credit loss models include GDP growth rate, interbank FX rates, inflation rate, crude oil prices and population growth rate.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities. Our assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

j. Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- The Company considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Company to actions such as realising security (if held).
- The obligor is past due more than 90 days on any material credit obligation to the Company (principal or interest).
- Interest payments equal to 90 days or more have been capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in thousands of Nigerian Naira)

j. Definition of default (continued)

The elements to be taken as indications of unlikeliness to pay include:
- The Company sells the credit obligation at a material credit-related economic loss.
- The Company consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The Company has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Company

The following are considered as exceptions:

a. Outstanding obligation is a result of an amount being disputed between the Company and obligor where the dispute is not more than 150 days;

b. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on case by case basis.

k. Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults.

A loan is considered for transfer from Stage 2 to Stage 1 where there is significant improvement in credit risk and from Stage 3 to Stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:

i) Declassification of the exposure by the credit risk management system;
ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);
iii) Evidence of full repayment of principal or interest.

Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):

Transfer from Stage 2 to 1: 90 days
Transfer from Stage 3 to 2: 90 days
Transfer from Stage 3 to 1: 180 days

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

l. Write-off of loans

Loans and the related ACL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.

m. Classification and measurement of financial liabilities

The Company recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts. Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Company classifies its financial liabilities as measured at amortised cost. Borrowings and Funds-in-Trust are included as part of financial liabilities measured at amortised cost.

3.5 New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective as at 31 December, 2018 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

a) IFRS 16 - Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2017. The new standard does not significantly change the accounting for leases for lessors. However, it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

Impact of adoption of IFRS 9

Mandatory reclassifications

The combined application of the business model and SPPI tests on adoption of IFRS 9 resulted in the reclassification of the following financial assets.

Classification of all financial liabilities remain the same under IFRS 9.

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
	Measurement Category	Carrying Amount	Previous measurement category	Carrying Amount
Financial Assets				
Cash and cash equivalents	Amortised cost	251,000	Amortised cost	251,000
Loans and receivables	Amortised cost	2,672,595	Amortised cost	2,676,477
Investment securities [1]	FVTOCI	87,357	Available-for-sale	87,357
Investment securities [2]	FVTPL	169,125	Held-for-trading	169,125
Finance lease receivables	Amortised cost	15,137	Amortised cost	17,378

1 This represents unquoted equities held by the Company in unlisted companies during the financial year.
2 This represents equities held by the Company in quoted companies on the NSE during the financial year.

Allowance for credit losses

The following tables show the comparison of impairment allowances determined in accordance with IAS 39 to the corresponding impairment allowance determined in accordance with IFRS 9 as at 1 January, 2018.

	Loans and receivables at amortised cost	Finance lease receivables at amortised cost	Total allowance for credit losses
IAS 39 as at 31 December 2017			
Specific impairment	4,644	30,467	35,111
Portfolio impairment	102,700	314	103,015
Total	107,344	30,781	138,125
Transition adjustments	3,882	2,241	6,123
IFRS 9 as at 1 January 2018	**111,226**	**33,022**	**144,248**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

The table below provides the reconciliations from IAS 39 to IFRS 9 for the Company's Statement of Financial Position, showing separately the impacts of adopting the IFRS 9 impairment, and classification and measurement requirements.

	As at 31 December, 2017 (IAS 39)	Impact of classification and measurement	Impact of impairment	Total impact	As at 1 January, 2018 (IFRS 9)
ASSETS					
Cash and cash equivalents	251,000	-	-	-	251,000
Financial assets at fair value through profit or loss	169,125	-	-	-	169,125
Loans and advances to customers	2,676,477	-	(3,882)	(3,882)	2,672,595
Finance lease receivables	17,378	-	(2,241)	(2,241)	15,137
Investment securities - Fair Value Through OCI	87,357	-	-	-	87,357
Trade and other receivables	413	-	-	-	413
Sinking fund asset	505	-	-	-	505
Intangible assets	9,425	-	-	-	9,425
Property and equipment	3,487	-	-	-	3,487
TOTAL ASSETS	**3,215,168**	**-**	**(6,123)**	**(6,123)**	**3,209,045**
LIABILITIES					
Trade and other payables	183,138	-	-	-	183,138
Sinking fund liability	505	-	-	-	505
Current tax liabilities	108,570	-	-	-	108,570
Fund in Trust	1,448,722	-	-	-	1,448,722
Borrowings	405,998	-	-	-	405,998
Deferred tax liabilities	931	-	-	-	931
TOTAL LIABILITIES	**2,147,864**	**-**	**-**	**-**	**2,147,864**
EQUITY					
Share capital	440,000	-	-	-	440,000
Retained earnings	627,304	-	(6,123)	(6,123)	621,181
TOTAL EQUITY	**1,067,304**	**-**	**(6,123)**	**(6,123)**	**1,061,181**
TOTAL LIABILITIES AND EQUITY	**3,215,168**	**-**	**(6,123)**	**(6,123)**	**3,209,045**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

3.6 Revenue recognition

3.6.1 Interest income

Interest income for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the net carrying amount of the financial asset.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

3.6.2 Investment income

Investment income comprise interest income earned on short term deposits, rental income, dividends, rent receivable, movement in amortized cost on debt securities and other loan and receivables, realized gains and losses, and unrealized gains and losses on fair value assets. It is accounted for on accrual basis.

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of investment income and recognised gross of the associated withholding tax. The withholding tax expense is included as a component of taxation charge for the relevant period.

3.6.3 Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Other fees and commission income including wills fees and trust fees are recognised as the related services are performed.

3.7 Net trading gain/(loss)

Net trading income and foreign exchange income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences. Net gains or losses on financial instruments measured at fair value through profit or loss are also included in net trading income.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

3.8 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, current balances with banks and placements with banks (with an original maturity of three months or less) which are used by the Company in the management of its short-term commitments. The same definition applies to cash and cash equivalents in the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10 Leases

The determination of whether an arrangement is a lease or contains a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

3.10.1 As Lessor

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any balloon payments and rent free periods are taken into account when determining the straight-line charge.

Finance leases

When assets are leased out under a finance lease, a finance lease receivable equal to the net investment in the lease should be recorded in the balance sheet. Lease income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding.

3.11 Trade and other receivables

Trade receivables are amount due from customers for services performed in the ordinary course of business. Collections of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer) are classified as current assets and if not, they are presented as non-current assets.

Where the potential impact of discounting future cash receipts over the short credit period is not considered to be material, trade receivables are stated at their original invoiced value. These receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

3.12 Property and equipment

3.12.1 Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3.12.2 Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

3.12.3 Depreciation

Depreciation is charged on items of property and equipment immediately they are ready for use. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values for the current and comparative period over their estimated useful lives, as follows:

Equipment	-	$33^1/_3$%
Furniture and fittings	-	20%
Computer hardware	-	25%
Motor vehicles	-	20%
Work in progress	-	Not depreciated

Work in progress represents costs incurred on assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

3.12.4 De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.13 Intangible assets

Intangible assets acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in thousands of Nigerian Naira)

3.14 Funds held in trust

Funds held in trust represent cash deposits made by various customers and living trust clients with the Company. The deposits are accounted for at cost and accrued interest. Investments purchased with the funds and the related receipts and payments are accounted for in line with applicable International Financial Reporting Standards.

3.15 Borrowings

Borrowings, inclusive of transaction costs, are recognised initially at fair value. Borrowings are subsequently stated at amortised costs using the effective interest rate method. Any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

3.16 Share capital and retained earnings

3.16.1 Share capital

The company classifies ordinary shares as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to issue of shares are recognized as deductions from equity net of any tax effects.

3.16.2 Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders.

3.17 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

4 Risk Management Framework

The Company adopts the same risk management framework as other members of the Leadway Group. The primary objective of its Enterprise Risk Management framework is to protect stakeholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Company's management recognises the critical importance of having efficient and effective risk management systems in place.

Leadway Capital and Trusts Limited has established a risk management function with clear terms of reference from the Board of Directors and the Executive Management Committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management and senior managers. Lastly, the Internal Audit unit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls.

Leadway Capital's significant risks are assessed and mitigated under three broad headings:

Strategic risks – This specifically focuses on the economic environment, the products offered and the business market. The strategic risks arise from the Company's ability to make appropriate decisions or implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

Operational risks – These are risks associated with inadequate or failed internal processes, people and systems, or from external events.

Financial risks – These are risks associated with the financial operations of the company, including capital management, investments, liquidity and credit.

The Board of Directors approves the company's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies.

4.1 Strategic risks

Capital Management Policies, Objectives and Approach

The following capital management objectives, policies and approach to managing the risks which affect its capital position are adopted by the Company:

- To maintain the required level of financial stability thereby providing a degree of security to shareholders and stakeholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the regulators and stakeholders

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

4.1 Strategic risks (Continued)

Leadway Capital 's operations are also subject to regulatory requirements within Nigeria in which it operates. In addition, periodic returns must be submitted to SEC on a regular basis.

Approach to capital management

- The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and customers
- The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis
- The Company's primary source of capital used is equity shareholders' funds and borrowings

There has been no significant changes to the Company's capital structure in recent years.

4.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management staff within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Training and professional development
- Ethical and business standards

4.3 Financial risks

The Company is primarily exposed to the following financial risk categories:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit represent a significant part of the overall risk exposure of the Company and is largely represented by the loans and receivables on the books of the Company.

The Company has policies in place to mitigate its credit risks. The credit policy sets out the assessment and determination of what constitutes credit risk. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The carrying amount of the Company's financial instruments represents the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet maturing obligations or can only access these financial resources at excessive cost. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of cash flows under normal and stress circumstances.

To limit this risk, the Company's management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Company met all its financial commitments and obligations without any liquidity risk issues during the period.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

4.3 Financial risks (Continued)

Market risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

i. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The objective of the Company's interest rate risk management is to ensure that earnings are stable and predictable over time. Leadway Capital is exposed to interest rate risk through the interest-bearing assets and liabilities in its books.

Interest rate risk is managed principally through monitoring interest rate gaps. In order to manage changes in interest rates effectively, the Company may modify pricing on new customer loans and deposits. Leadway Capital regularly assesses the viability of these and other strategies to reduce its interest rate risks and implements such strategies when it believes those actions are prudent.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018	December 2017
5	**Cash and cash equivalents**		
	Cash in hand	2	14
	Cash at bank	143,315	120,986
	Short term placements	-	130,000
		143,317	**251,000**

Short-term bank placements are made for varying periods of between one day and three months depending on the immediate cash requirements of the company. The carrying amounts disclosed above reasonably approximate the fair value

		December 2018	December 2017
6	**Financial assets at fair value through profit or loss**		
	Quoted equity securities:		
	Ordinary shares at cost	63,629	63,629
	Fair value gains/(losses) (Note 6a)	87,868	105,496
		151,498	**169,125**

(a) The movement in fair value gains/(losses) is as follows:

	December 2018	December 2017
Balance, 1 January	105,496	32,423
Fair value gain/(loss) in the year	(17,628)	73,073
Balance, 31 December	**87,868**	**105,496**

		December 2018
7	**Loans and advances to customers**	
	Loans:	
	Gross amount	3,487,399
	Allowance for credit losses	(138,424)
		3,348,975
(a)	Gross amount	3,487,399
	Allowance for credit losses:	
	- Impairment loss on stage 1 loans	(104,242)
	- Impairment loss on stage 2 loans	-
	- Impairment loss on stage 3 loans	(34,182)
	Total provision for credit losses	(138,424)
	Carrying amount	**3,348,975**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

(b) Loans to customers by type

31 December 2018 (IFRS 9)	Gross amount	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Staff loans	459	-	-	-	-	459
Commercial loans	53,636	(403)	-	(34,182)	(34,585)	19,051
Micro loans	3,376,681	(103,610)	-	-	(103,610)	3,273,071
Mortgage loans	56,623	(230)	-	-	(230)	56,393
	3,487,399	**(104,242)**	**-**	**(34,182)**	**(138,424)**	**3,348,975**

31 December 2017 (IAS 39)	Gross amount	Portfolio impairment	Specific impairment	Total impairment	Carrying amount
Staff loans	1,970	-	-	-	1,970
Commercial loans	179,264	(1,234)	(4,644)	(5,878)	173,386
Micro loans	2,524,752	(100,833)	-	(100,833)	2,423,918
Mortgage loans	77,836	(633)	-	(633)	77,203
	2,783,822	**(102,700)**	**(4,644)**	**(107,345)**	**2,676,477**

c) Loans to customers by availment

31 December 2018 (IFRS 9)	Gross amount	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Loans and advances to individuals	3,432,696	(103,991)	-	(16,317)	(120,307)	3,312,389
Loans and advances to corporate entities	54,703	(252)	-	(17,865)	(18,117)	36,586
	3,487,399	**(104,242)**	**-**	**(34,182)**	**(138,424)**	**3,348,975**

31 December 2017 (IAS 39)	Gross amount	Portfolio impairment	Specific impairment	Total impairment	Carrying amount
Loans and advances to individuals	2,601,499	(101,354)	(1,125)	(102,480)	2,499,019
Loans and advances to corporate entities	182,323	(1,346)	(3,519)	(4,865)	177,458
	2,783,822	**(102,700)**	**(4,644)**	**(107,345)**	**2,676,477**

(d) Allowance for credit losses on loans and advances to customers

	Total Impairment (IAS 39)	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	107,345	-	-	-	-
Transition adjustments	(107,345)	106,583	-	4,644	111,227
Balance, 1 January 2018 (IFRS 9)	-	106,583	-	4,644	111,227
Charge for the year	-	(2,340)	-	33,057	30,716
Write back during the year		-	-	(3,519)	(3,519)
Balance, 31 December 2018	**-**	**104,242**	**-**	**34,182**	**138,424**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018
8	**Finance lease receivables**	
	Gross amount	43,120
	Allowance for credit losses	(32,170)
		10,949

		December 2018
(a)	Gross amount	43,120
	Allowance for credit losses:	
	- Impairment loss on stage 1 advances	(1,807)
	- Impairment loss on stage 2 advances	-
	- Impairment loss on stage 3 advances	(30,363)
	Total provision for credit losses	(32,170)
	Carrying amount	**10,949**

(b) Finance lease advances by availment

31 December 2018 (IFRS 9)	Gross amount	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total allowances	Carrying amount
Loans and advances to individuals	18,561	(961)	-	(11,741)	(12,702)	5,859
Loans and advances to corporate entities	24,559	(846)	-	(18,622)	(19,468)	5,091
	43,120	**(1,807)**	**-**	**(30,363)**	**(32,170)**	**10,949**

31 December 2017 (IAS 39)	Gross amount	Portfolio impairment	Specific impairment	Total impairment	Carrying amount
Loans and advances to individuals	16,780	(110)	(11,845)	(11,955)	4,825
Loans and advances to corporate entities	31,379	(204)	(18,622)	(18,826)	12,553
	48,159	**(314)**	**(30,467)**	**(30,781)**	**17,378**

(c) The breakdown of gross investment in finance leases is as follows:

	December 2018	December 2017
Current portion (Less than 1 year)	5,341	13,695
Non-current portion (More than 1 year)	37,779	34,464
	43,120	**48,159**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

(d) Allowance for credit losses on advances under finance lease

	Total Impairment (IAS 39)	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	Total
Balance at 31 December 2017 (IAS 39)	30,781	-	-	-	-
Transition adjustments	(30,781)	2,555	-	30,467	33,022
Balance, 1 January 2018 (IFRS 9)	-	2,555	-	30,467	33,022
Charge for the year	-	-	-	-	-
Write back during the year	-	(748)	-	(104)	(852)
Balance, 31 December 2018	-	**1,807**	-	**30,363**	**32,170**

9 Investment securities

	December 2018	December 2017
- At fair value through other comprehensive income		
Unquoted equity securities:		
Ordinary shares at cost	87,357	85,752
Additions during the year (Note 9a)	-	1,605
	87,357	**87,357**

(a) The N1.605million (2017) represents the amount paid for 1.5million units of shares in Leadway Assets Management Company at N1.07 per share.
The cost of the Company's unquoted equities were taken as an appropriate measurement of its fair value as there is no recent or sufficient information to measure fair value of the consistuent entities.

10 Trade and other receivables

	December 2018	December 2017
Trusteeship fees receivables	3,396	314
Dividends receivable	313	313
Sundry debtors	13,933	1,287
	17,642	**1,914**
Less: Impairment (Note 10a)	(2,495)	(1,501)
	15,147	**413**

(a) The movement in impairment during the period is as follows:

	December 2018	December 2017
Balance, 1 January	1,501	439
Addition during the period	994	1,575
Write back during the period	-	(513)
Balance, 31 December	**2,495**	**1,501**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018	December 2017
11	**Sinking fund**		
	Sinking fund	**1,593**	**505**

This is a sinking fund account opened with FSDH Merchant Bank to facilitate the payment to bond holders of C&I Leasing 2012/2017 Bond

12	**Intangible assets - Computer software**	
	Cost	
	At 1 January 2017	33,714
	Additions	610
	At 1 January 2018	34,324
	Additions	-
	At 31 December 2018	**34,324**
	Accumulated amortization	
	At 1 January 2017	21,940
	Amortization for the year	2,959
	At 1 January 2018	24,899
	Amortization for the year	6,597
	At 31 December 2018	**31,496**
	Carrying amount	
	At 31 December 2018	**2,828**
	At 31 December 2017	9,425

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

13 Property and equipment

	Work in Progress	Equipment	Computer Hardware	Furniture and Fittings	Motor Vehicle	Total
Cost						
At 1 January 2017	-	1,529	1,821	6,607	10,500	20,457
Additions	-	-	196	96	-	292
At 1 January 2018	-	1,529	2,017	6,703	10,500	20,749
Additions	8,788	1,047	-	89	6,990	16,914
At 31 December 2018	**8,788**	**2,576**	**2,017**	**6,792**	**17,490**	**37,663**
Accumulated depreciation and impairment losses						
At 1 January 2017	-	1,313	1,711	6,036	6,162	15,222
Depreciation charge for the year	-	106	120	334	1,480	2,040
At 1 January 2018	-	1,419	1,831	6,370	7,642	17,262
Depreciation charge for the year	-	459	63	210	1,530	2,261
At 31 December 2018	**-**	**1,878**	**1,894**	**6,580**	**9,172**	**19,523**
Carrying amount						
At 31 December 2018	**8,788**	**698**	**123**	**212**	**8,318**	**18,140**
At 31 December 2017	-	110	186	333	2,858	3,487

13.1 The work in progress class refers to costs incurred on improvements currently being carried out at the Company's office. Upon completion, the costs would be capitalized as Leasehold Improvements and depreciated over its useful life.

14 Trade and other payables

	December 2018	December 2017
Sundry creditors	137,840	125,242
Accruals	180,890	57,896
	318,730	**183,138**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018	December 2017
15	**Current tax liabilities**		
	Balance, 1 January	108,570	55,602
	Charge for the year	113,955	106,651
		222,525	162,253
	Payments during the year	(84,590)	(53,683)
	Balance, 31 December	**137,935**	**108,570**
(a)	**Income tax charge**		
	Based on the results for the year:		
	Income tax	106,740	99,928
	Education tax	7,216	6,723
	Charge for the year	**113,955**	**106,651**
	Information Technology levy	4,213	4,293
	Deferred taxation	815	(180)
		118,983	**110,764**
(b)	**Reconciliation of effective tax rate**		
	Profit for the year after tax	**302,332**	**273,137**
	Income tax	106,740	99,928
	Education tax	7,216	6,723
	Information Technology levy	4,213	4,293
	Deferred tax	815	(180)
	Total income tax expense	**118,983**	**110,764**
	Profit for the year excluding total income tax expenses	**421,315**	**383,901**
	Effective tax rate	**28%**	**29%**
16	**Fund in Trust**		
	Fund in Trust	**1,044,711**	**1,448,722**
(a)	Movement of funds held in trust during the year:		
	Opening balance	1,448,722	937,590
	Additions	513,710	684,998
	Returned funds	(917,721)	(173,866)
	Closing balance	**1,044,711**	**1,448,722**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018	December 2017
17	**Borrowings**		
	Leadway Assurance Limited	933,673	265,809
	Leadway Properties and Investment Limited	98,886	140,189
		1,032,559	**405,998**
(a)	The analysis of borrowings by maturity is as follows:		
	Current portion (Less than 1 year)	76,491	30,076
	Non-current portion (More than 1 year)	956,068	375,922
		1,032,559	**405,998**
(b)	Movement of borrowings during the year:		
	Opening balance	405,998	746,592
	Additions	890,000	220,000
	Repayments	(263,439)	(560,594)
	Closing balance	**1,032,559**	**405,998**
18	**Deferred tax liabilities**		
	Balance, 1 January	931	1,111
	Charge during the year	815	-
	Write back during the year	-	(180)
	Balance, 31 December	**1,746**	**931**
19	**Share capital**		
	Authorized:		
	Ordinary shares of N1.00 each	**1,000,000**	**1,000,000**
	Issued and fully paid:		
	Ordinary shares of N1.00 each	**440,000**	**440,000**
20	**Retained earnings**		
	Balance, 1 January	627,304	442,299
	Impact of IFRS adoption at 1 January 2018	(6,123)	-
	Dividend paid during the year	(120,985)	(88,132)
	Profit for the year	302,332	273,137
	Balance, 31 December	**802,528**	**627,304**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018	December 2017
21	**Revenue**		
	Interest income	674,461	498,477
	Investment income	136,822	92,251
	Fees and commission income	35,272	49,542
	Trusteeship fees	24,635	27,795
		871,191	**668,065**
22	**Other operating income**		
	Recovery on impairment of loans and advances	3,623	10,191
	Reversal of accruals	4,163	-
		7,785	**10,191**
23	**Net trading gain/(loss) and foreign exchange income**		
	Fair value gain/(loss) on investment securities at fair value through profit or loss	(17,628)	73,073
	Foreign currency revaluation gain/(loss)	7,964	130
		(9,664)	**73,203**
24	**Net impairment loss/(gain) on financial assets**		
	Impairment loss/(gain) on loans to customers	30,716	101,132
	Impairment loss/(gain) on finance lease receivables	(748)	-
	Impairment loss/(gain) on trade debtors	994	1,364
		30,962	**102,496**
25	**Financial charges**		
	Bank charges	754	518
	Trust expense	901	211
	Will expenses	9,911	266
	Interest expense on leases	3,252	3,738
	Interest expense on commercial loans	24,034	19,099
	Interest expense on micro loans	241,531	114,799
		280,384	**138,631**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

26 Employee benefit expenses

	December 2018	December 2017
Staff salaries and expenses	72,790	74,988
Staff pension scheme	1,914	1,756
Staff medical allowance	271	484
Management assistance and staff welfare	1,200	-
	76,175	**77,228**

Information regarding employee compensation

(a) The number of employees of the Company who received emoluments in the following range were:

	December 2018	December 2017
N300,000 - N2,000,000	1	1
N2,000,000 - N5,000,000	5	4
N5,000,000 - N15,000,000	3	2
N15,000,000 and above	1	1
	10	**8**

(b) The number of persons in the employment of the Company as at year end is as follows:

	December 2018	December 2017
Management Staff	4	3
Non-management Staff	6	5
	10	**8**

27 Depreciation and amortisation

	December 2018	December 2017
Depreciation of property and equipment (Note 13)	2,261	2,041
Amortisation of intangible assets (Note 12)	6,597	2,959
	8,858	**5,000**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

		December 2018	December 2017
28	**Other operating expenses**		
	Directors' fees and remuneration (Note 28a)	22,393	22,208
	Auditors' remuneration	3,000	2,500
	Fuel, repairs and maintenance	642	413
	Occupancy and premises maintenance costs	9,618	8,555
	Insurance and licence expenses	1,040	1,238
	Advertising, promotions and branding	8,955	3,576
	Legal and professional fees	1,360	1,300
	Subscriptions	1,068	607
	Communication	2,134	2,729
	Training and human capital development	86	431
	Entertainment and meeting expenses	1,323	646
		51,618	**44,203**
(a)	**Directors remuneration**		
	Remuneration paid to the Company's Directors was:		
	Fees and sitting allowances	3,600	3,600
	Other emoluments	18,793	18,608
	Fees and other emoluments disclosed above includes amounts paid to:		
	The Chairman	4,183	4,183
	The highest paid Director	2,847	2,847
29	**Earnings per share**		
	Net profit attributable to equity holders	313,880	273,137
	Weighted average number of ordinary shares	440,000	440,000
	Basic and diluted earnings per ordinary shares expressed in naira	**0.71**	**0.62**

30 **Dividends**

The Board of Directors have proposed a dividend of N0.30 per share (2017: N0.275) from the retained earnings account based on the 2018 financial year results. The dividend amount of N132 million (2017: N121 million) which is liable to withholding tax at a rate of 10% is subject to approval by the shareholders at the Annual General Meeting. Consequently, the dividend has not been included as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in thousands of Nigerian Naira)

31 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operating decisions, or one other party controls both. The definition of related parties include subsidiaries, associates, joint ventures and key management personnel.

Parent company
The Parent company which is also the Ultimate company is Leadway HoldCo Limited (2017: Leadway Assurance Company Limited). Shares held by Leadway Assurance Company Limited in its non-insurance subsidiaries were transferred by corporate action to Leadway HoldCo Limited on May 25, 2018.

	December 2018	December 2017
Transactions and balances with the Parent Company includes:		
Available for sale equity securities (694,760,840 units held)	**80,995**	80,995

Subsidiary and Associates
The Company has no subsidiary or associate relationships.

Fellow subsidiaries and affiliated companies
This includes Leadway Hotels, Leadway Properties and Investments Limited and Leadway Assurance Company Limited.

	December 2018	December 2017
Loan transactions:		
Leadway Hotels Limited	**30,000**	-
Borrowing transactions:		
Leadway Properties and Investments Limited	**(98,886)**	(140,189)
Leadway Assurance Company Limited	**(933,673)**	(265,809)

Transactions with key management personnel
The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management personnel includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Leadway Capital and Trusts Limited.

	December 2018	December 2017
Key management personnel and their immediate relatives engaged in the following transactions with the Group during the		
Mortgages	-	5,848
Other receivables	-	-
Key management personnel compensation for the year comprised:		
Directors' fees	**3,600**	3,600
Other emoluments	**18,793**	18,608

APPENDICES TO THE FINANCIAL STATEMENTS

(OTHER NATIONAL DISCLOSURES)

STATEMENT OF VALUE ADDED
(All amounts are in thousands of Nigerian Naira)

	2018	%	2017	%
Turnover				
- Local	871,191		668,065	
Other income				
- Local	7,785		10,191	
Expenses on materials and services - Local	(96,457)		(77,789)	
Value Added	**782,519**	**100**	**600,467**	**100**
Applied to pay:				
Employee salaries and wages	76,175	10	77,228	13
Government as tax	113,955	15	106,651	18
To providers of finance				
Interest on loans and borrowings	280,384	36	138,631	23
Retained in the business:				
Depreciation of property and equipment	2,261	-	2,041	-
Amortization of intangible assets	6,597	1	2,959	-
To augment reserves	302,332	39	273,137	45
Deferred taxation	815	-	(180)	-
Value Added	**782,519**	**100**	**600,467**	**100**

FIVE YEAR FINANCIAL SUMMARY
(All amounts are in thousands of Nigerian Naira)

	2018	2017	2016	2015	2014
ASSETS					
Cash and cash equivalents	143,317	251,000	265,487	312,209	458,672
Financial assets at fair value through profit or loss	151,498	169,125	96,052	100,523	121,737
Loans and advances to customers	3,348,975	2,676,477	2,256,361	1,240,674	443,929
Finance lease receivables	10,949	17,378	48,491	130,421	234,327
Investment securities at fair value through OCI	87,357	87,357	85,752	85,752	85,752
Trade and other receivables	15,147	413	11,622	57,683	69,526
Sinking fund asset	1,593	505	1,469	1,522	1,262
Intangible assets	2,828	9,425	5,235	7,152	8,617
Property and equipment	18,140	3,487	11,774	7,741	11,520
TOTAL ASSETS	**3,779,804**	**3,215,168**	**2,782,243**	**1,943,677**	**1,435,342**
LIABILITIES					
Trade and other payables	318,730	183,138	156,778	135,742	158,518
Sinking fund liability	1,593	505	1,469	1,522	1,262
Current tax liabilities	137,935	108,570	55,602	15,120	35,323
Due to the parent company	-	-	802	8,498	7,805
Fund in Trust	1,044,711	1,448,722	937,590	436,720	407,458
Borrowings	1,032,559	405,998	746,592	605,556	115,103
Deferred tax liabilities	1,746	931	1,111	678	1,726
TOTAL LIABILITIES	**2,537,274**	**2,147,864**	**1,899,944**	**1,203,836**	**727,195**
EQUITY					
Share capital	440,000	440,000	440,000	440,000	440,000
Retained earnings	802,528	627,304	442,299	299,840	268,146
TOTAL EQUITY	**1,242,528**	**1,067,304**	**882,299**	**739,840**	**708,146**
TOTAL LIABILITIES AND EQUITY	**3,779,804**	**3,215,168**	**2,782,243**	**1,943,677**	**1,435,342**
Revenue	**871,191**	**668,065**	**498,610**	**306,378**	**237,133**
Profit before tax	**421,315**	**383,901**	**240,428**	**96,645**	**165,735**
Profit after tax	**302,332**	**273,137**	**186,313**	**84,493**	**153,428**
Basic earnings per share (N)	**0.71**	**0.62**	**0.42**	**0.19**	**0.35**