Nigeria Sovereign Investment Authority

Nigeria Sovereign Investment Authority
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Nigeria Sovereign Investment Authority Annual Report & Accounts 2016

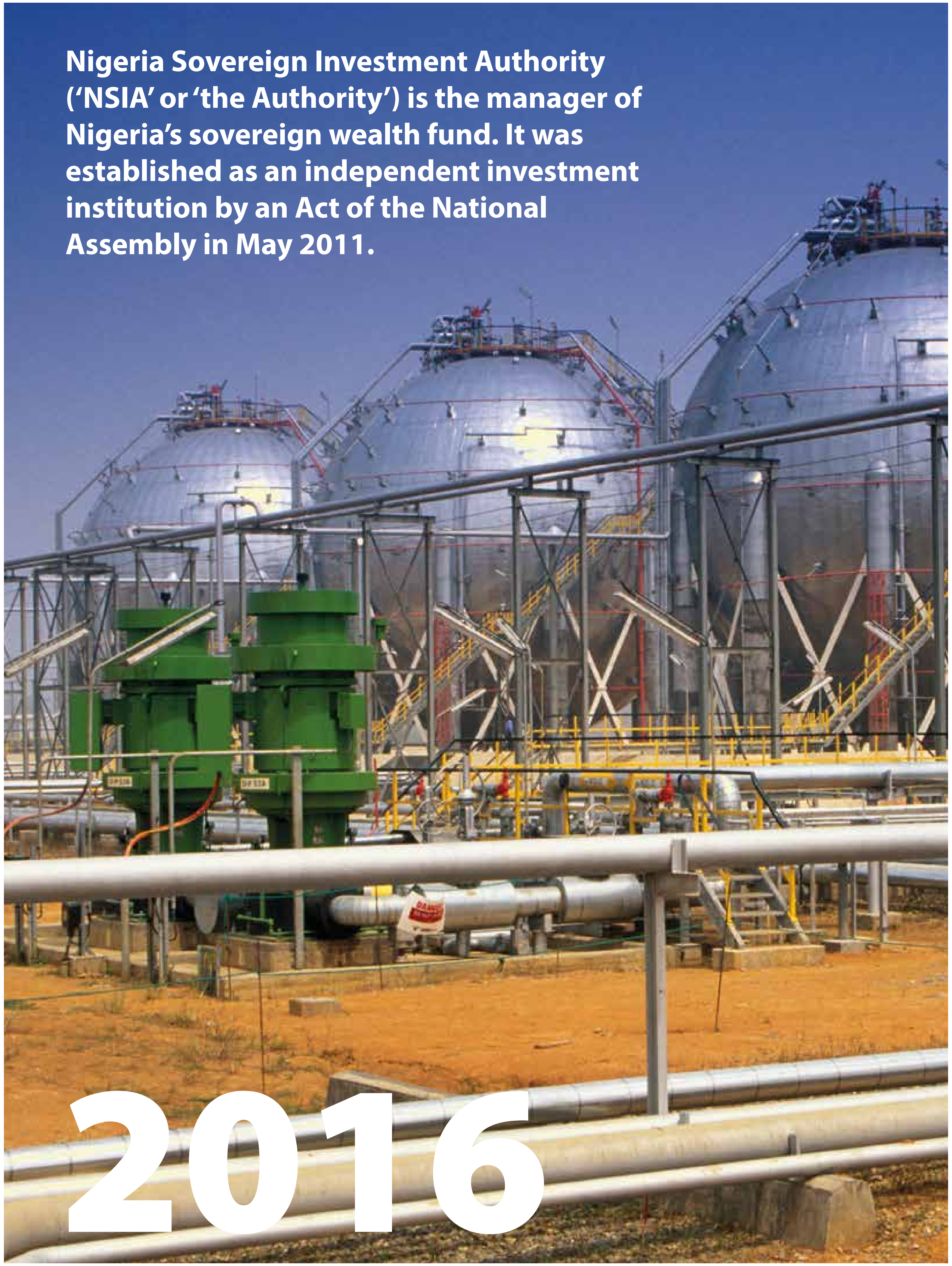
Annual Report & Accounts 2016

Nigeria Sovereign Investment Authority

PARTNERSHIPS THAT WORK

HELPING NIGERIA REACH ITS POTENTIAL

Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') is the manager of Nigeria's sovereign wealth fund. It was established as an independent investment institution by an Act of the National Assembly in May 2011.



Corporate Information

Registered Office

The Clan Place
4th Floor
Plot 1386A
Tigris Crescent
Maitama, Abuja

Auditors

PricewaterhouseCoopers
Landmark Towers
5B, Water Corporation Road
Victoria Island
Lagos

Banker

Central Bank of Nigeria
Plot 33, Abubakar Tafawa Balewa Way
Central Business District
Cadastral Zone
Abuja, Federal Capital Territory
Nigeria

Fund Custodians

JP Morgan Chase & Co (Global Custodian)
25 Bank Street
Canary Wharf
London, E14 5JP

Stanbic IBTC Bank Limited (Local Custodian)
IBTC Place
2, Walter Carrington Crescent
Victoria Island
Lagos
Nigeria

Oil Refining
Port Harcourt, Rivers State, Nigeria
Photograph shows oil storage tank with feed pipes leading to power station boilers. Nigeria is Africa's largest producer of oil and the sixth largest oil producing country in the world. Crude oil is Nigeria's highest source of revenue and contributes about 10% of the country's GDP.

CONTENTS

INTRODUCTION

Toll-Roads
Gwarinpa, Abuja, Nigeria
Photograph shows the Kubwa-Gwarinpa Expressway with vehicular movement at off-peak period. Nigeria's road network remains the backbone of social and economic activities, as the country's economic development is closely related to the condition of the country's road network. Within the country, over 90% of goods and services are transported by road. NSIA is co-developing the Second Niger Bridge and the Lagos-Ibadan Expressway project as well as other viable road projects of national interest.

ABOUT NSIA

NSIA is an investment institution of the Federation. It was set up to manage funds in excess of budgeted hydrocarbon revenues on behalf of all tiers of government in preparation for the eventual depletion of the resource.

Now in our fourth year of operation, our mission remains to play a leading role in driving economic development for the benefit of all Nigerians. We are achieving this by building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure, and by providing stabilisation support in times of economic stress.

The Authority's mandate derives from the Nigeria Sovereign Investment Authority (Establishment, etc.) Act 2011, which was signed into law on 25 May 2011. Based on the mandate, NSIA operates three (3) ring-fenced funds namely; the Stabilisation Fund, the Future Generations Fund and the Nigeria Infrastructure Fund.

Within the remit of its mandate, NSIA invests in a diversified portfolio of medium and long-term assets, serves as a catalyst to attract co-investments and manages third party funds on behalf of other government institutions against target returns. Driven by strong core values, NSIA aims to deliver sustainable and consistent performance.

Futhermore, NSIA aims to transform Nigeria's economic landscape by creating institutions that bridge the gap in infrastructure deficits and by attracting strategic investments into key sectors of the economy in order to stimulate sustainable and scalable growth.

Harnessing Opportunities, Promoting Nigeria

At the Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority'), we see Nigeria as an investment hub with vast economic opportunities. This perspective propels us to continue to play a leading role in promoting investments for Nigeria's economic development.

NSIA's responsibilities include building financial wealth for future generations of Nigerians and, as such, pursues partnership opportunities to drive the actualisation of this goal. In this regard, we view our role as that of an enabler; providing impetus to key sectors of the economy and helping Nigeria to reach its as yet untapped, but compelling, potential.

Partnering for a Secure Future

The Authority's 2016 performance shows that our investment strategy is paying off. Not only did we achieve a significant portion of our strategic objectives for the year, but we also continued to attract credible and like-minded investment partners.

Nigeria is on the brink of an economic renaissance and NSIA is well-positioned to support and contribute towards its emergence as a new economic power-house. Armed with a resilient resolve, driven by a clear vision, and guided by our strong values, NSIA is set to create partnerships that will help secure a stronger economic future for the benefit of all Nigerians.

THE MANDATE FUNDS

The Authority manages three (3) ring-fenced funds:

Future Generations Fund (FGF)
Established to build a savings base for the Nigerian people. The objective of the FGF is to preserve and grow the value of assets transferred into it. This is done by investing in a diversified portfolio of growth assets for the benefit of future generations of Nigerians.

Nigeria Infrastructure Fund (NIF)
Aims to enhance the development of infrastructure, primarily through investments in domestic infrastructure projects that meet targeted financial and social returns.

Stabilisation Fund (SF)
Created to provide stabilisation support in times of economic stress. The assets are invested conservatively to strike a balance between generating a modest positive return and preserving capital in nominal terms.

Corporate Philosophy

Mission
To play a leading role in driving sustained economic development for the benefit of all Nigerians through:
- building a savings base for the Nigerian people;
- enhancing the development of Nigeria's infrastructure; and
- providing stabilisation support in times of economic stress.

Vision
To establish NSIA as a leading sovereign wealth fund globally; playing a role in promoting investments for Nigeria's economic development.

Values
Our core values shape culture, inform decision-making and drive our quest to become the yardstick for regional and international best practices

- Integrity
  In all endeavours, we adhere to the highest ethical principles by reflecting probity, soundness of character and accountability.
- Discipline
  We apply ourselves diligently in all we do; observing the provisions of the enabling laws on which our existence is anchored.
- Transparency
  Ours is an institution driven by vividly clear guidelines and best-in-class business practices.

CHIEF EXECUTIVE'S REVIEW

Mr Uche Orji
Managing Director and
Chief Executive Officer

It is my pleasure to present the Annual Report of the Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') for the financial year ended 31 December 2016. In line with the Authority's establishing mandate, NSIA continues to deploy strategies to grow Nigeria's sovereign wealth through sustainable long-term investing. This has been the charge since full operations commenced in 2013 and it remained the thrust of the organisation in the period under review.

2016 in View

Globally, the year 2016 can best be described as a year of economic and political surprises. The remarkable surge in populism implicit in the vote by Great Britain to exit the European Union (Brexit) and the rise of anti-European Union (EU) sentiments across Europe were unexpected outcomes that increased uncertainty and overwhelmed the already fragile global markets. Still, the International Monetary Fund (IMF) World Economic Outlook reported that the global economy grew by 3.1%, the same rate recorded in 2015, on the back of a stronger economic momentum in the second half of the year.

In financial markets, the first half of the year was characterised by high volatility, which normalised as the year progressed. The second half of the year, following the results of the elections in the USA, witnessed a rally that was driven by investor expectations of rate cuts, higher infrastructure spending and reduced regulations.

On the domestic front, Nigeria experienced an economic downturn in 2016 as the macroeconomic challenges which began in late 2015 deteriorated further throughout the year in view. This resulted in an economic decline as the National Bureau of Statistics reported a contraction in gross domestic product of 0.4% and 2.1% in H1 and H2 respectively. Overall, the difficult macroeconomic environment impacted all sectors of the economy and the nation slid into recession, the first in over two decades, as global oil prices declined by more than 77% from a peak of US$115.19/barrel in 2014 to a trough of US$26.01/barrel in 2016. This impacted foreign exchange reserves, which led to a sharp decline in the value of the Naira in the non-official market.

Although the volatility resulting from this macroeconomic environment tested the asset allocation strategy of NSIA, we are pleased to report that positive performance was recorded across all funds. The Authority maintained its diversified asset allocation strategy on both the Stabilisation Fund (SF) and the Future Generations Fund (FGF) and stayed the course with its investment strategy, albeit with slight modifications to the Nigeria Infrastructure Fund (NIF). Taking proactive measures to sustain performance, NSIA exited underperforming portfolios, strengthened its cash management strategy and aligned its infrastructure and social investment systems along the lines of government priority for increased economic and developmental impact.

The following are some notable milestones:

- Efficient utilisation of equity to drive increased profits as Return on Equity increased by 25% over the period growing from 13% in 2015 to 38% in 2016
- Enhanced performance in terms of use of assets with a 36% return on assets in 2016 representing a 24% growth over the preceeding period in 2015
- Total Comprehensive Income grew by 469% to close at ₦149.83 billion relative to the 2015 performance on account of strong underlying performance and significant revaluation gains
- Total Assets grew to ₦420.93 billion, a growth of 97% when compared with the position as of 31 December 2015
- Investment and Interest Income grew by 92% from ₦5.8 billion in 2015 to ₦11.2 billion in the period under review.

> "We are pleased to report that positive performance was recorded across all Funds.

TOTAL COMPREHENSIVE INCOME

₦149.83bn

2015: ₦26.35bn

TOTAL ASSETS

₦420.93bn

2015: ₦213.6bn

Notably, the Authority's strict implementation of the Board-approved risk management framework ensured that operations continued from a position of strength in terms of both local and foreign currency transactions. Against this backdrop, the Authority was able to deliver a spirited performance and increased total comprehensive income to ₦149.83 billion, representing a 469% growth over the previous year on account of both strong underlying returns and significant revaluation gains, and also increased total assets to ₦420.93 billion, a growth of 97% when compared with the position at 31 December 2015.

The Mandate Funds

As of year end, the Authority had committed significant capital to the Future Generations Fund (FGF) and Stabilisation Fund (SF). In the same vein, a substantial level of traction was made on the Nigeria Infrastructure Fund (NIF) as opportunities that had been identified in prior periods were progressed into investible assets, while other portfolio investments remained on course.

In the period, the Authority operated a diverse investment portfolio of traditional and alternative assets with funds under management slightly in excess of US$1.25 billion. However, the strategic asset allocation remained unchanged at 40% in the Future Generations Fund, 40% in the Nigeria Infrastructure Fund and 20% in the Stabilisation Fund.

Stabilisation Fund (SF)

During this period, the allocation to US Treasuries was increased while the rest of the funds in this category were invested in cash management products with highly rated international financial institutions. On an ongoing basis, the Authority has managed this fund segment in highly liquid and low risk assets to ensure capital preservation.

Future Generations Fund (FGF)

This fund is managed with a multi-asset strategy. Consequently, investments were made in a diversified portfolio of growth assets across global public equities, private equities, hedge funds and other diversifiers such as aircraft leasing and other investments with predictable cash flow. This resulted in a solid performance from many of the asset classes in which we invested. On the downside, cash calls from various private equity investments remained a drag on performance owing to the effect of the J-curve, although we remain confident that these will produce good returns in the future.

We believe that private equity remains fundamental to the FGF's mandate and we continued to make new commitments. In 2016, in addition to the 31 equity managers and the 20 general partnerships to date, we added an investment in the Abraaj Growth Healthcare Fund.

Nigeria Infrastructure Fund (NIF)

Over the period, NSIA sustained its infrastructure strategy anchored on three core principles:

i direct investment in focus sectors;
ii establishment of co-investment funds; and
iii creation of financial institutions and instruments to enable investment infrastructure.

INTRODUCTION

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Direct investment

Prior to 2016, the Authority's core areas of focus had been agriculture, healthcare, power, toll roads and real estate. However, within the period, the sector focus was expanded to include middle-market industrialisation, mid/downstream oil and gas infrastructure, e-government, and water resources.

The new projects to which the Authority committed its resources within the period includes the Presidential Fertiliser Initiative (PFI), which is being driven by NSIA on behalf of the Federal Government of Nigeria (FGN):

Presidential Fertiliser Initiative (PFI)

At the invitation of H. E. President Muhammadu Buhari in December 2016, NSIA led the implementation of the Presidential Fertiliser Initiative, a programme targeted at delivering locally blended NPK 20:10:10 fertiliser to Nigerian farmers for the 2017 wet farming season.

Amongst other things, the programme was designed to:

i. enhance food security by reducing food-induced inflation and stimulating economic activities across the agriculture value chain;
ii. conserve foreign exchange by maximising local content and save significant sums in budgetary provisions for fertiliser subsidy;
iii. stimulate local production of NPK fertiliser by reviving the local blending fertiliser industry;
iv. create direct and indirect jobs; and
v. make fertiliser available to Nigerian farmers at affordable prices.

Accordingly, the Authority incorporated a wholly owned subsidiary, NAIC-NPK Limited, to run the programme. To date, the programme has contributed to the resuscitation of 11 moribund blending plants, which represent 55% of total installed capacity in Nigeria, and produced over six million bags of 50kg NPK 20:10:10 fertiliser locally, which have been distributed to farmers. As a result, several thousand jobs have been created and the nation has saved a significant amount in foreign exchange and subsidy payments.

The programme aligns with NSIA's overall strategy to expand and modernise Nigeria's agriculture sector.

Creation of co-investment funds

In the period under review, the Authority created two funds; one with UFF Agri Fund for the agriculture sector, and the other with Old Mutual for the real estate sector:

Agriculture Fund

NSIA established an agriculture fund in partnership with a South African specialist Agri PE Fund, UFF Agri Fund, to develop large scale farming that will address food security and reverse loss of foreign exchange by leveraging out-grower schemes and decreasing imports.

NSIA and UFF committed US$25 million each to the fund via subscription agreements which were signed on 12 August 2016. The target fund size is US$200 million and it is expected that deal origination and execution will be undertaken jointly by both NSIA and UFF Agri Fund.

The fund has made significant progress on its first project which is a maize/soy farm for a fully integrated animal feed production company with several new projects at different stages of completion. Various other medium to large size projects are in the pipeline, ranging from citrus farming for export, cassava – including starch processing – and dairy farming. We are excited about the prospects of opportunities in the agro industry as shown by the growing pipeline.

The Real Estate Fund

NSIA established a US$500 million fund, in partnership with Old Mutual to stimulate the real estate sector in Nigeria. The fund targets commercial, industrial and retail real estate investments within Nigeria's major cities.

Both NSIA and Old Mutual committed U$50 million each and will raise the rest from third party investors

Unlike the Agriculture Fund which has a growing and active pipeline, the Real Estate Fund has faced headwinds from the foreign exchange challenges in 2016. As we approach 2017, we are optimistic that government's ongoing revision of the current foreign exchange policy including the creation of additional foreign exchange windows should help to address this challenge.

Healthcare

The Authority recorded further progress in healthcare as the procurement of technical services for the healthcare centres commenced in 2016. This follows commitments made in 2015 which included investing in LUTH (Lagos University Teaching Hospital) to create a centre for advanced medicine; development of diagnostic centres in Kano and Umuahia and creation of a joint healthcare fund with the Federal Ministry of Health to address tertiary care in six teaching hospitals through the provision of advanced centres of medicine.

The specialties expected to be covered by these facilities include oncology, cardiac surgery, cardiology, neurosurgery, orthopaedic surgery, and other vital medical services as these account for over 80% of medical tourism.

Ogun State Land Reforestation and Waste to Energy Project

NSIA entered into partnership with the Ogun State Government and Lafarge Africa to develop sustainable and replicable projects in the areas of waste to energy and revival of degraded land for agriculture.

To date, two project are under development:

i. Ile Dotun, which sets out to transform 108,000 hectares of heavily degraded land into an arable green area in Imeko and Aworo forest reserves, as part of Nigeria's land degradation neutrally commitments; and
ii. Abeokuta Municipal Waste, which will source and use municipal waste as the key input for energy and bio-fertiliser production.

Both projects are first of kind in Nigeria and will lead the way for other transformative initiatives.

Second Niger Bridge (2NB)

In the period under review, NSIA saw to the completion of Early Works III on the site. Following this, the Authority proposed a revised funding plan to the Ministry of Power, Works and Housing, which is under review. Once a new financing strategy is agreed upon, the next stage of construction will commence.

Creation of financial institutions that enable investments in infrastructure

NSIA concluded the establishment of the following institutions in 2016:

Infrastructure Credit Guarantee Company Limited (InfraCredit)

In partnership with GuarantCo, a UK-based provider of infrastructure credit guarantees supported by the governments of Australia, the Netherlands, Sweden, Switzerland and the UK, NSIA took steps to complete the establishment of the Infrastructure Credit Guarantee Company Limited (InfraCredit).

InfraCredit was conceived as a Credit Enhancement Facility designed to provide credit enhancement of local currency infrastructure debt instruments. When fully funded, the company will facilitate an infrastructure bond market worth almost US$1.5 billion. This will make it possible for pension funds and insurance companies to invest in infrastructure via the credit-enhanced bonds. NSIA has committed US$25 million of equity and InfraCredit is capital raising for the remaining US$75 million of core equity. GuarantCo is leading the provision of matching contingent capital.

Development Bank of Nigeria (DBN)

As of year-end 2016, arrangements to operationalise the Development Bank of Nigeria (DBN) had progressed significantly.

The institution is being set up in partnership with the World Bank, African Development Bank (AfDB), KfW (Germany), Agence Française de Développement (AfD) and European Investment Bank (EIB) to provide medium to long-term financing for the micro, small and medium-sized enterprises (MSME) and agriculture sectors.

The application for an operating licence has been tendered to the CBN and is expected to be approved within Q1 2017.

NSIA holds equity in the DBN on behalf of the Federal Government of Nigeria

Family Homes Funds Limited (FHFL)

The Family Homes Fund Limited (FHFL) was incorporated and commenced operation in 2016. A flagship initiative of the Honourable Minister of Finance, FHFL is designed to create a blended pool of long-term funds to solve the problems in mass housing development through the provision of affordable homes and mortgages. NSIA is pleased with the establishment of FHFL and its progress thus far.

CHIEF EXECUTIVE'S REVIEW
(CONTINUED)

Nigeria Commodity Exchange (NCX)
The investment opportunity was presented by the FGN's desire to revitalise the NCX via a strategic privatisation option involving a pre-privatisation phase and a full privatisation phase. This was proposed by the Bureau of Public Enterprises (BPE) and approved by the National Council on Privatisation (NCP). NSIA indicated its interest to participate and was granted approval for the pre-privatisation phase.

The pre-privatisation phase involves a revamp of the NCX to make it operational, efficient and sustainable, which is a pre-condition for privatisation. It is envisaged that NSIA will, during this phase, come in as a strategic core investor with a technical partner as the exchange operator, after which NSIA will divest during privatisation. It is envisaged that NSIA will operate the NCX for a short period and exit thereafter.

Third Party Asset Management
The Authority continues to manage a US$350 million asset for the Nigerian Bulk Electricity Trading Company plc (NBET) and a US$100 million asset on behalf of the Debt Management Office (DMO). It also continues to manage a portion of the Federal Government's Stabilisation Account (FGN Stab.), a Naira denominated fund commenced in late 2015. As of year end 2016, the NBET fund returned 5.42% while the FGN Stab fund returned 11%.

The DMO Fund was invested in the 10.25% senior secured notes due by 2021 and issued by Seven Energy, an integrated gas company in Nigeria, for the purposes of developing the gas pipeline and providing gas to major gas off-takers within the Nigerian power sector. However, due to delays in payments for gas consumption and the challenges being faced in the Niger Delta region that led to a shutdown of Forecados export terminal, Seven Energy failed to make its interest payments. Plans are underway by Seven Energy to re-structure its terms with lenders and investors.

Governance
At the time of reporting, the Board Reconstitution Committee had nearly completed the selection process for a new Board of Directors. The short list of potential Directors had been forwarded to the National Economic Council for consideration. Subsequent to the end of the year, a new Board was announced in February 2017 comprising the following Non-executive Directors:
- Mr Olajide Zeitlin – Chairman
- Mr Bello Maccido
- Ms Lois Laraba Machunga-Disu
- Mr Urum Kalu Eke, MFR
- Mrs Halima Buba
- Mr Asue Ighodalo

The Executive Management team remains the same.

Outlook
On behalf of the management and staff of the Authority, I wish to convey our unreserved gratitude to H. E., the President and Commander in Chief of the Armed Forces of the Federal Republic of Nigeria, President Muhammadu Buhari (GCFR); H.E. the Vice President of the Federal Republic of Nigeria, Prof. Yemi Osinbajo (GCON), SAN; the Honourable Minister of Finance, Mrs Kemi Adesoun, the Honourable FCT Minister, all 36 State Governors in the country, members of the Governors' Forum and the highly esteemed members of the Governing Council and the National Assembly for the immense support afforded to NSIA during the year, especially for the allocation of US$250 million additional capital.

While thanking the management and staff for their dedication, hard work and commitment to service, I also want to use this opportunity to welcome the new members of the Board who were inaugurated on 12 May 2017 and whose tenure commenced shortly before the completion of this report.

In the coming year, NSIA's top priorities will be to:
- shield its assets from anticipated and unforeseen market volatility;
- consolidate its position as the preferred partner for foreign investors looking to access attractive co-investment opportunities for infrastructure development in Nigeria; and
- strengthen its partnership with the critical institutions of the Federal Government to stimulate and transform high growth sectors of the economy and assist in creating efficient systems.

Looking ahead, the Authority remains confident that it will continue to invest in accordance with its five year strategic plan and also position the institution as a major contributor to the emergence of Nigeria as the preferred investment destination in Africa

Thank you.

Mr Uche Orji
Managing Director and Chief Executive Officer
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INTRODUCTION

2016 MILESTONES

NSIA sustained its support for, and investments in, selected domestic projects and also aims to earn a reputation as a credible partner for project execution in Nigeria. In this regard, the Authority broadened its incursion in commercial and sustainable growth opportunity sectors such as agriculture, government e-commerce and real estate. The quest to stimulate key sectors of the economy by enabling the development of critical infrastructure remains a key impetus for NSIA's involvement in projects.

1

January 2016
Completed Early Works III on Second Niger Bridge.

2

February 2016
Received additional US$250 million capital injection as approved by the National Economic Council during the 2nd Governing Council Meeting in November 2015.

3

July 2016
NSIA approved an investment of US$5 million in Bridge International Academies (Nigeria), an education company that focuses on providing top quality education for children of low-income families. The company aims to roll-out over 80 schools in Nigeria by year-end 2017.

4

August 2016
Established US$200 million Agriculture Fund with UFF Agri Fund of South Africa.

EW III, Ongoing construction at the site of the Second Niger Bridge.

5

August 2016
Established US$500 million Real Estate Fund with Old Mutual Africa Property Management Company of South Africa.

6

October 2016
Incorporated the Infrastructure Credit Guarantee Company Limited (InfraCredit). Once operational, the company will provide guarantees for credit enhancement of infrastructure bonds.

7

November 2016
Secured approval to invest in the pre-privatisation phase of the Nigeria Commodities Exchange, Abuja.

8

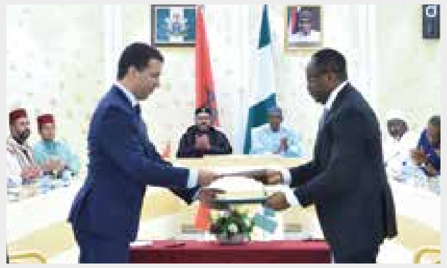
November 2016
Signed MOU with Ithmar Capital Morocco for strategic investments in key sectors of the Nigerian economy.

9

December 2016
Invited by H. E., President Muhammadu Buhari to join the Presidential Fertiliser Initiative (PFI) Implementation Committee.

10

December 2016
Created Special Purpose Vehicle, NAIC NPK Limited, to implement the Presidential Fertiliser Initiative.



NSIA MD and Ithmar Capital MD, signing MOU for strategic investments

Alhaji Abba Kyari, Chief of Staff to the President of Nigeria (centre); H. E., Alhaji Mohammed Badaru Abubakar, Governor, Jigawa State (left); Mr Thomas Etuh, President, Fertiliser Producers and Suppliers Association of Nigeria (FEPSAN) and Chairman, Tak Agro and Chemical Nigeria Ltd; and Mr Uche Orji, Managing Director and Chief Executive Officer, Nigerian Sovereign Investment Authority (right) during the inspection of blending plant facilities for the Presidential Fertiliser Initiative.

Real Estate
Iganmu, Lagos, Nigeria
Photograph shows the National Arts Theatre, Iganmu, Lagos, the primary centre for the performing arts in Nigeria. Completed in 1976, this monumental real estate is one Nigeria's prominent infrastructure dedicated to the celebration of arts and culture. NSIA is committed to investing in real estate across the country. The Authority's interest in the sector is underpinned by the economic imperatives of urbanisation, population growth and enhancement of liquidity for the sector.

FUNDS UPDATE

MARKET OVERVIEW

The year 2016 was characterised by sharp political and economic policy shifts across the world, particularly in the United States of America and many parts of Europe. These developments signalled a new tone of protectionism, impacting global trade and financial markets, with implications on global growth among other concerns.

According to the IMF, the US economy recorded a total growth of 1.6% in 2016, lower than the 2.6% growth recorded in 2015. The Eurozone and Japan grew by 1.7% and 1.0% respectively, a slowdown from 2015's growth levels of 2.0% and 1.2% respectively. European stocks advanced in local currency terms, supported by aggressive monetary stimulus measures and modestly improving economic growth Q-on-Q. However, the Brexit decision raised fears of dire economic consequences, which immediately saw the British pound fall to a 31 year low against the US dollar. The IMF also estimated that Emerging Market and Developing Economies (EMDEs) grew by an estimated 4.2% in 2016 on the back of stable commodity prices. The Chinese economy grew by 6.7%, according to the IMF, which signified a slight decline from the previous year's growth of 6.9% thus, creating a trend of slower growth for the world's second largest economy.

Regionally, the IMF had estimated an average growth rate of 3.4% in 2016 for the Middle East, North Africa, Afghanistan and Pakistan, which is an increase from the previous year. Growth in Sub-Saharan Africa (SSA) is estimated to have decelerated to 1.4% in 2016, the lowest level in over two decades. Commodity exporters make substantial contributions towards SSA growth and low commodity prices have led to a decline in economic output. Similarly, output in Latin America and the Caribbean contracted by an average of 0.6% in 2016, the second consecutive year of negative growth, which is also largely attributed to low commodity prices and the Chinese economic slowdown. Asia, ex-Japan and South Korea, grew 6.5%, a 0.1% slowdown from 2015 as a result of slowing demand from China.

Energy commodities, including coal, crude oil and natural gas, were down 15.4% in 2016, hitting their lowest point in the first quarter of 2016 and recovered some of the losses by Q4 2016. The value of metals and minerals also fell 6.0% in 2016 from 2015. In its Commodity Markets Outlook, the World Bank reported a 7.6% jump in the price of gold in 2016. This can be attributed to the tendency for investors to switch to safe havens in times of market uncertainty and geopolitical turmoil. However, similar to gold, the value of rare metals went up 6.6% due to their stable nature during difficult times.

Going forward, the US is expected to record a stronger growth rate of 2.3% in 2017. The Euro area is expected to remain flat in 2017 as a result of lingering political uncertainty in key economies within the region and persistent unemployment. JP Morgan estimates that the Eurozone's unemployment rate will remain at 10%, but the rate in Greece will rise further above regional averages. Additionally, core inflation is below target and presently less than 1.0% in the Eurozone.

The economies of advanced and emerging/frontier markets are projected to accelerate by 3.4% and 3.6% in 2017-2018 respectively. This positive outlook is as a result of the strong economic activity in the second half of 2016 and a projected fiscal stimulus in the US.

EMDEs are expected to experience further growth in 2017 due to a projected increase in commodity prices. However, policy uncertainty in advanced economies and slow productivity growth are expected to weigh in on the medium to long-term EMDE outlook. The nationalistic stance of the Trump administration could effectively lead to a potential slowdown of production and job outsourcing that would normally go to emerging economies. Furthermore, government policy could lead to a cut in foreign funding, some of which are essential to emerging economies. However, all this is hinged on the ability of the Trump administration to push these reforms through the US Congress. This also creates additional uncertainties in the markets. On commodities, the IMF further forecast a 25.7% jump in the price of energy commodities in 2017, with the value of crude oil expected to increase by 28.5%.

Geopolitical considerations could be the key themes that dominate in 2017. These include the direction and policies of the US government under President Trump, the Brexit process, and key elections in Europe.

Developed Market Equities

United States of America

US equities had a good year in 2016 as a result of the global reflation trade stemming from political events. The S&P gained 11.96%, a huge improvement from a 0.7% decline in 2015. This was due to the rising interest rate environment and the expectation of increased infrastructure

NSIA Invests:

in 42 countries

on five Continents

in 24 currencies

with 32 Fund Managers

spending and tax cuts by the Trump administration. Coupled with this, the Bloomberg US Dollar Index (DXY) increased by 3.5% as the dollar strengthened against major currencies following continued monetary policy tightening by the US Federal Reserve.

The flat earnings growth experienced in the previous year continued in 2016. According to Cambridge Associates, a leading investment advisory firm, corporates experienced double digit declines in real Earnings Per Share (EPS). Corporate earnings may be given the much needed boost with the Trump administration embarking on fiscal policy expansion, potential tax cuts and proposed tax holidays for repatriated capital. These actions are both accretive for corporate profits and shareholder value maximisation. However, the policy changes would affect sectors in different ways.

Financial stocks may outperform, while utilities and consumer staples that have historically offered higher income or low volatility may underperform broader equities according to Goldman Sachs Asset Management. However, there is a risk that rising protectionist rhetoric could pose a threat to the market outlook. Furthermore, a relatively strong dollar increases potential headwinds for US corporate earnings. Uncertainty over the ability of the current US Administration to push through a fiscal stimulus could also serve as a source of potential headwind. While the Federal Reserves is expected to continue to gradually raise rates in 2017, current US domestic policy, weak inflation and political uncertainty may moderate the pace of these rate hikes.

Europe

Although the immediate aftermath of Brexit led to a sell-off of European stocks, they rebounded strongly on the belief that competent governance will enable a solid post UK Eurozone.

According to Cambridge Associates, Eurozone equity valuations have become more attractive; in particular, UK equity valuations. UK and Eurozone valuations are below their historical medians, reflecting increased Euro area risk and a cushion against further earnings headwinds. Compared to US equities, on a normalised P/E basis, the UK and Eurozone trade at an average discount of 39%. These valuations suggest the possibility of longer term out performance compared to US equities.

However, uncertainties over the Brexit negotiations could lead to a decline in business activities and consumer confidence in Eurozone and UK. Furthermore, the heavy European election calendar in 2017 creates an additional layer of uncertainty and, though marginal, the risk of nationalistic parties gaining majorities in key European countries remains. Uncertainty over the Brexit negotiations and the future of trade relations in Europe could be a key driver of markets in 2017.

Japan

The Japanese economy continued to flirt with deflation throughout 2016. Despite Prime Minister Shinzo Abe's determination and reforms to help stimulate economic growth and bolster inflation, the economy still dipped into negative levels towards the end of the year (reaching -0.3% according to JP Morgan). The recent US rhetoric on cutting down on imports and boosting domestic manufacturing has caused Japanese stocks to underperform. Although Japan experienced record earnings levels in 2015, 2016 earnings suffered a modest setback.

The Japanese market underwent a remarkable turnaround in Q4 2016 due to optimism over Prime Minister Shinzo Abe's reforms, which have included a quantitative easing programme and a push to make Japanese companies more shareholder friendly. This upturn saw the Nikkei 225 index end 2016 up 70%. Recent improvement in economic data as a result of policy changes has brought renewed optimism. Share buybacks and rotation of local institutions into equities should provide support for earnings and share prices. If the ruling party wins the summer elections in 2017 as expected, there would be further injections of fiscal stimulus.

As anticipated, Japan did not reach its 2.0% inflation target. However, rising commodity prices, especially oil, could boost inflation because of the country being a net commodities importer. Relative valuations for Japanese equities appear compelling and the valuation suggests the potential for longer term outperformance over US stocks. However, the uncertainties of an election year and deflation fears remain, creating potential headwinds.

MARKET OVERVIEW (CONTINUED)

Emerging Markets
JP Morgan estimates that equities in emerging markets were at their lowest point since 2009 in the first quarter of 2016. However, the MSCI Emerging Markets Performance Index returned 11.19% at the year end, stemming the negative returns for the past three years. This performance was fuelled by a strong performance in commodities, which simply reinforces the strong correlation between commodity prices and emerging markets equities.

In China, the economic slowdown continued and equities are still struggling to recover one year after the Chinese stock market bubble erased US$5 trillion of market value. The Shanghai Composite Index recorded weak growth on the back of the collapse through the year and declined by 12.5% by the year end. However, rising inflation and producer price index could stimulate investment and is one of the few bright spots in an otherwise uncertain future. It is still unclear what a Trump Administration's policy stance towards China would be, which is rather unsettling. The significant outflow of capital from China in recent years has also led to a weakened Chinese yuan. However, China has continued to push through painful reforms to transit from an export driven to a consumption-led economy. These include interest rate liberalisation, capital account liberalisation and productivity enhancing reforms.

The Russian equity market had a very good year, returning 52.2% in US dollar terms in 2016 on the back of a strong recovery in oil prices and the economy adapting to the devaluation of the rouble in 2014. Also, in 2016, Pakistan was included in the MSCI Emerging Market Index and returned 46.4% in US dollar terms. Fiscal consolidation, the outcome of the recently concluded IMF programme and accelerated Chinese investment are expected to translate to strong economic growth. In addition, the inclusion in the MSCI EM Index is expected to attract additional capital into the market.

According to Ashmore, a leading EM manager, capital flows to EM are expected to turn positive as growth picks up, reforms bear fruit and headwinds turn to tailwinds for EM's commodity exporting countries. The major headwinds for EM are the geopolitical issues in developed markets.

Frontier Markets
The MSCI frontier market returned 3.6% in 2016, a strong performance compared to the -14.07% return in 2015.

Frontier markets have largely suffered lower economic growth. This stems from a number of sources including extremely low commodity prices and the turning tide of global investments towards developed economies in the later stages of 2016, which together implied that frontier markets had a less than favourable year. However, there is a bright spot for these economies going forward in rising commodity prices.

In 2016, Nigeria entered into a full recession following the sharp economic slowdown in 2015 due to the slump in oil prices. The economy contracted by 1.7% in 2016, a far cry from the 6.3% growth experienced in 2014. Inflation rate spiked from 9.6% in January to 18.5% in December and the Naira depreciated to ₦520/US$ in the parallel market before reversing. The country struggled to attract foreign investment due to foreign exchange uncertainty. Positively, the most important thing to the economic welfare of the country remains crude oil prices, which have remained stable at around the US$45-US$50 per barrel range. There has also been a renewed focus for diversification of revenues away from crude oil to sectors such as agriculture, solid minerals and creative arts, which is underpinned by fiscal reforms to improve tax collections, blocking leakages and fighting corruption.

THE FUTURE GENERATIONS FUND

The Future Generations Fund (FGF) was created by the NSIA Act 2011 and became operational in 2012. At its creation, the fund received 40% of the Authority's seed capital. To mitigate the effects of volatility and uncertainty, diversification is used as a key risk management tool in furtherance of the investment objectives.

The FGF is a long term investor in various asset classes ranging from more traditional assets such as equities to alternatives including hedge funds and private equity. The FGF has a Board Investment Committee approved strategy that outlines the guidelines in parallel with the risk and return objectives of the fund. The investment strategy is reviewed and updated to address changes in economic, market factors and return expectations.

This fund has an investment time horizon of greater than 20 years and is therefore expected to weather multiple economic and market cycles. In addition, the fund's payout requirements allow management to gain exposure to certain illiquid asset classes, which thereby reduces short-term volatility and achieves stronger risk adjusted returns. The asset allocation is based on long-term risk and return objectives, giving consideration to volatility and correlation levels across the fund. The allocation is diversified across various asset classes and also ensures that risk is mitigated. While most of the asset allocation falls into growth drivers, consideration is also given to inflation hedges and deflation hedges. External managers are used to gain exposure to these asset classes due to the relatively early stage of NSIA's life cycle.

Table 2.1: Target asset allocation for FGF

	Strategic Target	Benchmark
Growth Assets	80%	MSCI All Country World Index
Developed Equities	10%	MSCI World Index
Emerging & Frontier Equities	15%	MSCI Emerging Markets
Private Equity, Venture Capital and Value-added Real Estate	25%	Cambridge Associates US Private Equity Index
Absolute Return	25%	HFR Event-Driven (Total) Index
Other Diversifiers	10%	TBD
Hedging Assets: Inflation	15%	Weighted Composite
Commodities	5%	S&P GSCI (Equal Weighted)
Hard Assets	5%	50% FTSE® EPRA/NAREIT Developed Real Estate Index/50% CA Private Natural Resources Benchmark
Hedging Assets: Deflation	5%	Citygroup World Government (Hedged) – US$ Bond Index
Cash	5%	US T-Bill

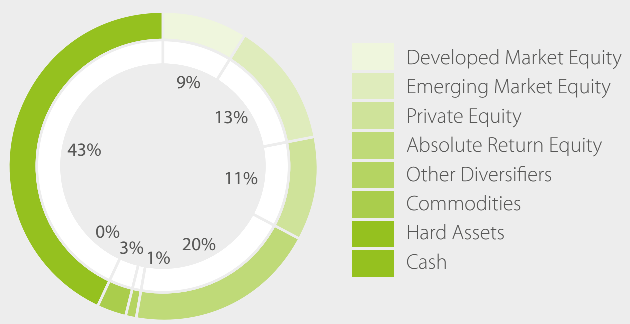
Growth Drivers

Long Only Equity
The long only equity portion of the asset allocation is 22.3%, and is a combination of developed market and emerging/frontier markets. The developed market allocation was 9.4% of the fund and returned 8.4% in US dollar terms, outperforming the MSCI World Index which returned 7.5% in 2016. The three managers in this space provide regional diversification by focusing on the US, European and Japanese equity markets. The Europe focused manager was the top performer for the year, returning 17.2% driven by favourable performance in select European equities.

The emerging market allocation constituted 12.9% of the portfolio and returned 8.6% in 2016, recovering from the loss of 11.9% in 2015. The four managers in this component lagged the MSCI Emerging Market Index, which returned 11.2% for the year. This was due to a combination of selective risk taking and a higher interest rate environment in the US.

THE FUTURE GENERATIONS FUND
(CONTINUED)

Chart 2.1: FGF asset allocation at year end 2016



Absolute Return
This component makes up 19.6% of the FGF. It returned -1.4% versus 5.5% for the HFRI Event-Driven (Total) Return Index. The managers in this asset class deploy strategies that seek to earn a positive return irrespective of market direction. Each of the four managers has the discretion to invest across different strategies and geographies and is expected to provide growth in times of stress in equity markets.

Private Equity
The private equity component made up 13.3% of the FGF. This component has a target allocation of 25% and 6.0% was deployed as of year end 2016. This component is well diversified with a good mix of developed market private equity managers from Europe and the US. In addition, there is significant exposure to pan-African focused managers. In 2016, we invested in Abraaj Growth Healthcare Fund, a fund that focuses on providing growth capital to emerging markets healthcare companies that serve low to middle income populations in Africa, India, Pakistan, Latin America and South East Asia. Abraaj increases the level of diversification as the fund gives us exposure to Asia and specifically the healthcare sector.

Other Diversifiers
This component of the FGF has a target allocation of 10% with 1.2% allocated and 6% committed as of year end 2016. In this space, we have maintained two managers; Healthcare Royalty Partners and Falko Regional Aircraft Fund. These managers provide exposure to products such as direct lending, leasing and royalties with the aim of seeking returns uncorrelated to the rest of the portfolio.

Inflation Hedges
Hard Assets and Commodities
Hard assets and commodities represent 0.2% and 3.1% respectively. Commodities began on a difficult note but recovered significantly during the year. Jamison Koppenberg, the macro-style manager in this space, returned 11.2% which slightly lags the benchmark return of 15.3%. This positive performance was driven by the manager's exposure to grains and energy while metals posted losses, which worked in favour of the fund.

Deflation Hedge
The deflation hedge allocation represented 42.8% of the FGF. In April 2016, we unwound three Absolute Return Fixed Income managers. For most of 2016, this allocation was held in cash and very liquid instruments with both local and foreign counterparties.

Year in Review
2016 began on a negative note, with the S&P 500 down as much as 9% before reversing the loses and closing up 2.4% for Q1. The volatile start to the year was amid concerns about China's slowing economy. Investors feared the slowdown in major economies would further hurt demand for commodities, which dampened oil prices.

> "The goal is to harness further diversification opportunities within the dynamic global market environment.

The United Kingdom's vote to leave the European Union caused a stir in the market, albeit briefly. Even in the wake of Brexit, FGF's developed and emerging market equity managers fared well, having been positioned to withstand the volatility.

Developed market equities had a strong performance in the year under review. This was fuelled by the market rally following Donald Trump's unanticipated election victory as the 45th President of the United States and his promise of higher fiscal stimulus.

The FGF saw an increase in cash deployments to private equity and hard assets, as most of these managers called capital to fund new portfolio investments. We introduced further diversification to the private equity space by investing in Abraaj Growth Healthcare Fund, a fund that provides capital to healthcare operators that serve low to middle income populations in Africa, India, Pakistan, Latin America and South East Asia.

The absolute return allocation of the FGF as a whole contributed -1.4%. This poor performance was driven by one manager in this strategy whose stock picks and market-neutral exposure detracted after markets rallied contrary to the manager's expectation.

As a whole, the FGF returned 2.1% for the year. In an environment with negative rates in developed markets and uncertainty around emerging markets following the Trump election win, the FGF maintained a good performance and steady overall returns with minimal risk in line with the fund's long-term investment strategy. These, coupled with the solid credit management strategies, worked together to provide decent returns.

2017 Outlook
In 2017, we aim to gain additional market exposure by allocating to more private equity opportunities, achieving further regional and vintage diversification, and rebalancing of the absolute return and emerging market components. The goal is to harness further diversification opportunities within the dynamic global market environment.

THE NIGERIA INFRASTRUCTURE FUND

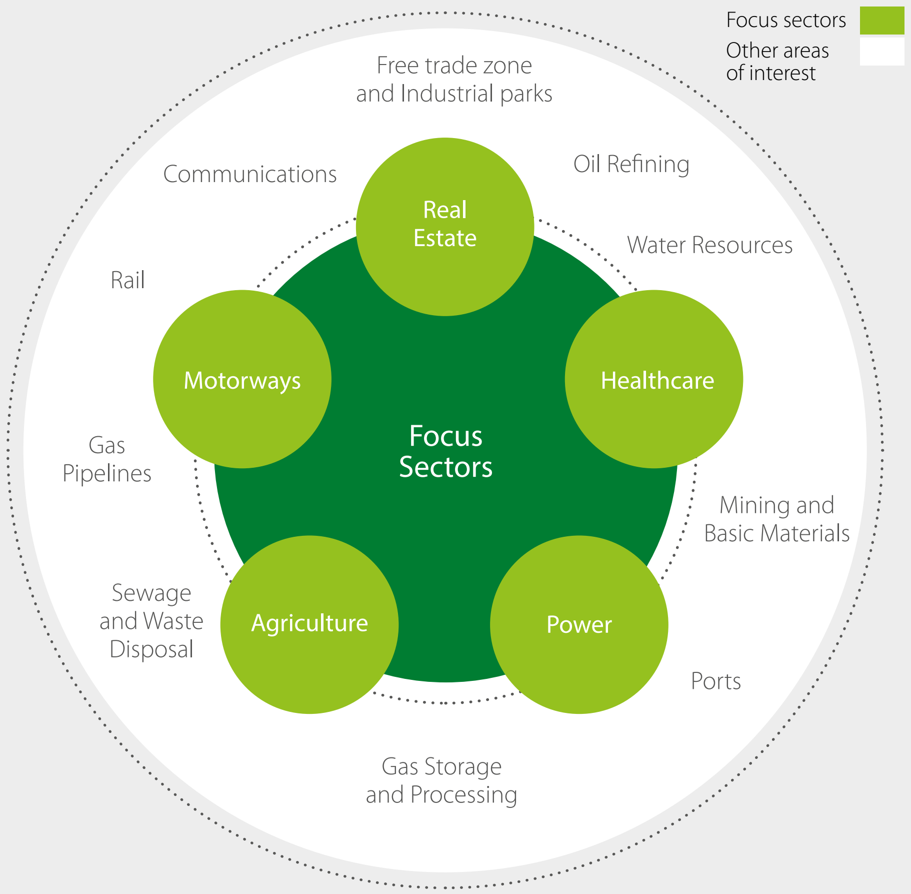
The Nigeria Infrastructure Fund (NIF) focuses on domestic infrastructure investments that meet the following four criteria: alignment with national priority; potential for attractive commercial returns and social benefits; ability to attract both domestic and foreign private sector participation; and conducive regulatory environment. The nature of the market is such that NSIA often plays a leading role in developing projects.

The NIF is in its fourth year of strategic investment in key sectors of the Nigerian economy. In total, 15 investable sectors had been identified as early as 2013 when the five year infrastructure investment rolling plan was developed. Out of the fifteen sectors identified at the beginning of 2013, the core areas of initial focus are:

- agriculture;
- healthcare;
- motorways;
- power; and
- real estate.

Other sectors will be addressed as assets under management increase or if compelling opportunities become available. Across all sectors, NIF looks for opportunities to bring private sector capital and efficiencies to government-run sectors, in situations where such an approach may add value and make for attractive investments.

Figure 2.1: The Nigeria Infrastructure Fund target sectors



Far Right, Mr Uche Orji, Managing Director and Chief Executive Officer, Nigerian Sovereign Investment Authority, Centre, Mr Thomas Etuh, President, Fertiliser Producers and Suppliers Association of Nigeria (FEPSAN) and Chairman, Tak Agro and Chemical Nigeria Ltd during the inspection of storage facilities for the Presidential Fertiliser Initiative.

NPK 20:10:10 fertiliser bagged under the Presidential Fertiliser Initiative

Infrastructure Investments

Agriculture

NSIA in partnership with UFF, the agriculture investment arm of Old Mutual of South Africa, each committed US$25 million to forming an agriculture fund and are pursuing a number of large-scale opportunities in the agriculture sector in Nigeria.

NSIA has also incorporated an SPV – NAIC-NPK Limited – to implement the Presidential Fertiliser Initiative aimed at producing one million tonnes of blended NPK fertiliser.

The Project is designed to stimulate the local production of NPK fertiliser by reviving the local fertiliser blending industry, make fertiliser available to Nigerian farmers at affordable prices and blend these locally to produce NPK fertiliser at a reduced cost. This is expected to lead to foreign exchange savings by maximising local content, savings in budgetary provisions for the fertiliser subsidy, creation of significant direct and indirect jobs, enhancement of food security as a result of the expected increase in food production, and reduction in food-induced inflation and stimulation of economic activities across the agriculture value chain.

The Fund for Agricultural Finance in Nigeria (FAFIN), which was established in December 2014 by NSIA, the Nigerian Federal Ministry of Agriculture and Rural Development and the German Government-owned Development Bank, KfW Bankengruppe, has raised a total of US$32.8 million and made investments in L & Z Integrated Farms Limited, an integrated dairy business, and Diamond Pearls Agro, an edible oils business. NSIA has entered into a partnership with Ogun State Government and Lafarge Africa which involves three sub-projects: i) land degradation neutrality; ii) waste to energy; and iii) bio-fertilisers. The project aims to help transform 108,000 hectares of heavily degraded land into an arable green area in Ogun State using a circular economy approach.

NSIA is also in discussions with the Bureau of Public Enterprises (BPE) and the National Council on Privatisation (NCP) regarding pre-privatisation investment in the Nigeria Commodity Exchange for the turnaround of the Nigeria Commodity Exchange.

Healthcare

In 2016, NSIA continued to undertake the development of diagnostic centres to be co-located within federal hospitals across the six geo-political zones of the country. We have selected a construction project manager and are in the process of finalising the EPC contract for the project.

We are also collaborating with the Lagos University Teaching Hospital ('LUTH') under a programme initiated by the Federal Ministry of Health ('FMOH'), to build, equip, maintain and operate a centre for advanced radiotherapy treatment which will be co-located with LUTH. NSIA has already incorporated an SPV for this purpose. The importance of this project is due to the large and growing cancer disease burden across Nigeria coupled with the lack of adequate facilities to treat the disease.

Furthermore, NSIA is working with the FMOH to establish a healthcare fund that will invest in the establishment of specialist hospitals (or centres) which will be co-located with certain shortlisted teaching hospitals across the six geopolitical zones and the FCT. The focus is mainly oncology, cardiovascular care, orthopaedic, renal/nephrology care.

Power

Power remained a key focus sector for NSIA in 2016 as we continued to explore a number of investment opportunities particularly within the power generation and gas-to-power space. NSIA is in discussions with government institutions and has also considered a number of potential intervention programmes in the power transmission and power distribution space.

NSIA is also in advanced discussions in respect of a number of partnership opportunities with institutional players and development institutions interested in early stage investments in thermal, solar and hydro power generation. NSIA's objective remains to advance Nigeria's power generation and distribution capabilities.

THE NIGERIA INFRASTRUCTURE FUND
(CONTINUED)

LR, Mrs Stella Ojekwe-Onyejeli ED & CRO, NSIA, Mr Uche Orji, MD & CEO, NSIA and Hywel George, CIO, Old Mutual Investment Group during the agreement signing ceremony for the US$500 million Real Estate Fund

Mr Hanspeter Ackermann, ED & CIO, NSIA, Mr Uche Orji, MD & CEO, NSIA and Duncan Vink, CIO & Joint Managing Director, UFF Agri-Fund during the US$200 million Agriculture Fund deal signing

Real Estate

NSIA's interest in the real estate sector covers the retail, commercial and hospitality segments. Through our real estate subsidiary, NSIA Property Investment Company (NPIC), the Authority is working in partnership with other institutional investors and sovereign wealth funds and has established a fund with Old Mutual to develop and acquire real estate assets in Nigeria. The fund is poised to open up the real estate market and the economy for in-flow of greater foreign direct investments.

Considering the estimated housing deficit of 17 million housing units, the rapid population growth and urbanisation of the major cities in the country, NSIA continues to view the affordable and mass housing segment as critical for Nigeria and seeks to create strategic partnerships with public and private institutions for the development of commercially viable but affordable housing estate projects.

NSIA key focus area:

Agriculture | Real Estate | Power | Motorways | Healthcare

Motorways

NSIA is actively pursuing investment opportunities in the development of road infrastructure, which would attract private funding and support economic growth and job creation.

NSIA through its Motorways subsidiary, in partnership with Julius Berger Investment Limited and under a Public Private Partnership (PPP) with the Federal Government of Nigeria (FGN), undertook the development of a second bridge crossing over the Niger River through a design, finance, build, operate and maintain concession arrangement (DFBOM). The Project is an 11.9km greenfield road and toll bridge project connecting Delta and Anambra States through Asaba and Onitsha and will improve economic collaboration within the country.

Credit Enhancement

NSIA, in collaboration with GuarantCo, established Infrastructure Credit Guarantee Company Limited ('InfraCredit'), a specialised financial institution which provides guarantees to enhance the credit quality of Naira denominated debt instruments issued to finance infrastructure related assets in Nigeria. The establishment of InfraCredit is expected to catalyse investment interest from pension funds, insurance firms and other long-term investors into infrastructure assets. .

THE STABILISATION FUND

The Stabilisation Fund (SF) has an allocation of 20% among NSIA's pool of funds and is structured to play a fundamental role in serving as a source of stability for government revenues in times of economic downturn.

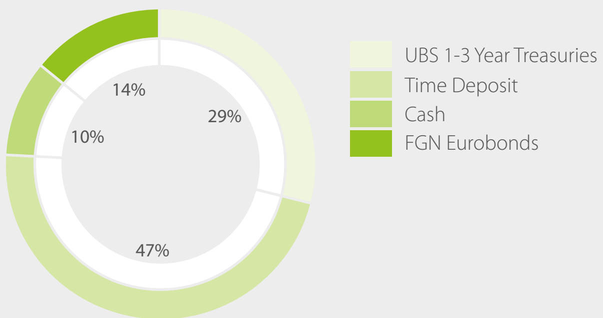
The SF is intended to act as a buffer against macroeconomic stress. The assets are therefore invested conservatively, striking a balance between generating a modest positive return and preserving capital in nominal terms.

Withdrawals from the SF can be made at the discretion of the Minister of Finance, provided the request satisfies the criteria set out in the NSIA Act.

Table 2.2: Fund Management Allocation

	Policy Target	Benchmark
Growth Assets	75%	Barclays 1-3 Year Corporate Bond
Investment Grade Corporate Bonds 1-3 Years		Barclays 1-3 Year Corporate Bond
Hedging Assets:	25%	Barclays 1-3 Year Treasury Bond
US T-Bill		91-Day Treasury Bill Index
US Treasuries 1-3 Years		Barclays 1-3 Year Treasury Bond

Chart 2.2: FGF asset allocation at year-end 2016



Hedge Assets

US Treasury Bills and US Treasury Bonds

This asset class made up 31.7% of the fund and provided exposure to the very liquid and highly rated US Treasuries market. The underlying investment has a maturity range of between 1 and 3 years. This component returned 1.0% versus the benchmark return of 0.9%. Performance during the year dipped marginally but recovered during the course of the year. This was due to a rise in US rates,, which signalled the end of the expansionary cycle and a shift to contractionary monetary policy.

Time Deposit and Eurobonds

As of the year end, exposure to time deposits made up 51.3% of the fund. As markets became increasingly volatile during the course of the year, a decision was made to seek secure returns by investing with credible counterparties and thereby fulfil the capital preservation goal of the fund.

Year in Review

Within the year, NSIA exited the absolute fixed income portfolio due to the high levels of volatility in those products. Simultaneously, we increased allocation to the US Treasury portfolio to fulfil the hedge assets of the SF. As in other funds, cash management formed a significant part of this component given the volatile market environment.

2017 Outlook

Management will focus on gaining exposure to investment grade corporate credit products in accordance with the strategic asset allocation guidelines.

THIRD PARTY MANAGED FUNDS

The Debt Management Office Fund

In July 2013, the Federal Government of Nigeria issued a US$1 billion Eurobond through the Debt Management Office (DMO). NSIA was appointed to serve as investment manager for US$200 million of the funds raised. The funds under management by NSIA were to be invested in gas-to-power and other power related projects.

NSIA's investment policy with regard to the DMO Fund mirrors that of the Nigeria Infrastructure Fund. NSIA invested US$100 million of the funds in a private bond with Seven Energy, an integrated gas company, to enable the completion of gas-to-power infrastructure projects in Nigeria.

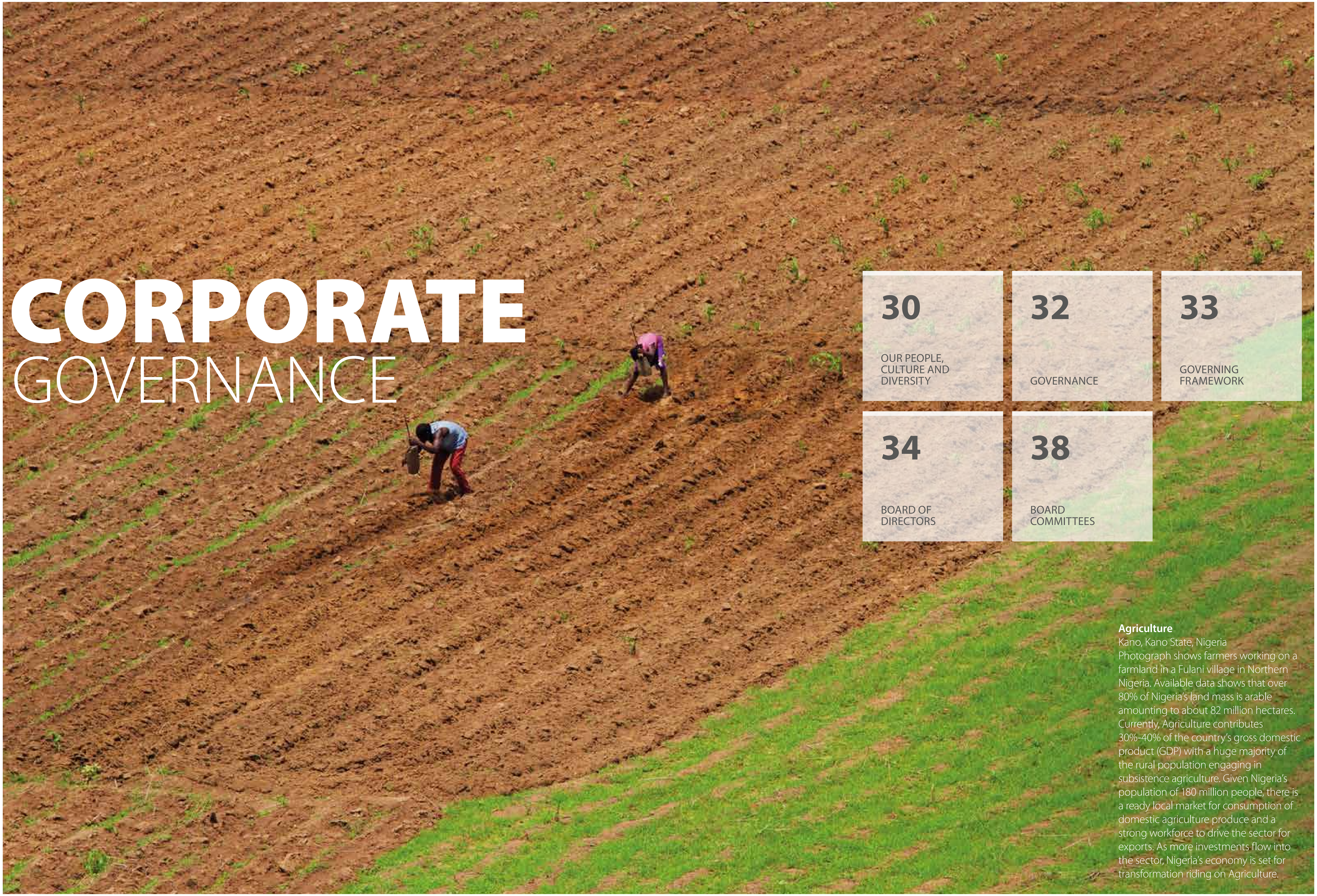
Over the last two years, the DMO had recalled US$100 million from the fund. As of year-end 2016, the fund under management was US$128.76 million.

The Nigerian Bulk Electricity Trading Plc Fund

NSIA manages a US$362.04 million fund on behalf of the Nigerian Bulk Electricity Trading Plc (NBET). The funds were allocated in 2014 by the Federal Government of Nigeria and have been under management by NSIA since then. NSIA's investment policy for the NBET Fund is similar to that of the Stabilisation Fund and has the aim of balancing NBET's short-term liquidity needs, safety of the funds and driving returns above the benchmark set by NBET. The Authority continues to manage the funds along these guidelines.

To date, all funds have been invested and performance exceeds the benchmark.

CORPORATE GOVERNANCE



Agriculture
Kano, Kano State, Nigeria
Photograph shows farmers working on a farmland in a Fulani village in Northern Nigeria. Available data shows that over 80% of Nigeria's land mass is arable amounting to about 82 million hectares. Currently, Agriculture contributes 30%-40% of the country's gross domestic product (GDP) with a huge majority of the rural population engaging in subsistence agriculture. Given Nigeria's population of 180 million people, there is a ready local market for consumption of domestic agriculture produce and a strong workforce to drive the sector for exports. As more investments flow into the sector, Nigeria's economy is set for transformation riding on Agriculture.

OUR PEOPLE, CULTURE AND DIVERSITY

Introduction

Our employees remain central to our success story as a leading Sovereign Wealth Fund in Africa. NSIA's integrated human resource management system enables us to build an enabling environment that fosters learning, resourcefulness and leadership while maximising the potentials of our people in delivering the Authority's mandate.

People and Culture

NSIA operates a lean and flat structure designed to facilitate strong and timely communication which adds fillip to NSIA's efficiency and overall output. Employees are empowered and decision-making devolved. The organisation functions as a network of teams with employees moving from one project team to another alongside traditional structures for the business support.

Presently, over 50% of employees are pioneer staff. This fact continues to strengthen the consistency of the culture and acculturation of new hires. Every employee of NSIA has a clearly defined role and understands the intricate interdependence and reciprocity of functions and how the results culminate in the achievement of the Authority's objectives.

The Authority is committed to the continuous growth of its employees and, as a result, learning is a permanent feature in the NSIA experience. To this end, we make available platforms to acquire the skills and capabilities required for superior output. We employ a hands-on approach to learning so that employees benefit from the knowledge of supervisors and direct experience from live projects

We have deliberately created a corporate culture that embraces differences and celebrates uniqueness, perspectives and experiences. The Authority relies on individual backgrounds and passions to create ideas that lead to the delivery of its mandate.

NSIA Internship Programme

The NSIA Internship programme continues to attract some of the brightest minds from Nigerian and foreign universities seeking a career in investments, infrastructure finance and other related fields. In 2016, six Nigerians benefited from the programme with internship periods ranging from 1 to 2 months, an improvement over the four recorded in 2015. The programme affords hands-on field experience through which interns are involved in live projects. Past beneficiaries have leveraged the programme to find their passion, determine clear career paths and chart courses of action.

Diversity and Inclusiveness

As an investment institution of the Federation, our commitment to diversity and inclusiveness aligns with our corporate philosophy as well as the Constitution of the Federal Republic of Nigeria. The full representation of all six geopolitical zones and expatriates from the United Kingdom, United States of America, Sweden and Switzerland in the workforce reflects the focus on diversity. Therefore, the Authority is determined to sustain an inclusive work environment as a means to achieving its corporate objectives while motivating employees and helping them realise their career aspirations.

While the work environment is designed to groom a cohesive and capable workforce, it is also robust enough to accommodate the individuality of employees. About 65% of staff are millennials and are either at or nearly at full nests stage in the family life cycle. The Authority is cognisant of this fact and provides the necessary support structures to ensure that staff are able to maintain a viable balance between work and the family.

Diversity and inclusion are fundamental components of our long-term growth strategy. With this philosophy, we gain access to the widest talent pools which, in turn, further strengthens our ability to achieve our business objectives.

Mr Richard Eckrich, Head Infrastructure NSIA leading a work group session with members of the Infrastructure and Legal Team

NSIA staff at work

Chart 3.1:Length of Stay of Staff from inception

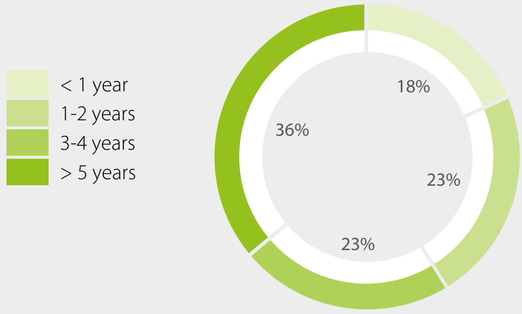
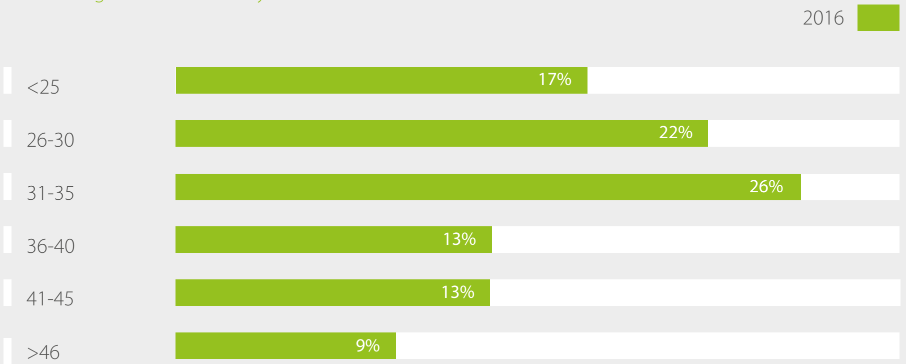


Chart 3.2: Age Distribution as at year end 2016



Our 2016 Gender Scorecard

In 2016, the Authority laid the foundation for introducing the concept of the NSIA Female Network with the aim of fostering a supportive work environment for women. The Network is designed to provide the opportunities, tools and mentors that can help our female employees assume future leadership roles within the Authority. As of 31 December 2016, our female staff constituted:

a) 36% of our total employees;
b) 43% of our management positions;
c) 33% of top management positions .

Pay Equity and Equal Opportunity

As part of its philosophy on ethnic and gender parity in the workplace, NSIA maintains a practice of equal pay and equal opportunity for similar roles and performance irrespective of gender.

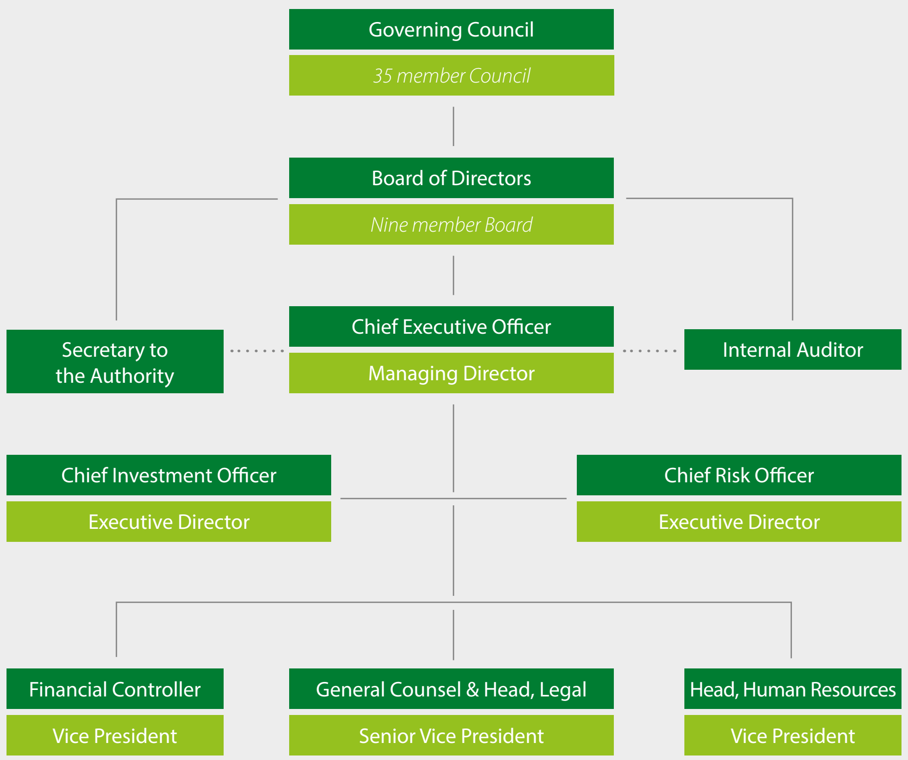
GOVERNANCE

At NSIA, we put considerable emphasis on good governance. The NSIA Act 2011 outlines extensive requirements in relation to governance and incorporates the Institutional Framework and Governance Structure in the Santiago Principles. These provisions form the bedrock of the practices and processes in the Authority. They uphold the independence of the Authority's governing bodies and management from the Authority's major stakeholders, the Nigerian government.

This separation of functions enables the operational efficiency and effectiveness required by the various organs to implement investment strategies. The Authority's stance on good governance ensures that NSIA is run along the best commercial principles and philosophies applicable to the private sector.

Figure 3.1 depicts the governance structure of NSIA:

Figure 3.1: NSIA Governance Structure



GOVERNANCE FRAMEWORK

The NSIA Act clearly sets out the purpose, obligations, responsibilities, standards and procedures of each component of the structure that constitutes NSIA governance – the Governing Council, Board of Directors and Executive Management. These organs as well as staff of NSIA adhere strictly to these principles and policies.

NSIA's Board has developed a framework that allows it to conduct strategic oversight of operations. This is in line with its responsibility to ensure compliance with legal and regulatory requirements within acceptable parameters of risk tolerance. In this regard, the NSIA Board of Directors' Charter sets out the roles and procedures of the Board and its Committees.

The development of corporate governance policies and practices is a continuous process. The Board will continue to focus on improving corporate governance in accordance with Nigerian law as well as international best practices.

Governing Council

The Governing Council is the 'Advisory Body' of NSIA and gives counsel to the Board of Directors. It consists of:

His Excellency, the President of the Federal Republic of Nigeria (who may be represented by His Excellency, the Vice President); the 36 Governors and the Honourable Minister of the Federal Capital Territory (FCT).

Other members of the Governing Council are the:

- Honourable Minister of Finance;
- Attorney General of the Federation;
- Honourable Minister of Budget and National Planning;
- Governor of Central Bank of Nigeria (CBN);
- Chief Economic Adviser to the President, Chairman of Revenue Mobilisation, Allocation and Fiscal Commission; and
- 12 Members of the public appointed by the President on the recommendation of the Honourable Minister of Finance.

The Governing Council is charged with the responsibility to raise questions on the operations and performances of NSIA, obtain clarifications and give guidance and counsel to the Board, while observing the independence of the Board and management.

The Governing Council holds its annual meeting following the publication of NSIA's Annual Report. For 2016, the Governing Council held its annual meeting on 16 February 2017. Highlights of the discussions and decisions of the meeting were:

i. the Governing Council approved additional funding of US$250 million for NSIA; and
ii. the Board of Directors was reconstituted and six new Non-executive Directors were named.

Acting President Yemi Osinbajo (Centre) and the Honourable Minister of Finance, Mrs Kemi Adeosun (Centre Right) with the members of the newly inaugurated NSIA Board of Directors.

BOARD OF DIRECTORS

The NSIA Board of Directors is the highest decision-making body responsible for governance and policy in NSIA. The Board's role is to set the Authority's strategy, drive the attainment of the objectives, ensure it has the right leadership and culture, monitor the performance of the business and oversee its risk management structure. The Board also works with the management team to identify principal investment risks and ensure that systems are in place to manage those risks.

The Board's effectiveness in carrying out its role is supported by its focus on culture; setting the tone from the top and paying close attention to good governance throughout the Authority. In the exercise of its responsibilities under the NSIA Act, the Board is independent, which thus ensures a focus at all times on the best interest of the Authority and the nation.

The NSIA Act stipulates the appointment of nine Directors, three of whom are to be Executive Directors. Specifically, the Board consists of a Non-executive Chairman, three Executive Directors (Chief Executive Officer/Managing Director, Chief Investment Officer and Chief Risk Officer) and five Non-executive Directors.

The members of the NSIA Board of Directors bring a diverse range of skills and competences from a mixture of financial, industry-related and entrepreneurial backgrounds. The members are:

- Mr Olajide Zeitlin – Chairman*
- Mr Uche Orji
- Mrs Stella Ojekwe-Onyejeli
- Mr Hanspeter Ackermann
- Ms Halima Buba*
- Mr Urum Kalu Eke, MFR*
- Mr Asue Ighodalo*
- Mr Bello Maccido*
- Ms Lois Laraba Machunga-Disu*

*At the time of producing this report, Board Committees had not been constituted. The inaugural meeting of the new Board was held on 12 May 2017.

Mr Olajide Zeitlin

Chairman of the Board of Directors

Mr Zeitlin is an investor primarily focused on life sciences, natural resources and financial services in the Middle East and Africa. He was a Partner at Goldman Sachs where he held a number of senior management positions in the investment banking division, including that of Global Chief Operating Officer. He also served in the firm's executive office. Mr Zeitlin joined Goldman Sachs in 1987, became a Partner in 1996 and retired from the firm in 2005.

He is Chairman of the Board of Coach, Inc. (included in the S&P 500 and the Fortune 500 composites) and serves on the Board of Directors of Affiliated Managers Group Inc. (included in the S&P 500 and controls over US$650 billion in assets under management). Jide is Chairman Emeritus of Amherst College and serves or has served as a member of the boards of various organisations including Harvard Business School Board of Dean's Advisors, Teach for America, Doris Duke Charitable Foundation, Milton Academy, Montefiore Medical Centre, Playwrights Horizons, Saint Ann's School and Common Ground Community.

He was nominated by President Obama to represent the United States of America as an ambassador with responsibility for financial reforms at the United Nations. He was also a member of President Obama's economic transition team.

Mr Zeitlin holds an AB Degree, Magna Cum Laude, in Economics and English from Amherst College and an MBA degree from Harvard University.

Mr Uche Orji

Managing Director and Chief Executive Officer

Uche Orji is the pioneer Managing Director and Chief Executive Officer of Nigeria Sovereign Investment Authority (NSIA). He brings a wealth of global experience in the financial services sector, which spans over two and a half decades, to his role as NSIA's Chief Executive. He joined NSIA in October 2012 from Switzerland's largest bank, UBS Securities, where he was Managing Director in the New York branch of its Equities Division.

Mr Orji was the lead semiconductor analyst and global coordinator for semiconductor research at UBS, New York, covering more than 35 technology companies in the US and more than 100 investor clients globally. He also led a semiconductor research team at JP Morgan. In recognition of Mr Orji's strategic perspectives on semiconductors markets, the JP Morgan team was ranked #1 in Europe by the Thomson/Extel magazine in 2003 and #1 by Institutional Investor magazine in 2006, out of more than 60 semiconductor equity research investment banks in Europe. After his move from Europe to the United States, Institutional Investor magazine ranked the UBS Securities team he was leading #3 in the United States, and Forbes magazine ranked him #5 globally in the semiconductor sector in 2012 out of more than 150 semiconductor equity analysts.

Prior to his time at UBS Securities, where he spent six years, Uche Orji also spent six years at JP Morgan Securities in London, UK, from 2001-2006, where he left as a Managing Director within the Equities Division. Previously, Uche Orji worked at Goldman Sachs Asset Management in London from 1998 – 2001 as an Analyst/Portfolio Manager. Whilst at Goldman Sachs he was a member of the team managing the pan-European Equity Fund and Global Technology Fund. He was also an equity analyst covering the chemical, pulp and paper, communication equipment and technology sectors across a wide range of companies such as BASF, Bayer, Ericsson, Nokia, Philips Electronics, Siemens, ARM Holdings, etc.

Mr Orji was a regular commentator for all major publications and provided strategic advice to the management of companies including Intel Electronics, Taiwan Semiconductor Manufacturing Company, Samsung Electronics and Texas Instruments. He also advised several global portfolio management firms and sovereign wealth funds in his role as global coordinator of semiconductors equity research in the Equities Division. Uche authored/co-authored more than 500 research pieces in the semiconductor sector and broader technology investment sectors.

Uche Orji studied chemical engineering at the University of Port Harcourt, Nigeria, graduating in 1990, and also obtained an MBA from Harvard Business School in 1998. Prior to his Harvard MBA programme, Uche Orji worked at Diamond Bank Plc, where he left as Ag. Financial Controller, Lagos, Nigeria. He also worked at Arthur Andersen & Co. Lagos.

Mr Hanspeter Ackermann

Executive Director and Chief Investment Officer

Mr Ackermann joined NSIA in August 2013, bringing with him over 30 years of investment experience.

Between 2010 and 2013 he served as Assistant General Manager at Samba Capital in Riyadh, Saudi Arabia. In his role as Chief Investment Officer (CIO) and Head of Asset Management he was responsible for managing an asset pool of approximately US$10 billion invested across multiple asset classes.

Before joining Samba Capital, Hanspeter was co-founder and Principal of Monteverdi International Management PLC, in New York, USA. From 1996 – 2004, he was President and Managing Director of Deutsche Bank Investment Management Inc. in New York. He also served as CIO and Senior Portfolio Manager for several closed-end mutual funds listed on the New York Stock Exchange.

From 1993 – 1996, Hanspeter served as President and Managing Partner of Eiger Asset Management, New York. He was Managing Director and CIO, and previously Senior Portfolio Manager at UBS, where he built the institutional fund management business for Swiss Bank Corporation (UBS) in New York from 1983 – 1993.

Hanspeter began his career with Banque de L'Indochine et Suez in Paris, France. He holds a BSc in Business Administration from the Handelsschule Kaufmaennischer Verein in Basel, Switzerland and is a Chartered Financial Analyst (CFA).

Mrs Stella Ojekwe-Onyejeli

Executive Director and Chief Risk Officer

Mrs Ojekwe-Onyejeli brings more than 20 years of financial advisory, risk, governance and controls management experience to the NSIA Board.

She joined the Authority on 15 October 2012 following a distinguished tenure as Director and Head of Operational Risk and Control at Barclays, where she covered 15 countries spanning Africa, Middle East and Asia.

She served as Vice President and Head of Quality Assurance, Africa, at Citibank, with direct oversight of the enterprise risk and control environment in 14 countries across Africa.

Mrs Ojekwe-Onyejeli is a qualified Chartered Financial and Tax Accountant. She spent over a decade at professional services firms Arthur Anderson and KPMG in Nigeria and South Africa, providing financial advisory and business assurance services.

She holds a first Degree in Chemistry from the University of Lagos, and an MBA from Cranfield School of Management in the UK.

Mrs Ojekwe-Onyejeli is also a Fellow of the Institute of Chartered Accountants of Nigeria.

Ms Halima Buba

Non-executive Director

Ms Buba is a seasoned financial services expert with nearly two decades of cognate experience spanning diverse functions in the banking industry.

She rose to the level of Deputy General Manager at Ecobank Nigeria Limited before resigning to take up an appointment as a pioneer Executive Management staff at TAJ Consortium Nigeria Ltd.

A committed humanitarian, Ms Buba serves as the Patron, Community Project Management Committee, Michika. She had previously served on the Board of Adamawa Homes and Savings Limited.

Ms Buba holds a Bachelor of Science Degree (BSc) and Masters in Business Administration (MBA) from the University of Maiduguri. She is a Fellow Chartered Institute of Finance and Control in Nigeria, Institute of Capital Market Registrars and Institute of Loan and Risk Management of Nigeria. She is also an honorary member of the Nigerian Chartered Institute of Bankers and has attended various courses.

Mr Urum Eke, MFR

Non-executive Director

Mr Eke, a consummate financial services expert, is the Group Managing Director, FBN Holdings Plc. He is also a Non-executive Director of First Bank of Nigeria Limited and FBN Merchant Bank Limited.

He joined the Board of First Bank Plc, an FBN Holdings Company, in 2011 as Executive Director, Public Sector South and until his appointment as GMD of FBN Holdings was Executive Director, South at the bank.

Prior to this, Mr Eke was the Executive Director, Regional Businesses, Lagos & West at Diamond Bank Plc. He has over 30 years of experience in financial services covering auditing, consulting, taxation, process engineering and capital market operations.

Mr Eke is a Fellow of the Institute of Management Consultants, Fellow of the Institute of Directors, Fellow of the Institute of Chartered Accountants of Nigeria and a Paul Harris Fellow of The Rotary Club.

He holds a first Degree in Political Science (University of Lagos) and an MBA in Project Management Technology (Federal University of Technology, Owerri). He is also an alumnus of the prestigious Wharton Business School and a recipient of Nigeria's National Honour of Member of the Order of the Federal Republic (MFR).

Mr Asue Ighodalo

Non-executive Director

Mr Ighodalo is a founding partner of Banwo & Ighodalo, a leading multi-disciplinary law firm, which provides first class legal advice on numerous aspects of corporate and commercial Nigerian law.

He obtained his first Degree in Economics from the University of Ibadan in 1981, a Law Degree from the London School of Economics and Political Science in 1984; and was admitted to the Nigerian Bar in July 1985.

Mr Ighodalo's core areas of practice are corporate and project finance, securities and capital markets, energy and natural resources, mergers and acquisitions, and banking and securitisation.

Mr Ighodalo is the current Chairman of Sterling Bank Plc and Dangote Flour Mills Plc, and he also serves on the Boards of Ensure Assurance Company Plc, Okomu Oil Palm Company Plc, CardinalStone Partners Limited, Global Mix Limited, Mainstreet Technologies Limited, Christopher Kolade Foundation and Fate Foundation.

Mr Bello Maccido

Non-executive Director

Mr Maccido is an accomplished corporate and investment banker with over 31 years of post-graduation experience.

He has at different times served on the Boards of FBN Holdings Plc, First Bank of Nigeria Plc and Legacy Pension Manager Limited and is currently the Chairman of FBN Merchant Bank Ltd.

He is a Fellow of both the Chartered Institute of Stockbrokers and the Chartered Institute of Bankers of Nigeria.

Mr Maccido holds a Law Degree (LL.B) and a Master's Degree in Business Administration (MBA) from Ahmadu Bello University, Zaria and Wayne State University, Detroit, Michigan, USA respectively.

He is a Barrister at Law (BL) of the Supreme Court of Nigeria and an alumnus of the Executive Business Programs of the Harvard Business School and the IMD, Lausanne, Switzerland.

Ms Lois Laraba Machunga-Disu

Non-executive Director

Ms Machunga-Disu is a seasoned petroleum energy economist and analyst with over 30 years' oil and gas industry experience and, as CEO and Director in associate energy companies, is a provider of consulting and technical services in the sector.

Prior to this, she worked for 21 years at the Nigerian National Petroleum Corporation (NNPC) where she held senior and management positions with experiences in exploration and production (E&P) and joint interest management with the major international oil companies (IOCs).

She was responsible for budget and long term strategic plan development and a member of large-scale engineering development project management, amongst others.

She has been involved in policy formulation and reforms through participation in many Presidential, National Assembly (the Parliament), Ministerial and private sector committees and serves as adviser to various international development agencies and local NGOs.

She is a member of the Institute of Petroleum (UK), Nigerian Gas Association, Nigerian Chamber of Shippers and the International Association for Energy Economics (IAEE) amongst others.

CORPORATE GOVERNANCE

BOARD COMMITTEES

Our Board Committees play an integral role in supporting the Board's work. The NSIA Act provides for a minimum of three committees. However, the Board set up an additional two in order to ensure that sufficient attention is paid to all aspects of the Authority's business activities. The committees and their remits are:

Functions of the Board Committees

Investment Committee*

Assists the Board in fulfilling its oversight responsibility for the investment assets of NSIA. This includes investment processes, strategies and policies employed with respect to the investment assets.

Risk Committee*

Assists the Board in fulfilling its oversight responsibilities for the identification and management of risks arising from the investment strategies pursued by NSIA, and to ensure that appropriate risk management controls are implemented, monitored and regularly assessed.

Audit Committee*

Assists the Board in fulfilling its oversight responsibilities relating to NSIA's accounting and financial reporting policies and practices, compliance programmes, internal controls and general compliance with applicable laws and regulations.

Compensation Committee*

Assists the Board in fulfilling its oversight responsibility of ensuring that the compensation structure for NSIA's employees is consistent with NSIA's long-term objectives.

Finance & General Purpose Committee (F&GP)*

Oversees the financial, operational and administrative functions of NSIA and acts as the Authority's tenders board.

*No Board Committee Meeting was held in 2016 owing to the absence of a Board.

The Board of Directors of the Nigeria Sovereign Investment Authority
L-R Sitting: Ms Halima Buba (NED), Mr Jide Zeitlin (Chairman), Mr Uche Orji (MD & CEO) and Ms Lois Laraba Machunga-Disu (NED);
L-R Standing: Mr Asue Ighodalo (NED), Mr Hanspeter Ackermann (ED & CIO), Mrs Stella Ojekwe-Onyejeli (ED & CRO), Alh Bello Maccido (NED) and Mr Urum Kalu Eke, MFR (NED)

Ports Management
Apapa, Lagos State, Nigeria
Photograph shows the unstacking of containers at the Apapa Port in Lagos. Investments are being made to address the dearth in infrastructure across many of Nigeria's ports. Government is exploring ways to improve the ports by ensuring better security and enhancing revenue generation and collection efficiency.

RISK MANAGEMENT

RISK MANAGEMENT

Risk Overview

Developments in Global Risks

The year 2016 witnessed significant economic and geopolitical challenges, however, as with previous years, the Authority was largely insulated against these risks thanks to its embedded investment and risk management strategies and practices. The World Economic Forum's (WEF) assessment of global risks as reported in the 2016 Global Risks Report assessed global risks – categorised as societal, technological, economic, environmental or geopolitical – over a 10-year time horizon, and rated each according to their perceived likelihood of occurrence and impact if the risks crystallise.

According to findings from WEF's survey, the top five global risks that presented the highest concerns for doing business in half of 140 economies in terms of likelihood were:

i. the societal risk of large-scale involuntary migration;
ii. the environmental risks of extreme weather events;
iii. the failure of climate change mitigation and adaptation;
iv. the geopolitical risk of Interstate conflict with regional consequences; and
v. major natural catastrophes in that order.

Further, the top five global risks in terms of impact in 2016 and years to come were noted as:

i. failure of climate change mitigation and adaptation;
ii. weapons of mass destruction;
iii. water crisis;
iv. large-scale involuntary migration; and
v. severe energy price shock in that order.

The survey findings further confirmed that many of the risks assessed as being above average in terms of likelihood and impact in 2016 were similarly assessed the same in 2015, suggesting the emergence of a new status quo, with geopolitical risks (which include bilateral or multilateral disputes between states escalating into economic, military, cyber, societal or other conflict) or large scale terrorist attacks (which include those that have political or religious goals and which successfully inflict large-scale human or material damage) at the forefront. Thus, geopolitical risks and a range of other non-economic factors such as civil wars and domestic conflicts in the Middle East and Africa; the predicament of refugees and migrants in Africa, the Middle East, and in Europe; and acts of terror across borders, significantly impacted and will continue to impact the global economy over the next decade and beyond. The survey reported that global risks that remain serious because of their combined impact and likelihood involved elements of economic risks such as fiscal crises in key economies and high structural unemployment and underemployment. These are complemented by cyberattacks and profound social instability. The survey thus highlighted the need for safeguarding future benefits within the global economy.

Beneficial technological innovations were noted in 2016, however, these advancements also appeared to stimulate a rise in cyberattacks. The increasing spate of cyberattacks in 2016 was therefore a major concern across the globe, as the year witnessed a significant number of attacks in terms of nature and variety of cyberattacks including distributed denial of service attacks across borders where multiple compromised or infected systems are used to target single systems causing denial of service; allegations of state-sponsored hacking into political party networks and party official's systems during the US election; surge in incidences of data breaches, and substantial losses of people's personal data were resolute, complex, and innovative, having dire consequences that ranged from loss of reputation, to loss of economic benefits and legal liabilities. Findings from Juniper Research, suggests that the global cost of data breaches will worsen, rising to US$2.1 trillion by 2019.

Nigeria Risks Environment in 2016

In our 2015 Annual Report, we posited that Nigeria's capacity to generate foreign exchange revenues from crude oil sales throughout 2016 would result in a budget deficit at the end of the year; nonetheless, we predicted an increase in government's domestic and international borrowings to compensate for the funding gap, particularly as we anticipated significant investments in infrastructure across the country, including those of roads, power, and agriculture with improvements in public infrastructure reducing the cost of doing business in Nigeria.

Our outlook proved to be accurate as the budgeted 2016 crude oil production level of 2.2 million barrels a day could not be attained largely due to the resurgence in militant attacks in Nigeria's oil-producing region and sustained attacks on pipeline infrastructure which cut output to less than 1.4 million barrels a day on average, this, coupled with a fall in average crude oil prices during the first quarter of 2016 compared to the budgeted benchmark price of US$38 per barrel for

> The Authority received an additional US$250 million in February 2016, signalling government's confidence in the Authority's ability to prudently manage additional funding.

2016 meant that revenues from crude oil sales throughout 2016 were significantly lower than budgeted revenues. Indeed, the US Energy Information Administration reported in its OPEC Revenues Fact Sheet that Nigeria's oil export revenue fell to US$26 billion in 2016 from US$37 billion in 2015, representing the second biggest decline in oil export revenue among its peers in the Organisation of Petroleum Exporting Countries (OPEC) in 2016, amid persistent low oil prices and militancy-led production disruptions. As expected, government resorted to deficit financing to plug the funding gap.

Nigeria's dependence on oil revenues therefore continued to present major balance of payments and budgetary risks to the economy as well as minimising any potential funding to NSIA as the Authority was set up to manage funds that are in excess of budgeted hydrocarbon revenues. A number of oil companies struggled throughout the year as relatively fixed oil exploration and other incidental costs in the midst of falling oil prices, made upstream exploration and production less economic. Further, oil firms that continued to be operational had little option but to cut back on production and lay off workers – or at best, freeze employment. Financial institutions investments in the sector were therefore curtailed during the year as legacy investments were at risk of loss. This situation further worsened the impact of the fall in international crude oil price on the domestic economy.

The Debt Management Office (DMO) reported that the nation's total debt profile as at December 2016 stood at US$57.39 billion or ₦17.36 trillion which comprised external and domestic debts of the federal government, those of the 36 states of the federation and the Federal Capital Territory. Specifically, out of the total debt stock, external debt stood at US$11.41 billion or ₦3.48 trillion, while domestic debt stock was put at US$45.98 billion with the 36 states and FCT accounted for about 32.45% of the total external debt as at 31 December 2016, while the federal government accounted for about 67.55%. The increase in debt profile was about 6.5% and this was as a result of additional disbursements.

The Economy and NSIA in 2016

As a result of the decision of the National Economic Council to invest US$250 million out of the US$400 million Nigeria Liquefied Natural Gas Company Limited (NLNG) dividend into NSIA, the Authority received an additional US$250 million in February 2016, signalling government's confidence in the Authority's ability to prudently manage additional funding.

Inflation crept up from 18.48% in November 2016 to 18.55% by December, 2016, making it the highest inflation reading since October 2005. According to the National Bureau of Statistics, inflation was fuelled by higher prices in housing, water, electricity, and gas and other fuels. While there was relative stability in official exchange rates, exchange rates continued to be a major driving force behind rising price levels, because despite the official exchange rate's stability, the Naira's depreciation in the parallel market continued its transmission into consumer prices as companies resorted to unofficial foreign exchange sources to fund importation of raw materials and finished goods.

An obvious concern was how to protect NSIA's portfolio from the effects of rising inflation rates as the likelihood that cash flows from our investments will not be worth as much in the future because of changes in purchasing power. To manage the risk that inflation may erode the purchasing power of our portfolios, the Authority focusses its investment strategies on generating risk-adjusted returns that take account of inflation; this we do in two broad ways. First, we avoid high concentration in long-term bonds as short maturity bonds are less sensitive to inflation; we are also able to regularly roll-over short-dated bonds to allow for participation in higher rate bonds as interest rates increase. Second, we invest in inflation-hedging assets such as commodities and hard assets. Specifically, up to 15% of assets in the Future Generations Fund are allocated to commodities and hard assets while this ratio is up to 25% in the Stabilisation Fund with a preference for 91-day US Treasury Bills and short-dated US Treasury Bonds.

To allow the Authority to better understand and quantify risks across its Infrastructure Fund from a risk management perspective, in July 2016, NSIA's Risk Management department deployed a business intelligence interactive data visualisation and analytics tool. This initiative allows for more robust pre-investment risk assessment and appraisal of all Nigerian Infrastructure Fund projects.

Through its prudent management of assets under management, NSIA will strive to consolidate its position as a preferred partner for foreign investors looking to access attractive co-investment opportunities for infrastructure development in Nigeria.

RISK MANAGEMENT
(CONTINUED)

Risk Management Approach

At NSIA, we believe that a sound risk management system is the foundation for building a vibrant and viable institution.

NSIA's risk universe is categorised broadly under investment, operational, political and strategic risks to facilitate effective risk management and reporting.

Our strategy for managing risk is to identify, study and understand different dimensions of risks within our investment universe and the externalities that can affect it, with the aim of monitoring, controlling and mitigating against undesired events. Accordingly, our highly experienced risk management team has developed a comprehensive risk management process through which we monitor, evaluate and manage the risks in conducting our activities (both internally and externally).

Objectives of Risk Management

The Authority's risk management objectives are to:

- ensure that all risks facing NSIA are identified and effectively managed and that returns are commensurate with the risks taken;
- protect NSIA against unexpected losses and reduce the volatility of our earnings;
- negate any threat to the value of the funds available to support the Nigerian people in times of economic stress;
- support the sustainable development of Nigeria's infrastructure by ensuring projects are selected based on careful identification and assessment of inherent risks;
- ensure that the Authority's investment plans are consistent, aligned with the defined risk appetite, and supported by an effective and efficient risk management function;
- optimise the Authority's risk and return trade-offs by ensuring that every member of staff acts as a primary risk manager while establishing strong risk management protocols complemented by independent review and oversight structures;
- contribute to building a risk-smart workforce and business environment that allows for innovation and responsible risk-taking, while ensuring that cost-effective precautions are taken to protect stakeholders' interest; and
- obtain assurance on the effectiveness of the Authority's risk management processes through comprehensive and regular reporting processes.

> "Our approach to risk governance balances the demands for growth, control and transparency while supporting our objectives with an efficient decision-making process.

Risk Management Governance Structure

Our approach to risk governance balances the demands for growth, control and transparency while supporting our objectives with an efficient decision-making process. Risk management governance starts with our Board, which plays an important role in reviewing and approving risk management policies and practices. The management of risk in NSIA is primarily guided and monitored by the Board Risk Committee. The Chief Risk Officer regularly advises the Risk Committee of the Board about relevant risk metrics and material exposures. The Risk Committee in turn advises the Investment Committee and the Board as appropriate. Details regarding the composition and main responsibilities of our Board of Directors and the Board Risk Committees regarding risk management oversight are contained in the respective charters.

Three Lines of Defence

Our risk management framework is based on the 'Three Lines of Defence' model.

First Line of Defence: Fund Managers

All fund managers are charged with the primary responsibility of managing the risks inherent in the various portfolios they manage. In the case of funds managed by external parties, the engaging investment team is responsible for directly monitoring the performance of the external managers and ensuring that they adhere to pre-determined control measures. Processes required to assess, measure and manage risks inherent in all portfolios (whether managed internally or not) are integrated in the activities of the office of the Chief Investment Officer.

Second Line of Defence: Risk Management and Compliance Functions

The second line of defence comprises all units and functions responsible for providing overarching risk oversight at NSIA. As part of its duties, NSIA's risk management team provides independent risk oversight by monitoring and challenging the effectiveness of NSIA's fund management and general operating practices. The risk management team is also tasked with monitoring risks across the entire organisation, ensuring compliance with regulations, established policies and procedures.

Third Line of Defence: Internal Audit

The third line of defence is internal audit. The audit unit's primary responsibility includes assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of NSIA's overall risk management framework, policy and practices.

Risk Appetite

NSIA's risk appetite, articulated by the Board, expresses the level of risk the Authority is willing to accept or tolerate in the achievement of its strategic objectives. NSIA's risk appetite is set at a level that minimises the erosion of earnings or fund value owing to avoidable losses in the Authority's investment transactions, or as a result of fraud and operational inefficiencies. The risk management function periodically recommends specific measures to the Board (or its committees) for approval as may be required. Executive management defines the process for setting the risk appetite and makes recommendations to the Board for approval annually or as may be required.

RISK MANAGEMENT
(CONTINUED)

Risk Universe

We have analysed and outlined mitigation steps for risks groups identified across all facets of our operations. These risks include strategic, market, project and liquidity risks and are formally categorised as shown in figure 4.2. Our strategies for addressing and limiting the impact of risks are described in the following sections.

Figure 4.1: Risk Management Universe

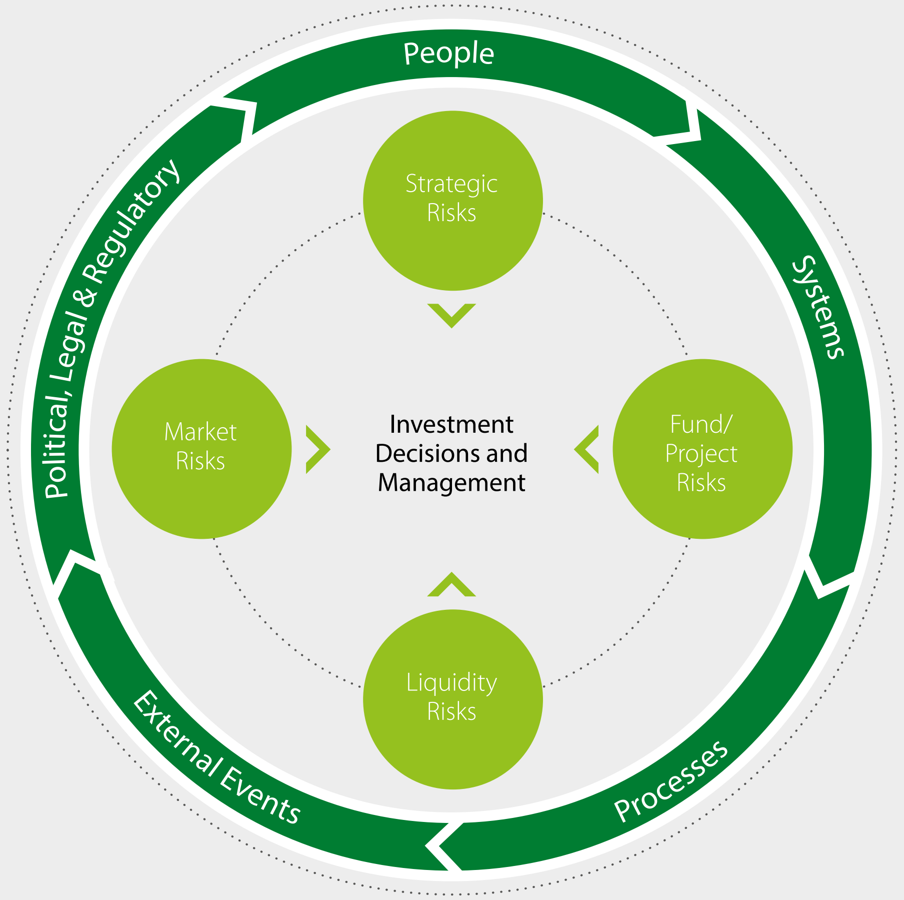
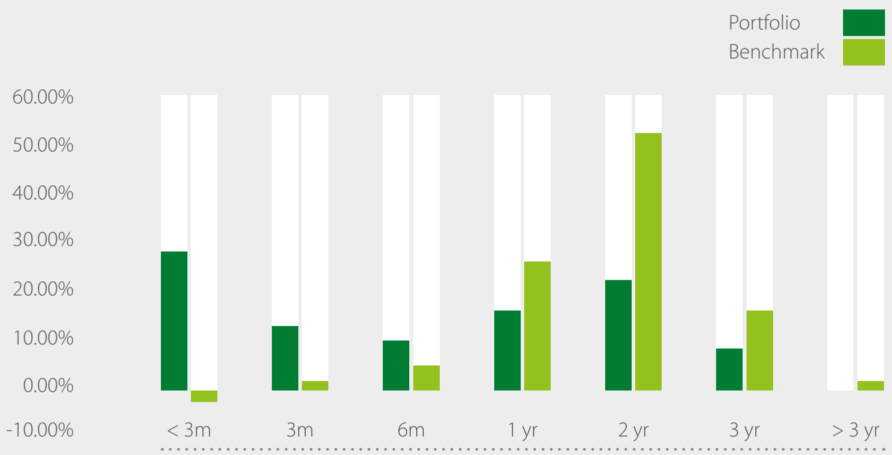


Figure 4.2: Risk Exposure Categorisation

Investment Risk	Operational Risk	Strategic & Political Risks
Market Risk	Legal & Regulatory Compliance	Strategic Objectives
Credit Risk	Systems Risk	Strategic Implementation
Portfolio Risk	Outsourcing Risk	Political Risk (domestic)
Liquidity Risk	Fraud	Political Risk (international)
Infrastructure Risk	People Risk	
	Physical Security Risk	
	External Events	
	Internal Processes	

Chart 4.1: Investment Duration Distribution



Investment Risk

The Investment Risk Management team is independent of the Investment Unit and reports to the Authority's Chief Risk Officer. It has the primary responsibility for assessing, monitoring and managing investment risk at the Authority. The investment risk management portfolio covers market risk, credit risk, portfolio risk, liquidity risk and infrastructure risk.

Market Risk

These include interest rate, exchange rate, capital market and commodity price volatility. The market value of the financial instruments in NSIA is exposed to potential losses as a result of changes in market conditions.

We manage our market risk by diversifying exposures and managing the Authority's asset allocation to balance risk and reward. Risk management produces risk measures and monitors them to ensure that portfolios remain within the risk appetite approved by the Authority's Risk Committee. We use a variety of risk measures to estimate the size of potential losses for both moderate and more extreme market moves over short and long-term horizons. Risk measures used for shorter-term periods include value at risk and sensitivity metrics. For longer-term horizons, our primary risk measures are stress tests. Our assessments of these risks and their impact on our portfolio are:

- **Commodity Price Risk:** This results from exposures to changes in spot prices, forward prices and volatilities of commodities such as grains, metals, crude oil, natural gas, etc. At the end of December 2016, approximately 3.0% of the Future Generations Fund had direct exposure to commodities.
- **Interest Rate Risk:** Interest rate movements directly affect the price of fixed-income instruments. The Stabilisation Fund is exposed to interest rate risk and its average duration was little changed from 0.7 years at the end of 2015 to 0.9 years at the end of 2016, with 99% of the portfolio instruments having term to maturity of less than three years as shown in chart 4.1.
- **Equity Price Risk:** This results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices. At the end of December 2016, NSIA had approximately 22% of the Future Generations Fund invested in liquid global equity markets.
- **Currency Rate Risk:** The value of the funds under NSIA management is significantly affected by exchange rate movements that result from exposures to changes in spot prices, forward prices and volatilities of currency rates. The effective currency of NSIA is US dollars. However, due to statutory reporting requirements, the reporting currency is Naira. We are, therefore, significantly affected by the Nigerian Naira/US dollar exchange rate.

The Stabilisation, Future Generations and Infrastructure Funds are mostly held in US dollars. This is not expected to change going forward for the Stabilisation Fund and Future Generations Fund. However, we expect this to change significantly in the Infrastructure Fund as implementation of the fund mandate progresses. Investments in the Infrastructure Fund are made in US dollars while returns are primarily expected in Naira, which would increase the currency risk in the Infrastructure Fund over time.
The direct currency position is the effective currency of the portfolio. The direct currency positions held by NSIA as at the end of December 2016 are approximately 0.89% Naira, 1.24% Japanese yen, 0.11% Euro and 97.76% US dollars as shown in the chart 4.2:

RISK MANAGEMENT
(CONTINUED)

Chart 4.2. Direct Currency Risk Exposure

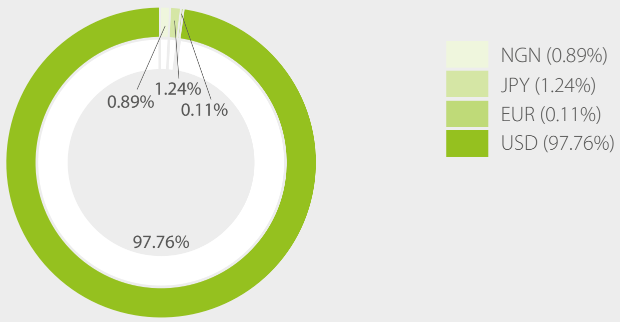


Table 4.1: NSIA Absolute Currency Exposure as at December 2016

Currency	Portfolio Weight	Currency	Portfolio Weight
USD	87.479%	TWD	0.250%
NGN	3.511%	BRL	0.216%
JPY	1.930%	THB	0.196%
EUR	1.858%	ZAR	0.156%
HKD	0.707%	PKR	0.124%
CNY	0.519%	AUD	0.116%
INR	0.507%	CLP	0.085%
CHF	0.491%	MXN	0.082%
DKK	0.327%	MYR	0.075%
KRW	0.301%	GBP	0.069%
SEK	0.297%	PHP	0.068%
SGD	0.280%	Others	0.356%

The funds' investments are however exposed to different currencies through the underlying assets; this exposure is termed as the absolute currency exposure. Further analysis into the absolute currency exposure of assets held by the various portfolio managers at the end of December 2016 shows exposure to a swathe of global currencies; some of which are detailed in the table 4.1 above:

Credit Risk

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty, an issuer of securities or other instruments we hold. Our credit risk exposures are limited to deposits with banks and our holdings of fixed income securities. We have defined our counterparty risk limits with Nigerian and International banks and use this as a guide to manage our credit risk exposures to these counterparties.

Portfolio Risk

Portfolio risk represents the possibility that an investment portfolio may not achieve its objectives. There are a number of factors that contribute to portfolio risk. While we take steps to minimise them, they can never be fully eliminated. We monitor portfolio risk using a number of metrics including value at risk, exposure limits, beta to benchmark tracking, scenario analysis to monitor the impact of trades on risk exposures prior to exposure, and stress testing of portfolio with risk scenarios.

The total portfolio risk levels are currently lower than the benchmark. Total Portfolio Risk as at December 2016 stands at 2.95% vs Benchmark Risk of 4.83%, while the portfolio VaR (1m 99%) as at December 2016 stands at 1.89% vs a Benchmark VaR of 3.09%.

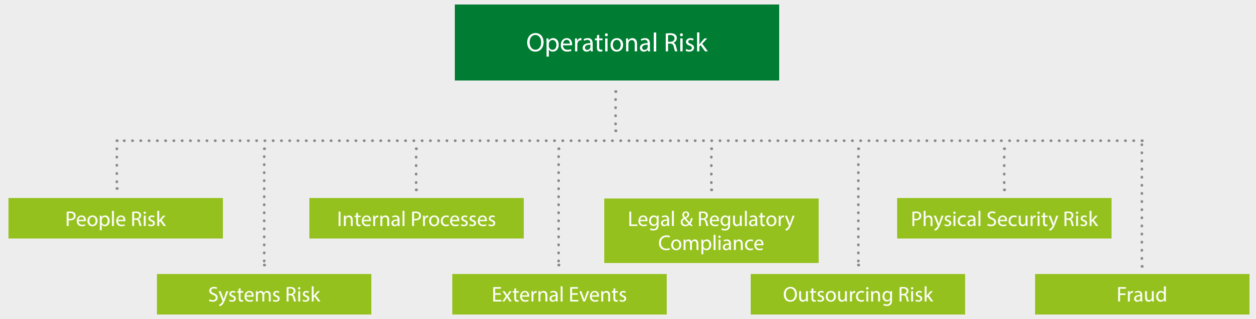
Liquidity Risk

Liquidity risk represents the potential for loss arising from the Authority's inability to meet its current or future commitments in total or when they are due, which could lead to the unplanned sale of securities in order to cover cash flow needs. This risk is exacerbated during times of economic uncertainty, when some investments could be substantially discounted due to lack of demand or market depth.

In the Stabilisation Fund, this risk is mitigated by maintaining a high percentage of liquid short-term assets with a term to maturity of less than three years.

The Future Generations Fund is designed for the long-term and, as such, it holds a high percentage of illiquid long-term assets such as private equity investments. However, the fund seeks to maintain up to 50% of its assets in instruments redeemable within one year.

Figure 4.3: Risk Management Structure



There are allocations in the Future Generations Fund and the Nigeria Infrastructure Fund that are yet to be deployed. The yet-to-be-deployed allocations are held mostly in liquid instruments limiting the Authority's liquidity risk. As the Authority continues to invest in more sophisticated and illiquid products and infrastructure projects through 2017 and beyond, then liquidity risk will play a more prominent role. This is especially true for the Infrastructure Fund.

As of year-end 2016, 77% of the fund was invested in liquid and semi-liquid assets which are redeemable within a year.

Infrastructure Risk

Infrastructure risk represents the potential for loss arising from the Authority's investment in infrastructure projects. Infrastructure investments often involve complex, large and long-term undertakings. The complex nature of infrastructure projects in Nigeria pose various challenges for NSIA.

The issues here are quite significant and include, but are not limited to, regulatory matters, legal issues, community matters, security, long-term funding, project development risk, construction risk, viability risk, revenue risk, demand risk and various market risks.

Infrastructure projects are thoroughly analysed. They are taken through rigorous due diligence and an internal risk framework that guides investment decisions. Once a project has been approved for investment, the focus shifts to derisking the project as much as possible to ensure sustainable return on investment through the life of the investment.

Operational Risk

NSIA defines operational risk as the risk of loss or other outcome arising as a result of failed or inadequate internal processes, people, systems, or external factors that are outside NSIA's control.

We have defined eight key operational risk categories as depicted above (figure 4.3) for more detailed and effective management.

We seek to manage our operational risk through:

- active participation of all employees in proactively identifying and mitigating key operational risks across the Authority;
- instituting appropriate policies and procedures in compliance with applicable local and international standards and implementing controls designed to prevent the occurrence of operational risk events; and
- independent monitoring of operational risk indicators and profile.

Our end goal is to provide early warning signals of any deterioration in the Authority's system of internal controls to minimise and, where possible, eliminate the occurrence of negative financial and non-financial impacts on our business. NSIA has adopted the use of three key framework methodologies and tools; namely the Risk and Control Self-Assessment Process, Risk Events and Incident Management and Key Risk Indicator Monitoring. These frameworks aid the Authority in monitoring and reporting on operational risks run by the Authority.

FINANCIAL HIGHLIGHTS

Middle Market Industrialisation
Owerri, Imo State, Nigeria
Photograph shows an aluminium rolling plant located in an industrial site near the Imo River. The plant is one of Nigeria's mid-sized companies. The over 4,000 Nigeria-based mid-market companies are essential to the country's economic success. NSIA seeks to invest in key middle market segments to bolster local production capacity and further stimulate economic diversity in the country.

Directors, Officers and Professional Advisors

Chairman
Mr Olajide Zeitlin*

Directors
Mr Uche Orji (Managing)
Mr Hanspeter Ackermann (Executive)
Mrs Stella Ojekwe-Onyejeli (Executive)
Ms Halima Buba (Non-executive)*
Mr Urum Kalu Eke, MFR (Non-executive)*
Mr Asue Ighodalo (Non-executive)*
Mr Bello Maccido (Non-executive)*
Ms Lois Laraba Machunga-Disu (Non-executive)*

Secretary to the Authority
Mrs Ezinwa Okoroafor

Registered Office
The Clan Place
4th Floor
Plot 1386A
Tigris Crescent
Maitama, Abuja

Auditors
PricewaterhouseCoopers
Landmark Towers
5B, Water Corporation Road
Victoria Island
Lagos

Banker
Central Bank of Nigeria
Plot 33, Abubakar Tafawa Balewa Way
Central Business District
Cadastral Zone
Abuja, Federal Capital Territory
Nigeria

Fund Custodians
JP Morgan Chase & Co (Global Custodian)
25 Bank Street
Canary Wharf
London, E14 5JP

Stanbic IBTC Bank Limited (Local Custodian)
IBTC Place
2, Walter Carrington Crescent
Victoria Island
Lagos
Nigeria

*The new Board was inaugurated on 12 May 2017.

Directors' Report

For the year ended 31 December 2016

1. Financial Statements

The directors of the Authority present their Annual Report on the affairs of the Nigeria Sovereign Investment Authority ('the Authority' or 'NSIA'), together with the financial statements of the Authority and the subsidiaries (known as 'the Group') and independent auditor's report for the year ended 31 December 2016.

2. Principal Activities

The Authority was established by the Nigeria Sovereign Investment Authority (Establishment etc.) Act, 2011 to manage excess funds from the country's sale of crude oil. This is performed through three (3) funds; Stabilisation Fund (SF), Nigeria Infrastructure Fund (NIF) and the Future Generation Fund (FGF). The Authority commenced operations in October 2012.

3. Operating Results

The following is a summary of the Authority's operating results for the year:

	Group 31 December 2016 ₦'000	Authority 31 December 2016 ₦'000
Investment and interest income	11,895,128	11,151,243
Net gain on financial assets	27,747,126	27,747,126
Net foreign exchange gains	92,796,051	92,796,051
Profit after tax	130,379,293	129,434,191
Total comprehensive income for the year	149,833,338	142,900,236

4. Objective

NSIA is an autonomous entity established under the laws of the Federal Republic of Nigeria with a broad mandate to:

a) enhance the development of Nigerian infrastructure
b) provide stabilisation support in times of economic stress, and
c) carry out such other activities as may be related to the above objects.

5. Governance and Management

The Act establishes a Governing Council ('the Council') for the Authority. The Council comprises the following:

a) The President of Nigeria (who may be represented by the Vice-President);
b) Governors of Nigeria's 36 States; and
c) Eighteen other appointees, including:
   i. Attorney-General of the Federation,
   ii. Minister of Finance, and
   iii. Minister in charge of the National Planning Commission.

6. Employment of Disabled Persons

The Authority has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Authority's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Authority continues and that appropriate training is arranged.

7. Employee Health, Safety and Environment

The Authority enforces strict health and safety rules and practices in the work environment, which are reviewed and tested regularly. The Authority provides medical insurance for its employees through designated hospitals and clinics. Fire prevention and fire-fighting equipment are installed at strategic locations within the Authority's premises.

Mrs Ezinwa Okoroafor
General Counsel/Secretary to the Authority
FRCN/2016/NBA/00000015045

Statement of Directors' Responsibilities

In relation to the financial statements for the year ended 31 December 2016

The Nigeria Sovereign Investment Authority Act requires the preparation of financial statements for each financial year that give a true and fair view of the state of financial affairs of the Authority and Group at the end of the year and of its profit or loss. The responsibility include:

a) ensuring that the Authority and Group keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Authority and Group and comply with the requirements of the Nigeria Sovereign Investment Authority Act;
b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
c) preparing the Authority and Group's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Nigeria Sovereign Investment Authority Act.

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 Authority and Group and of its profit or loss. 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 adequate systems of internal financial control.

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

Signed on behalf of the Directors by:

Mr. Uche Orji
Managing Director
FRC/2014/IODN/00000007036

Mr. Hanspeter Ackermann
Executive Director
FRC/2015/IODN/00000012315

Mrs. Stella Ojekwe-Onyejeli
Executive Director
FRC/2014/ICAN/00000005766

pwc

Independent Auditor's Report

To the members of the Nigeria Sovereign Investment Authority

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated and separate financial position of Nigeria Sovereign Investment Authority ("NSIA, "the Authority") and its subsidiaries (together "the group") as at 31 December 2016, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Nigeria Sovereign Investment Authority Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Nigeria Sovereign Investment Authority's consolidated and separate financial statements comprise:
— the consolidated and separate statements of financial position as at 31 December 2016;
— the consolidated and separate statements of comprehensive income for the year then ended;
— the consolidated and separate statements of changes in equity for the year ended;
— the consolidated and separate statements of cash flows for the year then ended; and
— the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

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 consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises: directors' report, statement of directors' responsibilities, value added statement and four year financial summary, but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers 5B Water Corporation Road, Victoria Island, Lagos, Nigeria.

Independent Auditor's Report continued

To the members of Nigeria Sovereign Investment Authority

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Nigeria Sovereign Investment Authority Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

— Identify and assess the risks of material misstatement of the consolidated and separate 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 Group'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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated and separate 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 Group to cease to continue as a going concern.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers 5B Water Corporation Road, Victoria Island, Lagos, Nigeria.

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

4 April 2017

Engagement Partner: Samuel Abu
FRC/2013/ICAN/ 000000001495

PricewaterhouseCoopers Chartered Accountants, Landmark Towers 5B Water Corporation Road, Victoria Island, Lagos, Nigeria.

Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Investment and interest income	9	11,895,128	5,821,745	11,151,243	5,811,617
Net gain on financial assets	10	27,747,126	–	27,747,126	–
Net foreign exchange gains	11	92,796,051	8,736,293	92,796,051	8,732,124
Total operating income		132,438,305	14,558,038	131,694,420	14,543,741
Investment management fees		(564,855)	(492,781)	(564,855)	(492,781)
Local custodian fees		(20,535)	(12,251)	(20,535)	(12,251)
Foreign custodian fees		(96,811)	(91,627)	(96,811)	(91,627)
Total investment management and custodian fee		(682,201)	(596,659)	(682,201)	(596,659)
Total operating profit		**131,756,104**	**13,961,379**	**131,012,219**	**13,947,082**
Other income	12	666,107	38,400	663,877	38,400
Total other income		666,107	38,400	663,877	38,400
Operating and administrative expenses	13	(2,332,541)	(2,333,619)	(2,241,905)	(1,779,601)
Share of profit of investment in associate	19	289,755	124,914	–	–
Profit before tax		**130,379,425**	**11,791,074**	**129,434,191**	**12,205,881**
Taxation	14	(132)	(15,496)	–	–
Profit after tax		**130,379,293**	**11,775,578**	**129,434,191**	**12,205,881**
Profit attributable to:					
Owners of NSIA		130,379,097	11,775,728	129,434,191	12,205,881
Non-controlling interest		196	(150)	–	–
		130,379,293	**11,775,578**	**129,434,191**	**12,205,881**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Movement in fair value reserves					
Net change in fair value	23	25,968,800	12,654,237	25,825,522	13,738,357
Net amount transferred to profit or loss	23	(12,359,477)	–	(12,359,477)	–
Share of other comprehensive income of associate	23	(461,502)	388,322	–	–
Currency translation differences	23	6,306,224	1,537,219	–	–
Other comprehensive income for the year		**19,454,045**	**14,579,778**	**13,466,045**	**13,738,357**
Total comprehensive income for the year		**149,833,338**	**26,355,356**	**142,900,236**	**25,944,238**
Total comprehensive income attributable to:					
Owners of NSIA		149,831,928	26,355,143	142,900,236	25,944,238
Non-controlling interest		1,410	213	–	–
		149,833,338	**26,355,356**	**142,900,236**	**25,944,238**

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

Statement of Financial Position

As at 31 December 2016

	Note	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Assets					
Cash and cash equivalents	15	148,267,906	37,983,532	141,076,852	32,913,468
Investment securities	16	249,822,688	164,382,547	234,132,773	154,152,447
Other assets	17	4,698,044	1,472,508	7,355,693	3,844,603
Investment in subsidiaries	18	–	–	7,096,155	7,066,155
Investment in associate	19	1,957,853	2,129,600	1,600,000	1,600,000
Property and equipment	20	16,187,064	7,700,860	66,304	104,603
Intangible assets	21	621	5,739	621	5,739
Total Assets		**420,934,176**	**213,674,786**	**391,328,398**	**199,687,015**
Liabilities					
Trade and other payables	22	24,089,561	15,788,509	3,718,488	4,102,341
Total liabilities		**24,089,561**	**15,788,509**	**3,718,488**	**4,102,341**
Equity and reserves					
Contribution by Government	23	204,375,000	155,250,000	204,375,000	155,250,000
Retained earnings	23	147,845,348	17,466,251	147,172,616	17,738,425
Fair value reserve	23	36,661,142	23,513,074	36,062,294	22,596,249
Currency translation reserve	23	7,958,502	1,653,739	–	–
		396,839,992	**197,883,064**	**387,609,910**	**195,584,674**
Total equity and amount attributable to equity contributors of the parent (Government)					
Non-controlling interest	23	4,623	3,213	–	–
Total equity		**396,844,615**	**197,886,277**	**387,609,910**	**195,584,674**
Total equity and liabilities		**420,934,176**	**213,674,786**	**391,328,398**	**199,687,015**

Signed on behalf of directors on 31 March 2017 by:

Mr Uche Orji
Managing Director
FRC/2014/IODN/00000007036

Mr Hanspeter Ackermann
Executive Director
FRC/2015/IODN/000000012315

Additionally certified by:

Mrs Stella Ojekwe-Onyejeli
Executive Director
FRC/2014/ICAN/00000005766

Mrs Olubisi Makoju
Financial Controller
FRC/2014/ICAN/00000005765

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

Statement of Changes in Equity

For the year ended 31 December 2016

Group	Contribution by Government ₦'000	Retained earnings ₦'000	Fair value reserves ₦'000	Currency translation reserve ₦'000	Non-Controlling Interest ₦'000	Total ₦'000
Balance at 1 January 2016	155,250,000	17,466,251	23,513,074	1,653,739	3,213	197,886,277
Total comprehensive income for the year						
Profit for the year	–	130,379,097	–	–	196	130,379,293
	–	130,379,097	–	–	196	130,379,293
Other comprehensive income						
Net change in fair value of financial assets (available-for-sale)	–	–	25,969,047	–	(247)	25,968,800
Net amount transferred to profit or loss	–	–	(12,359,477)	–	–	(12,359,477)
Share of other comprehensive income of associate	–	–	(461,502)	–	–	(461,502)
Currency translation differences	–	–	–	6,304,763	1,461	6,306,224
Total other comprehensive income for the year	–	–	13,148,068	6,304,763	1,214	19,454,045
Total comprehensive income for the year	**–**	**130,379,097**	**13,148,068**	**6,304,763**	**1,410**	**149,833,338**
Total transactions with owners:						
Contribution by Government	49,125,000	–	–	–	–	49,125,000
Total transactions with owners	**49,125,000**	**–**	**–**	**–**	**–**	**49,125,000**
Balance at 31 December 2016	**204,375,000**	**147,845,348**	**36,661,142**	**7,958,502**	**4,623**	**396,844,615**

Group 31 December 2015	Contribution by Government ₦'000	Retained earnings ₦'000	Fair value reserves ₦'000	Currency translation reserve ₦'000	Non-Controlling Interest ₦'000	Total ₦'000
Balance at 1 January 2015	155,250,000	5,691,084	10,470,202	116,981	–	171,528,267
Total comprehensive income for the year						
Profit for the year	–	11,775,728	–	–	(150)	11,775,578
	–	11,775,728	–	–	(150)	11,775,578
Other comprehensive income						
Net change in fair value of financial assets (available-for-sale)	–	–	12,654,550	–	(313)	12,654,237
Share of other comprehensive income of associate	–	–	388,322	–	–	388,322
Currency translation differences	–	–	–	1,536,758	461	1,537,219
Total other comprehensive income for the year	–	–	13,042,872	1,536,758	148	14,579,778
Total comprehensive income for the year	**–**	**11,775,728**	**13,042,872**	**1,536,758**	**(2)**	**26,355,356**
Total transactions with owners:						
Contributions made	–	–	–	–	3,000	3,000
Transactions within equity	–	(561)	–	–	561	–
Distributions	–	–	–	–	(346)	(346)
Total transactions with owners	**–**	**(561)**	**–**	**–**	**3,215**	**2,654**
Balance at 31 December 2015	**155,250,000**	**17,466,251**	**23,513,074**	**1,653,739**	**3,213**	**197,886,277**

Statement of Changes in Equity

For the year ended 31 December 2016

Authority	Contribution by Government ₦'000	Retained earnings ₦'000	Fair value reserves ₦'000	Total ₦'000
Balance at 1 January 2016	155,250,000	17,738,425	22,596,249	195,584,674
Transaction with owners				
Additional contribution received	49,125,000	–	–	49,125,000
Total transaction with owners	**49,125,000**	**–**	**–**	**49,125,000**
Total comprehensive income for the year				
Profit for the year	–	129,434,191	–	129,434,191
	–	129,434,191	–	129,434,191
Other comprehensive income for the year				
Net changes in fair value of financial assets (available-for-sale)	–	–	25,825,522	25,825,522
Net amount transferred to profit or loss	–	–	(12,359,477)	(12,359,477)
Total other comprehensive income	–	–	13,466,045	13,466,045
Total comprehensive income for the year	**–**	**129,434,191**	**13,466,045**	**142,900,236**
Balance at 31 December 2016	**204,375,000**	**147,172,616**	**36,062,294**	**387,609,910**

Authority	Contribution by Government ₦'000	Retained earnings ₦'000	Fair value reserves ₦'000	Total ₦'000
Balance at 1 January 2015	155,250,000	5,532,544	8,857,892	169,640,436
Total comprehensive income for the year				
Profit for the year	–	12,205,881	–	12,205,881
	–	12,205,881	–	12,205,881
Other comprehensive income for the year				
Net changes in fair value of financial assets (available-for-sale)	–	–	13,738,357	13,738,357
Total other comprehensive income	–	–	13,738,357	13,738,357
Total comprehensive income for the year	**–**	**12,205,881**	**13,738,357**	**25,944,238**
Transactions with owners	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**155,250,000**	**17,738,425**	**22,596,249**	**195,584,674**

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

Statement of Cash Flows

For the year ended 31 December 2015

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Cash flow from operating activities				
Profit before taxation	130,379,425	11,791,074	129,434,191	12,205,881
Adjustments to reconcile profit before tax to net cash flow from operating activities:				
Depreciation charge for the year	74,735	82,526	67,967	80,868
Amortisation of intangible assets	5,118	8,104	5,118	8,104
Profit on sale of property and equipment	(2,011)	767	(2,011)	767
Tax paid	(132)	(15,496)	–	–
Share of profit from associate	(289,755)	(124,914)	–	–
Movements in operating assets/liabilities:				
Increase in investment securities	(85,440,141)	(41,180,707)	(79,980,326)	(40,674,377)
(Decrease)/Increase in other assets	(3,225,536)	3,314,225	(3,511,090)	941,818
Increase/(decrease) in trade and other payables	8,301,052	9,478,220	(383,853)	3,592,018
Net cash generated/(used) in operating activities	49,802,755	(16,646,201)	45,629,996	(23,844,921)
Cash flows from investing activities				
Purchase of property, plant & equipment	(8,564,169)	(4,020,489)	(32,898)	(10,071)
Purchase of intangible assets	–	(1,675)	–	(1,675)
Investment in subsidiaries	–	–	(30,000)	–
Distribution from subsidiary	–	–	–	4,930,327
Proceeds from sale of property, plant and equipment	5,241	9,211	5,241	9,211
Net cash generated/(used) in investing activities	(8,558,928)	(4,012,953)	(57,657)	4,927,792
Cash flows from financing activities				
Contribution by Government	49,125,000	–	49,125,000	–
Transactions with non-controlling interest ("NCI")	–	3,000	–	–
Distributions to equity holders – NCI	–	(346)	–	–
Net cash generated/(used) in financing activities	49,125,000	2,654	49,125,000	–
Net cash movement for the year	90,368,827	(20,656,500)	94,697,339	(18,917,129)
Cash and cash equivalents at beginning of year	37,983,532	49,903,739	32,913,468	43,098,473
Net exchange gains on cash and cash equivalents	19,915,547	8,736,293	13,466,045	8,732,124
Cash and cash equivalents at year end	**148,267,906**	**37,983,532**	**141,076,852**	**32,913,468**
Cash and cash equivalents comprise:				
Cash in hand	114	133	114	133
Bank balances	58,083,586	24,099,268	50,892,532	22,826,036
Placements with financial institutions	90,184,206	13,884,131	90,184,206	10,087,299
Total cash and cash equivalents	**148,267,906**	**37,983,532**	**141,076,852**	**32,913,468**

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

Notes to the Financial Statements

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

FINANCIAL HIGHLIGHTS

Notes to the Financial Statements continued

1. General Information

Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') was established to receive, manage and invest the excess funds from the country's sale of crude oil in a diversified portfolio of medium and long-term investments. The Authority was setup by the Nigeria Sovereign Investment Authority Act, which was signed in May 2011 and was allocated an initial US$1 billion in seed capital. The Authority commenced operations in October 2012.

The Authority is domiciled in Nigeria and its registered office address is the Clan Place, 4th floor, Plot 1386A, Tigris Crescent, Maitama, Abuja.

To actualise its mandate, the Authority has established three separate 'ring-fenced' funds. They include Stabilisation Fund (SF), Future Generations Fund (FGF) and Nigeria Infrastructure Fund (NIF).

The investment activities of the Funds are managed as follows:

Fund	Investment Managers
Stabilisation Fund (SF)	UBS
Nigeria Infrastructure Fund (NIF)	In-house Management Team, Fund for Agricultural Finance in Nigeria (FAFIN)
Future Generations Fund (FGF)	Cevian Capital UK LLP, Blue Mountain Capital Management, JHL Capital Group LLP, Edgbaston Investment Partners, Capital Group, Arbiter Offshore Limited, Somerset Capital Management LLP, Marathon Asset Management LLP, Chieftain Capital, Prince Street, Jamison Capital Partners, Xenon Private Equity, Z Capital Partners, Helios Investment Partners, Healthcare Royalty Partners, AQR Capital Management, Actis Capital, and Africa Capital Alliance

2 Structure and content

The financial statements comprise:

a) A statement of financial position at the end of the period;
b) A statement of comprehensive income for the period;
c) A statement of changes in equity for the period;
d) A statement of cash flows for the period;
e) Notes, comprising a summary of significant accounting policies and other explanatory information.

3. Basis of Preparation

3.1 Statement of Compliance

The consolidated and separate financial statements of Nigeria Sovereign Investment Authority (NSIA) have been prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to the interpretations issued by the IFRIC.

The Group has adopted the liquidity approach in the presentation of the statement of financial position as this best represents the nature of its activities.

3.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

— Available-for-sale financial assets are measured at fair value
— Fair value through profit or loss financial assets are measured at fair value
— Held to maturity financial assets and financial liabilities are measured at amortised cost.

3.3 Functional and Presentation Currency

These financial statements are presented in Naira. All financial information presented in Naira has been rounded to the nearest thousands, except otherwise indicated.

The currency of the primary economic environment of the Authority (that is, functional currency) is the Nigerian Naira.

3.3 (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Naira', which is the group's presentation currency.

3.3 (b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'net exchange gains'.

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 amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.

3.3 (c) Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3.3 (d) Composition of the Group

The Group is made up of a number of subsidiaries. The Group re-assesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exemption from consolidation. The types of subsidiaries and their treatment under IFRS 10 are as follows:

Wholly owned subsidiaries: The financial statements of the subsidiaries have been consolidated with the financial statements of the Group.

3.4 Changes in accounting policy

There were no changes in the accounting policies of the Authority during the period.

3.4 (a) New standards, amendments and interpretations adopted by the Group

There were no new standards adopted by the Group for the financial period beginning on or after 1 January 2016.

3.4 (b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated and separate financial statements. None of these is expected to have a significant effect on the consolidated and separate financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact. The Group intends to adopt this standard on 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15. The Group intends to adopt this standard on 1 January 2018.

IFRS 16, 'Leases' requires lessees in a finance lease to recognise a right to use an asset and a corresponding liability. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group is assessing the impact of IFRS 16.The Group intends to adopt this standard on 1 January 2019.

Notes to the Financial Statements continued

3. Basis of Preparation continued

3.4 Changes in accounting policy continued

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 Significant accounting policies

The accounting policies set out below were adopted by the Group in the presentation of these financial statements.

4.1 Consolidation

4.1 (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

4.1 (b) Change in ownership interest subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.1 (c) Disposal of subsidiaries

When the Group ceases to have control over any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.1 (d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

4.2 Interest income and interest expense

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss using the effective interest rate 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 liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

4.3 Transaction costs

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction costs are expensed in the income statement. They include fees and commissions paid to agents, custodians and advisers.

4.4 Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income, and dividend expense on short positions.

4.5 Fees and commissions

Fees, commission and other expenses that are not integral to the effective interest rate computation are recognised in profit or loss on an accrual basis as the related services are performed.

4.5.1 Fiduciary activities

The Authority provides investment management and custody services to the Debt Management Office and Nigerian Bulk Electricity Company Plc. (NBET) which involve the Authority making allocation, purchase and sale decisions in relation to a wide range of financial instruments and investments. Those assets and income that are held in a fiduciary capacity are not included in these financial statements as they are not assets of the Authority. Some of these arrangements involve the Authority managed by the Authority. The fees and commissions which relates mainly to these investment management transactions and other fiduciary activity fees are recognised under non-operating income in profit or loss as the related services being provided are performed.

4.6 Income tax expense

The Authority and its wholly-owned subsidiaries and wholly affiliates in Nigeria shall be exempt from the provisions of any and all taxes, fees, imports or similar fiscal laws or regulations of the Federal Government, State Government, Federal Capital Territory, Local Government and Area councils of the Federal Republic of Nigeria, including without limitation, the Companies Income Tax Act Cap. C21 LFN 2004, the Capital Gains Tax Act Cap. Cl LFN 2004, the Stamp Duties Act Cap. S8 LFN 2004, the Value Added Tax Act Cap. V1 LFN 2004 or other imports, taxes on interest and dividends or any similar law or regulation.

The NSIA Act exempts the Authority from the provisions of any and all taxes, fees, imports or similar fiscal laws or regulations of the Federal Government, State Government, Federal Capital Territory, Local Government and Area councils of the Federal Republic of Nigeria. The Authority is however mandated to pay tax on behalf of its employees and suppliers.

4.7 Financial assets and financial liabilities

Dividend and interest income received by the Authority may be subject to withholding tax imposed in the country of origin. Thus the investment income accruing to the Authority is gross of such taxes and the related withholding tax expense is recorded as such in the income statement.

4.7.1 Recognition and initial measurement

All financial instruments are initially recognised at fair value at the trade date, which includes transaction costs for financial instruments not classified as fair value through profit or loss. Financial instruments are derecognised when the rights to receive cash flows from the financial instruments have expired or where the Authority has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements continued

4 Significant accounting policies continued
4.7 Financial assets and financial liabilities continued

4.7.2 Classification
The Authority has adopted the following classifications for financial assets and financial liabilities:

Financial assets:
- loans and receivables;
- held to maturity;
- available-for-sale;
- or fair value through profit or loss and within the category as:
  - held for trading; or
  - designated at fair value through profit or loss

Financial liabilities:
- Financial liabilities are measured at amortised cost, or fair value through profit or loss.

4.7.3 Subsequent measurement
Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification.

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 those classified by the Authority as fair value through profit or loss or available-for-sale. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. All of the Authority's advances are included in the loans and receivables category.

Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated as fair value through profit or loss or as available for sale. Where the Authority is to sell more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in other comprehensive income. Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment.

Available-for-sale
Financial assets classified by the Authority as available for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments 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. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available for-sale financial assets are recognised directly in fair value reserve in other comprehensive income until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in other comprehensive income are recognised in profit or loss. Interest income, calculated using the effective interest method, is recognised in profit or loss. Dividends received on available-for-sale financial instruments are recognised in profit or loss when the Authority's right to receive payment has been established.

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 acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:
- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A group of financial assets is managed and its performance evaluated on a fair value basis.
- Subsequent to initial recognition, the fair values are remeasured at each reporting date.

Financial liabilities
The Authority classifies its financial liabilities as measured at amortised cost.

4.7.4 Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the authority neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the authority is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4.7.5 Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the authority has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.7.6 Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.7.7 Fair value measurement
Fair value is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the authority measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the authority establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the authority, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The authority calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

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

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the reporting date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

4.7.8 Identification and measurement of impairment
At each reporting date the Authority assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.8 Cash and cash equivalents
Cash and cash equivalents comprise fixed deposits with banks, and highly liquid financial instruments with original maturities of less than three months from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Authority in the management of its short-term commitments.

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

FINANCIAL HIGHLIGHTS

Notes to the Financial Statements continued

4 Significant accounting policies continued

4.9 Property and equipment

4.9.1 Initial recognition

All items of property and equipment are initially recognised at cost. Cost includes the value of consideration exchanged, or fair value in the case of donated or subsidised assets, and those costs directly attributable to bringing the item to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

4.9.2 Subsequent costs

The cost of replacing part of an item of property or 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 Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

4.9.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful lives for the current and comparative period are as follows:

Assets	Annual depreciation rate
Leasehold improvements	Over the shorter of the useful life of item or lease period
Leasehold land	Over the lease period
Buildings	40 years
Computer hardware	3.3 years
Furniture and fittings	5 years
Office equipment	4 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

4.9.4 Derecognition

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.

4.10 Intangible assets – software

Software acquired by the Authority is stated at cost less accumulated amortisation and accumulated impairment losses. Software is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the software can be measured reliably. Expenditure that forms part of the cost of software that meets the recognition criteria are capitalised as part of the software. Software is accounted for using the cost model. After initial recognition, the software is carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 3 years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

4.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

4.12 Leased assets – lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases in terms of which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

4.13 Impairment of non-financial assets

The carrying amounts of the Authority's non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows, which are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

4.14 Provisions

A provision is recognised if, as a result of a past event, the Authority has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4.14.1 Restructuring

A provision for restructuring is recognised when the Authority has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

4.15 Trade payables

Trade payables are obligations that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.16 Contingencies

4.16.1 Contingent assets

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

4.16.2 Contingent liabilities

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made. Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

FINANCIAL HIGHLIGHTS

Notes to the Financial Statements continued

4 Significant accounting policies continued

4.17 Employee benefits

4.17.1 Post employment benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

Pension Scheme

The Authority operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employee and the employer contributions are 8% and 10% respectively each of the qualifying employee's salary.

Obligations for contributions to defined contribution plans is recognised as an employee benefit expense in profit or loss in the period when the employees have rendered service entitling them to the contributions.

Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

4.17.2 Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Segment results that are reported to the board of directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Authority's headquarters), and head office expenses.

4.19 Capital commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the Group of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. The Group may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the Group has contracted for expenditure but work has not commenced and no payments have been made.

4.20 Financial guarantees

Financial guarantee contracts are contracts that require the Authority (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor (wholly-owned subsidiaries) fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium. Financial guarantees are included within other liabilities.

4.21 Determination of fair values

A number of the Authority's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.21.1 Investment in equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments (which are the Federal Government of Nigeria Treasury bills) is determined for disclosure purposes only and are determined by reference to the quoted closing bid price at the reporting date.

4.21.2 Investment in private equity funds

The fair value of the investments held in one of the Group's subsidiaries are recognised at fair value determined using the net asset valuation method. This is done by obtaining

i. the valuation of the Investee Fund's underlying investments;
ii. the value date of the net asset value (NAV) provided;
iii. cash flows (calls/distributions) since the latest value date; and
iv. the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's General Partner. If necessary, adjustments to the NAV are made to the various Investee Funds to obtain the best estimate of fair value.

4.21.3 Receivables

The fair value of short term receivables is measured at its carrying amount. Where the receivables are material; it is at estimated at the present value of future cash flows, discounted at the market rate of return at the reporting date.

4.22 Impairment of financial assets

Financial assets carried at amortised cost

At each end of the reporting date, the Authority assesses whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or portfolio 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 have occurred after the 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 portfolio of financial assets that can be reliably estimated. Some objective evidence that a financial asset or portfolio of assets is impaired includes observable data that comes to the attention of the Authority on the following events:

Significant financial difficulty of the issuer or debtor; are expected to be useful for more than one period;

— A breach of contract, such as a default or delinquency in payments;
— It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
— The disappearance of an active market for that financial asset because of financial; or
— Observable data indicating that there is a measurable decrease in the estimated future cash flow from a portfolio/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 portfolio/group.

The Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a portfolio of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial 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.

If there is objective evidence that an impairment loss has been incurred on loans and receivables 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 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 income statement. As a practical expedient, the Authority may measure impairment on the basis of an instrument's fair value using an observable market price.

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 improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income.

5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected. Management discusses with the Board of Directors the development, selection and disclosure of the Authority's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see note 6).

5.1 Critical accounting judgments in applying the Authority's accounting policies

Critical accounting judgements made in applying the Authority's accounting policies include:

FINANCIAL HIGHLIGHTS

Notes to the Financial Statements continued

5 Critical accounting estimates and judgments continued
5.1 Critical accounting judgments in applying the Authority's accounting policies continued

5.1.1 Valuation of financial instruments
The Authority's accounting policy on fair value measurements is discussed under Note 4.7.7. The Authority measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using inputs that are not based on observable market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5.1.2 Financial assets and liabilities classification
The Authority's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances: Details of the Authority's classification of financial assets and liabilities are given in Note 4.7.

5.1.3 Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

5.1.4 Determination of impairment of property and equipment and intangible assets
Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Authority applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

5.1.5 Impairment of available-for-sale equity
The Group follows the guidance of IAS 39 Financial instruments: recognition and measurement to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. There has been no impairment loss recognised in these financial statements.

5.1.6 Fair value of investment classified as available-for-sale
The fair values of quoted available-for-sale investments are determined by reference to prices quoted in an active market. For available for sale equity investments which are unquoted, the Authority carries these investments at cost due to unavailability of inputs to determine their fair values.

5.1.7 Fair value of private equity investments
The fair values of the private equity investments held by one of the Group's subsidiaries has been determined at the reporting date using the net asset valuation method. This takes into account the net asset values as obtained from the different private equity investee funds' most recent available financial information, considering contributions and distributions between the last net asset valuation date and the reporting period. These private equity investments are unquoted and comparable market information was not available as at the end of the reporting period. Determining the fair values based on this valuation approach assumes that the investment will be realised at the reporting date at these values. The sensitivity of the fair values to changes in the assumptions made is disclosed in Note 6.

6 Financial risk management
The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

6.1 Approach to risk management
With a global outlook, the Group's strategy for managing risks is to understand risk within the invested universe and the externalities that can affect this, with the aim of monitoring, controlling and mitigating against undesired events.

The Group has adopted, wherever possible, recommended best practice in the identification, evaluation and cost effective control of risks to ensure, as far as possible, that they are eliminated or reduced to a level that is acceptable to the Authority. The Group's Risk Framework seeks to explain the Authority's underlying approach to risk management, documents the roles and responsibilities of the Board of Directors, Risk Management department and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

6.2 Credit risk
Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group, resulting in a financial loss to the Group. It arises principally from debt securities held, trade receivables and advances, and also from cash and cash equivalents.

6.2.1 Management of credit risk
The Authority's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting credit standards, hence the Authority only deals with counterparties that meet set credit ratings. The Authority does not manage credit risk exposure on either geographical or sectoral basis.

6.2.2 Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure per credit rating.

As at 31 December 2016, all financial assets are neither past due nor impaired. The credit quality of these financial assets are disclosed in the table below:

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
(i) Money market placement				
Counter parties with external credit ratings GBR, S&P, Fitch & Moody				
A1 (GBR)	3,046,408	–	3,046,408	–
AA- (S&P)	58,182,824	–	58,182,824	–
B+ (S&P)	–	10,002,396	–	10,002,396
B (S&P)	8,840,312	926,612	8,840,312	–
B2* – (Moody)	20,114,662	2,955,123	20,114,662	84,903
Total money market placements	**90,184,206**	**13,884,131**	**90,184,206**	**10,087,299**
(ii) Cash at bank				
Counter parties with external credit ratings (S&P)				
A	–	386,164	–	–
A- (S&P)	53,616,958	19,953,062	49,219,621	19,953,063
B+ (Moody, S&P)	–	3,760,042	–	2,872,973
B (S&P)	1,672,639	–	1,670,782	–
B2 (Moody)	853	–	853	–
BBB+ (S&P)	2,793,136	–	1,276	–
Total cash at bank balances	**58,083,586**	**24,099,268**	**50,892,532**	**22,826,036**
(iii) Trade receivables and advances				
Counter parties without external credit ratings				
Trade receivables	1,624,486	930,118	1,724,388	1,559,198
Advances	3,546	4,756	3,546	4,756
	1,628,032	**934,874**	**1,727,934**	**1,563,954**

Notes to the Financial Statements continued

6 Financial risk management continued
6.2 Credit risk continued
6.2.2 Exposure to credit risk continued

The credit quality of trade receivables and advances which are neither past due nor impaired is assessed by reference to historical information about counterparty default rates. The counterparties have historically not defaulted on past obligations and there is no expectation of default as at the end of the reporting period. Counterparties with respect to the trade receivables relates to a hedge fund portfolio, while counterparties with respect to advances are the Group's employees.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
(iv) Investment securities				
Counter parties with external credit ratings				
Held to Maturity				
AA+ (S&P)	4,329,608	–	4,329,608	–
B+ (Fitch)	3,379,285	20,672,575	3,379,285	20,672,575
B2 (Moody)	5,770,479	–	5,770,479	–
B- (S&P)	3,657,732	–	3,657,732	–
	17,137,104	20,672,575	17,137,104	20,672,575
Loans and Receivables				
A+ (Fitch)	–	3,951,124	–	3,951,124
A- (Augusto & Co)	6,181,604	–	6,181,604	–
B+ (S&P)	–	18,163,275	–	18,163,275
BBB+ (S&P)	7,651,603	–	7,651,603	–
BAA1 (Moody)	12,280,654	–	12,280,654	–
B2 (Moody)	13,724,619	–	13,724,619	–
B (S&P)	60,855,005	–	60,855,005	–
B- (S&P)	–	8,115,900	–	8,115,900
	100,693,485	30,230,299	100,693,485	30,230,299
Available for sale				
AA+ (S&P)	24,660,440	–	24,660,440	–
A- (S&P)	–	54,211,369	–	54,211,369
BB+ S&P	2,197,267	–	2,197,267	–
	26,857,707	54,211,369	26,857,707	54,211,369
Counterparties without external credit ratings				
Private equity funds, long only equity and hedge funds	92,264,145	59,268,304	76,574,230	49,038,204
	119,121,852	113,479,673	103,431,937	103,249,573
Financial assets at FVTPL				
B (S&P)	12,870,247	–	12,870,247	–
	12,870,247	–	12,870,247	–
Total investment securities	**249,822,688**	**164,382,547**	**234,132,773**	**154,152,447**

6.3 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Group.

6.3.1 Management of liquidity risk
The Group's approach to managing liquidity is to have sufficient funds to meet its liabilities, as and when due, without incurring undue losses or risking damage to the Group's reputation. The Group manages its liquidity risk by maintaining cash levels to fund short term operating expenses.

The table below shows the Group's current cash levels:

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Cash in hand	114	133	114	133
Bank balances	58,083,586	24,099,268	50,892,532	22,826,036
Placements with financial institutions	90,184,206	13,884,131	90,184,206	10,087,299
Total cash and cash equivalents	**148,267,906**	**37,983,532**	**141,076,852**	**32,913,468**

6.3.2 Exposure to liquidity risk
The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2016	Up to 3 months ₦'000	4 to 6 months ₦'000	Between 6 months and 1 year ₦'000	Between 1 and 2 years ₦'000	Total ₦'000
Group					
Trade payables	1,198,158	–	228,375	–	1,426,533
Accruals	210,302	–	–	–	210,302
Other payables	1,556,277	–	436,919	–	1,993,196
Payables to related parties	–	–	20,459,530	–	20,459,530
Total liabilities	**2,964,737**	**–**	**21,124,824**	**–**	**24,089,561**
31 December 2015					
Group					
Trade payables	916,571	–	4,528	–	921,099
Accruals	–	295,757	–	–	295,757
Other payables	2,715,978	8,118	286,691	–	3,010,787
Payables to related parties	–	–	11,560,866	–	11,560,866
Total liabilities	**3,632,549**	**303,875**	**11,852,085**	**–**	**15,788,509**
31 December 2016					
Authority					
Trade payables	1,198,158	–	228,375	–	1,426,533
Accruals	77,255	–	–	–	77,255
Other payables	1,784,549	–	430,151	–	2,214,700
Total liabilities	**3,059,962**	**–**	**658,526**	**–**	**3,718,488**
31 December 2015					
Authority					
Non-derivative financial liabilities					
Trade payables	916,571	–	4,528	–	921,099
Accruals	282,221	–	5,787	–	288,008
Other payables	2,718,978	10,118	164,138	–	2,893,234
Total liabilities	**3,917,770**	**10,118**	**174,453**	**–**	**4,102,341**

Notes to the Financial Statements continued

6 Financial risk management continued

6.4 Market risk

Market risk is the risk of loss from unfavorable changes in the fair values of financial instruments caused by adverse moves in market variables, such as foreign exchange rates, interest rates, equity prices, commodity prices, credit spreads and implied volatilities of the market rates. Market risk losses could result in a loss of earning and/or capital to the Group. The Group is exposed to market risk through its proprietary investments and can experience capital erosion from its own direct investments in the market.

With regards to investments in certain asset classes, the Group's potential exposure can be categorised into two: namely, traditional investments and alternative investments. Traditional investments include cash, listed equity and fixed income instruments. Alternative investments are the real estate assets, private equity, hedge funds, unquoted securities and equities, hospitality, and are generally less liquid than traditional investments. Currently, the asset classes being referred to as alternative investments are the real estate assets, private equity, hospitality and infrastructure projects.

The Group's Market risk Framework includes:

- Market risk – comprising equity, interest rate, interest basis and currency risks;
- Valuation risk – which derives from the valuation methodology chosen for unlisted assets. A critical associated risk is that which relates to the valuation model. The Group has exposure to valuation risk through its investments in real estate assets, private equity investments as well as other alternative instruments and project development.

The Group manages market risk by actively controlling positions taken by investment managers in accordance with the investment strategy for each fund. The investment strategy outlines permissible asset classes, asset allocation limits and other position limits according to the portfolio risk appetite and risk profile. Exceptions are escalated and investment managers are expected to provide a plan of action that would bring portfolios within limits.

The identification, measurement and management of market risk is categorised as follows:

6.4.1 Trading assets/Financial assets

Trading assets are carried at fair value using publicly available market rates for traded securities. Positions are monitored regularly and performance measured to relevant benchmarks.

6.4.2 Non-trading assets/Non-financial assets

Key performance measures are set and a robust monitoring and reporting framework is put in place to monitor performance of the Authority's investment in alternative and unlisted securities.

6.4.3 Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group has an investment in a foreign operation, whose net assets are exposed to foreign currency translation risk as a result of the translation of its financial statements from the operation's functional currency to the Group's presentation currency. Currency exposure arising from the net assets of the Group's foreign subsidiary is managed primarily through cash and cash equivalents denominated in the relevant foreign currencies.

The tables below shows the sensitivity of the Group's total comprehensive income to appreciation or depreciation of the Naira in relation to other currencies.

Concentration of foreign currency exposure

31 December 2016	Naira ₦'000	USD ₦'000	Euro ₦'000	Yen ₦'000	Total ₦'000
Group					
Cash and cash equivalents	1,386,365	146,881,541	–	–	148,267,906
Investment securities (held-to-maturity)	–	17,137,104	–	–	17,137,104
Investment securities (loans and receivables)	20,889,206	79,804,279	–	–	100,693,485
Investment securities (available-for-sale)	–	118,211,142	868,830	41,880	119,121,852
Investment securities (FVTPL)	12,870,247	–	–	–	12,870,247
Trade receivables	536,605	1,087,881	–	–	1,624,486
Total financial assets	**35,682,423**	**363,121,947**	**868,830**	**41,880**	**399,715,080**
Financial liabilities – trade payables	347,144	1,079,389	–	–	1,426,533
Total financial liabilities	**347,144**	**1,079,389**	**–**	**–**	**1,426,533**
Net FCY exposure	**–**	**362,042,559**	**868,830**	**41,880**	**362,953,270**
Sensitivity at 5% appreciation	–	(18,102,128)	(43,442)	(2,094)	(18,147,663)
Sensitivity at 5% depreciation	–	18,102,128	43,442	2,094	18,147,663

31 December 2015	Naira ₦'000	USD ₦'000	Euro ₦'000	Yen ₦'000	Total ₦'000
Group					
Cash and cash equivalents	7,377,156	30,606,376	–	–	37,983,532
Investment securities (held-to-maturity)	8,416,783	12,255,792	–	–	20,672,575
Investment securities (loans and receivables)	–	30,230,299	–	–	30,230,299
Investment securities (available-for-sale)	–	113,251,336	187,099	41,238	113,479,673
Investment securities (FVTPL))	–	–	–	–	–
Trade receivables	107,726	822,392	–	–	930,118
Total financial assets	**15,901,664**	**187,166,196**	**187,099**	**41,238**	**203,296,197**
Financial liabilities – trade payables	99,264	821,835	–	–	921,099
Total financial liabilities	**99,264**	**821,835**	**–**	**–**	**921,099**
Net FCY exposure	**–**	**186,344,360**	**187,099**	**41,238**	**186,572,697**
Sensitivity at 5% appreciation	–	(9,317,218)	(9,355)	(2,062)	(9,328,635)
Sensitivity at 5% depreciation	–	9,317,218	9,355	2,062	9,328,635

Notes to the Financial Statements continued

6 Financial risk management continued
6.4 Market risk continued
6.4.3 Foreign exchange risk continued

Concentration of foreign currency exposure

31 December 2016	Naira ₦'000	USD ₦'000	Euro ₦'000	Yen ₦'000	Total ₦'000
Authority					
Cash and cash equivalents	1,384,508	139,692,344	–	–	141,076,852
Investment securities (held-to-maturity)	–	17,137,104	–	–	17,137,104
Investment securities (loans and receivables)	20,889,206	79,804,279	–	–	100,693,485
Investment securities (available-for-sale)	–	102,521,227	868,830	41,880	103,431,937
Investment securities (FVTPL))	12,870,247	–	–	–	12,870,247
Trade receivables	639,607	1,084,781	–	–	1,724,388
Total financial assets	**35,783,568**	**340,239,735**	**868,830**	**41,880**	**376,934,013**
Financial liabilities – trade payables	347,144	1,079,389	–	–	1,426,533
Total financial liabilities	**347,144**	**1,079,389**	**–**	**–**	**1,426,533**
Net FCY exposure	**–**	**339,160,346**	**868,830**	**41,880**	**340,071,057**
Sensitivity at 5% appreciation	–	(16,958,017)	(43,442)	(2,094)	(17,003,553)
Sensitivity at 5% depreciation	–	16,958,017	43,442	2,094	17,003,553

31 December 2015	Naira ₦'000	USD ₦'000	Euro ₦'000	Yen ₦'000	Total ₦'000
Authority					
Cash and cash equivalents	2,688,349	30,225,119	–	–	32,913,468
Investment securities (held-to-maturity)	8,416,783	12,255,792	–	–	20,672,575
Investment securities (loans and receivables)	–	30,230,299	–	–	30,230,299
Investment securities (available-for-sale)	–	103,021,236	187,099	41,238	103,249,573
Investment securities (FVTPL))	–	–	–	–	–
Trade receivables	736,806	822,392	–	–	1,559,198
Total financial assets	**11,841,938**	**176,554,838**	**187,099**	**41,238**	**188,625,113**
Financial liabilities – trade payables	99,264	821,835	–	–	921,099
Total financial liabilities	**99,264**	**821,835**	**–**	**–**	**921,099**
Net FCY exposure	**–**	**175,733,003**	**187,099**	**41,238**	**175,961,340**
Sensitivity at 5% appreciation	–	(8,786,650)	(9,355)	(2,062)	(8,798,067)
Sensitivity at 5% depreciation	–	8,786,650	9,355	2,062	8,798,067

6.4.4 Interest rate risk
Interest rate risk is the risk of loss to net interest income (NII) arising from changes in market interest rates on rate sensitive assets and liabilities.

Net interest income sensitivity

There are two types of scenarios that give rise to interest rate risk. These are where the Group holds variable rate instruments susceptible to cash flow interest rate risk due to a change in market interest rates or the Group holds debts instruments measured at fair value which will be exposed to fair value interest rate risk. The Group holds debts instruments measured at fair value which are exposed to fair value interest rate risk. The table below shows the impact of interest rate changes (increase/decrease) on the Authority's fixed interest financial assets carried at fair value and the effect on other comprehensive income.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Available-for-sale – US treasury notes	24,660,440	9,952,654	24,660,440	9,952,655
	24,660,440	9,952,654	24,660,440	9,952,655

	Impact on	Impact of 5% strengthening	Impact of 5% weakening
Group			
31 December 2016	Other comprehensive income	1,233,022	(1,233,022)

	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% weakening
Group			
31 December 2015	Other comprehensive income	497,633	(497,633)

	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% weakening
Authority			
31 December 2016	Other comprehensive income	1,233,022	(1,233,022)

	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% weakening
Authority			
31 December 2015	Other comprehensive income	497,633	(497,633)

6.4.5 Equities securities price risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group

The table below summarises the impact of increases/decreases on the Group's other comprehensive income and equity. The analysis is based on the assumption that the equity prices had increased/decreased by 5% with all other variables held constant:

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Available-for-sale equities	1,529,839	943,093	745,343	431,588
	(1,529,839)	(943,093)	(745,343)	(431,588)

Other comprehensive income would increase/(decrease) as a result of gains/(losses) on equity securities classified as available for sale by the amounts shown above.

FINANCIAL HIGHLIGHTS

Notes to the Financial Statements continued

7 Fair value hierarchy

The Group classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets.	Quoted instruments.
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).	Equity instruments quoted in over-the-counter (OTC) markets.
Level 3	Inputs that are not based on observable market data (that is, unobservable inputs).	Unquoted equity instruments and debt instruments.

Unquoted equity instruments and debt instruments are measured in accordance with the International Private Equity and Venture Capital valuation guidelines with reference to the most appropriate information available at the time of measurement.

The following tables analyse within the fair value hierarchy the Authority's financial assets (by class) measured at fair value at 31 December 2016. All fair value measurements disclosed are recurring fair value measurements.

Available for sale investment securities

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Group				
	4,825,019	26,937,211	87,359,622	119,121,852
	4,825,019	26,937,211	87,359,622	119,121,852

31 December 2015	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
	57,912,400	2,422,316	53,144,957	113,479,673
	57,912,400	2,422,316	53,144,957	113,479,673

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Authority	4,825,019	26,937,211	71,669,707	103,431,937
	4,825,019	26,937,211	71,669,707	103,431,937

31 December 2015	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
	57,912,400	2,422,316	42,914,857	103,249,573
	57,912,400	2,422,316	42,914,857	103,249,573

Financial assets at fair value through profit or loss

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Group		12,870,247		12,870,247
	–	12,870,247	–	12,870,247

31 December 2015	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Authority	–	12,870,247	–	12,870,247
	–	12,870,247	–	12,870,247

There are no comparative numbers for financial assets at fair value through profit or loss.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices as at 31 December 2016. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

(b) Financial instruments in level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include investments in equity securities that are not traded in an active market but for which a trading platform exists on which a price can be determined for which market participants would pay in order to purchase the asset as at the reporting date i.e. at the Over-the-Counter alternative markets.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

(c) Financial instruments in level 3

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Authority. The Authority considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. There were no transfers between levels during the year.

Available-for-sale (Investments in hedge funds and private equity funds)

Level 3 is comprised of investments in hedge funds and private equity funds held by the Authority that are not quoted in active markets. In determining the fair value of these investments, the Authority relies on the valuation as reported in the latest available financial statements and/or capital account statements provided by the investment manager, unless the Authority is aware of reasons that such a valuation may not be the best approximation of fair value. In such cases, the Authority reserves the right to assign a fair value to such investments which differs from the one reported by the investment manager.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2016 for available for sale financial assets.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Available-for-sale financial assets				
Opening balance	53,144,957	37,551,874	42,914,857	28,277,032
Additions	10,048,855	14,529,162	2,772,007	12,786,105
Distributions received	(3,620,341)	602,440	(183,704)	(779,326)
Disposals, repayments and write-offs	(189,759)	(3,498,413)	(189,759)	(2,296,672)
Fair value movement	4,195,961	(2,425,950)	2,576,357	(1,458,126)
Exchange gain/(loss)	23,859,453	6,385,844	23,859,453	6,385,844
Closing balance	**87,439,126**	**53,144,957**	**71,749,211**	**42,914,857**

Notes to the Financial Statements continued

7 Fair value hierarchy continued

The table below shows the sensitivity analysis of fair value movements for available for-sale financial assets:

			Group 31 December 2016 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale financial assets	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV adjusted	209,798	128,818
	Decrease		(209,798)	(128,818)

			Group 31 December 2015 ₦'000	Authority 31 December 2015 ₦'000
Available-for-sale financial assets	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV adjusted	(121,297)	(72,906)
	Decrease		121,297	72,906

7.1 Financial assets and financial liabilities

The financial instruments by category for the Group and the Authority are shown in the tables below.

31 December 2016	Financial assets held at FVTPL ₦'000	Held-to-maturity ₦'000	Loans and receivables ₦'000	Available-for-sale ₦'000	Other financial liabilities ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Group							
Cash and cash equivalents	–	–	148,267,906	–	–	148,267,906	148,267,906
Advances	–	–	3,546	–	–	3,546	3,546
Investment securities:							
Measurement at fair value	12,870,247	–	–	119,121,852	–	131,992,099	131,992,099
Measurement at amortised cost	–	17,137,104	100,693,485	–	–	117,830,589	117,369,406
Other assets	–	–	1,624,486	–	–	1,624,486	1,624,486
	12,870,247	**17,137,104**	**250,589,423**	**119,121,852**	**–**	**399,718,626**	**399,257,443**
Trade and other payables	–	–	–	–	24,089,561	24,089,561	24,089,561
	–	**–**	**–**	**–**	**24,089,561**	**24,089,561**	**24,089,561**

31 December 2015	Financial assets held at FVTPL ₦'000	Held-to-maturity ₦'000	Loans and receivables ₦'000	Available-for-sale ₦'000	Other financial liabilities ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Group							
Cash and cash equivalents		–	37,983,532	–	–	37,983,532	37,983,532
Advances	–	–	4,756	–	–	4,756	4,756
Investment securities:							
Measurement at fair value	–	–	–	113,479,673		113,479,673	113,479,673
Measurement at amortised cost	–	20,672,575	30,230,299	–	–	50,902,874	45,580,808
Other assets		–	1,467,752	–	–	1,467,752	1,467,752
	–	**20,672,575**	**69,686,339**	**113,479,673**	**–**	**203,838,587**	**198,516,521**
Trade and other payables	–	–	–	–	15,788,509	15,788,509	15,788,509
	–	**–**	**–**	**–**	**15,788,509**	**15,788,509**	**15,788,509**

31 December 2016	Financial assets held at FVTPL ₦'000	Held-to-maturity ₦'000	Loans and receivables ₦'000	Available-for-sale ₦'000	Other financial liabilities ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Authority							
Cash and cash equivalents	–	–	141,076,852	–	–	141,076,852	141,076,852
Advances	–	–	3,546	–	–	3,546	3,546
Investment securities:							
Measurement at fair value	12,870,247	–	–	103,431,937	–	116,302,184	116,302,184
Measurement at amortised cost	–	17,137,104	100,693,485	–	–	117,830,589	117,369,406
Other assets	–	–	1,724,388	–	–	1,724,388	1,724,388
	12,870,247	**17,137,104**	**243,498,271**	**103,431,937**	**–**	**376,937,559**	**376,476,376**
Trade and other payables	**–**	**–**	**–**	**–**	**3,718,488**	**3,718,488**	**3,718,488**

31 December 2015	Financial assets held at FVTPL ₦'000	Held-to-maturity ₦'000	Loans and receivables ₦'000	Available-for-sale ₦'000	Other financial liabilities ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Authority							
In thousands of Naira							
Cash and cash equivalents	–	–	32,913,468	–	–	32,913,468	32,913,468
Advances	–	–	4,756	–	–	4,756	4,756
Investment securities:							
Measurement at fair value	–	–	–	103,249,573	–	103,249,573	103,249,573
Measurement at amortised cost	–	20,672,575	30,230,299	–	–	50,902,874	45,580,808
Other assets	**–**	**–**	**3,839,847**	**–**	**–**	**3,839,847**	**3,839,847**
	–	**20,672,575**	**66,988,370**	**103,249,573**	**–**	**190,910,518**	**185,588,452**
Trade and other payables	**–**	**–**	**–**	**–**	**4,102,341**	**4,102,341**	**4,102,341**
	–	**–**	**–**	**–**	**4,102,341**	**4,102,341**	**4,102,341**

Notes to the Financial Statements continued

7 Fair value hierarchy continued

7.1 Financial assets and financial liabilities continued

7.1.1 Fair value hierarchy of financial assets and financial liabilities

31 December 2016	Carrying value ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Fair value ₦'000
Group					
Cash and cash equivalents	148,267,906	–	148,267,906	–	148,267,906
Advances	3,546	–	3,546	–	3,546
Other assets	1,624,486	–	1,624,486	–	1,624,486
Held-to-maturity	17,137,104	–	16,675,921	–	16,675,921
Loans and receivables	100,693,485	–	100,693,485	–	100,693,485
Available-for-sale instruments	119,121,852	4,825,019	26,937,211	87,359,622	119,121,852
FVTPL	12,870,247	–	12,870,247	–	12,870,247
	399,718,626	**4,825,019**	**307,072,802**	**87,359,622**	**399,257,444**
Other financial liabilities	**24,089,561**	**–**	**24,089,561**	**–**	**24,089,561**

31 December 2015	Carrying value ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Fair value ₦'000
Group					
Cash and cash equivalents	37,983,532	–	37,983,532	–	37,983,532
Advances	4,756	–	4,756	–	4,756
Other assets	1,467,752	–	1,467,752	–	1,467,752
Held-to-maturity	20,672,575	–	15,350,509	–	15,350,509
Loans and receivables	30,230,299	–	30,230,299	–	30,230,299
Available-for-sale instruments	113,479,673	57,912,400	2,422,316	53,144,957	113,479,673
FVTPL	–	–	–	–	–
	203,838,587	**57,912,400**	**87,459,164**	**53,144,957**	**198,516,521**
Other financial liabilities	**15,788,509**	**–**	**15,788,509**	**–**	**15,788,509**

31 December 2016	Carrying value ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Fair value ₦'000
Authority					
Cash and cash equivalents	141,076,852	–	141,076,852	–	141,076,852
Advances	3,546	–	3,546	–	3,546
Other assets	1,724,388	–	1,724,388	–	1,724,388
Held-to-maturity	17,137,104	–	16,675,921	–	16,675,921
Loans and receivables	100,693,485	–	100,693,485	–	100,693,485
Available-for-sale instruments	103,431,937	4,825,019	26,937,211	71,669,707	103,431,937
FVTPL	12,870,247	–	12,870,247	–	12,870,247
	376,937,559	**4,825,019**	**299,981,650**	**71,669,707**	**376,476,376**
Other financial liabilities	**–**	**–**	**3,718,488**	**–**	**3,718,488**

31 December 2015	Carrying value ₦'000	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Fair value ₦'000
Authority					
Cash and cash equivalents	32,913,468	–	32,913,468	–	32,913,468
Advances	4,756	–	4,756	–	4,756
Other assets	3,839,847	–	3,839,847	–	3,839,847
Held-to-maturity	20,672,575	–	15,350,509	–	15,350,509
Loans and receivables	30,230,299	–	30,230,299	–	30,230,299
Available-for-sale instruments	103,249,573	57,912,400	2,422,316	42,914,857	103,249,573
FVTPL	–	–	–	–	–
	190,910,518	**57,912,400**	**84,761,195**	**42,914,857**	**185,588,452**
Other financial liabilities	**4,102,341**	**–**	**4,102,341**	**–**	**4,102,341**

8 Segment information

Management has determined the operating segments based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

The Authority has three reportable segments being the Stabilisation Fund (SF), Future Generations Fund (FGF) and Nigeria Infrastructure Fund (NIF). Each of the Funds is managed separately as they entail different investment objectives and strategies and contain investments in different products.

For each of the Funds, the management reviews the internal management report. The objective and principal investment products of the respective reportable segments are as follows:

Segment	Investment objectives and principal investment products
Stabilisation Fund (SF)	To provide stabilisation support to the Federation in times of economic stress.
Future Generations Fund (FGF)	To invest in a diversified portfolio of appropriate growth investments in order to provide future generations of Nigerians with a solid savings base for such a time as the hydrocarbon reserves in Nigeria are exhausted.
Nigeria Infrastructure Fund (NIF)	To invest in infrastructure projects in Nigeria that meet our targeted financial returns and contribute to the development of essential infrastructure in Nigeria.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit as included in the internal management reports. Segment profit is used to measure performance as the directors believe that such information is most relevant in evaluating the profitability of each segment.

Notes to the Financial Statements continued

8 Segment information continued

Information about reportable segments

	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Investment and interest income	1,373,276	3,753,503	6,768,349	–	11,895,128
Net gain on financial assets	2,119,670	4,084,872	21,542,584	–	27,747,126
Net foreign exchange gains	14,717,157	56,282,814	21,796,080	–	92,796,051
Total operating segment income	**18,210,103**	**64,121,189**	**50,107,013**	**–**	**132,438,305**
Investment management fees	(43,463)	(505,210)	(16,182)	–	(564,855)
Local custodian fees	(3,239)	(6,477)	(10,819)	–	(20,535)
Foreign custodian fees	(14,309)	(72,406)	(10,096)	–	(96,811)
Total segment investment management and custodian fees	**(61,011)**	**(584,093)**	**(37,097)**	**–**	**(682,201)**
Total operating segment profit	**18,149,092**	**63,537,096**	**50,069,916**	**–**	**131,756,104**
Other income	–	–	–	666,107	666,107
Total other income	**–**	**–**	**–**	**666,107**	**666,107**
Operating and administrative expenses	(14,375)	(119,355)	(143,567)	(2,055,244)	(2,332,541)
Total operating and administrative expenses	**(14,375)**	**(119,355)**	**(143,567)**	**(2,055,244)**	**(2,332,541)**
Share of profit of investment in associate	–	–	289,755	–	289,755
Profit before tax	**18,134,717**	**63,417,741**	**50,216,104**	**(1,389,137)**	**130,379,425**
Taxation	–	(132)	–	–	(132)
Profit after tax	**18,134,717**	**63,417,609**	**50,216,104**	**(1,389,137)**	**130,379,293**
Profit attributable to:					
Owners of NSIA	18,134,717	63,417,413	50,216,104	(1,389,137)	130,379,097
Non-controlling interest		196		–	196
Reportable segment assets					
Cash and cash equivalents	29,083,640	45,257,167	72,345,716	1,581,383	148,267,906
Investment securities	48,922,305	107,799,608	93,100,775	–	249,822,688
Other assets	1,084,781	2,557,746	468,451	587,066	4,698,044
Investment in subsidiaries	–	–	–	–	–
Investment in associate	–	–	1,957,853	–	1,957,853
Property and equipment	–	–	16,120,760	66,304	16,187,064
Intangible assets	–	–	–	621	621
	79,090,726	**155,614,521**	**183,993,555**	**2,235,374**	**420,934,176**
Reportable segment liabilities					
Trade and other payables	1,079,389	93,844	20,575,245	2,341,084	24,089,561
	1,079,389	**93,844**	**20,575,245**	**2,341,084**	**24,089,561**

31 December 2015	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Group					
Investment and interest income	335,052	1,207,619	4,270,307	8,767	5,821,745
Net foreign exchange gains	3,750,201	951,948	3,994,913	39,231	8,736,293
Total operating segment income	**4,085,253**	**2,159,567**	**8,265,220**	**47,998**	**14,558,038**
Investment management expenses	(72,120)	(362,707)	(57,954)	–	(492,781)
Local custodian fees	–	–	(12,251)	–	(12,251)
Global custodian fees	(12,274)	(65,259)	(14,094)	–	(91,627)
Total segment investment management and custodian fees	**(84,394)**	**(427,966)**	**(84,299)**	**–**	**(596,659)**
Total operating segment profit	**4,000,859**	**1,731,601**	**8,180,921**	**47,998**	**13,961,379**
Other non-operating income	–	–	–	38,400	38,400
Share of profit of investment in associate	**–**	**–**	**124,914**	**–**	**124,914**
Other operating expenses	(351)	(662,841)	(80,872)	(1,589,555)	(2,333,619)
Total segment operating and administrative expenses	**(351)**	**(662,841)**	**(80,872)**	**(1,589,555)**	**(2,333,619)**
Segmented profit/(loss) for the period	**4,000,508**	**1,068,760**	**8,224,963**	**(1,503,157)**	**11,791,074**
Reportable segment assets	**40,091,992**	**80,061,915**	**89,918,960**	**3,601,919**	**213,674,786**
Reportable segment liabilities	**821,835**	**2,750**	**11,690,342**	**3,273,582**	**15,788,509**

8(a) Entity-wide information

The breakdown of investment and interest income from external customers are as follows:

	Group 31 December 2016 ₦'000	Group 31 December 2016 ₦'000
Attributable to the Authority's country of domicile	10,507,534	4,558,107
Attributable to foreign countries	1,387,594	1,263,638
Total investment income	**11,895,128**	**5,821,745**

9 Investment and interest income

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Interest income on bills	6,209,503	1,788,940	6,209,503	1,788,940
Interest income on fixed deposits	2,801,815	1,779,195	2,801,815	1,779,195
Interest income on eurobonds	1,446,615	422,834	1,446,615	422,834
Investment income on equities and securities	1,326,161	1,682,305	631,878	1,709,050
Interest income on bank balances	111,034	148,461	61,432	111,598
	11,895,128	**5,821,735**	**11,151,243**	**5,811,617**

Notes to the Financial Statements continued

10 Net gain on financial assets

		Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Net gain on financial assets at fair value through profit or loss	10a	15,387,649	–	15,387,649	–
Net realised gain on available for sale financial assets		12,359,477	–	12,359,477	–
		27,747,126	**–**	**27,747,126**	**–**

10a Net gain on financial assets at fair value through profit or loss

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Unrealised gain on financial assets at FVTPL	12,870,247	–	12,870,247	–
Realised gain on currency swap	2,517,402	–	2,517,402	–
	15,387,649	**–**	**15,387,649**	**–**

Unrealised gains on financial assets at FVTPL represents the gains made on swap transactions carried out with the Central Bank of Nigeria during the year. The corresponding asset is shown in Note 16.

11 Net foreign exchange gains

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Net foreign exchange gains	92,796,051	8,736,293	92,796,051	8,732,124
	92,796,051	**8,736,293**	**92,796,051**	**8,732,124**

Net foreign exchange gains represent exchange gains on the monetary assets of the authority during the year as a result of fluctuations in exchange rate.

12 Other income

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Gain on disposal of fixed assets	2,011	767	2,011	767
Fund management fee income	661,866	37,633	661,866	37,633
Other income	2,230	–	–	–
	666,107	**38,400**	**663,877**	**38,400**

13 Operating and administrative expenses

		Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Personnel expenses	13.1	1,358,785	1,066,260	1,358,785	1,066,260
Depreciation and amortisation		79,853	87,162	73,085	87,162
Audit fees		30,000	22,750	20,000	15,000
Other professional fees		317,294	646,386	322,422	201,421
Non-executive directors expenses		–	56,541	–	56,541
General and administrative expenses		316,755	289,226	237,759	187,923
Office rent and other expenses		108,402	94,448	108,402	94,448
Travel expenses		121,452	70,846	121,452	70,846
		2,332,541	**2,333,619**	**2,241,905**	**1,779,601**

Included in other professional fees is ₦34.3 million (2015: ₦38.3 million) for the Group and ₦34.3 million (2015: ₦38.3 million) for Authority which represents non-audit services provided by the external auditors to the Group and the Authority. In the Authority's opinion, the provision of these services did not impair the auditor's independence and objectivity.

13.1 Personnel expenses

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Salaries	949,071	675,979	949,071	675,979
Defined contribution plan	65,691	61,208	65,691	61,208
Other allowances	344,023	329,073	344,023	329,073
	1,358,785	**1,066,260**	**1,358,785**	**1,066,260**

14 Taxation

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Tax incurred and paid	132	15,496	–	–
Total tax expenses	**132**	**15,496**	**–**	**–**

This represents the tax deducted at source on investment income due to the Group. These are taxes deducted on income made by the subsidiary incorporated outside Nigeria. The rates of these taxes vary and depends on the jurisdiction in which the income was made. The amounts paid represents the final tax liability on the income. Income accruing to the Authority and wholly owned subsidiaries is exempt from all forms of taxes in line with the Nigeria Sovereign Investment Authority Act. Accordingly, tax paid by the foreign subsidiary is disclosed above.

15 Cash and cash equivalents

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Cash	114	133	114	133
Bank balances	58,083,586	24,099,268	50,892,532	22,826,036
Money market placements	90,184,206	13,884,131	90,184,206	10,087,299
	148,267,906	**37,983,532**	**141,076,852**	**32,913,468**

Notes to the Financial Statements continued

16 Investment securities

		Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Held to maturity investments	16.1	17,137,104	20,672,575	17,137,104	20,672,575
Loans and receivables	16.2	100,693,485	30,230,299	100,693,485	30,230,299
Available-for-sale investments	16.3	119,121,852	113,479,673	103,431,937	103,249,573
Financial assets at fair value through profit or loss	16.4	12,870,247	–	12,870,247	–
		249,822,688	**164,382,547**	**234,132,773**	**154,152,447**

16.1 Analysis of HTM investment securities

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Eurobonds	17,137,104	20,672,575	17,137,104	20,672,575
	17,137,104	**20,672,575**	**17,137,104**	**20,672,575**
Maturity analysis:				
Current	–	11,177,085	–	11,177,085
Non-current	17,137,104	9,495,490	17,137,104	9,495,490
	17,137,104	**20,672,575**	**17,137,104**	**20,672,575**

16.2 Loans and receivables

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Fixed deposits	100,693,485	30,230,299	100,693,485	30,230,299
	100,693,485	**30,230,299**	**100,693,485**	**30,230,299**
Maturity analysis:				
Current	100,693,485	30,230,299	100,693,485	30,230,299
	100,693,485	**30,230,299**	**100,693,485**	**30,230,299**

16.3 Analysis of available-for-sale investment securities

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
US treasury notes	24,660,440	9,952,654	24,660,440	9,952,655
Available-for-sale equities	30,596,778	16,981,113	14,906,863	6,751,012
Available-for-sale securities	–	45,379,687	–	45,379,687
Hedge funds and long only equity managers	63,864,634	41,166,219	63,864,634	41,166,219
	119,121,852	**113,479,673**	**103,431,937**	**103,249,573**
Maturity analysis:				
Non-current	119,121,852	113,479,673	103,431,937	103,249,573
	119,121,852	**113,479,673**	**103,431,937**	**103,249,573**

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Reconciliation of available-for-sale financial assets				
Opening balance	113,479,673	97,315,725	103,249,573	88,040,883
Additions/(disposals)				
US treasury bills	14,707,785	69,146	14,707,785	69,146
Available-for-sale equities	7,103,099	2,453,991	1,786,562	414,612
Available-for-sale securities	(29,759,689)	(3,925,925)	(29,759,689)	(3,925,925)
Hedge fund and long only equity managers	(18,339)	4,912,500	(18,339)	4,912,500
Fair value gains/(losses)				
Movement in fair value reserves	13,609,323	12,654,236	13,466,045	13,738,357
Closing balance	**119,121,852**	**113,479,673**	**103,431,937**	**103,249,573**

16.4 Financial assets at fair value through profit or loss

The balance shows the fair value of the financial assets arising from the currency swap transactions with the Central Bank of Nigeria during the year. The notional amount of US$100 million represents the balance as at the end of the year, which is the amount of the underlying assets and is the basis upon which the changes in the value were measured. The outstanding notional amount indicate the volume of transactions as at the year end and are indicative of neither the market risk nor the credit risk.

17 Other assets

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Trade receivables	1,624,486	930,118	1,724,388	1,559,198
Prepayment	3,070,012	537,634	572,113	537,591
Intercompany receivables	–	–	5,055,646	1,743,058
Advances to staff	3,546	4,756	3,546	4,756
	4,698,044	**1,472,508**	**7,355,693**	**3,844,603**
Maturity analysis:				
Current	4,698,044	1,472,508	7,355,693	3,844,603
	4,698,044	**1,472,508**	**7,355,693**	**3,844,603**

18 Investments in subsidiaries

	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
At the beginning of the year	7,066,155	11,994,482
Additions during the year	30,000	2,000
Return of capital	–	(4,930,327)
At the end of the year	7,096,155	7,066,155
Maturity analysis:		
Current	7,096,155	7,066,155

Notes to the Financial Statements continued

18 Investments in subsidiaries continued

The group had the following subsidiaries at 31 December 2016.

Name of entity	Place of business/ Country of incorporation	Nature of the relationship	% of ownership interest	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
NSIA Motorways Investment Corporation (NMIC)	Nigeria	Investment holding	100	1,000	1,000
KG Brussels LP	United States of America	Investment holding	99.97	7,063,155	7,063,155
KG Acquisition I LLC	United States of America	Investment holding	100	–	–
FGF Private Equity Co. Ltd	Nigeria	Investment holding	100	1,000	1,000
FGF Investments Ltd	Nigeria	Investment holding	100	1,000	1,000
Nigeria Agriculture Investment Company	Nigeria	Investment holding	100	1,000	–
FGF PE Beta Ltd	Nigeria	Investment holding	100	1,000	–
NSIA Property Investment Company Limited	Nigeria	Investment holding	100	1,000	–
NSIA Healthcare Development and Investment Company Limited	Nigeria	Investment holding	100	1,000	–
NSIA Power Investment Company Limited	Nigeria	Investment holding	100	1,000	–
Infrastructure Credit Guarantee Company Limited	Nigeria	Investment holding	100	25,000	–
				7,096,155	7,066,155

The carrying value of the investment represents the cost of shares of NMIC and/or the cash value of investment in the limited partnership (KG Brussels LP)/(KG Acquisition I LLC). All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

KG Brussels LP is a Partnership that holds a portfolio of investments in other private equity investee funds. The General Partner of the Partnership is KG Acquisition I LLC, which is owned by NSIA. NSIA is a limited partner in KG Brussels LP.

FGF Private Equity Co. Ltd is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set-up to invest in private equities.

FGF Investments Ltd is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set-up to invest in private equities and other investments.

NAIC-NPK is a wholly owned subsidiary of NAIC, domiciled in Nigeria. This subsidiary was set-up to invest in fertiliser.

FGF PE Beta Ltd is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set-up to invest in private equities.

NSIA Property Investment Company Limited: wholly-owned subsidiary in investing in and to purchase, acquire, hold, develop, work and turn to account any land (of any tenure), landed property or real estate of any kind.

NSIA Healthcare Development and Investment Company Limited: wholly-owned subsidiary domiciled in Nigeria. The subsidiary was established to invest in any company, corporation, authority or body involved in or any arrangement related to healthcare infrastructure or healthcare service delivery and/or management.

NSIA Power Investment Company Limited: wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set-up to invest in the development of infrastructure related to power including but not limited to gas turbines, transmission lines, and other generation, transmission and distribution infrastructure and equipment.

19 Investments in associate

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
At the beginning of the year	2,129,600	1,616,364	1,600,000	1,600,000
Additions during the year		–	–	–
Share of profit/(loss) of associate	289,755	124,914	–	–
Share of fair value reserves of associate	(461,502)	388,322	–	–
At the end of the year	**1,957,853**	**2,129,600**	**1,600,000**	**1,600,000**

The amounts recognised in the statement of comprehensive income are as follows:	
Associates	
At 31 December 2016	**(171,747)**
Associates	
At 31 December 2015	**513,236**

Set out below is the associate of the Group as at 31 December 2016. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business. The nature of investment in associate:

Name of entity	Place of business	% of ownership interest	Measurement method
Nigeria Mortgage Refinance Company (NMRC)	Nigeria	22.7	Equity

NMRC is a government business entity and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associate.

Set out below are the summarised financial information for NMRC which is accounted for using the equity method.

FINANCIAL HIGHLIGHTS

Notes to the Financial Statements continued

19 Investments in associate continued

Summarised balance sheet	31 December 2016 ₦'000	31 December 2015 ₦'000
Assets		
Cash and cash equivalents	1,259,120	21,526,554
Placement with banks	1,443,069	
Mortgage refinance loan	8,104,246	–
AFS investment securities	29,391,930	16,825,209
Prepayments	–	92,776
Other assets	307,545	86,433
Property and equipment	246,567	149,029
Intangible assets	36,136	1,870,564
Total assets	**40,788,613**	**40,550,565**
Liabilities		
Accounts payables	339,177	198,592
Company income tax	13,006	–
Term loan	24,268,660	23,303,888
NMRC fixed rate bonds	7,542,865	7,730,039
Total liabilities	**32,163,708**	**31,232,519**
Capital and reserves		
Share capital	6,944,290	6,944,290
Retained earnings	1,343,320	497,590
Statutory reserves	527,694	165,121
Available for sale reserves	(190,399)	1,711,045
Total equity	8,624,905	9,318,046
Total liabilities and equity	**40,788,613**	**40,550,565**

Summarised statement of comprehensive income	31 December 2016 ₦'000	31 December 2015 ₦'000
Interest income	5,176,768	3,163,592
Interest expense	(2,153,901)	(1,074,663)
Other income	6	–
Impairment of loans and advances	(38,467)	
Depreciation and amortisation	(92,558)	(47,230)
Personnel expenses	(882,562)	(592,499)
Operating expenses	(719,827)	(898,797)
Income tax expense	(13,006)	–
Profit for the period	**1,276,453**	**550,403**
Other comprehensive income	**(428,350)**	**1,711,045**
Total comprehensive income	**848,103**	**2,261,448**

The information above reflects the amounts presented in the financial statements of the associate (and not NSIA's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

19 Investments in associate continued

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000
Summarised financial information		
Net asset of associate	8,624,905	9,383,550
Group share of net asset (22.7%)	1,957,853	2,129,600
Carrying value of associate	1,957,853	2,129,600

20 Property and equipment

	Motor vehicles ₦'000	Computer equipment ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Assets under construction ₦'000	Total ₦'000
Group						
Cost						
As at 1 January 2015	140,812	89,625	1,191	75,044	3,587,495	3,894,167
Additions	10,554	4,775	270	1,364	4,003,526	4,020,489
Disposals	(22,735)	–	(390)	(380)	–	(23,505)
As at 31 December 2015	**128,631**	**94,400**	**1,071**	**76,028**	**7,591,021**	**7,891,151**
As at 1 January 2016	128,631	94,400	1,071	76,028	7,591,021	7,891,151
Additions	10,000	21,241	704	953	8,531,271	8,564,169
Disposals	(18,000)	–	–	–	–	(18,000)
As at 31 December 2016	**120,631**	**115,641**	**1,775**	**76,981**	**16,122,292**	**16,437,320**
Accumulated depreciation						
As at 1 January 2015	53,079	43,570	422	24,223	–	121,294
Charge for the year	36,212	30,775	288	15,251	–	82,526
Disposals	(13,274)	-	(82)	(173)	–	(13,529)
As at 31 December 2015	**76,017**	**74,345**	**628**	**39,301**	**–**	**190,291**
As at 1 January 2016	76,017	74,345	628	39,301	–	190,291
Charge for the year	38,666	20,310	389	15,370	–	74,735
Disposals	(14,770)	–	–	–	–	(14,770)
As at 31 December 2016	**99,913**	**94,655**	**1,017**	**54,671**	**–**	**250,256**
Net book values						
As at 31 December 2016	20,718	20,986	758	22,310	16,122,292	16,187,064
As at 31 December 2015	**52,614**	**20,055**	**443**	**36,727**	**7,591,021**	**7,700,860**

Notes to the Financial Statements continued

20 Property and equipment continued

	Motor vehicles ₦'000	Computer equipment ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Assets under construction ₦'000	Total ₦'000
Authority						
Cost						
As at 1 January 2015	140,812	89,625	1,191	75,044	–	306,672
Additions	3,662	4,775	270	1,364	–	10,071
Disposals	(22,735)	–	(390)	(380)	–	(23,505)
As at 31 December 2015	**121,739**	**94,400**	**1,071**	**76,028**	**–**	**293,238**
As at 1 January 2016	121,739	94,400	1,071	76,028	–	293,238
Additions	10,000	21,241	704	953	–	32,898
Disposals	(18,000)	–	–	–	–	(18,000)
As at 31 December 2016	113,739	115,641	1,775	76,981	-	308,136
Accumulated depreciation						
As at 1 January 2015	53,079	43,570	422	24,223	–	121,294
Charge for the year	34,554	30,775	288	15,251	–	80,868
Disposals	(13,272)	–	(82)	(173)	–	(13,527)
As at 31 December 2015	**74,361**	**74,345**	**628**	**39,301**	**–**	**188,635**
As at 1 January 2016	74,361	74,345	628	39,301	–	188,635
Charge for the year	31,898	20,310	389	15,370	–	67,967
Disposals	(14,770)	–	–	–	–	(14,770)
As at 31 December 2016	**91,489**	**94,655**	**1,017**	**54,671**	**–**	**241,832**
Net book values						
As at 31 December 2016	22,250	20,986	758	22,310	–	66,304
As at 31 December 2015	**47,378**	**20,055**	**443**	**36,727**	**–**	**104,603**

The Group's intangible assets are purchased and not internally generated

Maturity analysis:

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Non-current	16,187,064	7,700,860	66,304	104,603
	16,187,064	**7,700,860**	**66,304**	**104,603**

21 Intangible assets

	Software ₦'000	Total ₦'000
Group & Authority		
Cost		
Balance at 1 January 2016	24,503	24,503
Additions	–	–
Balance at 31 December 2016	24,503	24,503
Amortisation		
Balance at 1 January 2016	18,764	18,764
Charge for the year	5,118	5,118
Balance at 31 December 2016	23,882	23,882
Net book values		
Balance at 31 December 2016	621	621
Balance at 31 December 2015	5,739	5,739

21 Intangible assets continued

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Non-current	621	5,739	621	5,739
	621	**5,739**	**621**	**5,739**

22 Trade and other payables

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Trade payables	1,426,533	921,099	1,426,533	921,099
Accruals	210,302	295,757	77,255	290,008
Other payables	1,993,196	3,010,787	2,214,700	2,891,234
Payables to Federal Government in respect of the Second Niger Bridge (Note 25)	20,459,530	11,560,866	–	–
	24,089,561	**15,788,509**	**3,718,488**	**4,102,341**
Maturity analysis:				
Current	3,630,031	15,788,509	3,718,488	4,102,341
Non-current	20,459,530	–	–	–
	24,089,561	**15,788,509**	**3,718,488**	**4,102,341**

23 Equity and reserves

		Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Contribution by Government	23.1	204,375,000	155,250,000	204,375,000	155,250,000
Retained earnings	23.2	147,845,348	17,466,251	147,172,616	17,738,425
Fair value reserve	23.3	36,661,142	23,513,074	36,062,294	22,596,249
Currency translation reserve	23.4	7,958,502	1,653,739	–	–
Non-controlling interests	23.5	4,623	3,213	–	–
		396,844,615	**197,886,277**	**387,609,910**	**195,584,674**

23.1 Contribution to Government

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Opening balance	155,250,000	155,250,000	155,250,000	155,250,000
Additions during the year	49,125,000	–	49,125,000	–
Closing balance	**204,375,000**	**155,250,000**	**204,375,000**	**155,250,000**

An additional sum of US$250 million (₦49 billion), which had been approved by National Economic Council ("NEC") in November 2015 was received by the Authority in February 2016 as additional capital contribution.

23.2 Retained Earnings

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Opening balance	17,466,251	5,691,084	17,738,425	5,532,544
Profit for the year	130,379,097	11,775,728	129,434,191	12,205,881
Contribution to NCI (2015)	–	(561)	–	–
Closing balance	**147,845,348**	**17,466,251**	**147,172,616**	**17,738,425**

Notes to the Financial Statements continued

23 Equity and reserves continued

23.3 Fair-value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired. The amounts presented within other comprehensive income are the gross amounts as the Authority is exempted from income taxes.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Items that may subsequently be reclassified to profit or loss				
Opening balance	23,513,074	10,470,202	22,596,249	8,857,892
Change in value of available-for-sale financial assets	25,969,047	12,654,550	25,825,522	13,738,357
Net amount transferred to profit or loss	(12,359,477)	–	(12,359,477)	–
Share of change in value of available-for-sale financial assets – (associate)	(461,502)	388,322	–	–
Closing balance	**36,661,142**	**23,513,074**	**36,062,294**	**22,596,249**

23.4 Currency translation reserve

The currency translation reserve includes the net cumulative change in the foreign gains or (losses) arising from translation of the financial statements of the foreign subsidiary, KG Brussels LP, into the Group's presentation currency. The amounts presented within other comprehensive income are the gross amounts as the Company is exempted from income taxes.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000
Opening balance	1,653,739	116,981
Net changes in foreign currency	6,304,763	1,536,758
Closing balance	7,958,502	1,653,739

23.5 Non-controlling interest (NCI)

This reserve shows the amount of profit or loss and other comprehensive income attributable to the non-controlling interest of the group. NCI arises as a result of an interest in K.G. Brussels L.P.

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000
Opening balance	3,213	–
Capital contributions made by NCI	–	3,000
(Loss)/profit attributable to NCI	196	(150)
Contribution to NCI	–	561
Return of capital to NCI	–	(346)
Other comprehensive income attributable to NCI:		
Fair value reserve	(247)	(313)
Currency translation differences	1,461	461
Closing balances	**4,623**	**3,213**

24 Capital management

The Authority is to maintain a strong capital base in order to retain the confidence of the Nigerian people and the market with a bid to sustain future developments for the business. Management monitors the return on capital by reviewing monthly performance returns from investment managers.

The management of the Authority seeks to maintain a balance between the higher return that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Authority monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising payables to counterparties and other obligations, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Authority's adjusted net debt to equity ratio at 31 December 2016 was as follows:

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Total liabilities	24,089,561	15,788,509	3,718,488	4,102,341
Less: cash and cash equivalents	148,267,906	37,983,532	141,076,852	32,913,468
Net surplus	**(124,178,345)**	**(22,195,023)**	**(137,358,364)**	**(28,811,127)**
Total equity	396,839,992	197,883,064	387,609,910	195,584,674
Adjusted equity	396,839,992	197,883,064	387,609,910	195,584,674
Net surplus to adjusted equity ratio	**-31%**	**-11%**	**-35%**	**-15%**

25 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. NSIA is the ultimate parent of the Group.

As disclosed in Note 18, NMIC, KG Brussels LP, FGF Private Equities Co. Ltd, FGF Investments Ltd, FGF PE Beta Ltd, and NAIC are subsidiaries of the Authority and are therefore related parties. NMRC is an associate of the Authority and is also a related party. The Second Niger Bridge Company Ltd is a related party to NMIC and as a consequence, the Authority. NAIC-NPK is a subsidiary of NAIC and is also a related party.

The following are the transactions with related parties during the period:

	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000
Payable to the Federal Government in respect of the Second Niger Bridge	20,459,530	11,560,866	–	–
	20,459,530	**11,560,866**	**–**	**–**

Notes to the Financial Statements continued

25 Related parties continued

25.1 Compensation of key management personnel

The Authority's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management 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 management of the Authority. The executive management of the Authority did not hold any shares in the Authority during or as at the end of the period. The compensation paid or payable to key management for employee services is shown below:

Directors' remuneration and expenses:

	31 December 2016 ₦'000	31 December 2015 ₦'000
Short-term employee benefits	699,482	523,069
Fees as directors	–	25,000
Other allowances	234,208	184,471
Defined contribution plan	42,609	32,183
	976,299	**764,723**

25.2 Transactions with subsidiaries

The underlisted subsidiaries have the following payables due to the Authority as at the reporting date:

	31 December 2016 Type of interests	31 December 2016 Gross amount ₦'000
NSIA Motorways Investments Company	Subsidiary	531,108
KG Brussels L.P.	Subsidiary	35,326
NSIA Property Investment Co. Ltd	Subsidiary	400
NSIA Power Investment Co. Ltd	Subsidiary	400
NSIA Healthcare Development and Investment Co. Ltd	Subsidiary	200
FGF Private Equity Co. Ltd	Subsidiary	250
FGF P. E. Beta Limited	Subsidiary	200
Infrastructure Credit Guarantee Company Limited	Subsidiary	68,968
NAIC-NPK Limited	Sub-subsidiary	2,497,900
FGF Investment Limited	Subsidiary	1,077,500
FGF PE Co Limited	Subsidiary	1,447,802
FGF PE Beta	Subsidiary	32,444

26 Other contracts

The investment activities of the three separate funds established by the Authority were managed by various investment managers engaged during the year.

26.1 Stabilisation fund

The Authority engaged the following investment manager through their global custodian JP Morgan for the management of the Stabilisation Fund. The details of the investment manager as of year end are:

26.1.1 UBS Global Asset Management (UK) LTD

Engagement and Service

The Authority engaged UBS Global Asset Management Company as its agent and delegate to manage the investment and reinvestment of certain monies and assets, deposited from time to time by the Authority and held by JP Morgan.

Reports on Investments

UBS Global Asset Management Company provides the Authority with reports containing the transactions, valuations and portfolio performance of the account on a monthly, quarterly and annual basis.

26.2 Future Generations Fund

26.2.1 Hedge fund

The hedge fund managers in which the Future Generations Fund is invested as at year end are stated below:
1. JHL Capital Group LLP
2. Blue Mountain Capital Management
3. Arbiter Offshore Ltd
4. AQR Capital Management

26.2.2 Commodity managers

The commodity manager in which the Future Generations Fund is invested as at year end is:
1. Jamison Capital Partners

26.2.3 Long Only Equity Managers

The long only equity managers in which the Future Generations Fund is invested as at year end are stated below:
1. Cevian Capital UK LLP
2. Edgbaston Investment Partners
3. Somerset Capital Management LLP
4. Marathon Asset Management LLP
5. Capital Group
6. Prince Street Institutional Ltd
7. Prince Street Opportunities Ltd
8. Chieftain Capital

26.2.4 Private equity partners

The private equity fund in which the Future Generations Fund is invested as at year end are stated below:
1. Z Capital Partners
2. Healthcare Royalty Partners
3. Xenon Private Equity
4. Helios Investment Partners
5. Africa Capital Alliance
6. Actis Capital

26.3 Nigeria Infrastructure Fund

26.3.1 Private equity Partners

The private equity fund in which the Infrastructure Fund invested as at year end are stated below:
1. Fund for Agricultural Finance in Nigeria

26.4 Nigerian equities

A portion of the Infrastructure Fund was invested in the following Nigerian equities:
1. MTN Nigeria Communications Limited
2. Nigeria Mortgage Refinance Company

Notes to the Financial Statements continued

26 Other contracts continued

26.5 Custodians

Custodians	JP Morgan
	Stanbic IBTC

Engagement and Service
The Authority engaged these firms to provide custody services, as well as accounting, performance and compliance services to capital managed by the Authority.

Reports on Investments
The custodians provide reports to the Authority on the performance of the capital custodied by said firms on a monthly basis.

27 Commitments

(a) Capital commitments
The Authority's unfunded commitments with private equity fund managers are as follows:

Capital commitments – US$:

	Authority 31 December 2016 $'000	Authority 31 December 2015 $'000
HealthCare Royalty Partners (HCRP)	14,398	14,777
Z Capital Partners	6,813	9,476
Fund for Agricultural Finance in Nigeria (FAFIN)	3,459	4,007
Helios Investors	5,165	5,902
Africa Capital Alliance	–	8,799
Actis Africa Real Estate	8,705	9,296
Total	**38,540**	**52,257**

Capital commitments – Euro:

	Authority 31 December 2016 €'000	Authority 31 December 2015 €'000
Xenon Private Equity	2,888	3,482

As disclosed above, the Authority has committed to provide capital to various collective investment vehicles. The total of these commitments at the statement of financial position date is US$38.5 million and Euro 2.8 million (2015: US$52.3 million and Euro 3.5 million). The Authority's commitment obligations, being capital calls, are set out in the various underlying subscription documents. Whilst the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the Authority has recorded the commitments as being current in accordance with the underlying legal documents. The Authority has appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

(b) Operating Lease Commitments – Group Company as Lessee:
The Group leases its head office under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. These lease payments are payments made in advance and thus no minimum lease payments are required to be shown.

FINANCIAL HIGHLIGHTS

28 Other fiduciary activities

The sums of US$200 million and US$350 million (the Funds) were received from the Debt Management Office (DMO) and Nigerian Bulk Electricity Company Plc. (NBET) respectively under an Investment Management Agreement (the Agreement). NSIA acts as a manager of the Funds. The agreement provides for the Authority to invest the Funds in gas, power and other related projects. Consideration is payable to the Authority after certain milestones have been met and the customers' share of return has been paid. A total of US$100 million was withdrawn from the DMO fund in order to fund the Second Niger Bride Project on the authority of the Federal Government. The fair value of the Managed Funds as at 31 December 2016 stood at US$362.04 million and US$128.67 million for NBET and DMO respectively (2015: US$525 million) while ₦529 million income (2015: ₦38 million) has been accrued by the Authority from the fiduciary agreement activities as of 31 December 2016.

A total sum of ₦8.94 billion have been received from the Federal Government Stabilisation Account via the Office of the Accountant General of the Federation (OAGF). NSIA is to act as a manager to the fund with a mandate to invest the funds in line with the investment policies of the Stabilisation Fund of the Authority. The fair value of the Fund as at 31 December 2016 was ₦10.17 billion.

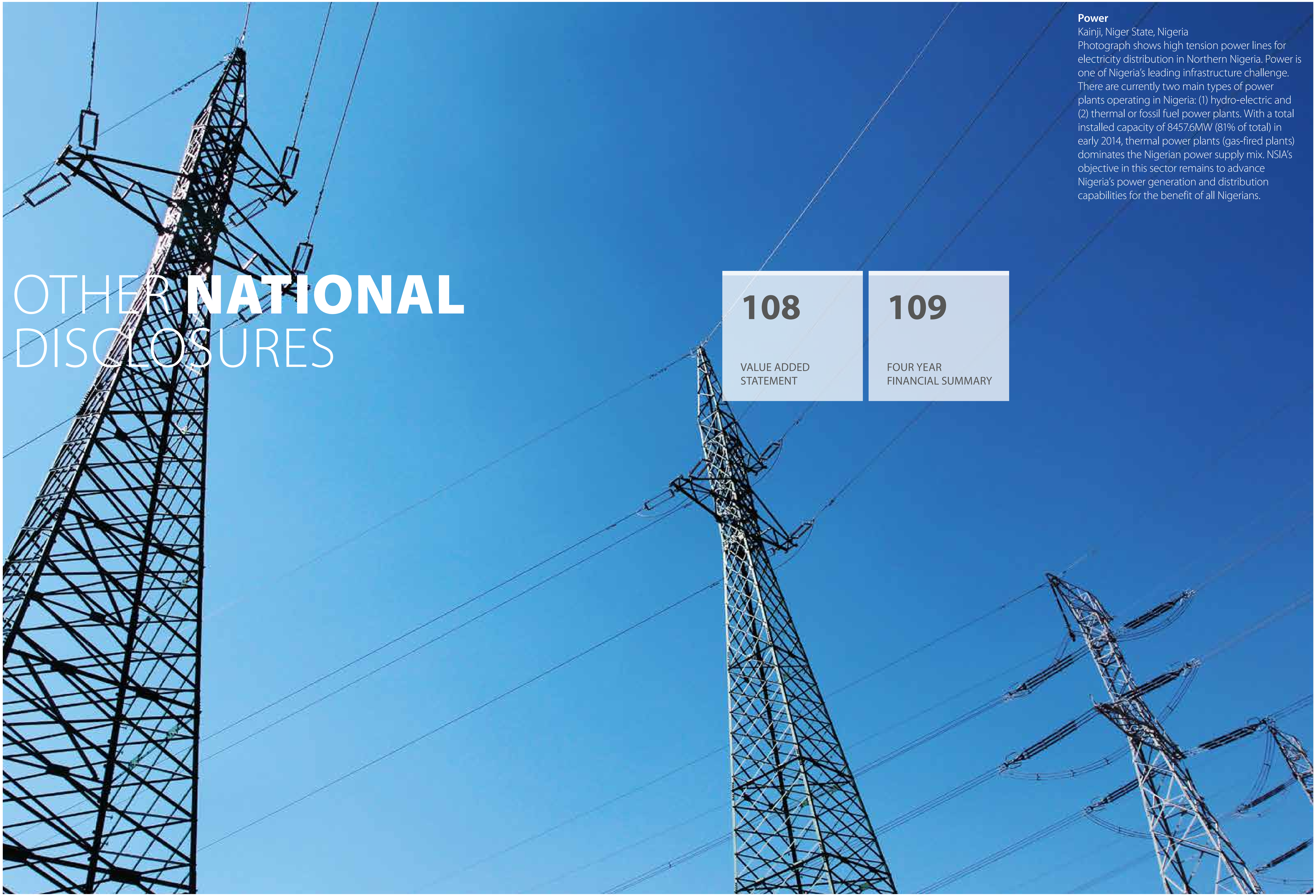
The assets and liabilities of the Funds have been excluded from these financial statements as they are not assets and liabilities of the Authority.

29 Events after the reporting period

Subsequent to the reporting date, the sum of US$250 million was received by the Authority in line with the approval obtained at the National Economic Council meeting of February 2017 as additional capital contribution by the three tiers of government to the Authority.

The Board of Directors of the Authority was nominated at the National Economic Council meeting of February 2017 and approved by the President in March 2017. The Board is yet to be inaugurated as at the time of approval of these financial statements.

Other than the above, there were no events that had impact on the amounts and disclosures in the financial statements.



Power
Kainji, Niger State, Nigeria
Photograph shows high tension power lines for electricity distribution in Northern Nigeria. Power is one of Nigeria's leading infrastructure challenge. There are currently two main types of power plants operating in Nigeria: (1) hydro-electric and (2) thermal or fossil fuel power plants. With a total installed capacity of 8457.6MW (81% of total) in early 2014, thermal power plants (gas-fired plants) dominates the Nigerian power supply mix. NSIA's objective in this sector remains to advance Nigeria's power generation and distribution capabilities for the benefit of all Nigerians.

OTHER **NATIONAL** DISCLOSURES

Value Added Statement

	Group 31 December 2016 ₦'000	%	Group 31 December 2015 ₦'000	%	Authority 31 December 2016 ₦'000	%	Authority 31 December 2015 ₦'000	%
Revenue	132,438,305		14,558,038		131,694,420		14,543,741	
Administrative expenses	(3,014,742)		(2,930,278)		(2,924,106)		(2,376,260)	
Other non-operating income	666,107		38,400		663,877		38,400	
Value added	**130,089,670**	**100**	**11,666,160**	**100**	**129,434,191**	**100**	**12,205,881**	**100**
Applied as follows:								
To pay employees								
Salaries and other personnel cost	1,358,785	1	1,066,260	9	1,358,785	1	1,066,260	9
Maintenance of assets								
Depreciation and amortisation	74,735	0	82,526	1	67,967	0	80,868	1
To pay government								
Taxation	132	0	15,496	0	–	0%	–	0
Retained for growth and expansion								
Profit for the year	128,656,018	99	10,501,878	90	128,007,439	99	11,058,753	90
	130,089,670	100	11,666,160	100	129,434,191	100	12,205,881	100

Value added is the wealth created by the efforts of the Authority and its employees and its allocation between employees, shareholders, government and re-investment for the future creation of further wealth.

Four Year Financial Summary

Statement of financial position	Group 12 months ended 31 December 2016 ₦'000	Group 12 months ended 31 December 2015 ₦'000	Group 12 months ended 31 December 2014 ₦'000	Authority 12 months ended 31 December 2016 ₦'000	Authority 12 months ended 31 December 2015 ₦'000	Authority 12 months ended 31 December 2014 ₦'000	Authority 12 months ended 31 December 2013 ₦'000
Asset							
Cash and cash equivalents	148,267,906	37,983,532	49,920,539	141,076,852	32,913,468	43,115,273	111,924,187
Investment securities	249,822,688	164,382,547	117,746,679	234,132,773	154,152,447	108,471,837	45,114,706
Other assets	4,698,044	1,472,508	4,769,933	7,355,693	3,844,603	4,769,621	290,512
Investment in subsidiary	–	–	–	7,096,155	7,066,155	11,994,482	–
Investment in associate	1,957,853	2,129,600	1,616,364	1,600,000	1,600,000	1,600,000	–
Property and equipment	16,187,064	7,700,860	3,772,873	66,304	104,603	185,378	246,189
Intangible assets	621	5,739	12,168	621	5,739	12,168	19,777
Total assets	**420,934,176**	**213,674,786**	**177,838,556**	**391,328,398**	**199,687,015**	**170,148,759**	**157,595,371**
Liabilities							
Trade and other payables	24,089,561	15,788,509	6,310,289	3,718,488	4,102,341	508,323	439,677
Borrowings	–	–	–	–	–	–	1,400,000
Total liabilities	**24,089,561**	**15,788,509**	**6,310,289**	**3,718,488**	**4,102,341**	**508,323**	**1,839,677**
Equity and reserves							
Contribution by Government	204,375,000	155,250,000	155,250,000	204,375,000	155,250,000	155,250,000	155,250,000
Retained earning	147,845,348	17,466,251	5,691,084	147,172,616	17,738,425	5,532,544	525,158
Fair value reserves	36,661,142	23,513,074	10,470,202	36,062,294	22,596,249	8,857,892	(19,464)
Currency translation reserves	7,958,502	1,653,739	116,981	–	–	–	–
Total equity and amount attributable to equity contributors (Government)	**396,839,992**	**197,883,064**	**171,528,267**	**387,609,910**	**195,584,674**	**169,640,436**	**155,755,694**
Non-controlling interests	4,623	3,213	–	–	–	–	–
Total equity	**396,844,615**	**197,886,277**	**171,528,267**	**387,609,910**	**195,584,674**	**169,640,436**	**155,755,694**
Total equity and liabilities	**420,934,176**	**213,674,786**	**177,838,556**	**391,328,398**	**199,687,015**	**170,148,759**	**157,595,371**

Nigeria Sovereign Investment Authority commenced operations in October 2012 and these are its fourth set of financial statements as at 31 December 2016. Therefore, no other comparative historical information is required to be presented beyond the years shown above.

Four Year Financial Summary continued

Statement of comprehensive income	Group 12 months ended 31 December 2016 ₦'000	Group 12 months ended 31 December 2015 ₦'000	Group 12 months ended 31 December 2014 ₦'000	Authority 12 months ended 31 December 2016 ₦'000	Authority 12 months ended 31 December 2015 ₦'000	Authority 12 months ended 31 December 2014 ₦'000	Authority 12 months ended 31 December 2013 ₦'000
Investment income	11,895,128	5,821,745	3,920,787	11,151,243	5,811,617	3,774,168	1,395,718
Net gain on financial assets	27,747,126	–	20,606	27,747,126	–	17,232	70,467
Net foreign exchange gains	92,796,051	8,736,293	–	92,796,051	8,732,124	–	–
Total operating income	**132,438,305**	**14,558,038**	**3,941,393**	**131,694,420**	**14,543,741**	**3,791,400**	**1,466,185**
Investment management fees	(564,855)	(492,781)	(293,762)	(564,855)	(492,781)	(293,762)	(9,575)
Local custodian fees	(20,535)	(12,251)	(16,988)	(20,535)	(12,251)	(16,988)	(8,131)
Foreign custodian fees	(96,811)	(91,627)	(33,581)	(96,811)	(91,627)	(33,581)	(4,199)
Total investment management & custodian fees	**(682,201)**	**(596,659)**	**(344,331)**	**(682,201)**	**(596,659)**	**(344,331)**	**(21,905)**
Total operating profit	**131,756,104**	**13,961,379**	**3,597,062**	**131,012,219**	**13,947,082**	**3,447,069**	**1,444,280**
Other income	666,107	38,400	3,239,795	663,877	38,400	3,239,795	495,017
Total other income	**666,107**	**38,400**	**3,239,795**	**663,877**	**38,400**	**3,239,795**	**495,017**
Operating and administrative expenses	(2,332,541)	(2,333,619)	(1,644,388)	(2,241,905)	(1,779,601)	(1,679,478)	(1,414,139)
Share of profit of investments in associates	289,755	124,914	16,364	–	–	–	–
Profit before tax	**130,379,425**	**11,791,074**	**5,208,833**	**129,434,191**	**12,205,881**	**5,007,386**	**525,158**
Taxation	(132)	(15,496)	(42,907)	–	–	–	–
Profit for the period	**130,379,293**	**11,775,578**	**5,165,926**	**129,434,191**	**12,205,881**	**5,007,386**	**525,158**
Other comprehensive income:							
Items that may be subsequently reclassified to profit and loss							
Movement in fair value reserves							
Net change in fair value	25,968,800	12,654,237	10,489,666	25,825,522	13,738,357	8,877,356	(19,464)
Net amount transferred to profit or loss	(12,359,477)	–	–	(12,359,477)	–	–	–
Currency translation differences	6,306,224	1,537,219	116,981	–	–	–	–
Share of other comprehensive income of investments in associate	(461,502)	388,322	–	–	–	–	–
Other comprehensive income for the period	**19,454,045**	**14,579,778**	**10,606,647**	**13,466,045**	**13,738,357**	**8,877,356**	**(19,464)**
Total comprehensive income for the period	**149,833,338**	**26,355,356**	**15,772,573**	**142,900,236**	**25,944,238**	**13,884,742**	**505,694**

Nigeria Sovereign Investment Authority commenced operations in October 2012 and these are its fourth set of financial statements as at 31 December 2016. Therefore, no other comparative historical information is required to be presented beyond the years shown above.

Glossary of Terms

Alpha: The excess return of an investment over its benchmark. Frequently this term is used as a measure of a manager's skill.

Alternative assets: Includes investment types such as private equity, hedge funds and real estate.

Arbitrage: A trading strategy which requires no capital commitment or risk-bearing on the part of the trader. The strategy is designed to generate profit from a price inconsistency in more than one market of a commodity, currency or security.

Arithmetic average: An arithmetic average is the sum of a series of numbers divided by the count of that series of numbers.

Asset allocation policy: The target weights assigned to a broad range of asset classes; this largely defines the expected risk/return characteristics of an investment portfolio.

Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta can be thought of as the tendency of a portfolio's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. The 'market' is normally the equity market, broadly defined (as represented by the MSCI All Country World index (ACWI)), but can also be defined as other measures, e.g. inflation, interest rates. In these cases beta is purely a measure of sensitivity to these measures, as determined through a regression analysis on the returns.

Capitalisation: The capitalisation of a company is equal to the total number of shares outstanding multiplied by the current share price. A portfolio should include exposure to small, mid and large capitalisation stocks to ensure adequate diversification. Different size companies tend to perform differently at different points in the market cycle.

Cash equivalent investments: Highly liquid debt instruments with maturities of less than one year (e.g. Treasury bills, commercial paper, certificates of deposit, and nonconvertible bonds).

Composite benchmark: This is calculated by weighting a group of indices and calculating the composite return over time. The benchmark is typically weighted using asset class policy targets or actual portfolio weights. Composite benchmark can be used to evaluate actual historic portfolio performance.

Commingled fund: A pool of money made up of contributions from a number of different investors.

Core manager: A manager whose tracking error does not deviate significantly from that of the benchmark. The level of deviation will vary by asset class.

Derivatives: Derivatives are financial instruments whose value changes in response to an underlying variable. Often these instruments require little or no net initial investment and are settled at a future date.

DFBOT: Design, Finance, Build, Operate and Transfer.

Disclosure forms: Forms in which conflicts of interest should be disclosed.

Distressed securities: Securities of companies that are currently in default, bankruptcy, financial distress or a turnaround situation.

Dollar cost averaging: The process of buying or selling securities according to a regular schedule over a period of time. The aim is to mitigate market risk by avoiding buying or selling at one specific point in the market cycle (e.g. buying at the peak of the market).

Frontier markets: Equity markets of smaller and less accessible countries in the emerging world. The precise definition of frontier markets depends on which benchmark is used.

Fund of funds: A 'fund of funds' (FoF) is an investment strategy that invests in a portfolio of investment funds rather than investing directly in shares, bonds or other securities.

Hedging: A hedge is a position established in an attempt to offset exposure to price fluctuations in an opposing position with the goal of minimising one's exposure to unwanted risk.

GTP: Gas-to-Power.

Inflation sensitive: An unexpected spike in inflation negatively impacts equity and bond investments; inflation sensitive assets are included in a diversified portfolio to protect the portfolio performance during this economic scenario. Real assets (such as commodities and property) and inflation linked bonds may be included in a diversified basket of inflation sensitive assets.

Investment management agreement: A bespoke mandate agreed between an investor and a fund manager setting out the terms of reference for an investment in a segregated mandate.

Investment Policy Statement (IPS): A document detailing the policy that controls how an institution invests.

Investment style: The investment philosophy and approach of a manager.

Letter stock: A 'letter stock' or 'letter security' is not tradable in public markets because it has not been registered with the SEC (Securities Exchange Commission). The name comes from the SEC requirement for an investment letter from the purchaser, stating that the purchase is for investment purposes and not intended for resale.

Long/short hedge funds: A fund that maintains both long and short positions in investments in an attempt to create value.

Manager structure: This defines the target number and type of managers by asset class. A successful manager structure diversifies across manager styles and approaches.

Mandate: The terms of an investment, setting out its objectives and restrictions/constraints.

Normal distribution: This is the most used statistical distribution. It assumes returns are evenly distributed in a bell curve. The distribution is characterised by two parameters; the mean and the standard deviation.

Opportunistic strategies: An approach that seeks to produce the greatest possible returns by making investments in the most attractive strategies at any given time.

Private equity: Equity investments that are not quoted on public markets.

Proxy voting: Proxy voting and delegated voting are procedures for the delegation to another member of a voting body of that member's power to vote on shareholder resolutions in his/her absence.

Real return: The return adjusted for changes in the purchasing power of money.

Real terms: Figures in real terms have been adjusted for changes in the purchasing power of money (inflation).

Recession hedges: High quality, non-callable sovereign bonds are held in the portfolio to protect value when there is a prolonged economic contraction. Equities tend to fare very badly during this type of environment. The amount of protection a bond allocation provides is a function of quality and duration.

Return drivers: Includes equity-related asset classes such as global listed equities, equity hedge funds (directional) and private market investments. Equities have historically outperformed other asset classes and can be thought of as the 'growth engine' of a diversified portfolio.

Satellite manager: A manager whose tracking error is likely to deviate meaningfully from that of the benchmark. The level of deviation will vary by asset class.

Sharpe ratio: The Sharpe ratio is a measure of the 'efficiency' of an investment or a portfolio, i.e. the amount of returns being generated per unit of risk. It is calculated by subtracting the risk-free rate – such as that of the 10 year U.S. Treasury bond – from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Standard deviation: This is a measure of volatility. It quantifies the variability of a returns stream by measuring the extent to which returns vary from their historical average. The larger the standard deviation, the wider the range of likely returns and the greater the level of risk. Standard deviation is commonly used to describe the probability of a return occurring within a certain range. For normally distributed data, there is a 68% probability that returns will fall within +/- 1 standard deviation of the mean and a 95% probability that returns will fall within +/- 2 standard deviations.

Strategic investing: Investments that serve a core defined role in the portfolio and for which there should be a permanent allocation. The strategic targets are defined in the SIP.

Tactical investing: Opportunistic investing based on shorter term market factors, for example adding an allocation to high yield bonds when credit spreads are uncommonly wide.

TBD: To be determined.

Tracking error: A divergence between the price behaviour of a position or a portfolio and the price behaviour of a benchmark. Tracking error is reported as a 'standard deviation percentage' difference. This measure reports the difference between the return an investor receives and that of the benchmark the investor was attempting to imitate.

Traditional asset classes: These are typically thought of as equities, fixed income and cash. Commodities are increasingly included in this category.

US: United States.

US T-Bills: United States Treasury Bills.

Venture capital: Investments in non-marketable securities of new companies or companies considered to be in the early stages of growth; these investments are high risk and have the potential for high return.

Volatility reducers: These investments have a low level of variability in returns, for example non-directional hedge fund strategies and cash. An allocation to 'volatility reducers' tempers the level of volatility in the portfolio, which is largely driven by equity related assets.