Nigeria Sovereign Investment Authority

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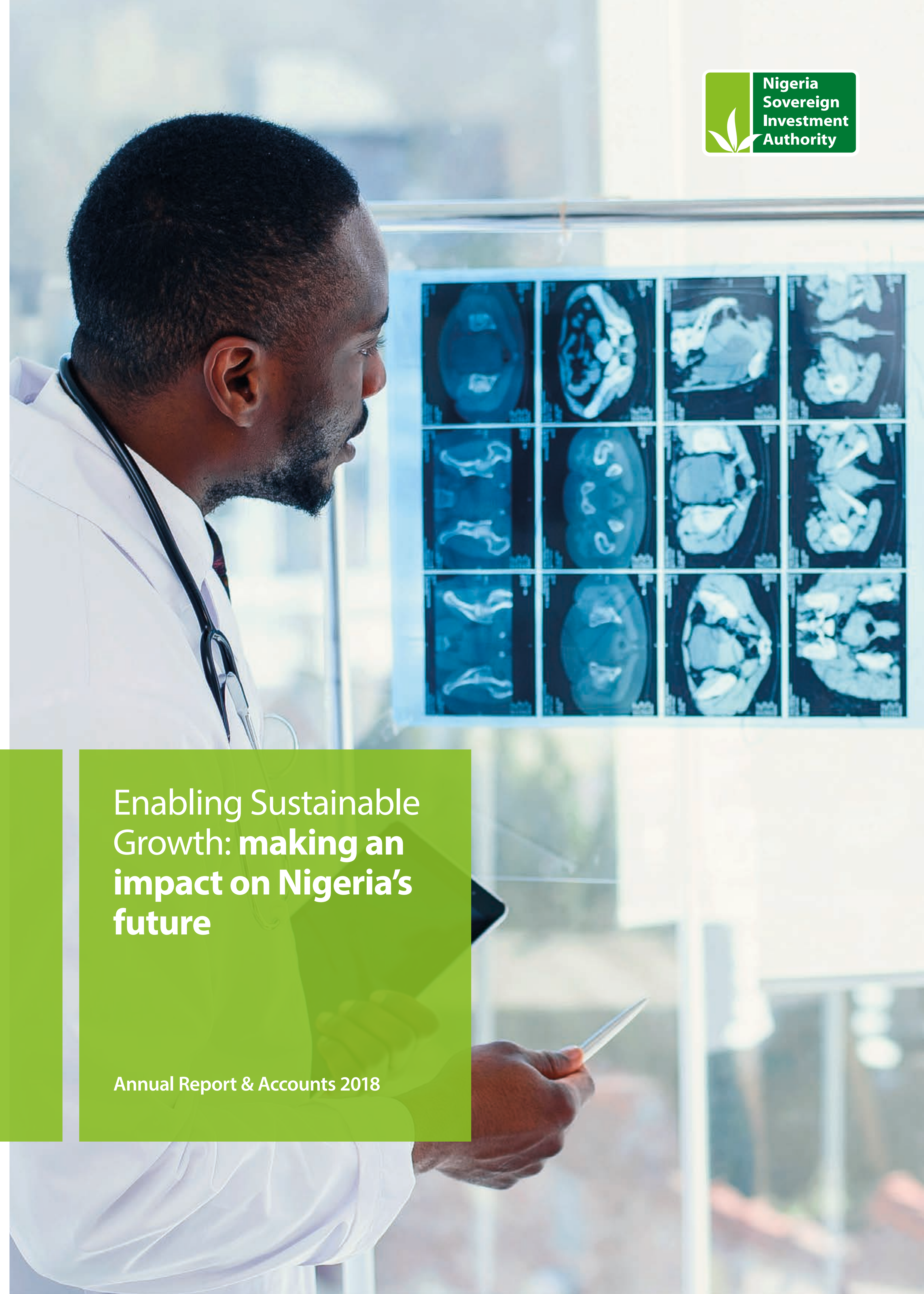
Nigeria Sovereign Investment Authority Annual Report & Accounts 2018



Nigeria Sovereign Investment Authority

Enabling Sustainable Growth: **making an impact on Nigeria's future**

Annual Report & Accounts 2018

Making an Impact: better roads mean better connections, speedier deliveries and getting products to market quicker

Better road infrastructure helps in achieving speedier deliveries and getting more products to the market quicker. This has the effect of generating greater profits for business, taxes for government and real, sustainable economic growth. Further, it means the populace has access to affordable high-quality produce and more of them.

NSIA received US$650 million from the National Economic Council (NEC) as contribution for the Presidential Infrastructure Development Fund (PIDF) and commenced capital deployment across three of the major road projects under the PIDF, including 2nd Niger Bridge, Lagos-Ibadan Expressway, and Abuja-Zaria-Kaduna-Kano Road.

The Nigeria Sovereign Investment Authority manages Nigeria's Sovereign Wealth Fund.

It was established as an independent investment institution by an Act of the National Assembly in May 2011.

Contents

About NSIA

Nigeria Sovereign Investment Authority (NSIA or the Authority) is a globally-focused Nigerian investment institution. NSIA was established by an Act of Parliament – Nigeria Sovereign Investment Authority (Establishment, etc) Act 2011 – to receive, manage and invest Nigeria's Sovereign Wealth Fund (SWF) through three ring-fenced funds on behalf of the three tiers of government of the Federation. The three funds are the Stabilisation Fund (SF), the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF).

The SF is intended to provide fiscal stability support for the country, serving as a reserve fund from which government may make withdrawals to meet budgetary shortfalls. The FGF seeks to accumulate savings for future generations of Nigerians by investing in long-term assets. The NIF seeks to generate a portfolio of critical infrastructure investments in Nigeria that will attract foreign investment, support economic diversification, and boost the long-term growth of the economy.

NSIA started operations in October 2012 and commenced investment activities with its US$1 billion seed capital in 2013. The Funds' positive performance, and his confidence in the Management of NSIA, encouraged President Muhammadu Buhari to approve additional contributions of US$500 million to the Authority between 2016 and 2017.

From inception, NSIA's capital was allocated across its three funds in the ratio of 20:40:40 to the Stabilisation Fund, the Future Generations Fund, and the Nigeria Infrastructure Fund, respectively. In 2018, the Board approved a new ratio that allocates 20% of future capital contributions to the SF, 30% to FGF, and 50% to NIF. Whereas no additional contributions have been made to NSIA's capital since then, the Authority is working on a strategic framework for receiving contributions on a regular and sustainable basis.

The Authority received US$650 million from the government in 2018 as the first tranche of funding for the US$8.1 billion Presidential Infrastructure Development Fund (PIDF), for which NSIA was appointed as the fund manager by the government in 2017. NSIA is also the fund manager for the Presidential Fertiliser Initiative (PFI) and also manages other third-party funds on behalf of other government agencies.

The Authority's total Assets Under Management (AUM), which includes its core capital, the funding for PIDF and third-party funds being managed by NSIA, increased to US$2.44 billion at the end of 2018.

NSIA invests in a diversified portfolio of medium and long-term assets and aims to catalyse co-investment with strategic investors. The Authority has developed strategic investment partnerships with multilateral development finance institutions, national development banks and private sector institutions. These include the United Kingdom's Department of International Development (DfID), World Bank (WB), International Finance Corporation (IFC), African Development Bank (AfDB), Africa Finance Corporation (AFC) and the German Development Bank (KfW Bankengruppe).

NSIA also invests directly in Nigeria's domestic infrastructure and co-invests with project developers and financiers. Its areas of focus in domestic infrastructure investment cover agriculture, gas industrialisation, healthcare, motorways and power. NSIA has closed and executed key projects in these critical sectors, and hopes to expand to other areas of needs and investment opportunities.

NSIA's strong corporate governance culture has been validated by its successful investments and various recognitions. NSIA is ranked within the top quartile for transparency and governance by the Sovereign Wealth Fund Institute (SWFI). The transparency index rates over 70 SWFs and the Authority has remained the highest-ranked SWF in Africa since 2015.

NSIA is a member of the International Forum of Sovereign Wealth Funds ('IFSWF') and subscribes to the Santiago Principles on best practices for managing Sovereign Wealth Funds.

The Mandate Funds

The Stabilisation Fund

The Stabilisation Fund is intended to safeguard against budgetary deficits. It would be a last resort from which government may withdraw annually to meet shortfalls in the budget brought about by falls in oil prices or other budgetary constraints.

The Future Generations Fund

The Future Generations Fund is a savings fund that seeks investment in long-term investments and assets to provide savings for future generations of Nigerians.

The Nigeria Infrastructure Fund

The Nigeria Infrastructure Fund invests in domestic infrastructures that align with national priorities, have potential for attractive commercial returns and high social impact, create opportunities for co-investment with NSIA, and promote environmental sustainability.

Our Corporate Philosophy

Our Mission

NSIA's mission is 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

The Authority's fundamental beliefs and culture are driven by three guiding principles, which are:

- **Integrity:** we are uncompromising in our adherence to the tenets of probity, character and accountability in all our endeavours.
- **Discipline:** within the ambit of our enabling Act, we conscientiously apply ourselves in all we do.
- **Transparency:** our activities are clear and consistent with best practices.

These are the ideals against which we evaluate all actions, relationships and investments.

Chairman's Statement

I am delighted to introduce the 2018 Annual Report and Accounts of Nigeria Sovereign Investment Authority (NSIA or the Authority).

2018 was a year marked by solid financial results and strategic progress for NSIA. Our overall profitability increased and each of the three funds was profitable. NSIA also achieved important milestones in 2018, including NSIA's appointment as manager of the Presidential Infrastructure Development Fund (PIDF) and the closing of our first investments in tertiary healthcare services operations.

Mr Jide Zeitlin
Chairman, Board of Directors

Financial Performance

Nigeria's economy expanded in 2018, bolstered by growth in the agriculture and services sectors and the initiation of the Federal Government's Economic Recovery and Growth Plan (ERGP). Real GDP grew by 1.9%.

In 2018, NSIA's total comprehensive income was N44.33 billion, up 58.8% from 2017. NSIA's investments in equities and related investment products were impacted by market volatility, including instability in global markets due to trade tensions between the United States and China. The Future Generations Fund (FGF) was particularly impacted by this market volatility. NSIA's diversified investment portfolios and strong asset managers enabled the Authority to weather market turbulence and deliver positive results. The Stabilisation Fund (SF) realised an 11.5% annual return while the FGF realised a 3.3% return. The Nigeria Infrastructure Fund's (NIF) 13.8% return exceeded that of the two other funds[1].

Key Developments

In 2018, the Board approved an increase in the percentage of future funding contributions allocated to the NIF from 40% to 50% (with a corresponding decrease in the capital allocation to the FGF from 40% to 30%). This change was intended to enable the Authority to play a greater role in bridging the country's infrastructure deficit, which remains a key barrier to current and future economic development.

In May, NSIA's funds under management increased when the National Economic Council authorised the transfer of US$650 million as seed funding for the PIDF. The Federal Government's decision to engage NSIA as manager of the PIDF funds reflected our profile as a trusted partner in infrastructure projects of national importance and our reputation for sound corporate governance and transparency. As at year-end, 50% of this seed funding had been deployed towards the 2nd Niger Bridge, the Lagos-Ibadan Expressway and the Abuja-Kano Road projects.

NSIA advanced its vision to develop tertiary healthcare services centres in Nigeria, particularly in relation to the NSIA-LUTH Cancer Centre (NLCC) at the Lagos University Teaching Hospital (LUTH). NLCC will be inaugurated by His Excellency, President Muhammadu Buhari and is expected to begin generating revenue in the second quarter of 2019. Two additional tertiary healthcare centres are under development. The diagnostic centres are located at the Aminu Kano Teaching Hospital, Kano State and the Federal Medical Centre Umuahia, Abia State. These centres are expected to be commissioned before Q1 2020.

Agriculture continued to be a sector of focus for the Authority as we invested US$5 million in Babban Gona, an innovative franchise network of grassroots farm collectives in northern Nigeria. We also commenced the development of a landmark 750 KMT basic chemicals platform with the OCP Group, a Moroccan conglomerate, which will establish an ammonia plant in Rivers State. Ammonia is an important ingredient in the manufacture of fertiliser.

[1] The financial performance data referenced in this statement is stated in naira terms and is inclusive of exchange rate gains.

As we enter a new phase of growth over the next five years (2019-2023), we have adopted a strategic plan for the Authority's activities. A major focus in 2019 will be a comprehensive review and upgrade of our organisational structures and procedures to ensure that they remain in line with international best practices, given NSIA's growth since 2011.

Governance

The adoption and entrenchment of sound corporate governance practices continues to be a priority for the Board. In 2018, NSIA implemented two important initiatives to improve our investment and risk management processes.

The Board operationalised its 2017 decision to subsume its Risk Committee into the existing Investment Committee and divide the latter into two committees: (1) Externally Managed Investments and (2) Direct Investments. This reorganisation enhanced NSIA's risk management oversight processes by clarifying and strengthening the lines of authority and accountability within the organisation. The operation of the Board committees was further enhanced by the redeployment of directors to specialist committees based on sector expertise, the appointment of new committee chairpersons and an increase in the frequency of committee meetings. I am grateful to all Board members for their active participation in the Authority's Board committees.

NSIA also commenced the implementation of a Board-approved Enterprise Resource Planning (ERP) solution in 2018. The ERP solution, which was designed to close operational gaps identified by the executive team, will fortify and improve NSIA's human resources, digital infrastructure, procurement and other internal processes. The ERP solution will be fully operationalised in late 2019.

Team Changes

NSIA saw one departure from our executive team in 2018. Mr Hanspeter Ackermann, an Executive Director and the pioneer Chief Investment Officer (CIO) of NSIA, retired from his executive roles and the Board following the expiration of his appointments. On behalf of the Board, I thank Hanspeter for his contributions over the years and wish him well in his future endeavours. Mr Kolawole Owodunni, a Senior Vice President in NSIA's Investment Unit, was appointed as Acting Head of Externally Managed Investments.

Going Forward

As we enter a new phase of growth over the next five years (2019-2023), we have adopted a strategic plan for the Authority's activities. A major focus in 2019 will be a comprehensive review and upgrade of our organisational structures and procedures to ensure that they remain in line with international best practices, given NSIA's growth since 2011. The scope of the review will likely include restructuring how we oversee subsidiary entities to increase sector specialisation and to better use our finite executive resources. A second focus will be to develop a systemic mechanism for regular governmental contributions to the capital under NSIA's management, thus ensuring the long-term viability of the Authority.

NSIA will also intensify our focus on portfolio and operating company results by investing in and expanding our portfolio management and third-party asset management capabilities. We will continue to promote and support economically viable, public and private sector-led, climate change mitigation and adaptation projects.

Conclusion

On behalf of the Board of Directors, I will conclude by thanking the President, the Vice President, the Minister of Finance, the leadership and members of the National Assembly, the Governors of the 36 States, the Minister of the Federal Capital Territory and the Nigerian people. Your confidence and support are indispensable to NSIA's achievements and our ability to continue delivering sustainable, long-term value and growth for the benefit of all Nigerians.

Mr Jide Zeitlin
Chairman, Board of Directors

Chief Executive Officer's Review

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 2018. I am delighted to report that over the course of the year, we maintained a positive track record of performance and achieved significant milestones and successes across all our mandate funds: all three mandate funds outperformed their benchmarks.

Mr Uche Orji
Managing Director and Chief Executive Officer

2018 in Review

Over the years, NSIA has strengthened its investment and risk management capabilities to take advantage of investment opportunities both domestically and globally. Our portfolio and geographic diversification strategies, careful process of selecting asset managers across different jurisdictions and active monitoring of global markets placed the Authority in a good position to generate investment returns across market cycles. This was particularly beneficial given the levels of market volatility during the 2018 fiscal year.

The Board made a key decision during the year to change the allocation strategy for future contributions of funds to the Authority from 20:40:40 to 20:30:50 in favour of the Stabilisation Fund (SF), the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF), respectively. The pivot to an increased wallet-share for the NIF underscores the importance of infrastructure investment as a fundamental basis for broadening Nigeria's economic base and the overall development of the country.

Performance

The focal strategic plank for the first five years of NSIA's operations (2013 – 2017) was to transition from concept stage to operationalising the three mandate funds, earning the support of stakeholders and achieving positive investment performance. The focus for the 2018 fiscal year was stability and growth. To underpin and measure performance for the year, NSIA developed five key performance indicators (KPIs): financial stability; fund performance; resource management; reputation management; and compliance and governance. We broadly met the outcomes we targeted with the KPIs.

The focal strategic plank for the first five years of NSIA's operations (2013 – 2017) was to transition from concept stage to operationalising the three mandate funds, earning the support of stakeholders and achieving positive investment performance.

Financial Stability & Performance: as a group, NSIA posted total comprehensive income of N44.33 billion in 2018. This represents 58.8% growth over the 2017 figure of N27.92 billion. We also grew total assets by 15.69%, from N533.88 billion in 2017 to N617.69 billion in 2018.

NSIA sets different risk thresholds for each of our ring-fenced funds. Accordingly, the funds have different risk exposures, levels of investment and returns. In 2018, the Stabilisation Fund, which was 100% invested, posted a return on investment (ROI) of 11.5%. Meanwhile, the Future Generations Fund (FGF) posted a 3.3% ROI, while the Nigeria Infrastructure Fund posted a 13.8% ROI. The performance of the FGF was adversely affected by global capital markets, with the S&P500 down 6.59% in 2018 and the MSCI World index down 8.71%[1].

Resources & Reputation Management: the Authority succeeded in attaining our reputational goals in 2018; there were no financial or reputational losses incurred as a result of our investment operations, the operationalisation of our projects, our technology or our people. To improve efficiency, the Authority commenced the implementation of a new Enterprise Resource Planning (ERP) system, Microsoft Dynamics 365. This is intended to go live by mid-2019.

Compliance & Governance: the Authority attained nine points, out of a possible ten, in the Linaburg-Maduell Transparency Rating index of the Sovereign Wealth Fund Institute (SWFI), surpassing our goal of eight points. NSIA has remained in the top quartile of the SWFI transparency rating from 2014 to date.

[1] The financial performance data referenced in this statement is stated in naira terms and is inclusive of exchange rate gains.

Babban Gona - An innovative social enterprise, creating economies of scale for smallholder farmers by franchising a network of grassroot-level farmer cooperatives in northern Nigeria.

Presidential Fertiliser Initiative (PFI) - Revived 18 domestic fertiliser bledning plants across the country resulting in the creation of thousands of direct and indirect jobs thoughout.

Fund Management

While NSIA conducts investment activities through the three ring-fenced mandate funds, beginning in 2018, the Authority's projects were classified into two categories for administrative purposes: the SF and FGF projects were categorized as Externally Managed Investments, while the NIF projects were categorized as Direct Investments. The two investment categories are overseen at a strategic level by separate Board committees.

Direct Investments – Vehicles for Sustainable Investment

NSIA has committed to balancing embedding financial and social returns as well as environmental responsibility in our overall investment strategy and project decisions. The drive for sustainability has expanded the universe of investment opportunities available to the Authority. We have, therefore, identified agriculture, healthcare and infrastructure as the frontier sectors for our objective of achieving social, environmental and financial returns on our investments.

Agriculture: in 2018, NSIA along with our local and foreign partners, made commitments to three key projects in the agriculture sector, namely the Babban Gona farm project, Presidential Fertiliser Initiative (PFI) and Project Panda (Novum):

Babban Gona: this is an innovative social enterprise, which creates economies of scale for smallholder farmers by franchising a network of grassroots-level farmer cooperatives in northern Nigeria. NSIA invested US$5 million to upscale our operations and the social impact among members of the network and Nigerians at large. The chairman of the Board's Direct Investment Committee serves as a member of the Babban Gona board, which is chaired by His Highness Muhammad Sanusi II (CON).

PFI: the administration of President Muhammadu Buhari commenced the Presidential Fertiliser Initiative (PFI) in 2016, with NSIA appointed as project manager and implementing agency. So far, the programme has produced over 10 million bags of 50kg NPK 20:10:10 fertiliser. This project is helping the government conserve foreign exchange by maximising local content, thereby also saving significant sums in budgetary provision. The programme has also revived 18 domestic fertiliser blending plants across the country, resulting in the creation of thousands of direct and indirect jobs throughout the production and delivery value chains. The PFI is also credited with contributing to the enhancement of food security by reducing food price inflation and stimulating economic activity across the agriculture value chain.

Integrated Farming: the final highlight of NSIA's commitment to the agriculture sector in 2018 was Project Panda (Novum) in Nasarawa State, which is being developed by the NSIA-UFF Agri Investment partnership. The project includes a 1,300 Ha maize and soya bean farm, with an 86,000 MT capacity poultry feed mill, a 25,000 MT maize mill and a 35,000 MT capacity soy mill. Approval for the environmental and social impact assessment, the water license for irrigation, building permits and all other authorisations required to begin major construction and development workstreams are expected in the first half of 2019.

Our investments in agriculture are designed to serve as vital contributions to governmental and non-governmental efforts to eradicate poverty, deliver national food security, mitigate the effects of climate change, and, more broadly, achieve Sustainable Development Goals (SDGs).

Basic Chemical Platform: NSIA aims to transform Nigerian agriculture by taking a value-chain view of the sector. In addition to supporting the agriculture sector with inputs such as fertiliser, the Authority through our subsidiary, NAIC-NPK Ltd, has decided to make upstream investments to enable fertiliser production. In 2018, we began the development of a 750 KMT ammonia plant with OCP Group of Morocco. The development of the project will establish a basic chemicals platform in Nigeria, with the first phase being an ammonia plant and a di-Ammonium phosphate plant.

Healthcare: in 2018, we committed to investing up to US$20 million in three landmark projects in the health sector. One of the projects is the NSIA-LUTH Cancer Centre (NLCC) at the Lagos University Teaching Hospital (LUTH), Idi-Araba, Lagos. It is a US$10 million cancer treatment facility which has been completed and is to be inaugurated by President Muhammadu Buhari in early 2019. The two other projects are medical diagnostic centres which are being developed at the Aminu Kano Teaching Hospital (AKTH), Kano State, and the Federal Medical Centre (FMCU) in Umuahia, Abia State. The projects are valued at up to US$5 million each.

Building and operationalising top quality medical facilities in Nigeria is challenging. It requires specialist personnel and knowledge and, while our investments to date have been relatively small, they have required focused attention to detail due to the robust sectoral and regulatory requirements. However, improving medical care in Nigeria is critical to the country's future and NSIA is determined to expand investment by international and domestic players into this sector.

Education: Bridge International Academies (BIA), an NSIA investee company, invests in the largest chain of schools serving low-income communities in Nigeria. In partnership with some state governments, BIA is invigorating and improving public schools and had over 166,800 Nigerian students as at the end of 2018. Improving Nigeria's 60% adult literacy rate is vital if the country is to meet its modernisation and growth targets. As we have demonstrated with our commitment to BIA, even a modest investment can catalyse dramatic improvements in the education sector. By year-end 2018, NSIA has invested 18% of NIF.

Creating financial institutions that address voids in infrastructure investments

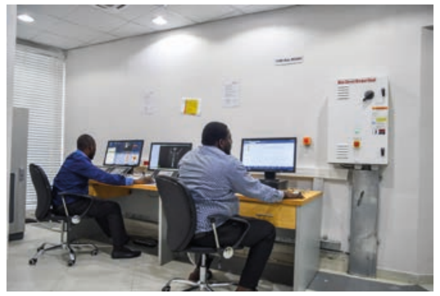
Infrastructure Credit Guarantee Company Ltd (InfraCredit): NSIA founded InfraCredit in 2017, in partnership with GuarantCo, a credit guarantee company of the London-based Private Infrastructure Development Group (PIDG). InfraCredit experienced accelerated growth and capital increases during the year under review. Africa Finance Corporation (AFC) invested US$25 million in InfraCredit, in a combination of straight equity and preference shares, whilst KfW, the German state-owned development bank, invested US$35 million in subordinated, unsecured capital in InfraCredit in 2018.

Development Bank of Nigeria (DBN): NSIA controls a minority stake in DBN on behalf of the FGN. As of year-end 2018, DBN had on-lent over N10 billion to micro, small and medium enterprises (MSMEs) through their preferred financial partners. Over 50,000 MSMEs have benefitted through various microfinance institutions as part of efforts to unlock access to credit in the economy.

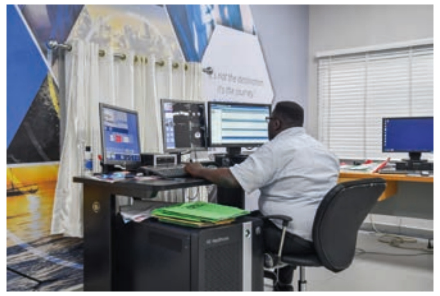
Family Homes Funds Limited (FHFL): FHFL was seeded by NSIA on behalf of the Ministry of Finance and commenced operations in September 2016. A permanent CEO and management team were hired in 2018, and we believe the company is on a strong growth path. FHFL was designed to create a blended pool of long-term funds to increase the supply of mass housing. It also seeks to provide affordable homes and mortgages for families. Over the next five years, the company aims to support the development of up to 500,000 homes for low income families.

Third-Party Managed Funds

The Authority continues to manage US$100 million in assets on behalf of the Debt Management Office (DMO). It also manages a portion of the FGN's Stabilisation Account (FGN Stab.), a naira-denominated fund which was established in late 2015. These assets are managed using NSIA's investment policies. During the year, the mandate of the funds NSIA had been managing on behalf of the Nigerian Bulk Electricity Trading Plc (NBET) matured. The Authority liquidated the relevant investments and returned the funds to NBET, thereby closing out the NBET fund management mandate.



Leveraging the latest technology to deliver worldclass healthcare services to Nigerians.



Transforming healthcare - NSIA-LUTH Cancer Centre at the Lagos University Teaching Hospital.

We intend to guard against volatile short-term market conditions by continuing to hedge our investment portfolio and maintain a diversified pool of assets.

Presidential Infrastructure Development Fund (PIDF): the Authority commenced the operationalisation of PIDF in 2018. PIDF is an initiative of the Presidency which aims to provide a clear funding mechanism for five infrastructure projects of key national importance which the government plans to complete over the next five to seven years.

These projects are the Lagos-Ibadan Expressway, the Second Niger Bridge, the Abuja-Kano Road, the Mambilla Hydropower Project and the East-West Road.

Funding for the PIDF projects will be met by the Federal Government (FGN), NSIA and third-party capital to be raised by NSIA. To kick-start the PIDF, the FGN transferred US$650 million to NSIA, approximately 50% of which had been invested by the end of 2018.

The first tranche of these funds was exchanged at the rate of N325/US$ by the Central Bank of Nigeria (CBN), which is the effective exchange rate now used by NSIA.

Outlook

We expect the global market to remain volatile in 2019, driven mainly by trade tensions, Brexit and other headwinds in the macro-economic environment. We intend to guard against volatile short-term market conditions by continuing to hedge our investment portfolio and maintain a diversified pool of assets. Our rolling plan for the next five years includes strengthening NSIA's personnel, internal processes and digital infrastructure, delivering tangible progress on key projects, institutionalising a methodology for the systemic contribution of additional capital to the Authority and boosting growth by expanding our co-investments and third-party asset management businesses.

Conclusion

I would like to conclude by extending my sincere gratitude to His Excellency, the President and Commander-in-Chief of the Federal Republic of Nigeria, President Muhammadu Buhari (GCFR). His leadership, support and confidence were vital in propelling the Authority to the successes of 2018. I would also like to thank His Excellency, the Vice President of the Federal Republic of Nigeria, Prof. Yemi Osinbajo (GCON), SAN and the members of the National Economic Council for their sustained support which has also been invaluable.

I am also grateful to the Chairman and members of the Nigeria Governors' Forum, the Honourable Minister of Finance, other ministers in the first and second cabinets of President Muhammadu Buhari, our sponsors and co-investors who have all played vital roles in partnership with the Authority during the fiscal year. In addition, I express my profound thanks to the members of the Board of NSIA for their guidance and commitment. In particular, I am grateful to Mr Hanspeter Ackermann for his service as the Chief Investment Officer and member of the Board. He retired from NSIA in 2018, having served out the tenure of his appointment. We wish him the very best in his future endeavours.

Finally, I thank my colleagues on the management team, and staff, for their hard work and dedication to the success of the Nigeria Sovereign Investment Authority. Together, we can look forward with confidence and enthusiasm to the next phase of NSIA's growth and development.

Mr Uche Orji
Managing Director and Chief Executive Officer

Investment Milestones

ED & COO Stella Ojekwe-Onyejeli, MD & CEO, Uche Orji, Board Chairman, Jide Zeitlin and Director PPP FMoH, Omobolanle R. Olowu at the NSIA Health Programme Agreement Signing.

Fertiliser blending plant inspection by Chief of Staff to the President, Mallam Abba Kyari and the Executive Governor, Jigawa State, HE Mohammed Badaru Abubakar.

Investing in mechanisation to raise the efficiency of labour and enhance the farm production per hectre.

New Cancer Treatment Unit at the Lagos University Teaching Hospital.

2014

- Commenced 2nd Niger Bridge Project.
- FGN transferred US$550 million to NSIA to be managed on behalf of NBET and DMO.
- NSIA invested US$100 million in Seven Energy from Third-Party Managed funds.
- NSIA's healthcare subsidiary signs Memorandum of Understanding (MoU) with six federal healthcare institutions across the country.

2015

- New mandate from FGN to manage 25% of funds accruing to the FGN's Stabilisation Accounts.
- MoU with Ogun State Govt. and Lafarge Africa Plc to undertake Land Degradation Neutrality Project.
- Held first Governing Council (GC) meeting with the National Economic Council (NEC). Additional US$250 million capital approved for allocation to NSIA.
- Completed Early Works III and advanced negotiation of Concession Agreement for 2nd Niger Bridge.
- The Vice President of Nigeria commissioned a task force for the establishment of Presidential Infrastructure Development Fund (PIDF) and names NSIA as Project Manager.

2016

- Commenced Presidential Fertiliser Initiative (PFI) through our subsidiary NAIC-NPK Ltd.
- Signed MoU with Ithmar Capital Morocco for strategic investments in key sectors of the Nigerian economy.
- Established an Agriculture Fund with UFF Agri Fund of South Africa (target fund size of US$200 million).
- Established US$500 million Real Estate Fund with Old Mutual Africa Property Management Company of South Africa.
- Received approval from the National Council on Privatization (NCP) and the Honourable Minister of Finance to invest in pre-privatisation phase of the Nigeria Commodities Exchange.

2017

- Second NSIA Board inaugurated.
- Established InfraCredit in partnership with GuarantCo (a part of the Private Infrastructure Group).
- Additional US$250 million capital injection, as committed by National Economic Council (NEC).
- Over eight million bags of NPK 20:10:10 produced as part of the Presidential Fertiliser Initiative (PFI).
- Invested in Education sector through Bridge International Academies.
- Invested in the Chapel Hill Denham Nigeria Infrastructure Debt Fund.

2018

- Received US$650 million from Federal Government to manage under the Presidential Infrastructure Development Fund (PIDF).
- Invested US$260 million under the PIDF. Project portfolio include Abuja-Kano Road, Lagos-Ibadan Expressway, 2nd Niger Bridge, East-West Road, and Mambilla hydropower.
- Commenced US$10 million Cancer Treatment Centre project at the Lagos University Teaching Hospital (LUTH).
- Commenced diagnostic centre projects at Aminu Kano Teaching Hospital (AKTH), Kano State, and Federal Medical Centre Umuahia (FMCU), Abia State.
- Began development of the 750 KMT ammonia terminal with OCP Group of Morocco.
- Made commitment in Project Panda (Novum), a food production project, in Nasarawa State.
- Began implementation of Enterprise Resource Planning (ERP) solution.
- Return on investment (ROI) in naira terms, for NSIA core funds: the Stabilisation Fund (11.5%); the Future Generations Fund (3.3%); the Nigeria Infrastructure Fund (13.8%).
- Africa Finance Corporation (AFC) invested US$25 million in NSIA-incubated InfraCredit, leading to joint ownership.
- Developed NSIA Strategic Plan 2019-2023.

NMRC: Nigeria Mortgage Refinance Company
FMoF: Federal Ministry of Finance
FMWHUD: Federal Ministry of Works, Housing and Urban Development
CBN: Central Bank of Nigeria
WB: World Bank
IFC: International Finance Corporation
FMARD: Federal Ministry of Agriculture and Rural Development
DMO: Debt Management Office
NBET: Nigeria Bulk Electricity Trader Plc

Making an Impact: investing in modern healthcare facilities to provide critical illness care

NSIA committed US$20 million in investments to three landmark projects in the healthcare sector. One of these is the NSIA-LUTH Cancer Centre at the Lagos University Teaching Hospital (LUTH), Idi-Araba, Lagos. The US$10 million treatment facility was inaugurated by His Excellency, President Muhammadu Buhari, GCFR, in February 2019.

Over time, as we deepen our investment in the sector, we expect the country to be a net-beneficiary of global medical tourism.

Funds Management

Market Overview

2018 marked a decade since the start of the global financial crisis (GFC), which at the time resulted in the spectacular collapse of financial asset prices. The economic downturn is considered to be the worst since the Great Depression of the 1920's.

Since 2008, interest rates have remained historically low. Inflation has also been rooted below the targets of major central banks. Whereas these suggest that fragility remains in the global economy, growth has rebounded. Asset prices have surpassed their pre-crisis levels across markets.

According to the International Monetary Fund (IMF), the global economy grew by 3.6% in 2018, which represents a 0.2% decline from 3.8% GDP growth rate achieved in 2017. However, growth strengthened to 2.9% in the United States in 2018, from 2.2% in 2017. The stronger growth momentum was attributable to productivity gains from the fiscal stimulus, known as the Tax Cuts and Jobs Act, which President Donald Trump signed into law in December 2017.

Growth in the Eurozone declined from 2.4% in 2017 to 1.9% in 2018. Japan showed a similar pattern as its growth softened to 0.8% in 2018, from 1.9% in 2017.

Nonetheless, the spurts of growth, and the persistence of liquidity surfeit caused by the massive asset purchases by central banks in response to the GFC, have supported asset price increases. The equity price gains persisted in the first half of 2018. However, the gains were virtually wiped off in the second half of the year, especially in the fourth quarter, as uncertainties over Brexit and tit-for-tat tariffs between the US and China roiled global markets.

Growth declined to 1.4% in the UK in 2018, from 1.8% the previous year. Emerging Market (EM) and Developing Economies (DE) also declined to 4.5% from 4.8% in 2017, due to factors such as tighter financial conditions, geopolitical tensions, and higher import bills. Also, growth in China weakened to 6.6% in 2018, from 6.8% in 2017.

Regionally, IMF estimated that growth declined by 0.5% point to 1.6% in the Middle East, North Africa, Afghanistan and Pakistan in 2018. But the upward trend continued for Sub-Saharan Africa (SSA). Growth inched higher to 3.1% in 2018, from 2.9% in 2017 in the region, driven by higher commodity prices and structural reforms in the region.

The global outlook for 2019 is tepid. IMF estimates US growth at 2.6%. This is despite the upside of strong exports and inventory accumulation. Weaker domestic demand and imports – as backlashes to the trade war with China – are expected to exert stronger downward pressure on growth.

A variety of factors is also expected to harm growth in the euro area. The factors include weaker-than-expected demand in Germany, uncertain fiscal outlook on investment and weaker domestic demand in Italy, and strong investment but weaker imports in Spain. As such, the IMF expects growth to weaken to 1.3% in the Eurozone in 2019.

In Asian markets, Japanese growth is expected to be flat at 0.9% amid an anticipated sales tax hike, and trade war, which also threatens to further cut China's growth to 6.2%. Projections for EM and Developing Economies' (DE) growth are 4.1% and 1.9%, respectively. All these highlight weaker growth momentum compared with the previous year. The forces of global geopolitics that manifested in 2018 and domestic political risk in various economies are set to colour the global outlook in 2019.

A policy gridlock is expected in Washington D.C. ahead of the 2020 general election as the Democratic Party take control of the House of Representatives following the 2018 mid-term elections. Other countries, including Argentina, India, South Africa and Indonesia are scheduled to hold major elections in 2019. The outcomes of these elections may see the reset of key policies and have implications for market stability.

Developed Market Equities

United States of America

US equities had a volatile year in 2018. The S&P 500's Q4 performance was -13.5%, due to concerns over slowing global growth and tightening monetary policy. According to Goldman Sachs Asset Management, US corporate earnings and margins have not peaked; they are, however, expected to moderate going forward, due to a combination of slowing sales growth and margin headwinds.

It is expected that US equities will continue to record earnings growth. However, the earnings outlook may be impacted by tariffs, labour-cost inflation, higher freight, and input costs.

US assets posted mixed performances in 2018. The S&P was down 6.2%, a sharp decline from 18.74% growth in 2017. The dollar gained 4.6% in 2018, recovering from the 9% decline in 2017. The performance of the greenback in 2018 was driven by increased demand for safe-haven assets as the EM turmoil increased and rates differentials favoured the dollar strength. The dollar is expected to strengthen further in 2019 as demand for safe-haven assets persists.

The Federal Reserve ended 2018 with the Fed fund base rate at 2.5%. This leaves room for a further 25 basis points (bps) hike in 2019, based on market expectation. We expect the Fed to proceed with caution, given that although unemployment is at historical low levels, inflation remains below target. Normalisation of the rate cycle is expected to be gradual.

Investors have more reasons to be concerned about downside risks. The effects of the Trump tax cuts are waning, while the on-going trade war with China will sap investor confidence and curtail demand, as the cost of the tariffs is passed on to the consumers in the form of higher product prices.

Europe

Eurozone stocks (Euro Stoxx 50) returned -17.0% in 2018, wiping out the 13.6% gain in 2017. European markets were rattled by the volatility in Q4 2018 and slow growth in key Eurozone economies. Tightening labour markets, which made it difficult for companies to fill vacant positions, and weak productivity growth further compounded sagging investor confidence.

Uncertainty over Brexit negotiations also contributed to the poor market performance. UK equities (FTSE All World Index) declined by 11.5% in dollar terms, in its worst performance since the financial crisis. The Brexit fever raged across Europe. The European market also had to contend with rising US interest rates, trade wars and slower Chinese growth.

Defensive sectors, such as communications and utilities, registered positive returns in Q4 2018. But materials and information technology were among the worst performing stocks. In the UK, most domestic focused-sectors performed poorly, as the protracted Brexit negotiations triggered political uncertainty.

The European Central Bank (ECB) is expected to begin to withdraw stimulus in 2019 as wage growth picks up. Bloomberg Economics expects a mini hike in interest rates in Q3 2019, which would restore the normality corridor, and followed by a probable 25bps further hike before the end of 2019.

2019 would also see the departure of Mario Draghi as the head of ECB. This may present downside risks for the future of the Euro Area. It is expected that a steady hand would take the helms of affairs at the ECB.

Japan

Japanese stocks entered a bear market in 2018. The TOPIX dropped by 22.9% from its January peak to a two-year low. However, Japanese stocks have a good long-term outlook, underpinned by good corporate governance and improved inflation. The index is valued at 12x trailing earnings, according to UBS. This represents a 15% discount to global equities.

However, the year ahead will be difficult for Prime Minister Shinzo Abe. He would be trying to steady the economy in the face of US protectionism and another increase in the sales tax. But he has wiggle room. Fiscal stimulus is set to complement monetary easing. With the Yen undervalued, Japanese growth in 2019 could possibly extend to a seven-year streak.

The Yen has weakened significantly because of Abenomics. The currency is currently 30% undervalued relative to its estimated equilibrium purchasing power parity (PPP). As inflation normalises and the Bank of Japan starts to discuss withdrawing monetary stimulus, we would expect the Yen to strengthen. 2019 would also see preparations for the 2020 Tokyo Olympics, which should be a source of support for domestic demand.

Emerging Markets

Concerns over rising interest rates, slower Chinese growth, and the US-China trade dispute drove a sell-off in emerging markets in 2018. The MSCI EM returned -14.57% in 2018 compared to 37.2% in 2017. However, the headwinds are transitory. Although the Chinese economy is slowing and sentiment towards the country is fragile, its asset valuations are attractive. MSCI China is trading below its long-term average P/E of 12x and MSCI ex Japan is just 20% above crisis-level price-to-books ratios.

Nigeria is undergoing its own cyclical recovery. Economic growth should continue to pick up in 2019.

Brazil's main risk in 2019 will come from its inability to implement fiscal consolidation. Pension reform, privatisation and a cap on the 2020 budget are all significant challenges. In Argentina, higher US rates and lower commodity prices could add to the funding needs, pressurising the peso, raising inflation, and postponing growth recovery. The country is, thus, in danger of missing its fiscal targets. Also, the election in Q3 could potentially erode the implementation of the reforms.

The Russian economy remains under a cloud of geopolitical risk, with tighter US sanctions always on the horizon. Inflation is also set to spike in 2019 and growth could slow to a crawl. For the EMs, opportunities will continue to exist, despite the headwinds. According to UBS, the MSCI EM Value Index has underperformed its growth counterpart by 22% for the last seven years. The Index's price-to-book ratio of 1x represents a 59% discount to the growth index against a 10-year average. UBS also highlights specific opportunities in South Korea, Vietnam and Chinese 'old-economy' stocks. In China, a 5%-10% increase in earnings growth is expected in 2019. Quite likely, the US and China would look for the least damaging ending to their trade war.

Frontier Markets

In 2018, Frontier Markets returned -16.32%, worse than Emerging Markets returns. According to Ashmore, a leading emerging market investor, frontier market drivers are primarily domestic in orientation. These economies are mostly at an early stage of structural development and hence less integrated into global financial markets.

Frontier Markets experience indiscriminate and disproportionate selling pressure. This creates opportunities for investors to access investment at particularly attractive prices. As of year-end 2018, the MSCI FM Index had a Return of Equity of 15.8%, more attractive than the MSCI EM Index's Return of Equity of 13.2%, according to Ashmore.

Frontier Markets look well-placed to recover in 2019. The outlook is influenced by implementation of structural reforms across key markets, dissipation of idiosyncratic single country challenges, and increased investor attention.

Egypt has completed an IMF programme and devalued its currency. The programme has led to improved economic growth, FDI flows, FX reserves and current account balance. However, the volatility of energy prices impacted the pace of subsidy removal. This transitory effect is expected to fade over time, paving the way for the Central Bank to pursue a more expansionary monetary policy in 2019.

Nigeria is undergoing its own cyclical recovery. Economic growth should continue to pick up in 2019, driven by increased oil production and infrastructure spending. The growth trajectory was hindered in 2018, in part due to energy price volatility and deferral of investment decisions until the February 2019 presidential election.

In 2018, Nigeria's GDP grew by 1.93%, much improved from 0.82% expansion in 2017. In Q4 2018, the economy grew by 2.38% in real terms, better than 2.11% recorded in Q4 2017. The improved GDP number was largely aided by an improvement in global oil prices and domestic production volumes; an improvement in access to foreign exchange was also a boost.

Headline inflation maintained a downward trend for most of 2018, declining from 15.4% y/y in December 2017 to 11.44% y/y in December 2018. The moderation in inflation was influenced by base effect and improved FX liquidity.

The Future Generations Fund (FGF)

The FGF was created by the NSIA Act 2011 and became operational in 2012. At its creation, 40% of the Authority's seed capital was allocated to the FGF. The same percentage allocation was applied to subsequent core capital contributions received. However, effective 2018, the FGF will receive 30% of future core capital contributions to NSIA.

The FGF is a long-term investor; it has an investment horizon of above 20 years. Therefore, it is expected to weather multiple economic and market cycles. To mitigate the effects of volatility and uncertainty on the fund's investment, diversification is used as a key risk management tool in achieving the investment objectives.

The fund invests in a number of asset classes, ranging from traditional assets such as equities to alternative assets – including hedge funds and private equity. The FGF's Board Investment Committee approved a strategy that provides guidelines for the fund's investments, in line with its risk and return objectives.

In the table below is the FGF's Strategic Asset Allocation as outlined in its Investment Policy Statement (IPS), enabling the best allocation of assets. The investment strategy is reviewed and updated to address changes in economic and market factors, and expectation of returns. This strategy allows the fund to gain exposure to certain illiquid asset classes, thereby reducing short-term volatility impact and achieving stronger risk-adjusted returns.

The asset allocation is based on long-term risk and return objectives, giving consideration to volatility, and is diversified across various asset classes. This ensures risk is mitigated. Due to the long-term horizon of the fund, the asset allocation is skewed to growth assets which account for 85% of the allocation. The rest is apportioned to inflation hedges (10%) and deflation hedges (5%). External managers are used to gain exposure to these asset classes at this point in NSIA's life cycle.

Table 2.1: Target Asset Allocation for FGF

	Policy Target	Benchmark
Growth Assets	**85%**	**MSCI All Country World Index**
Developed Equities	10%	MSCI World Index
Emerging & Frontier Equities	15%	MSCI Emerging Markets Index
Private Equity, VC 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	**10%**	**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%**	**Citigroup 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 19.2%. It is invested in a combination of developed market and emerging/frontier market assets. The developed market allocation was 7.29% and returned -12.02% in US dollar terms in 2018, lagging the MSCI World index, which returned -8.71%.

All three managers in this space provide regional diversification by focusing on three main developed regions: US, European and Japanese equity markets. While the Europe and Japan focused managers had negative returns, they were still able to outperform the MSCI World index. However, the US manager had negative returns and underperformed the index. This was mainly due to its concentrated value strategy.

Emerging Market equities had a dreadful 2018. Political and economic issues brewed in Argentina, Brazil and Turkey. The second half of the year also saw an escalation of trade tensions between the US and China.

EM allocation constituted 11.9% of the portfolio. This asset class had a poor performance in 2018, detracting 15.9% for the year. During the year, there were two new EM manager additions: RWC Emerging Market Fund and the GSAM Emerging Market Core Fund. The Authority also exited its investment in the Capital Group Emerging Markets Total Opportunities Fund.

The five managers in this component, on aggregate, lagged the MSCI Emerging Market Index by 1.33%. This could be attributed to the timing of the investment in the two new Emerging Market funds.

Absolute Return
As of December 2018, the Absolute Return component constituted 19.2% of the FGF. This allocation returned 6.6% versus 7.7% by 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 are expected to provide growth in times of stress in equity markets. Blue Mountain was the best performer in 2018 while Arbiter fund managers detracted over the same period.

Private Equity
The private equity component made up 15% of the FGF in 2018. This component is well diversified with a good mix of developed market private equity managers from Europe and the US There is additional exposure to EM through pan-African focused managers.

In 2018, we invested in CardinalStone Private Equity Fund (Nigeria and Ghana SME focused fund), Synergy Private Equity Fund II (West Africa focused fund), and Reverence Capital Fund II (US fund focused on the financial industry). These investments increased the Authority's West Africa footprint and increased sectoral diversification in the US.

2018 saw the collapse of one of the Authority's General Partners (GP) – Abraaj, due to the firm's commingling of LPs funds with other Abraaj monies. NSIA invested in the Abraaj Growth Healthcare Fund, which was designed to build health ecosystems across Africa and South Asia to create impact on lower and middle-income populations in these regions. As at year-end 2018, the fund had 24 hospitals, 17 clinics and 30 diagnostic centres, with two brownfield and two greenfield hospitals in the pipeline. An interim manager was appointed to manage the assets and a new GP was being sought to continue managing the funds going forward.

Other Diversifiers

This component of the FGF has a target allocation of 10%. As at 2018 year-end, 3.8% had been allocated and 6.8% committed. In this space, we had two managers: Healthcare Royalty Partners and Falko Regional Aircraft Fund, who were both in their investment periods. During the year, we added Whitehorse Liquidity Fund (a Canadian investment vehicle providing liquidity in high-quality private equity assets). The purpose of this component is to seek managers that 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

The Hard Assets component of the FGF has a target allocation of 5%, with 0.65% allocated and 3.0% committed as of year-end 2018.

After a difficult 2017, Jamison Koppenberg, the macro-style commodities manager, closed the fund and returned money to investors.

Deflation Hedge

The deflation hedge allocation represented 43.3% of the FGF. For most of 2018, this allocation was held in cash and very liquid instruments with both local and foreign counterparties. However, 33% of the deflation hedges are undrawn commitments to private equity and other diversifiers. These undrawn commitments represent 14% of the AUM of the FGF.

Year in Review

2018 was a difficult year. MSCI World index returned -8.7% for the year. This weak global performance was due largely to drawdowns experienced in Q4 2018, as fears over economic growth slowing down and tensions over the US-China trade war intensified.

2019 Outlook

In 2019, we aim to gain additional market exposure by allocating to the other-diversifiers component and rebalancing the absolute return and emerging market components. We would make tactical changes in developed market long only equities, and seek to gain further exposure to private equity on an opportunistic basis. The goal is to harness optimal risk-adjusted returns within the dynamic global market environment.

The Stabilisation Fund (SF)

The SF has an allocation of 20% among NSIA's pool of core funds. It 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 macro-economic 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.

Hedge Assets

US Treasury Bills and US Treasury Bonds

This asset class made up 25.1% of the fund and provided exposure to the very liquid and highly-rated US Treasury Instruments in 2018. The underlying investment has a maturity range of between one and three years. This component returned 1.5% in line with the benchmark.

Growth Assets

US Corporate Bonds and US Asset-Backed Securities

We are invested in two managers, Smith Graham & Co and Income Research + Management. One of these managers has a short duration strategy that invests across very high-quality US corporate and securitised fixed income instruments, while the other invests in short- to medium-term investment-grade US corporate bonds.

Structured collateralised Deposits

As of year-end 2018, exposure to these instruments made up 45.5% of the fund. Secure returns were sought by investing with credible counterparties, thereby fulfilling the capital preservation goal of the fund.

Year in Review

Over the course of the year, the Stabilisation Fund performed well. The fund returned 5.04%, which was an improvement over 3.4% achieved in 2017. This was partly due to the increased interest rate environment in the United States. As with other funds, cash management formed a significant part of this component given the dynamic market environment.

2019 Outlook

Management will continue to monitor the Fund's performance in line with the mandate, and in accordance with the strategic asset allocation guidelines. We will also continue to seek ways to optimise returns, while meeting the capital preservation mandate of the fund.

Table 2.2: Target Asset Allocation for SF

	Policy Target	Benchmark
Growth Assets	**75%**	**Barclays 1-3 Year Corporate Bond**
Investment Grade		Barclays 1-3 Year Corporate Bond
Corporate Bonds 1-3 years		
Hedge 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

The Nigeria Infrastructure Fund (NIF)

The NIF focuses on domestic infrastructure investments that meet the following four criteria: alignment with national priorities; potential for attractive commercial returns and high social impact; ability to attract both domestic and foreign private sector participation; and alignment with the sectoral regulatory environment. NSIA often plays a leading role in projects, based on the Authority's strong focus on innovative solutions, execution and management.

The fund is in its fifth year of strategic investment in key sectors of the economy. In total, 15 investible sectors were identified as early as 2013, when the rolling five-year infrastructure investment plan was developed. Out of the sectors, the core areas of initial focus have remained agriculture, healthcare, motorways, power and gas industrialisation.

The Nigeria Infrastructure Fund (NIF)

Investment Strategy

Nationwide Strategic Impact

+

Attracts Foreign/Local Institutional Capital

+

Attractive Commercial & Social Returns

+

Conducive Legal/Regulatory Environment

=

NIF Investment Portfolio

Focus Sector Allocation

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

Infrastructure Investments

Agriculture

In the year under review, the NIF began the development of a 750 KMT Ammonia terminal (phase 1), in the establishment of a Basic Chemicals Platform in partnership with the OCP Group of Morocco. Other phases of this project will include a di-Ammonium phosphate Plant, a Methanol Plant, and likely a Urea Plant. This effort is part of an overall strategy by NSIA to promote gas industrialisation. In the coming years, growing investment opportunities in this area will be a key part of NSIA's strategy.

Babban Gona Agreement Signing - NSIA Invested US$5.5 million in Babban Gona, a smallholder farmer company operating in Northern Nigeria.

The Authority invested US$5 million in Babban Gona, a smallholder farmer company operating in northern Nigeria. Babban Gona is an innovative social enterprise, which creates economies of scale for smallholder farmers by franchising a network of mini grassroots-level farmer cooperatives, called Trust Groups (TG).

NSIA, through its partnership with UFF Management (Mauritius) Limited, incorporated the UFF-NAIC Agriculture Management Company. The company is undertaking the development of a large agricultural production and processing facility in Panda, Nasarawa State. The facility, which is primarily aimed towards the production of poultry and fish feeds, will cultivate grains and other feedstuffs. It includes c1,500 ha of farmland for cultivating maize and soya beans, and an existing mill. Development plans include the expansion of the existing mill, the construction of a new industrial compound, and the construction of living quarters to accommodate the management team. This will allow for an overall increase in production and for better streamlined production processes.

Also, in 2018, NSIA through its wholly-owned SPV, NAIC-NPK Limited, continued the implementation of the Presidential Fertiliser Initiative (PFI). The project is aimed at delivering commercially-significant quantities of affordable and consistently high-quality NPK 20:10:10. The project has bolstered local production of farming products, while simultaneously reviving the local fertiliser blending industry and making fertiliser available to Nigerian farmers at reduced cost.

Presidential Infrastructure Development Fund (PIDF)

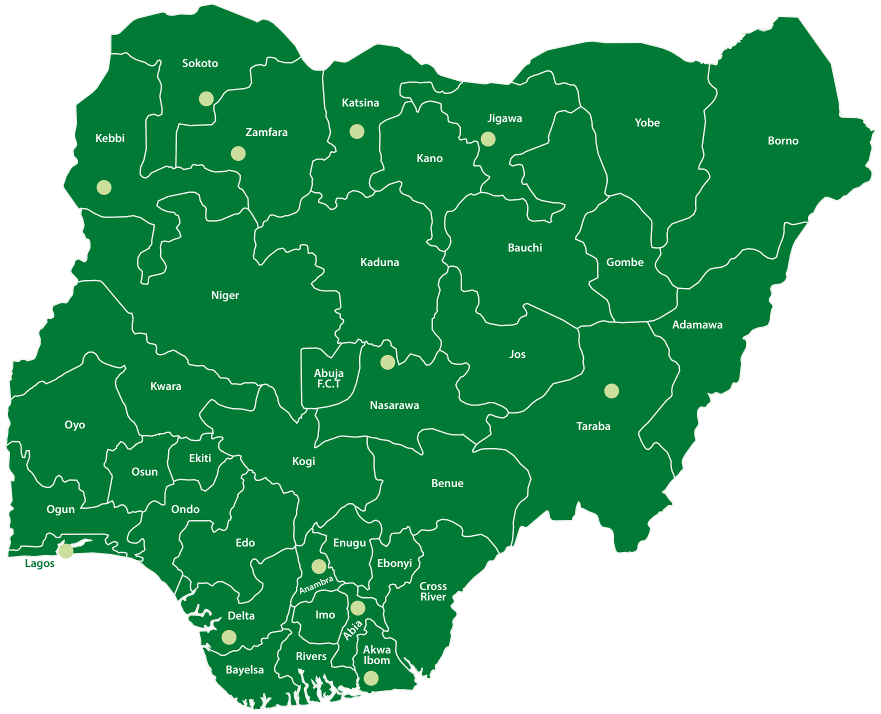
In February 2018, President Muhammadu Buhari approved the management of the Presidential Infrastructure Development Fund by NSIA to accelerate the execution of certain critical and strategic infrastructure projects that are essential to the rapid growth and modernisation of Nigeria's economy.

The PIDF, managed by NSIA, will attract and aggregate investment capital for the development of the following five infrastructure projects: (i) Lagos-Ibadan Expressway, (ii) 2nd Niger Bridge, (iii) Abuja-Kano Road, (iv) Mambilla Hydro-Power Project, and (v) East-West Road.

In May 2018, the National Economic Council (NEC) authorised the transfer of US$650 million from the NLNG dividends account to NSIA, forming the first instalment of the Government's contribution to PIDF. NSIA established a robust supervision plan and deployed international and local financial advisors to ensure compliance with its standards and made investments in Lagos-Ibadan Expressway, 2nd Niger-Bridge and Abuja-Kano Road.

Ongoing Rehabilitation of Lagos - Ibadan Express.

Development Impact Spread - 2018



LUTH, AKTH and FMCU Health Projects: a combined US$20 million investment to build, equip, maintain and operate a modern outpatient cancer treatment centre in Lagos and diagnostic facilities in Kano and Abia states.

The projects will provide much-needed diagnostics/cancer treatment services to c175,000 patients visits annually and provide training for over 100 healthcare professionals.

Presidential Infrastructure Development Fund (PIDF): five critical and strategic infrastructure projects situated across the country are currently being managed by NSIA.

The financing of these projects has the potential to yield anywhere between 394,000 and 886,000 new direct and indirect jobs for Nigerians.

InfraCredit: a specialised financial guarantor (capitalised with US$100 million), established to provide guarantees to enhance the credit quality of local currency infrastructure debt instruments.

The project is a potentially transformational initiative expected to catalyse up to US$1.2 billion in institutional capital (pension funds/insurance companies), towards the financing of infrastructure projects.

Bridge International Academies: an investment in the largest chain of schools in Africa, serving low-income communities.

The company is now taking over and improving State education systems under a new PPP model and educating 166,800 Nigerian students in 2018.

Presidential Fertiliser Initiative (PFI): a programme for the delivery of commercially-significant quantities of affordable and consistently high-quality NPK 20:10:10 fertiliser at the right time to Nigerian farmers.

To date, a total of 16 blending plants across Nigeria have been resuscitated; over five million 50 kg NPK bags are being supplied to the market.

Babban Gona: a US$5 million investment in a company that franchises approximately 4,200 grassroots-level Trust Groups and 21,000 small-holder farmers, across 14,000 hectares of land.

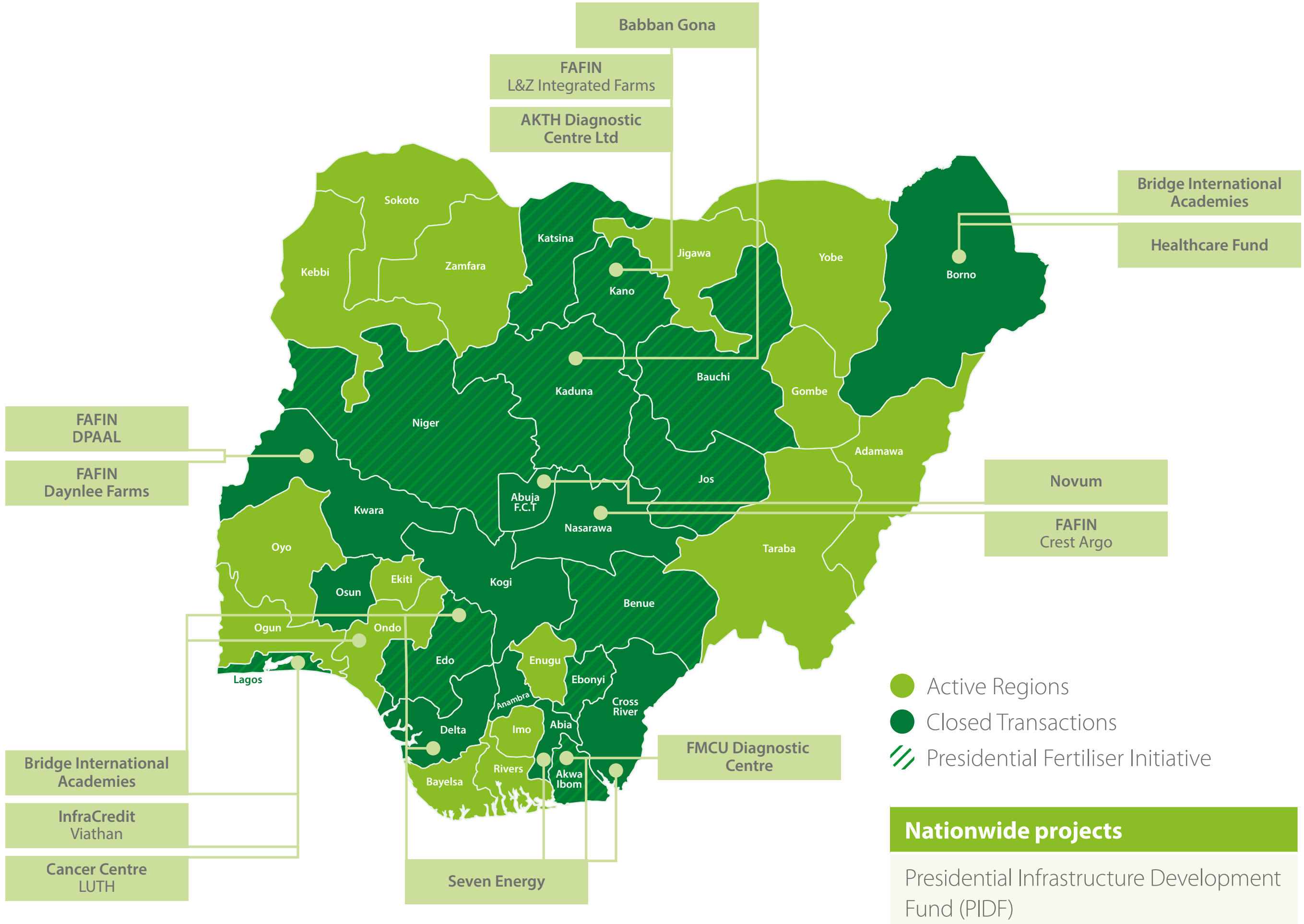
Healthcare

In 2018, NSIA through its subsidiary, NSIA Healthcare Development and Investment Company (NHDIC), continued to undertake the development of diagnostic centres and specialist healthcare facilities to be co-located within federal hospitals across the country.

The Authority commenced and concluded the construction phase of its Cancer Treatment Centre project at the Lagos University Teaching Hospital (LUTH). Structured under a public-private partnership (PPP) arrangement between NSIA and LUTH, the project is a US$10 million investment for the rehabilitation, equipping and operation of an existing cancer centre co-located in LUTH. The facility will provide advanced radiotherapy and chemotherapy treatment services to patients.

NHDIC also commenced the construction of diagnostic centres (US$5.5 million each) to be co-located at the Aminu Kano Teaching Hospital (AKTH) in Kano State, and at the Federal Medical Centre Umuahia (FMCU) in Abia State. The completion of both centres is estimated for Q3 2019.

Geographic Impact Spread



Nationwide projects

- Presidential Infrastructure Development Fund (PIDF)
- Nigeria Mortgage Refinancing Company
- CHD Nigeria Infrastructure Debt Fund (NIDF)
- MTN Nigeria

Third-Party Managed Funds

NSIA has proven expertise in investment and fund management across the domestic and global markets. The Authority has been quite successful with the investment and management of its core funds. Its investment strategies and risk management framework have preserved its capital and earned above-average returns in its six years of investing. NSIA is building a growing portfolio of third-party funds for management, leveraging its growing reputation as a savvy investment and fund manager.

For each third-party fund, NSIA deploys specific strategy that is suitable for it. Based on the individual mandate, the investment strategy is usually similar to that of the Stabilisation Fund (SF), the Future Generations Fund (FGF), or the Nigeria Infrastructure Fund (NIF) – the three funds into which NSIA's core capital is allocated.

NSIA has significant capacity to successfully manage third-party funds, based on the strategies for its three core funds. The Authority is also actively developing projects for co-investment, as part of the plan for growing its total Assets Under Management (AUM).

Presidential Infrastructure Development Fund

The Authority was appointed by the government in 2018 as the fund and investment manager for the Presidential Infrastructure Development Fund (PIDF). In 2018, the government released US$650 million as the first tranche of funding under PIDF for investment by NSIA.

As of year-end 2018, NSIA has invested US$260 million of the Fund. The PIDF currently covers four road projects and one power project. These are the Abuja-Kano Road, Lagos-Ibadan Expressway, 2nd Niger Bridge, East-West Road, and Mambilla hydropower.

Completed Piers of the 2nd Niger Bridge - View from the Western Approach.

Debt Management Office (DMO)

Prior to managing PIDF, NSIA was appointed as the investment manager for a US$200 million fund the government earmarked for investment in gas-to-power and power-related projects. The fund was part of the proceeds from the $1 billion Eurobond issued by the Federal Government through the DMO in July 2013. By the end of 2017, the DMO recalled US$100 million from the US$200 million it placed with NSIA. The balance of the capital is still being actively managed by the Authority.

NSIA's investment policy with regard to the DMO Fund mirrors that of the Nigeria Infrastructure Fund.

Nigerian Bulk Electricity Trader Plc (NBET)

In 2014, NBET, an agency of the Federal Government that manages and administers the electricity pool in the Nigerian electricity supply industry, allocated US$350 million for management by NSIA. The fund management mandate expired at the end of the second quarter of 2018 and NSIA has fully transferred the funds back to NBET along with all the income earned due to NBET.

The Authority invested the NBET Fund in accordance with NSIA's investment strategy for the Stabilisation Fund. The Authority aimed to balance NBET's short-term liquidity needs, safety of the fund, and above-average returns benchmark set by NBET.

Fund Management Agreement signing ceremony between NSIA and NBET back in 2014.

Making an Impact: investing in agriculture to drive job creation, enable import substitution and nurture of local expertise

NSIA takes a long-term approach to investments in agriculture. NSIA and Old Mutual, through its agriculture investment managers UFF African Agri Investments (UFF), have committed US$25 million each towards investment in large-scale agriculture projects, combined with out-grower schemes, in areas that facilitate employment, food security and import substitution. Invested US$5.5 million in an out-grower scheme for smallholder farmers covering 14,000 hectres of land and committed US$10 million to the US100 million Fund for Agricultural Finance in Nigeria (FAFIN) in partnership with the German Development Bank (KfW) and the Federal Ministry of Agriculture and Rural Development (FMARD).

Corporate Governance

Our People, Culture, Diversity and Technology

NSIA recognises its employees as a critical resource in delivering the Authority's mandate. The quality of our people is essential for outperforming on our corporate strategy as well as enabling sustainable growth. Therefore, NSIA promotes continuous learning and skills development of its employees. Our work environment engenders the spirit of excellence and an atmosphere for collaboration.

In 2018, our HR objective aimed at deepening our corporate values, namely discipline, transparency and integrity. These values constitute the fabric of our organisational culture.

During the year, a number of initiatives were executed, that were designed to increase personnel aptitude, build leadership skills, entrench diversity and inclusion, as well as foster job enrichment.

NSIA & People

Employees are recruited for very specific roles and make measurable contributions to the overall performance of NSIA. Our people understand the Authority's annual objectives and take personal responsibility for their execution, connecting their daily output to the achievement of the expected outcomes.

NSIA's work environment supports creative expression, innovation and freedom within the institution's frame of operation. Beyond empowering our employees to break new ground with each project or task, we encourage productive collaboration amongst employees and across teams.

NSIA commits significant levels of resources towards improving employee capacity to deliver on the job, leadership capabilities and overall career development. We recognise the difference in the learning abilities and skills of individual employees and work with each one of them to create an appropriate learning journey. Thus, the Authority invests in programmes that meet its employees' needs, in personal and functional areas, and as individuals or teams.

In 2018, NSIA achieved an average of 80 hours of classroom training for each employee. This is consistent with the target for the year. The Authority achieved its Employee Satisfaction Rating, while staff attrition rate was less than 4%.

NSIA is committed to building a diverse pool of future leaders seeking careers in investments, infrastructure finance and other related fields. Apart from investing in the professional development of our staff, we provide internship opportunities for undergraduate and postgraduate students to enable them acquire practical knowledge and work experience. The internship programme offers a wide range of opportunities for these students to gain insight into NSIA's operations, investment projects and development interventions. In 2018, five Nigerians interned at NSIA. We expect that the interns, like those before them at NSIA, would capitalise on the experience to get on a good career track.

NSIA & Culture

The theme of our brand culture is 'Building an enduring legacy, beyond a generation.' This reflects our commitment to sustainable economic performance of Nigeria. The three core funds of NSIA, the Stabilisation Fund (SF), the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF), are our vehicles for achieving this objective.

Our brand culture has six dimensions: i) Reliable Professional, ii) Trusted Champion, iii) Competent Innovator, iv) Informed Partner, v) Value Creator, and vi) Passionate Achiever. The first and second address who we are, the third and fourth are about how we work, and the fifth and sixth relate to how people see us.

NSIA's brand culture, in combination with our corporate philosophy, defines what we call the 'NSIA Way.' Every staff member is expected to understand the NSIA Way and imbibe the critical behaviours that guide our shared values, attitudes as well as our individual and collective performances.

The majority of our pioneer employees have remained at the Authority. This has helped to deepen the brand culture. We continue to leverage this culture, which attracts and retains best-in-class talent and distinguishes the Authority as a world-class organisation.

NSIA & Diversity

NSIA maintains diversity across its Board, management and staff. We practice inclusivity through respect for, and appreciation of, differences in ethnicity, age, gender, nationality, and religion. We prohibit all forms of discrimination against any of these differentiating identities even as we consider workplace diversity a critical plank for employee engagement.

This philosophy helps in fostering a merit-based and inclusive environment where different individuals with diverse skills and from diverse cultural backgrounds work as a team to promote our mandate and achieve our corporate targets. We are also aware that diversity is the key to a sustainable future.

Equal Opportunity

NSIA is an equal-opportunity employer. We recruit our employees through a transparent process and reward is purely on results. Demographic profiling is not a consideration in the manning strategy, as the Authority employs a merit-based recruitment system. Each NSIA employee is recruited mostly on the perceived ability to deliver a pre-defined outcome.

NSIA maintains a practice of equal pay and equal opportunity for similar roles and performance irrespective of gender.

Supporting the Employee

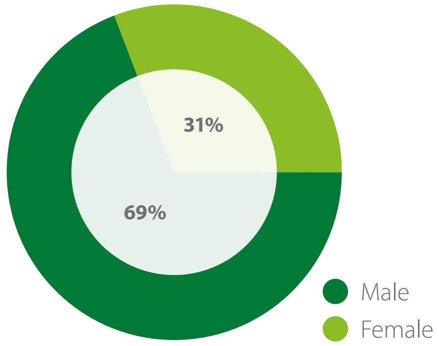
NSIA's HR policy is considerate towards female employees. We have provisions for paid maternity leave and care systems developed for women in the NSIA workplace. Male members of staff are also afforded paid paternity leave. With these benefits, the institution seeks to support its employees outside of the workplace.

Diversity is an integral component of our people strategy.

Learning constitutes a vital component of NSIA culture - Staff and guests, during a Leadership Series lecture with Prof. Koyinsola Ajayi (SAN), Managing Partners at Olaniwun Ajayi LP.

Leadership is committed to promoting a culture of shared values that deliver results.

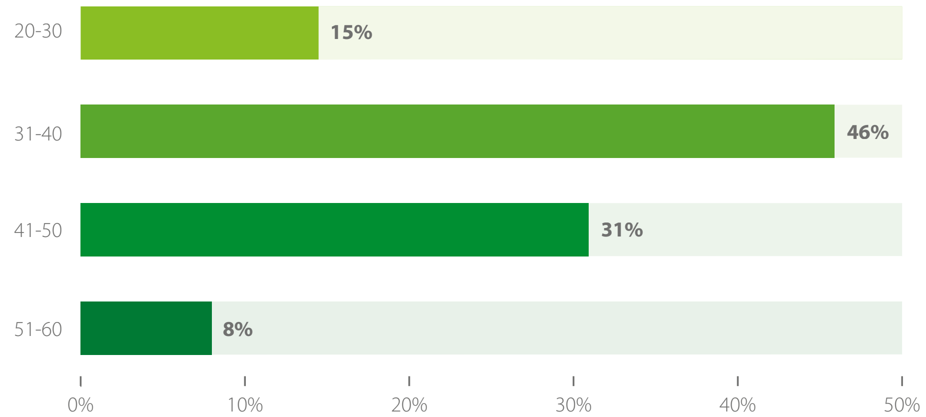
Ratio Of Male To Female Employees



An improved gender balance at the close of 2019.

The Authority is gradually introducing programmes to encourage onboarding of Generation Z to fuel innovation and enhance output for the future.

Age Profile Of Employees



2018 Initiatives

The Authority implemented several initiatives in 2018 to strengthen NSIA people, culture and diversity policies. These include an Employee Satisfaction Survey, employee engagement programmes, leadership series, and the Board approved the NSIA Female Network.

Job Satisfaction

NSIA is a premier investment institution, which operates with a private sector ethos. This is the guiding principle that motivates our people to work beyond the call of duty in achieving the Authority's mandate and corporate goals. This also means that the Authority is deeply committed to its employees, promoting their professional development, sustainable work-life balance and wellbeing.

In 2018, we conducted an Employee Satisfaction survey which was administered by Pendaxia, a strategy execution and human performance consulting company. The results were generally positive and offered feedback that have helped to identify areas of improvement in our working conditions, which are expected to promote efficiency, productivity and loyalty in our employees in 2019 and beyond.

Employee Engagement

NSIA is consistently broadening avenues for all staff to engage among themselves and with Management. The essence of our employee engagement strategies is to keep our people motivated, productive and involved. In 2018, we introduced a number of new initiatives and also held our conventional Employee Week, featuring Painting/Talent Hunt Night and Year-End Gift Exchange.

Employee Week: during our annual Employee Week in the year under review, NSIA's staff engaged in various activities designed to enhance their physical and mental strength. We also held sessions on personal financial management. The week-long activities culminated in an end-of-year party to which we invited other stakeholders.

Our 2018 end-of-year party was tagged "A Night at The Oscars." In the course of the event, staff were duly recognised for their contribution to the organisation and commitment to key initiatives within the year. NSIA's Executive Directors and some special guests presented plaques to the awardees. Moving citations were also given in honour of staff who were so recognised.

Lunch and Learn: This bite-sized learning programme was introduced in 2018. Lunch and Learn was introduced to be squeezed quarterly into one of the lunch periods. We held four sessions in 2018. The sessions enabled employees to develop inter-personal skills and enhance their knowledge. Each session lasted for about an hour and half and was led by an NSIA staff. Questions were fielded at the end of each session.

Leadership Series

Created in 2018, the NSIA Leadership Series was introduced to encourage employees to develop requisite skills. NSIA is committed to helping its people to reach their full potential. The programme is designed to provide an opportunity for NSIA employees to meet and learn from notable business leaders in the Nigerian corporate world. Professor Konyinsola Ajayi, SAN, Managing Partner at Olaniwun Ajayi LP, was invited for the inaugural session.

E-Repository

To create a repository of learning materials, an online platform was developed in 2018 to which resources from training and other events attended by staff for professional development can be uploaded. The E-Repository serves as a reference platform for staff and consultants to access a wide array of resources. It is expected that these learning resources will enhance our knowledge sharing and capacity development across the Authority.

NSIA Female Network

The NSIA Female Network (NFN) was established in 2017 to provide a platform for female employees to advance their professional and personal development. The platform continues to provide opportunities and tools for mentorship of female employees to help them assume future leadership roles within the Authority.

NSIA recognises the critical role women play in the growth of the Authority and in the accomplishment of our mandate. The Authority supports NFN in helping to achieve Sustainable Development Goal (SDG) 5, which aims to empower women and girls to reach their full potential.

In 2018, NFN organised two events in which members of the network hosted two female professionals comprising a lawyer and a counsellor and they explored various issues pertaining to the professional and personal development of the women.

The first event was geared towards effective management of the work-life-balance of NSIA's female employees. Mrs Olabisi Soyebo (SAN) offered her perspective on the subject of work life balance as it relates to female professionals while Mrs. Dupe Wigwe provided one-on-one counselling targeted at enabling female members of staff to achieve their full potential.

As of 31 December, 2018, our female staff constituted:
(a) 31% of total employees
(b) 37.5% of management positions
(c) 33% of Executive Management.

The Authority celebrates its people in ways that reinforces professionalism.

Talent Day - Beyond professional competence, NSIA encourages creative expression.

Go Karting - All members of staff unwind during the Annual Employee Week.

NSIA is leveraging digital technology to streamline its processes, improve cost-efficiency, increase productivity and optimally manage its funds.

NSIA continually invests in information technology as an enabler for operational excellence.

Technology

Technology adoption is of critical importance to NSIA's corporate and investment strategies. For this reason, the Authority made substantial investments in digitising its core and non-core functions in 2018. These investments enabled our employees to perform more optimally.

NSIA is leveraging digital technology to streamline its processes, improve cost-efficiency, increase productivity and optimally manage its funds. In early 2018, we commenced the process of automating our back-office functions, especially those related to record maintenance, accounting, and personnel management. Our hitherto paper-based processes are now automated. The intranet site was revamped to improve collaboration and communication among staff. Basic operational activities are now conducted through paperless procedures on the ERP application.

The digitisation of our document filing system was also embarked upon in the review period to provide the most durable way of archiving and most effective way of retrieving and organising our files. This will help to enhance ease of access and tracking of hard copy documents. Among the benefits of our technology adoption-drive is the strengthening of our audit and reporting processes. In the long-run, NSIA expects to reduce recurring costs.

A significant milestone attained by NSIA in 2018 was the investment made in the procurement of an Enterprise Resource Planning (ERP) solution. The decision to invest in an ERP solution is in line with our strategy for the next phase of our evolution as we strive to attain operational excellence. Amongst the many benefits of the ERP system, it will enable us to streamline, automate and integrate many of our processes; improve cross-functional collaboration and operational efficiency; embed and enforce operational controls; and swiftly and accurately generate and analyse reports. Another benefit is that it will optimise the development and management of our growing portfolio of investments in infrastructure projects. Implementation of the ERP solution is expected to be completed by mid-2019.

In terms of business continuity, NSIA commenced the implementation of its disaster recovery site in line with its Business Continuity Plan. The process will enable the Authority to recover adequately in the event of an unforeseen disruption or disaster. The recovery system has been designed to foster NSIA's IT security in the event of such occurrences.

NSIA's IT infrastructure and systems were safe and secure throughout the year. In line with our targets, no incident of cyberattack was experienced by the Authority in 2018.

Governance

Corporate Governance

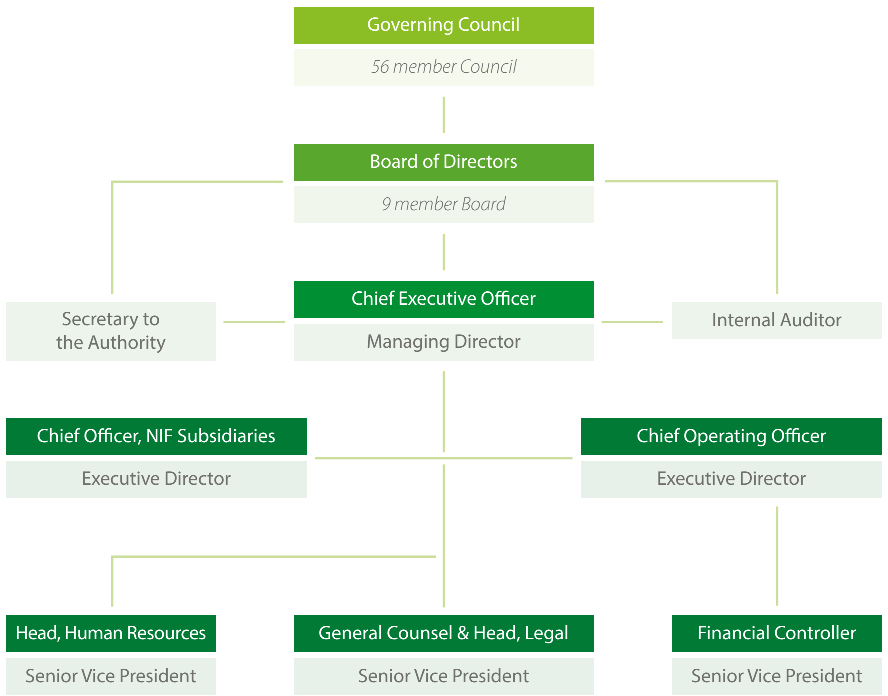
The consistently strong performance of NSIA since it started operations, has been underpinned by our adherence to corporate governance best practices. We have designed our corporate governance structure to deliver optimal value to all our stakeholders.

NSIA upholds world-class standards in all aspects of corporate governance, including Board oversight, risk management, and strict operational guidelines. NSIA engages in active monitoring and evaluation of the performances of its investment portfolios and people. We aim to achieve financial, economic, social and environmental returns on investment.

NSIA is run along the best commercial principles and philosophies applicable to the private sector. Our governance practices strengthen operational efficiency and drive effectiveness across the organisation. Our core values of integrity, transparency and discipline continue to underpin our corporate behaviour, helping to drive the NSIA Way across the entire organisation.

NSIA is a member of the International Forum of Sovereign Wealth Funds (IFSWF) and a signatory to the Santiago Principles. We subscribe to the ethos of transparency, good governance, accountability and prudent investment practices. In 2017, we established a web-based whistleblowing platform to further strengthen our accountability system.

Figure 3.2 depicts the governance structure of NSIA



NSIA upholds world-class standards in all aspects of corporate governance, including Board oversight, risk management, and strict operational guidelines.

NSIA's corporate governance policies and practices are continually evolving. We periodically review the policies to align with global best practices and in accordance with Nigerian laws.

Code of Corporate Governance
NSIA's Code of Corporate Governance is reviewed periodically to align with global best practices. Complementary to the Code, the Authority promotes its core values to employees through the following:

- Code of Conduct
- Compliance Risk Management Framework
- Communications Policy
- Ethics Policy
- Statements of Ethical Investment Principles
- Subsidiary Governance Framework
- Whistle-blowing Policy

The Communications policy and Staff Handbook regulate employee relations with both internal and external parties. This is a strong indicator of the Authority's determination to ensure that its employees remain professional at all times in their business practices. The Authority also has an entrenched culture of openness in which healthy discourse is encouraged and employees are mandated to report improper activities.

Governance Framework
NSIA is governed under a framework that enables the Board to effectively discharge its oversight functions while providing strategic direction to the Authority. Additionally, the Board is responsible for ensuring high standards of corporate governance across the Authority and its subsidiaries. The Board recognises that effective corporate governance is a key imperative to achieving the Authority's mandate. In this regard, NSIA Board of Directors' Charter sets out the roles and procedures of the Board and its Committees. The various Committees also have charters guiding their activities.

NSIA's corporate governance policies and practices are continually evolving. We periodically review the policies to align with global best practices and in accordance with Nigerian laws.

Governing Council
The Governing Council is the 'Advisory Body' of NSIA and gives counsel to the Board of Directors. The Council consists of:
- His Excellency, the President of the Federal Republic of Nigeria (who may be represented by His Excellency, the Vice President);
- All 36 State Governors;
- The Honourable Minister of the Federal Capital Territory (FCT);
- The Honourable Minister of Finance;
- Attorney General of the Federation;
- The Governor of Central Bank of Nigeria (CBN);
- The Chief Economic Adviser to the President;
- The Chairman, 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 of raising questions on the operations and performance of NSIA, obtaining clarifications and giving guidance and counsel to the Board, while observing the independence of the Board and Management.

The Governing Council holds its annual meetings following the publication of the Financial Statements for the year.

Board of Directors

Section 15 of the NSIA Establishment etc Act. 2011 outlines the roles of the Board of Directors. Specifically, the Act states that 'the Board of Directors shall be responsible for the attainment of the objects of the Authority, the making of policies and general supervision of the management and affairs of the Authority and such other functions conferred upon it by any other provision of the Act.'

Our Board is committed to sound and effective corporate governance practices. Since assuming office, the new Board has approved policies that will sustain the balance of skills, knowledge and experience required to steer the affairs of the Authority in an ever-challenging environment.

In addition to the Board's direct supervisory role, the Board exercises its oversight responsibilities through five Committees: Externally Managed Investments Committee; Direct Investments Committee; Audit Committee; Finance & General Purpose Committee; and Compensation and Human Resources Committee.

The Board Committees play a pivotal role in NSIA. The Committees work with Management to ensure that the Authority is efficient, performance-driven and financially stable. The Committees see to it that interactive dialogue is employed in the process of setting broad policy guidelines that drive proper management and set direction for the Authority on a regular basis.

The Board and its Committees meet quarterly while additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolutions. The Board held eight meetings during the financial year ended 31 December 2018.

Responsibilities of the Board

The Board determines the strategic objectives and policies of the Authority. The aim is to deliver long-term value by providing overall strategic direction within a framework of rewards, incentives and controls.

The Board performs its oversight functions through well-structured, planned, and assigned Committees by leveraging the expertise of all the Directors. The Board also ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving compliance with governance principles and economic performance.

Powers reserved for the Board include the approval of quarterly, half-yearly and full-year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices. The Board also reserves the power of approval for major changes to the Authority's corporate structure and the determination and approval of the strategic objectives and policies of the Authority to deliver long-term value. The strategy, medium and short-term plan, and the annual operating and capital expenditure budget of NSIA are to be approved by the Board, as well as the appointment or removal of Auditors and the remuneration of Auditors.

Mr. Asue Ighodalo and Mr. U.K. Eke, both NSIA NEDs, during a project inspection in Lagos.

Alh. Bello Maccodo and Ms. Halima Buba during the NLCC commissioning ceremony.

Other powers reserved for the Board are the determination of Board structure, succession planning for senior management, establishment of subsidiaries; approval of remuneration policy and packages for staff; appointment of the Managing Director and other directors of subsidiaries; approval of the Board Performance Evaluation process; Corporate governance framework; review of the performance of the Managing and Executive Directors; approval of policy documents on significant issues, including Enterprise-wide Risk Management, Investments, Finance, Human Resources, Communications, Corporate Governance; and approval of all matters of importance to the Authority as a whole because of their strategic, financial, risk or reputational implications or consequences.

Roles of the Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and no one individual can combine the two positions. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information, enabling the Board to take informed decisions and provide advice to promote the success of the Authority. The Chairman also promotes effective relationships and open communications between the Executive and Non-Executive Directors, both inside and outside the Boardroom.

The Board has delegated the responsibility for the day-to-day management of the Authority to the Managing Director and Chief Executive Officer, who is supported by two Executive Directors.

The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors. Executive Management is accountable to the Board for the development and implementation of strategies and policies. The Board regularly reviews Group performance, matters of strategic concern and any other matter it regards as material.

ED, Aminu Umar-Sadiq; MD & CEO, Uche Orji and ED & COO, Stella Ojekwe-Onyejeli fielding questions from the Media at an NSIA Press Briefing.

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Funds Management
Corporate Governance
Risk Management
Financial Highlights
Other Disclosures

Board of Directors

Members of the Board of Directors

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 (Managing Director & Chief Executive Officer and two other Executive Directors) and five Non-Executive Directors.

The members of NSIA Board of Directors bring a diverse range of skills and competences from an assortment of relevant backgrounds. The members are:

- Mr Olajide Zeitlin, Chairman, BOD[1]
- Mr Uche Orji, MD & CEO[2]
- Mrs Stella Ojekwe-Onyejeli, ED & COO[3]
- Mr Aminu Umar-Sadiq, ED & CIO[4]
- Ms Halima Buba, NED[5]
- Mr Urum Kalu Eke, MFR, NED
- Mr Asue Ighodalo, NED
- Mr Bello Maccido, NED
- Ms Lois Laraba Machunga-Disu, NED

This team of highly-qualified professionals with proven credentials and globally-tested market experience, constitutes the highest decision-making body responsible for governance and policy at NSIA.

1. BOD:	Board of Directors
2. MD & CEO:	Managing Director and Chief Executive Officer
3. ED & COO:	Executive Director and Chief Operating Officer, reappointed in February 2019
4. ED:	Executive Director, Appointed in February 2019
5. NED:	Non Executive Director

Mr Jide Zeitlin
Chairman, Board of Directors

Mr Jide Zeitlin is the Founder of The Keffi Group, a private investor group focused on life sciences, natural resources and financial services in the Middle East and Africa. He is also the Chairman and Chief Executive Officer of Tapestry, the parent company for luxury brands; Coach New York, Kate Spade New York and Stuart Weitzman. He brings more than three decades of investment banking experience to his role as Chairman of the Board of Directors of NSIA.

Mr Zeitlin joined Goldman Sachs & Co. in 1987 and rose to become a Partner in 1996. He served as the Global Chief Operating Officer in the investment banking division of the bank until his departure in December 2005. His career at Goldman Sachs included a number of senior management positions in the investment division, where he focused on the industrial and healthcare industries; he also served in the Executive Office.

Mr Zeitlin serves on the board of Affiliated Managers Group, Inc., and is Chairman Emeritus of Amherst College. He is, or has been, a member of numerous boards, including Milton Academy, the Harvard Business School Board of Dean's Advisors, Teach for America, Doris Duke Charitable Foundation, Montefiore Medical Center, Playwrights Horizons, Saint Ann's School and Common Ground Community. He also serves as a Director of Cogentus Pharmaceuticals, Inc.

Mr Zeitlin was nominated as a Representative of the United States of America to the United Nations for U.N. Management and Reform, with the rank of Ambassador. He was a member of the Economics and International Trade Team tasked with reviewing the Department of the Treasury during the Obama Transition.

Prior to his appointment as the Chairman of the Board of NSIA, Mr Zeitlin was a member of the inaugural Board of the Authority where he served as Chairman of the Investments Committee.

Mr Zeitlin holds a BA in Economics and English, graduating magna cum laude from Amherst College in 1985. He also holds an MBA from Harvard University, obtained in 1987.

Mr Uche Orji
Managing Director and
Chief Executive Officer

Mr Uche Orji is the Managing Director and Chief Executive Officer of Nigeria Sovereign Investment Authority (NSIA). He was appointed the pioneer Chief Executive of NSIA in 2012 by President Goodluck Jonathan and reappointed for another five-year term in 2017 by President Muhammadu Buhari.

Mr Orji joined NSIA from UBS Securities, where he was Managing Director in the New York office of its Equities Division. Before then, he had spent six years at JP Morgan Securities, London, from 2001-2006, where he rose from the position of Vice President to Managing Director in the Equities Division.

Mr Orji also worked at Goldman Sachs Asset Management, London, from 1998 to 2001. He joined the firm as an Associate and rose to become an Executive Director before resigning in 2001. Earlier, he was the Financial Controller at Diamond Bank Plc., Lagos, Nigeria; and he previously worked at Arthur Andersen & Co.

Until he assumed his position at NSIA, Mr Orji was a regular commentator for leading research and asset management publications. He provided strategic advice to the management of semiconductor companies such as Intel Electronics, Taiwan Semiconductor Manufacturing Company, Samsung Electronics and Texas Instruments. He also co-authored more than 200 research pieces on the semiconductor sector as well as the broader technology investment sectors. He advised several global portfolio management firms and sovereign wealth funds (SWFs).

Mr Orji has led the Management of NSIA to become a trusted advisor to the Federal Government of Nigeria. He has been instrumental in developing many transformational initiatives of the government, including the Presidential Fertiliser Initiative and the Presidential Infrastructure Development Fund, which are managed by NSIA. Mr Orji's visionary leadership has inspired the success of NSIA in the short period of its existence, nurturing the Authority to become one of Africa's most respected SWFs, and attracting foreign direct investment into the country.

Mr Orji currently serves on the Boards of Infrastructure Credit Guarantee Company Ltd (InfraCredit), Development Bank of Nigeria (DBN) and Nigeria Mortgage Refinance Company (NMRC) and NG Clearing Ltd.

Mr Orji holds a B.Eng (Chemical Engineering, obtained from the University of Port Harcourt, Nigeria, in 1990. He also obtained an MBA from Harvard Business School in 1998.

Mrs Stella Ojekwe-Onyejeli
Executive Director and
Chief Operating Officer

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

She joined the Authority in 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.

Mrs Ojekwe-Onyejeli 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 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 currently serves on the Boards of Infrastructure Credit Guarantee Company Limited (InfraCredit) and Bridge International Academies.

Mrs Ojekwe-Onyejeli holds a first degree in Chemistry from the University of Lagos, and an MBA from Cranfield School of Management in the United Kingdom. She is also a Fellow of the Institute of Chartered Accountants of Nigeria.

Mr Aminu Umar-Sadiq
Executive Director

Mr Umar-Sadiq has significant experience in investment banking, private equity and public finance, including his most recent role at NSIA where he served as a Senior Vice-President and Deputy Head, Infrastructure.

Since joining NSIA, Mr Umar-Sadiq has led the development, execution and management of critical domestic infrastructure projects in the agriculture, healthcare, motorways, real-estate and power sectors.

Prior to joining NSIA, he worked in mergers and acquisitions at Morgan Stanley focused on the Energy and Utilities sectors. He also worked with Denham Capital Management, an oil and gas, mining, and power-focused private-equity fund.

A Bauchi-State academic scholar, Aminu holds Bachelor's and Master's degrees in Engineering Sciences from the University of Oxford.

He is an Archbishop Desmond Tutu Fellow, a Nigeria Leadership Initiative Associate and a Mandela Washington Fellow.

Ms Halima Buba
Non-Executive Director

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

Her career spanned several commercial banks, where she rose to the level of Deputy General Manager at Ecobank Nigeria, before she resigned to take up appointment as a pioneer member of the Executive Management at TAJ Consortium Nigeria Ltd.

Ms Buba is a committed humanitarian. She serves as Patron at Community Project Management Committee, Michika. She also served on the Board of Adamawa Homes and Savings Ltd.

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

Mr Urum Kalu (UK) Eke, MFR
Non-Executive Director and Chair, Externally Managed Investments Committee

Mr. Urum Kalu Eke is a financial services expert and currently serves as Group Managing Director, FBN Holdings Plc. He is also a Non-Executive Director of First Bank of Nigeria Limited, and FBN Merchant Bank Limited.

Mr Eke joined the Board of First Bank Plc, an FBN Holdings Company, in 2011 as Executive Director, Public Sector South. Prior to this, he was Executive Director, Regional Businesses, Lagos and West at Diamond Bank Plc. His prior work experience includes a stint at Deloitte Haskins & Sells International. Mr Eke has over 35 years' experience in financial services covering auditing, business assurance, consulting, taxation, process re-engineering and capital market operations.

He is a Fellow of the Chartered Institute of Bankers of Nigeria, a Fellow of the Institute of Management Consultants, Institute of Directors, and Institute of Chartered Accountants of Nigeria.

A philanthropist and business leader, he is the Founder and Chairman of Elder K.U. Eke Memorial Foundation, an entity set up in 2001 to provide humanitarian aid in Nigeria. He is a Patron, Lagos State Council, Boys' Brigade Nigeria and a Paul Harris Fellow of The Rotary Club International.

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

Mr Asue Ighodalo
Non-Executive Director and Chair, Compensation & Human Resources Committee

Mr Asue Ighodalo is a founding partner of Banwo & Ighodalo, a multi-disciplinary law firm providing legal advice on numerous aspects of corporate and commercial Nigerian law.

Mr Ighodalo obtained a 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 called 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. He is the Chairman of Sterling Bank Plc and Dangote Flour Mills Plc. 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 Ighodalo is an alumnus of Georgetown University, Harvard Business School, Aspen Institute and INSEAD Business School, where he has undertaken several executive education programmes.

Mr Bello Maccido
Non-Executive Director and Chair, Direct Investments Committee

Mr Maccido is an accomplished corporate and investment banker with over 31 years post graduate experience, 26 of which were in the financial services industry.

He commenced his career at Ecobank Nigeria Plc and steadily rose through the ranks within the banking industry culminating in his appointment as Executive Director in charge of Retail banking at First Bank of Nigeria Limited. With the change in the structure of the First bank Group to a financial holding company in 2012, Mr Maccido subsequently became the pioneer Group CEO of FBN Holdings Plc.

In the course of his career, he was also the pioneer CEO of Legacy Pension Managers Limited (now FCMB Pension), a pension administration company, during which period he took the company through financial breakeven to operating profitability.

He had, 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, FBNQuest Merchant Bank Ltd, the investment banking arm of FBN Group.

Mr Maccido is a Fellow of both the Chartered Institute of Stockbrokers and the Chartered Institute of Bankers of Nigeria. He holds a Law Degree (LL.B), and two MBAs 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, The Wharton School, INSEAD Business School, Fontainebleau, France and IMD, Lausanne, Switzerland.

Ms Lois Laraba Machunga-Disu
Non-Executive Director and Chair, Audit and Finance & General-Purpose Committees

Ms Lois Machunga-Disu is a petroleum energy economist and analyst with over 30 years' oil and gas industry experience. She is the Chief Executive Officer of JALZ Energy, an oil and gas consulting and technical services provider.

Mrs. Machunga-Disu worked for 21 years at the Nigerian National Petroleum Corporation (NNPC), where she held senior management positions with and garnered experience in exploration and production (E&P), and joint-interest management with the major international oil companies (IOCs). Some of the functions she was responsible for at NNPC included budget and long-term strategic planning. She was also involved in the management of large-scale engineering development.

Ms Machunga-Disu has been involved in policy formulation and governance reform through participation in many Presidential, Parliamentary, Ministerial and private sector committees. She serves as adviser to various international development agencies and local NGOs.

Ms Machunga-Disu holds a BSc in Social Science from Ahmadu Bello University, Zaria; a Postgraduate Diploma in Petroleum Management (CPS, Oxford, UK); and Postgraduate Diploma in Management Science from Imperial College, London.

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.

Board Committees

A functional Board Committee structure is central to the Board's ability to provide oversight. Given the changes in the Authority's organogram, it was also necessary to realign the Board Committee structure. To this effect, new committees were evolved as follows:

a) Externally Managed Investments Committee:
The Committee assists the Board in fulfilling its oversight responsibility for the externally-managed investments of NSIA. The Committee oversees investment processes, strategies and policies employed with respect to the assets under the Stabilisation Fund and the Future Generations Fund. Its members are:
i) Urum K. Eke, MFR (Chair)
ii) Halima Buba
iii) Asue Ighodalo

b) Direct Investments Committee
The Committee assists the Board in overseeing policies, strategies and implementation framework for domestic infrastructure investment within the Nigeria Infrastructure Fund. Members of the Committee are:
i) Bello Maccido (Chair)
ii) Lois Machunga-Disu
iii) Asue Ighodalo

c) Audit Committee
The Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of NSIA's internal controls environment and general compliance with internal policies and procedures as well as applicable laws and regulations. Its members are:
i) Lois Machunga-Disu (Chair)
ii) Urum K. Eke, MFR
iii) Halima Buba

d) Finance & General-Purpose Committee
This Committee assists the Board in overseeing the accounting and financial reporting policies and practices, operational risk and compliance programmes as well as the operational and administrative functions of NSIA. The Committee also acts as the Authority's Tenders Board. Members are:
i) Lois Machunga-Disu (Chair)
ii) Urum K. Eke, MFR
iii) Halima Buba

e) Compensation & Human Resources Committee
The Committee assists the Board in fulfilling its oversight responsibility of setting policies for the compensation of employees and employee issues that are consistent with NSIA's long-term objectives. The Committee's oversight also extends to Governance and Nominations responsibilities, on behalf of the Board. The members of the Committee are:
i) Asue Ighodalo (Chair)
ii) Halima Buba
iii) Bello Maccido

2018 Board Meeting Attendance Schedule

✓ Present x Absent

Name	Feb 16	Mar 23	May 10	May 30/31	Jul 30	Sep 13/14	Nov 15	Dec 20
Jide Zeitlin	✓	✓	✓	✓	✓	✓	✓	✓
Uche Orji	✓	✓	✓	✓	✓	✓	✓	✓
Stella Ojekwe-Onyejeli	✓	✓	✓	✓	✓	✓	✓	✓
Hanspeter Ackermann	✓	✓	✓	✓	✓	x	x	x
Halima Buba	✓	✓	✓	✓	✓	✓	✓	✓
UK Eke MFR	✓	✓	✓	✓	✓	✓	✓	✓
Asue Ighodalo	✓	✓	✓	✓	✓	✓	✓	✓
Bello Maccido	✓	✓	✓	✓	✓	✓	✓	✓
Lois Machunga-Disu	✓	✓	✓	✓	✓	✓	✓	x

Technology continues to aid governance in NSIA as Directors can join Board Meetings virtually.

Making an Impact: investing in education to equip the next generation for opportunities in life and broaden the horizon of children in Nigerian schools

A US$5 million investment was made by NSIA in Bridge International Academies (BIA) to improve the quality of education for millions of Nigerian students. Bridge Academies is a for-profit social enterprise and the largest chain of schools in Africa serving low income communities in Africa.

The company is now taking over and enterprise is improving State education systems across States in Nigeria under a new PPP model, and billed, it aims to educate about 281,000 students by end of 2019.

Risk Management

Risk Overview

Developments in Global Risks

The global economy in 2018 was strewn with uncertainty, risk and opportunities. The major causes of uncertainty were geopolitical risks associated with Britain's withdrawal from the European Union (EU), potential mishaps arising from the face-off between the administration of United States President Donald Trump and Iran, and US trade tensions with China.

After 20 months of negotiations, British Prime Minister Theresa May got her Brexit agreement approved by the EU on November 25th, 2018. The negotiations had been fraught, with the uncompromising Brexiteers within the ruling Conservative Party pushing for a 'hard' Brexit. This was sometimes interpreted as a possible 'no-deal' Brexit. But many analyses warned that leaving the EU without a deal could bring disastrous consequences. According to a report by the Bank of England, a no-deal Brexit scenario could cause UK unemployment to rise to 7.5%, house prices to fall by 30%, the pound to crash, and the GDP to shrink by 8% in 2019.

The Brexit agreement Theresa May secured suffered a crushing defeat when the UK parliament twice held meaningful votes on it, leading to the extension of the withdrawal date from the original March 29th, 2019 to October 31st, 2019.

2018 also witnessed fears of conflict between the United States and Iran. In May 2018, the Trump administration withdrew from the Joint Comprehensive Plan of Action (JCPOA), which the US, France, China, Germany, Russia and the UK reached with Iran in 2015. The agreement was signed to put a lid on uranium enrichment by Iran, ensuring the country does not develop nuclear weapon. While Iran insisted, with corroboration by other parties to the agreement, that it was keeping to its terms, the US wanted the agreement renegotiated to accommodate, amongst other provisions, that Iran should stop its 'destabilising' activities in the Middle East.

With Iran refusing renegotiation of the JCPOA, the US reinstated sanctions against the country. This became a point of disagreement between the US and its Western allies whom President Trump wanted to co-opt in enforcing the new sanctions. But Iran was defiant, relying on its geo-strategic leverage and substantial military capabilities – not in terms of direct confrontation with the US – to disrupt global oil supply and undermine Western interests in the Middle East.

But the trade tensions between the US and China, the world's two largest economies, spooked investors. Perhaps as a gambit for negotiation, the US imposed tariffs on US$50 billion worth of Chinese exports to the United States in June 2018. Following Beijing's retaliatory tariff measures in the same month, Trump threatened to impose tariffs an additional US$200 billion of Chinese goods. By the last quarter of 2018, concerns about tit-for-tat tariff impositions by the two countries caused volatility in global equity markets, which significantly eroded the gains investors had made in the first half of the year.

Another risk of global negative supply shock in 2018 was the emerging cold war between the world's two largest economies over technology. Citing national security concerns, the Pentagon banned the sale of phones produced by Chinese tech giants, Huawei and ZTE, on US military bases in May. In August, the US President signed a bill banning the use of Huawei and ZTE technology by government contractors. The US also pressurised its Western allies to ban Huawei from participating in their 5G rollouts.

Apart from the Sino-American competition for dominance over the industries of the future, such as artificial intelligence (AI), robotics, 5G, among others, the tech war and other geopolitical events were seen to pose significant risks of deglobalisation, which will mean diminished integration and trade.

However, the World Economic Forum's (WEF) survey of nearly 1,000 global experts and decision-makers identified extreme weather events, natural disasters, cyberattacks, data fraud or theft, and failure of climate change mitigation and adaptation – in that order – as the top five likely global risks in 2018. The risk perception survey also identified weapons of mass destruction, extreme weather events, natural disasters, failure of climate change mitigation and adaptation, and water crises as the top five global risks with potentially the most impacts.

Further insights from the WEF Global Risks Report 2018 were that economic risks (asset bubbles, deflation, inflation, illicit trades, fiscal crises); geopolitical risks (terrorist attacks, weapons of mass destruction, state crises or collapse, failure of state governance); and societal risks (food crises, water crises, spread of infectious diseases, and large-scale involuntary migration) were no longer regarded as top global risks.

NSIA NEDs and the Executive Management Team conducting a pre-investment site inspection.

To underscore the prevalence of cyberattacks as a growing threat, hackers gained access to the records of over 30 million Facebook users. Records of 75,000 enrollees of the US Medicare and Medicaid were hacked on the HealthCare.gov server.

2018 witnessed several extreme environmental events. In June, Oman recorded its highest 24-hour minimum temperature of 42.6°C (108.7°F). This was a new Asian record. Algeria also recorded the highest temperature on record in Africa, reaching 51.3°C (124°F) in July. In one week between July ending and early August, 57 people reportedly died and more than 18,347 were taken to hospital as Japan contended with severe heat waves.

Greece witnessed extensive fires that killed scores of people. Australia also experienced devastating bushfires, coupled with scorching heat waves. Changing precipitation patterns also saw record-high rainfall, extensive flooding, mudslides and drought in South-east Asia, causing thousands of houses to be damaged, hundreds of lives lost, and large-scale involuntary migration. Hurricane Florence and Hurricane Michael, which swept across the Carolinas and Florida, respectively, were two of the most destructive storms in US history. Typhoon Mangkhut also ravaged the Philippines and Hong Kong.

Technological risks – defined to include large-scale cyberattacks, massive incident data fraud/theft, breakdown of critical information infrastructure and networks, and the adverse consequences of technological advancements – also held sway in 2018. The number and cost of cyberattacks grew during the year, relative to 2017. A joint study by Ponemon Institute and IBM found that the average total cost to businesses that experienced data breaches rose 6.4% to US$3.86 million in 2018, compared to 2017.

Some of the large-scale cyberattacks reported during the year included hacking of the database of MyFitnessPal in which over 150 million usernames, emails and passwords were stolen. Ticketfly was the target of a malicious cyberattack in which over 26 million of its customers' records were illegally accessed. In August 2018, British Airways reported that the personal data of approximately 380,000 travellers who purchased plane tickets on its website and mobile app were stolen. The theft included full credit card information.

To underscore the prevalence of cyberattacks as a growing threat, hackers gained access to the records of over 30 million Facebook users. Records of 75,000 enrollees of the US Medicare and Medicaid were hacked on the HealthCare.gov server. Also, Starwood Hotels confirmed that up to 500 million hotel guests' information had been stolen in a data breach. Although the breach was detected in September 2018, the attack dated back to 2014, and is one of the largest in history.

But 2018 had started on a more optimistic note. The global economy appeared to have picked up pace by 2017 when growth reached 3.8%. In the second quarter of 2018, the US economy accelerated to 4.1% growth, with consumer spending advancing by 4%, and non-residential business investment grew by 7.3%.

However, the outlook was dampened by the US-China trade tensions in the second half of the year. Accordingly, the IMF slashed its estimate for world output growth for the year to 3.6%. In general, the advanced economies decelerated with growth softening to 2.2% in 2018, compared to 2.4% in 2017.

Emerging and developing Asian and Latin American economies also slowed in 2018. However, Sub-Saharan Africa (SSA) experienced a recovery in economic growth as oil producing countries in the region benefited from higher oil prices and increased oil production.

Nigeria Risk Environment in 2018

Political risk and physical insecurity risk were the most significant risks the Nigerian domestic environment faced throughout the year. The perception of political risk was fuelled by the 2019 general elections, which were slated for the first quarter of the year, although many of the political events of the calendar for the elections occurred in 2018. Such fraught events included party primaries and much of the campaign events.

With the established cycle of voting, the year preceding general elections features more fiscal spending by the government to deliver infrastructure projects as tangible dividend of democracy. The long-term effect of such spending on road, rail and power projects is usually positive for the economy. The projects also provide business and investment opportunities for the private sector.

Some of the projects that received government's attention in 2018 included the Kaduna-Kano Railway line; Lagos-Kano Railway Modernization Project; Mambilla Hydro Power Plant; rehabilitation, reconstruction and expansion of Lagos-Ibadan dual carriage way; and construction work on the Lagos-Ibadan Railway line.

2018 saw increased fiscal spending on infrastructure projects and budgetary allocation for the organising and procurement of materials for the general elections. The National Assembly passed the budget of ₦242 billion for Independent National Electoral Commission (INEC) to conduct the general elections. These fiscal appropriations, also combined with campaign expenditures of the political parties and their candidates, increased the quantity of money in circulation and created inflationary pressure in the economy.

On account of the foregoing, the Consumer Price Index (CPI), as recorded by the National Bureau of Statistics (NBS) rose in August 2018 for the first time in 18 months. Headline inflation rose marginally year-on-year from 11.14% in July to 11.23% in the following month. By December 2018, the year-on-year inflation number further inched up to 11.44%, from 11.28% in the previous month.

The nation's foreign reserves also dropped from circa $48 billion in July 2018 to circa $43 billion by October 2018. The Central Bank of Nigeria (CBN) had to use part of the reserves to maintain stability in the value of the naira.

A further negative economic impact of general elections in Nigeria is that foreign investors tend to retreat from making long-term investment commitments. The perception of political risk also tends to drive a sell-off in the domestic equity market. Accordingly, Foreign Direct Investment (FDI) flows into the country declined in 2018, as did the All-Share Index (ASI) of the Nigerian Stock Exchange (NSE).

The 2019 World Investment Report Data by the United Nations Conference on Trade and Development (UNCTAD), shows that FDI flows to Nigeria totalled $2.0 billion in 2018, which represents an 84% drop compared to the $3.5 billion flows achieved in 2017. The NSE's ASI and market capitalisation fell by 17.81% and 13.87%, respectively, in 2018 on bearish investor sentiment.

Some physical security risk incidents occurred early in the year. In response, President Buhari, in March, visited several states affected by insurgency, communal clashes and other forms of crises across the country. His visits offered condolences to the families of victims and also provided assurance of the commitment of his government to the security of lives and property in the country. Some of the states he visited included Taraba, Plateau, Benue, Yobe and Zamfara.

Despite seeking re-election in 2019, President Buhari continued to pursue fiscal reform. He approved the extension of the Voluntary Assets and Income Declaration Scheme (VAIDS) to June 30, 2018. VAIDS was introduced to encourage voluntary disclosure of previously undisclosed assets and income for the purpose of payment of all outstanding tax liabilities. This was part of the wider efforts to increase the number of taxpayers in the tax net, increase tax revenue, curb tax evasion, and discourage illicit financial flows.

A related development in this regard was the negotiations for a new minimum wage in 2018. Before the government reached agreement with organised labour bodies, comprising the Nigeria Labour Congress, Trade Union Congress, and United Labour Congress, the unions directed all workers to proceed on a nationwide strike, effective from November 6, 2018 to press home their demand for an increase in minimum wage from N18,000 to N30,000 as opposed to N24,000 offered by the Federal Government. Both parties later agreed to N30,000 as the new minimum wage, effective in 2019.

The Economy and NSIA in 2018

The Federal Government, in furtherance of its fiscal policy that prioritised investment in infrastructure, approved in February 2018 the management of the PIDF by NSIA. PIDF has the aim of accelerating the execution of certain critical and strategic infrastructure projects that are essential for the rapid growth and modernisation of the Nigerian economy.

Projects in the road and power sectors across the country were approved for investment. Consequently, the National Economic Council (NEC) authorised the initial transfer of $650 million to NSIA from the Nigeria Liquefied Natural Gas (NLNG) Dividend Account, as seed funding for PIDF.

The following five infrastructure projects were approved for development and investment:
1) Lagos-Ibadan Expressway
2) 2nd Niger Bridge Project
3) Abuja-Kano Expressway
4) East-West Road
5) Mambilla Hydro-Power Project

The PIDF's mandate underlines the confidence that all three tiers of government have in the ability of NSIA to continue to effectively manage major infrastructure projects intended to catalyse economic growth and development. The PIDF mandate followed another presidential mandate NSIA received in 2016 to manage the Presidential Fertiliser Initiative (PFI) and the $250 million capital contribution to the Authority in 2017.

Risk Outlook

Besides the downward pressure on global economic growth caused by the trade war between the US and China, the rebalancing of the Chinese economy has also continued to be a factor in a tepid global growth. China's GDP growth, which slowed from 6.8% in 2017 to 6.6% in 2018, is expected to further decline to 6.2% in 2019.

The decline in China's economic growth will continue to curtail demand growth for crude oil. Many oil-exporting countries had benefited from the stability in oil prices in 2018. However, the countries remain vulnerable to external shock.

In December 2018, the Organisation of Petroleum Exporting Countries (OPEC) and some non-OPEC producers agreed to the extension of the production cut agreement reached in November of the previous year. The extension was a major boost for stabilising oil prices by curtailing over-supply. We, therefore, anticipate that downward pressure on oil prices would remain curtailed in the first quarter of 2019.

Further price boost could result from sanctions on Iran and Venezuela by the United States. But a major and sustained upswing in prices is not expected, given that rival producers, like US shale oil producers, could pump more crude oil into the market to pick up the supply slack caused by the OPEC-led supply cuts.

While growth in SSA is expected to accelerate from 3.1% in 2018 to 3.4% in 2019, global growth is forecast to decelerate to 3.2% in 2019, down 0.4 percentage point from the preceding year.

Nigeria could still experience volatility in oil revenue and slower accretion to the foreign reserves, if attacks on crude oil infrastructure in the Niger Delta were to occur in 2019. Such sabotage activities have in the past been experienced during electoral cycles.

Given that the upcoming general elections are scheduled to hold in February 2019, we expect that political risk will remain elevated in the short-term. We, however, anticipate that election-driven violence will be contained. If the nation is able to achieve political stability, we expect a rise in local investment appetite as well as improvement in FDI inflow during the year.

NLCC - Exterior View of Project Concept.

Finally, we expect a return to industrial harmony as the Government and organised labour reach a compromise on a new minimum wage. The question mark is whether the minimum wage will apply to State Governments and whether all States will pay any agreed minimum wage.

Risk Management

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

Risk Management Approach

NSIA's risk universe is broadly categorised under the headings of investment, operational, political and strategic risk, in order to facilitate effective risk management and reporting.

Our strategy for managing risk is to identify, study and understand different dimensions of risk within our investment universe, along with the external factors that can affect it, with the aim of mitigating undesired events. Accordingly, our highly-experienced risk management team has developed a comprehensive process through which we monitor, evaluate and manage all 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; and negate any threat to the value of the funds available from NSIA to support the Nigerian people in times of economic stress;
- support the sustainable development of Nigeria's infrastructure by ensuring that the selection of projects is 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' interests; and
- obtain assurance on the effectiveness of the Authority's risk management processes through comprehensive and regular reporting processes.

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.

Risk management processes are embedded within the business and executive management regularly advises Board Committees about relevant risk metrics and material exposures within their scope of oversight, which in turn is advised to the Board of Directors as appropriate. Details regarding the composition and main responsibilities of our Board of Directors and the Board 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 for 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 Universe

We have analysed and outlined mitigation steps for risk groups identified across all facets of our operations. These risks include strategic, market, project and liquidity risks. Our strategies for addressing and limiting the impact of the occurrence are as follows:

Figure 4.1: Risk Management Universe

Investment Risk

Investment Risk Management encompasses 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.

Figure 4.1: Risk Management Universe

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

Market Risk

Market risk includes interest rates, exchange rates, 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 Board. 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.

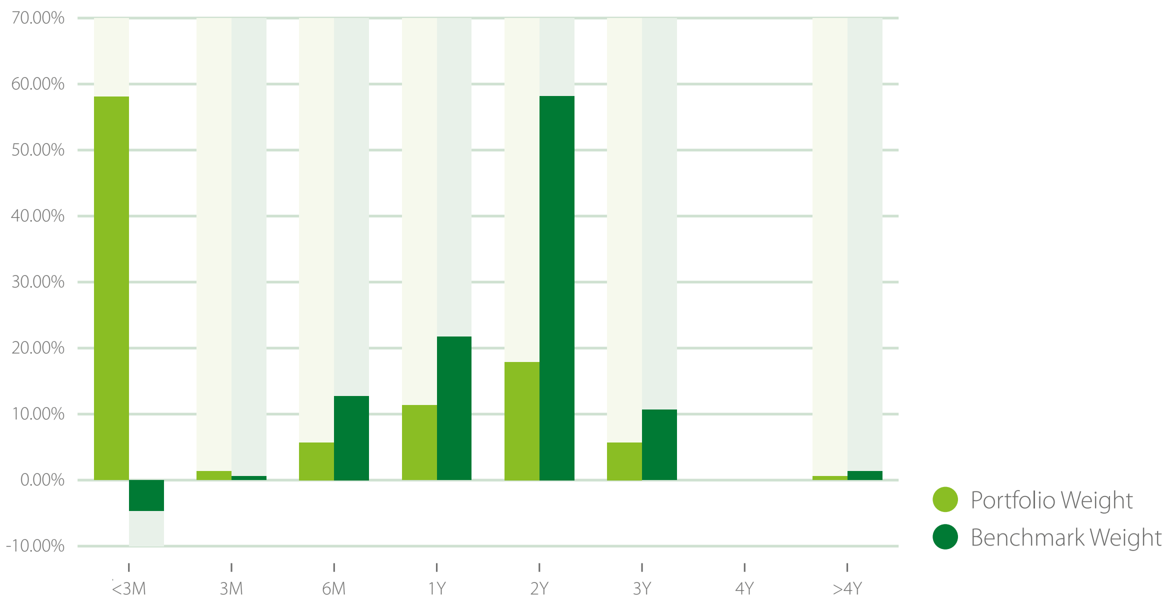
Our assessment of these risks and their impact on our portfolio are outlined below:

- Commodity Price Risk: this results from exposure 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 2018, approximately 0.54% of the Future Generations Fund had direct exposure to commodities. This was a significant reduction from 3.6% in the preceding year as Jamison Koppenberg, the macro-style commodities manager, closed the fund and returned money to investors. The Authority decided not to replace this commodity manager during the year.
- Interest Rate Risk: interest rate movements directly affect the price of fixed-income instruments.

  The Stabilisation Fund is exposed to interest rate risk. The average duration (a measure of the sensitivity of instrument prices to changes in the rates) of the portfolio at the end of 2018 stood at 0.74 years. The Authority has maintained a cautious approach given the uncertain interest rate environment in the US and has constructed a portfolio that is tilted towards the short end of the yield curve with an average duration significantly less than the three-year upper limit set in the Stabilisation Fund's Investment Policy Statement.

The investment duration distribution of instruments in the Stabilisation Fund are shown in the chart below:

Investment Duration Distribution



Currency	Portfolio Weight
USD	85.577%
NGN	5.939%
EUR	2.280%
JPY	1.062%
CNY	0.948%
KRW	0.523%
INR	0.382%
BRL	0.381%
TWD	0.351%
HKD	0.298%
CHF	0.273%
DKK	0.192%
SEK	0.159%
ZAR	0.144%
SGD	0.141%
THB	0.137%
GBP	0.117%
RUB	0.104%
MYR	0.087%
IDR	0.074%
MXN	0.064%
VND	0.059%
ARS	0.054%
PHP	0.054%
KWD	0.051%
AED	0.048%
Others	0.050%

- Equity Price Risk: this results from exposure to changes in prices and volatilities of individual equities, baskets of equities and equity indices. At the end of December 2018, NSIA had approximately 19% of the Future Generations Fund directly invested in the global equity markets.
- Currency Rate Risk: the value of the funds under NSIA management is significantly affected by exchange rate movements resulting from exposure to changes in spot prices, forward prices and the volatilities of currency exchange 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.

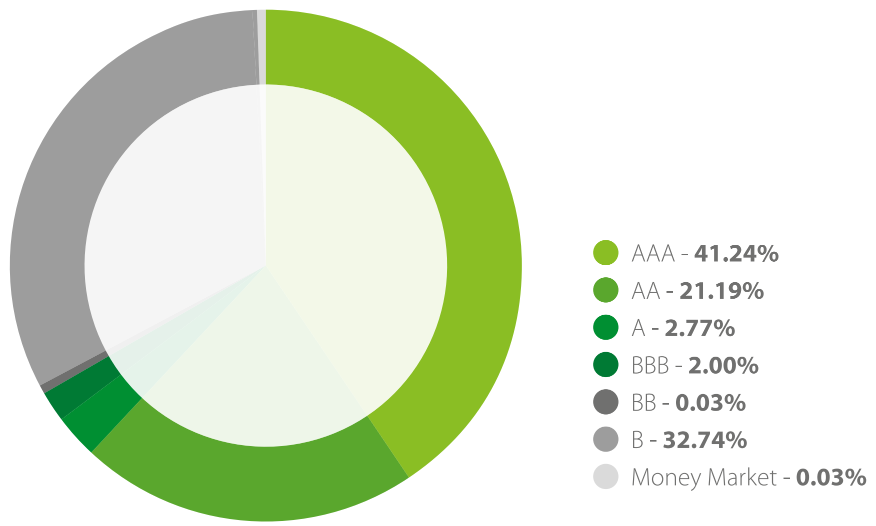
  The Stabilisation Fund (SF), the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF) are mostly held in US dollars. This is not expected to change going forward for the Stabilisation Fund and the Future Generations Fund. However, we do expect this to change significantly in the Nigeria Infrastructure Fund, as implementation of the Fund mandate progresses. Investments in the Nigeria Infrastructure Fund are made in US dollars, while returns are primarily expected in Naira, which would increase the currency risk in the Nigeria Infrastructure Fund over time.

  The Funds' investments are exposed to different currencies through the underlying assets; this exposure is termed as the absolute currency exposure. Further analysis of the absolute currency exposure of assets held by the various portfolio managers at the end of December 2018 shows exposure to a swathe of global currencies; some of which are detailed in the table below to the left:

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 banks and discount houses and use this as a guide to manage our credit risk exposures to these counterparties. A snapshot of the credit risk profile of NSIA's Stabilisation Fund is shown below (2018 updated below):

Credit Profile



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, scenario analysis to monitor the impact of trades on risk exposures prior to exposure, and stress-testing of portfolio with risk scenarios.

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.

For 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.

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, liquidity risk will play a more prominent role. This is especially true for the Nigeria Infrastructure Fund.

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 poses 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 also an internal risk framework that guides investment decisions. Once a project has been approved for investment, the secondary goal is to de-risk the project as much as possible to ensure a sustainable return on 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.

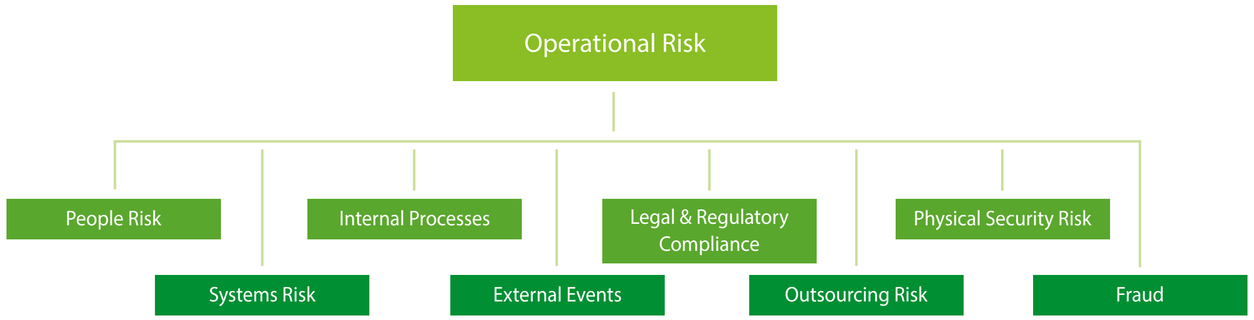
We have defined eight key operational risk categories, as depicted below, for more detailed and effective management. We seek to manage our operational risk through:

- 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 and, ultimately, to minimise and eliminate, where possible, 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: 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 NSIA.

Figure 4.3: Operational Risk Management Structure



Making an Impact: investing in infrastructure and infrastructure-enabling institutions to improve the quality of life of people in Nigeria

NSIA co-created InfraCredit, a specialised financial guarantor, established to enhance the credit quality of local currency infrastructure debt instruments. With InfraCredit, infrastructure bonds are now more attractive to institutional investors. The company has so far facilitated a bond raise for two captive power companies in Nigeria.

NSIA was also instrumental to the inception founding of the Family Homes Funds Limited (FHFL),. FHFL, a flagship initiative of the Ministry of Finance., FHFL is solving the problems in mass housing development through the provision of affordable homes and mortgages.

Financial Highlights

General Information

Directors	Mr Olajide Zeitlin (Chairman) Mr Uche Orji (Managing Director) Mrs Stella Ojekwe-Onyejeli (Executive Director)*** Mr Aminu Umar-Sadiq (Executive Director)** Mr Hanspeter Ackermann (Executive Director)* Ms Halima Buba (Non-executive Director) Mr Urum Kalu Eke, MFR (Non-executive Director) Mr Asue Ighodalo (Non-executive Director) Mr Bello Maccido (Non-executive Director) Ms Lois Laraba Machunga-Disu (Non-executive Director)
Registered Office	The Clan Place 4th Floor, Plot 1386A Tigris Crescent Maitama Abuja
Auditors	PricewaterhouseCoopers Landmark Towers 5B, Water Corporation Road Victoria Island Lagos, Nigeria
Secretary to the Authority	Mrs Ezinwa Okoroafor (Acting)
Fund Custodians	JP Morgan Chase & Co (Global Custodian) 25 Bank Street Canary Wharf London, E14 5JP, United Kingdom Stanbic IBTC Bank Limited (Local Custodian) IBTC Place 2, Walter Carrington Crescent Victoria Island Lagos, Nigeria

* Tenure as an Executive Director lapsed in August 2018
** Was announced Executive Director 13 March 2019, effective 21 February 2019
*** Was announced Executive Director 13 March 2019, effective 17 October 2017

Directors' Report

1. Financial statements
The directors of the Authority present their yearly report on the affairs of 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 review report for the year ended 31 December 2018.

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: the Stabilisation Fund (SF), the Nigeria Infrastructure Fund (NIF) and the Future Generations Fund (FGF). The Authority commenced operations in October 2012.

There have been no material changes to the nature of the Group's business from the prior year.

3. Operating results
The following is a summary of the Group and Authority's operating results for the year:

	Group 31 December 2018 ₦'000	Authority 31 December 2018 ₦'000
Interest and investment income	27,822,953	25,696,317
Net gain on financial assets	245,960	884,039
Net foreign exchange gain	18,052,191	18,901,727
Investment management and custodian fees	(1,022,393)	(866,720)
Impairment charge on financial assets	(943,923)	(321,761)
Loss from infrastructure subsidiaries investments	(3,204,887)	–
Other income	11,405,258	1,025,390
Operating and administrative expenses	(3,762,225)	(3,282,523)
Interest expense	(2,617,160)	–
Share of profit of investments accounted for using the equity method	209,300	–
Profit before taxation	**46,185,074**	**42,036,469**
Total comprehensive income for the year	**44,337,108**	**41,827,853**

4. Objective
NSIA is an autonomous entity established under the laws of the Federal Republic of Nigeria with broad mandates 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;
 (iii) Minister in charge of the National Planning Commission.

6. 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
FRCN/2016/NBA/00000015045

Statement of Directors' Responsibilities

In relation to the consolidated and separate financial statements for the year ended 31 December 2018:

The Nigeria Sovereign Investment Authority Act requires the preparation of consolidation and separate 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 includes:
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 responsibilities for the annual consolidated and separate 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 12 months from the date of this statement.

Signed on behalf of the Board of Directors by:

Mr Olajide Zeitlin
Chairman
FRC/2018/IODN/00000018084

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

Independent auditor's report

To the Members of Nigeria Sovereign Investment Authority

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Nigeria Sovereign Investment Authority ("the Authority") and its subsidiaries (together "the Group") as at 31 December 2018, 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 2018;
- 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 then 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 the General Information, Directors' Report, Statement of Directors' Responsibilities, Value Added Statement and Five-Year Financial Summary, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or 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, 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.

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

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 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 and separate 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 have 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.
- 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.

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

pwc

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.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

25 April 2019

Engagement Partner: Patrick Obianwa
FRC/2013/ICAN/00000000880

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

Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Interest income	9	23,818,216	21,766,964	23,512,933	21,339,050
Investment income	10	3,208,212	2,603,755	1,386,859	362,081
Interest income on financial assets at FVTPL	11	796,525	–	796,525	–
Net gain on financial assets	12	245,960	4,153,564	884,039	4,153,564
Net foreign exchange gain	13	18,052,191	1,652,172	18,901,727	1,703,128
Total operating income		**46,121,104**	**30,176,455**	**45,482,083**	**27,557,823**
Investment management fees		(887,151)	(654,562)	(731,478)	(654,562)
Local custodian fees		(45,613)	(6,765)	(45,613)	(6,494)
Global custodian fees		(89,629)	(47,755)	(89,629)	(47,755)
Total investment management and custodian fees		(1,022,393)	(709,082)	(866,720)	(708,811)
Impairment charge on financial assets	14	(943,923)	–	(321,761)	–
Total operating profit		**44,154,788**	**29,467,373**	**44,293,602**	**26,849,012**
Revenue from infrastructure subsidiaries investments	15	27,403,230	31,367,992	–	–
Expense from infrastructure subsidiaries investments	16	(30,608,117)	(33,514,157)	–	–
Loss from infrastructure subsidiaries investments		(3,204,887)	(2,146,165)	–	–
Other income	17	11,405,258	7,960	1,025,390	7,960
Operating and administrative expenses	18	(3,762,225)	(4,719,621)	(3,282,523)	(3,170,090)
Interest expense	19	(2,617,160)	(85,223)	–	–
Share of profit of investments accounted for using the equity method	25	209,300	434,988	–	–
Profit before taxation		**46,185,074**	**22,959,312**	**42,036,469**	**23,686,882**
Taxation	17	(219,461)	(402,038)	–	–
Profit for the year from continuing operations		**45,965,613**	**22,557,274**	**42,036,469**	**23,686,882**
Profit from discontinued operations	31.1	**538,816**	–	**–**	–
Profit for the year		**46,504,429**	**22,557,274**	**42,036,469**	**23,686,882**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Net change in fair value of available-for-sale financial assets		–	6,469,348	–	7,435,016
Net change in fair value of financial assets at FVOCI		191,298	–	(208,616)	–
Share of other comprehensive loss/income of associates and joint venture		**59,960**	60,049	**–**	–
Exchange differences on translating foreign operations		**(2,418,579)**	**(1,156,763)**	**–**	**–**
Other comprehensive (loss)/income for the year		**(2,167,321)**	**5,372,634**	**(208,616)**	**7,435,016**
Total comprehensive income for the year		**44,337,108**	**27,929,908**	**41,827,853**	**31,121,898**
Profit attributable to:					
Owners of NSIA		46,503,536	22,556,738	42,036,469	23,686,882
Non-controlling interest		893	536	–	–
		46,504,429	**22,557,274**	**42,036,469**	**23,686,882**
Total comprehensive income attributable to:					
Owners of NSIA		44,336,015	27,929,801	41,827,853	31,121,898
Non-controlling interest		1,093	107	–	–
		44,337,108	**27,929,908**	**41,827,853**	**31,121,898**

The accompanying notes on pages 71 to 157 form an integral part of these consolidated and separate financial statements.

Statement of Financial Position

As at 31 December 2018

	Notes	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Assets					
Cash and cash equivalents	20	76,154,290	22,336,959	61,777,335	8,545,297
Investment securities	21	461,391,586	429,852,525	441,635,909	404,313,672
Other assets	22	44,189,369	49,134,358	36,082,678	72,310,092
Inventories	23	20,685,075	13,797,596	–	–
Investments in subsidiaries	24	–	–	5,116,826	16,085,655
Investments accounted for using the equity method	25	13,647,879	2,453,380	10,614,990	1,600,490
Property and equipment	26	1,617,016	16,306,560	272,950	48,503
Intangible assets	27	12,893	1,201	12,893	63
Total assets		**617,698,108**	**533,882,579**	**555,513,581**	**502,903,772**
Liabilities					
Other liabilities	28	48,258,049	29,285,925	18,915,515	7,884,464
Borrowings	29	26,052,673	3,534,631	–	–
Total liabilities		**74,310,722**	**32,820,556**	**18,915,515**	**7,884,464**
Equity					
Equity attributable to equity holders of parent					
Contribution by Government	30.1	280,662,500	280,662,500	280,662,500	280,662,500
Retained earnings	30.2	256,550,342	170,402,086	253,690,496	170,859,498
Fair value reserve	30.3	1,786,620	43,190,981	2,245,070	43,497,310
Foreign currency translation reserve	30.4	4,382,101	6,801,726	–	–
		543,381,563	501,057,293	536,598,066	495,019,308
Non-controlling interest	30.5	5,823	4,730	–	–
		543,387,386	**501,062,023**	**536,598,066**	**495,019,308**
Total equity and liabilities		**617,698,108**	**533,882,579**	**555,513,581**	**502,903,772**

Signed on behalf of the Board of Directors on 21 April 2019 by:

Mr Olajide Zeitlin
Chairman
FRC/2018/IODN/00000018084

Mr Uche Orji
Managing Director and Chief Executive Officer
FRC/2014/IODN/00000007036

Additionally certified by:

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

The accompanying notes on pages 69 to 155 form an integral part of these consolidated and separate financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

	Group Contribution by Government ₦'000	Group Foreign currency translation reserve ₦'000	Group Fair value reserve ₦'000	Group Retained earnings ₦'000	Group Non-controlling interest ₦'000	Group Total equity ₦'000
Balance at 1 January 2017	**204,375,000**	**7,958,502**	**36,661,142**	**147,845,348**	**4,623**	**396,844,615**
Profit for the year	–	–	–	22,556,738	536	22,557,274
Currency translation differences	–	(1,156,776)	–	–	13	(1,156,763)
Net change in fair value of available-for-sale financial assets	–	–	6,469,790	–	(442)	6,469,348
Share of other comprehensive income of associates	–	–	60,049	–	–	60,049
Total other comprehensive income for the year	–	(1,156,776)	6,529,839	–	(429)	5,372,634
Total comprehensive income for the year	**–**	**(1,156,776)**	**6,529,839**	**22,556,738**	**107**	**27,929,908**
Contribution by Government	76,287,500	–	–	–	–	76,287,500
Total transactions with owners	**76,287,500**		**–**	**–**	**–**	**76,287,500**
Balance at 31 December 2017	**280,662,500**	**6,801,726**	**43,190,981**	**170,402,086**	**4,730**	**501,062,023**
Balance at 1 January 2018	**280,662,500**	**6,801,726**	**43,190,981**	**170,402,086**	**4,730**	**501,062,023**
Changes on initial application of IFRS 9	–	–	–	(2,011,745)	–	(2,011,745)
Restated balance as at 1 January 2018	280,662,500	6,801,726	43,190,981	168,390,341	4,730	499,050,278
Profit for the year	–	–	–	46,503,536	893	46,504,429
Currency translation differences	–	(2,419,625)	–	–	1,046	(2,418,579)
Net change in fair value of financial assets FVOCI	–	–	192,144	–	(846)	191,298
Reclassification from fair value reserves as a result of adoption of IFRS 9	–	–	(41,656,465)	41,656,465	–	–
Movement in NCI	–	–	–	–	–	–
Share of other comprehensive income of associates and joint venture	–	–	59,960	–	–	59,960
Total other comprehensive income for the year	–	(2,419,625)	(41,404,361)	41,656,465	200	(2,167,321)
Total comprehensive income for the year	**–**	**(2,419,625)**	**(41,404,361)**	**88,160,001**	**1,093**	**44,337,108**
Balance at 31 December 2018	**280,662,500**	**4,382,101**	**1,786,620**	**256,550,342**	**5,823**	**543,387,386**
Note(s)						

Statement of Changes in Equity

For the year ended 31 December 2018

	Authority Contribution by Government ₦'000	Authority Fair value reserve ₦'000	Authority Retained earnings ₦'000	Authority Total equity ₦'000
Balance at 1 January 2017	**204,375,000**	**36,062,294**	**147,172,616**	**387,609,910**
Profit for the year	–	–	23,686,882	23,686,882
Net change in fair value of available-for-sale financial assets	–	7,435,016	–	7,435,016
Total other comprehensive income for the year	**–**	**7,435,016**	**–**	**7,435,016**
Contribution by Government	76,287,500	–	–	76,287,500
Total comprehensive income for the year	**76,287,500**	**7,435,016**	**23,686,882**	**31,121,898**
Balance at 31 December 2017	**280,662,500**	**43,497,310**	**170,859,498**	**495,019,308**
Balance at 1 January 2018	**280,662,500**	**43,497,310**	**170,859,498**	**495,019,308**
	–	–	(249,094)	(249,094)
	280,662,500	43,497,310	170,610,404	494,770,214
Profit for the year	**–**	**–**	**42,036,469**	**42,036,469**
Net change in fair value of financial assets (available-for-sale)	–	(208,617)	–	(208,617)
	–	(41,043,623)	41,043,623	–
Total other comprehensive income for the year	**–**	**(41,252,240)**	**41,043,623**	**(208,617)**
Total comprehensive income for the year	**–**	**(41,252,240)**	**83,080,092**	**41,827,852**
Balance at 31 December 2018	**280,662,500**	**2,245,070**	**253,690,496**	**536,598,066**
Note(s)				

The accompanying notes on pages 69 to 155 form an integral part of these consolidated and separate financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Cash flows from operating activities					
Profit before income tax from continuing operations		46,185,074	22,959,312	42,036,469	23,686,882
Adjustments to reconcile profit before tax to net cash flow from operating activities					
Depreciation charge for the year	18	57,818	64,079	57,818	40,888
Amortisation of intangible assets	18	63	720	63	558
Interest income		(8,063,119)	(21,766,964)	(7,757,836)	(21,339,050)
Investment income		(3,564,275)	(2,603,755)	(1,742,922)	(362,081)
Interest income on bills		(16,195,559)	–	(16,195,559)	–
Unrealised gain on financial instruments at FVTPL		1,876,611	(869,908)	732,113	(869,908)
Cost differential on fertiliser sales		(8,600,000)	–	–	–
Dividend income		–	(228,428)	–	(228,428)
Impairment losses	14	943,923	–	321,761	–
Interest expense		2,617,160	85,223	–	–
Share of profit from associate and joint venture	25	(209,300)	(434,988)	–	–
Movements in operating assets/liabilities					
Inventories	23	(6,887,479)	(13,797,596)	–	–
Other assets	22	4,944,989	(44,436,314)	36,227,414	(64,954,399)
Other liabilities	28	(18,972,124)	4,798,592	(11,031,051)	4,165,976
Cash (used in)/generated from operations		**(5,866,218)**	**(56,230,027)**	**42,648,270**	**(59,859,562)**
Tax paid		(113,630)	(4,266)	–	–
Net cash generated from/(used) in operating activities		**(5,979,848)**	**(56,234,293)**	**42,648,270**	**(59,859,562)**
Cash flows from investing activities					
Purchase of property, plant and equipment	26	(1,626,239)	(183,575)	(282,265)	(23,087)
Purchase of other intangible assets	27	(12,893)	(1,300)	(12,893)	–
Disposal of intangible assets	27	(1,138)	–	–	–
Payments for maturity of held-to-maturity financial assets		–	(175,437)	–	–
Payment for loans and receivables financial assets		–	(268,610,510)	–	(245,118,390)
Proceeds from liquidation/maturity of loans and receivables financial asset		–	197,904,283	–	186,042,954
Payment for available-for-sale financial asset		–	(35,357,672)	–	(32,985,442)
Proceeds from available-for-sale financial asset		–	5,707,081	–	4,831,249
Proceeds from sale of equity instruments at fair value		191,611,360	–	171,422,900	–
Investments in financial assets at amortised cost		(195,608,028)	–	(195,608,028)	–
Purchases of open market operation bills		(162,374,236)	(169,434,500)	(162,374,236)	(169,434,500)
Maturity of open market operation bills		163,937,019	80,860,680	163,937,019	80,860,680
Investment and interest income received		30,461,975	26,833,493	29,227,380	24,414,976
Dividend income		–	228,428	–	228,428
Acquisition of subsidiary	24	–	–	–	(8,989,500)
Disposal of subsidiaries	24	10,968,829	–	10,968,829	–
Investments in joint ventures/associates	25	(10,925,239)	(490)	(9,014,500)	(490)

Statement of Cash Flows
For the year ended 31 December 2018 (continued)

	Notes	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Net cash generated/(used) in investing activities		**26,431,410**	**(162,229,519)**	**8,264,206**	**(160,173,122)**
Cash flows from financing activities					
Contribution by Government	30.1	–	76,287,500	–	76,287,500
Proceeds from borrowings	29	30,000,000	5,000,000	–	–
Interest expense		(153,493)	(85,223)	–	–
Net cash generated from financing activities		**29,846,507**	**81,202,277**	**–**	**76,287,500**
Net cash movement for the year		**50,298,069**	**(137,261,535)**	**50,912,476**	**(143,745,184)**
Cash and cash equivalent at beginning of year	20	22,336,959	148,267,906	8,545,297	141,076,852
Net exchange gains/losses on cash and cash equivalents		3,519,262	11,330,588	2,319,562	11,213,629
Cash and cash equivalents at year end		**76,154,290**	**22,336,959**	**61,777,335**	**8,545,297**
Cash and cash equivalents comprise:					
Cash in hand	20	133	473	133	249
Bank balances	20	43,908,683	22,020,278	29,531,728	8,545,048
Placements with financial institutions	20	32,245,474	316,208	32,245,474	–
Total cash and cash equivalents		**76,154,290**	**22,336,959**	**61,777,335**	**8,545,297**

The accompanying notes on pages 69 to 155 form an integral part of these consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

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 set up 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: the Stabilisation Fund (SF), the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF).

The investment activities of the funds are managed as follows:

Fund	Investment managers
The Stabilisation Fund (SF)	UBS Global Asset Management Limited, Smith Graham & Co, Income Research + Management
The Nigeria Infrastructure Fund (NIF)	In-house Management Team, Fund for Agricultural Finance in Nigeria (FAFIN)
The 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, Abraaj Group, Unigestion SA, Canyon Partners, RWC Partners Limited, Goldman Sachs Asset Management, Whitehorse Liquidity Partners, Reverence Capital Partners, Cardinal Stone Partners, Oaktree Capital Management, LP

2. Structure and content

The financial statements comprise:

(a) a statement of financial position at the end of the year;
(b) a statement of comprehensive income for the year;
(c) a statement of changes in equity for the year;
(d) a statement of cash flows for the year; and
(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) on Interim financial information (IAS 34), 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.

3.2 Basis of measurement

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

— Financial assets measured at fair value though other comprehensive income (FVOCI).
— Financial assets and liabilities measured at amortised cost.
— Financial assets measured at fair value through profit or loss (FVPL).

3.3 (a) 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.

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 Group's presentation currency is the Naira.

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 period-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 financial assets at FVOCI, 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.

3.4 Changes in accounting policy

The Group has consistently applied the accounting policies as set out in the consolidated financial statements to all periods presented on the consolidated financial statements.

The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of 1 January 2018.

3.5 New standards, amendments and interpretations

3.5.1 Standards and interpretations effective and adopted in the current year

IFRS 9 Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets; and

b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

— All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

3. Basis of preparation *continued*

— In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

— The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group has adopted the standard for the first time in the 2018 financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial Instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective. The effective date of the standard is for years beginning on or after 1 January 2018 or when the entity first applies IFRS 9.

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The amendments made to IFRS 2 in June 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in IFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature. Entities with the following arrangements are likely to be affected by these changes: equity-settled awards that include net settlement features relating to tax obligations, cash-settled share-based payments that include performance conditions, and cash-settled arrangements that are modified to equity-settled share-based payments. The effective date of the standard is for years beginning on or after 1 January 2018.

Annual improvements 2014-2016 cycle

The following improvements were finalised in December 2016: IFRS 1 – deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. IAS 28 – clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The effective date of the standard is for years beginning on or after 1 January 2018.

Transfers of Investment Property – Amendments to IAS 40

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was recharacterised as a non-exhaustive list of examples to help illustrate the principle. The Board provided two options for transition: prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or retrospectively – only permitted without the use of hindsight. Additional disclosures are required if an entity adopts the requirements prospectively. The effective date of the standard is for years beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers; and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

— Identify the contract(s) with a customer.

— Identify the performance obligations in the contract.
— Determine the transaction price.
— Allocate the transaction price to the performance obligations in the contract.
— Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group has adopted the standard for the first time in the 2018 financial statements. The impact of this standard is not significant to the financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 1 January 2018.

The impact of this interpretation is not significant to the financial statements.

3.5.2 Standards and interpretations not yet effective
The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods:

IFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The effective date of the standard is for years beginning on or after 1 January 2021.

The Group expects to adopt the standard for the first time in the 2021 financial statements. The impact of this standard is currently being assessed.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 1 January 2019.

The Group expects to adopt the interpretation for the first time in the 2019 financial statements.

The Group is not affected by this amendment as it is exempted from paying all forms of taxes.

IFRS 16 Leases
IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Group are as follows:

Company as lessee:
— Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
— The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
— The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

3. Basis of preparation *continued*

— The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
— The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
— Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
— The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
— The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
— Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
— Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:
— Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
— A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
— If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
— Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:
— In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
— If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
— If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group expects to adopt the standard for the first time in the 2019 financial statements. The impact of this standard is currently being assessed.

Prepayment Features with Negative Compensation – Amendments to IFRS 9
The narrow-scope amendments made to IFRS 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

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To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The effective date of the standard is for years beginning on or after 1 January 2019.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures. The effective date of the standard is for years beginning on or after 1 January 2019.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017:

— IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
— IFRS 11 – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
— IAS 12 – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
— IAS 23 – clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The effective date of the standard is for years beginning on or after 1 January 2019.

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

— Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
— Any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
— Separately recognise any changes in the asset ceiling through other comprehensive income.

The effective date of the standard is for years beginning on or after 1 January 2019.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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.

4. Significant accounting policies

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 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 a subsidiary, 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.

4.1 (e) Joint arrangements

Under IFRS 11 – Joint Arrangements investments are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The entity has only joint ventures.

i) Joint operations

An entity that has an investment in joint operations recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

ii) Joint ventures

Interests in joint ventures are accounted for using the equity method at the Group financial statements level (see (f) below),

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after initially being recognised at cost in the separate financial statements.

The Authority has investments only in joint ventures, there were no investments in joint operations as at the end of the financial year.

4.1 (f) Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Authority.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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.

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

4.2 Interest income and interest expense
Interest income and expense on financial assets 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.

Interest income from financial assets at fair value through profit or loss is disclosed separately in the statement of comprehensive income as interest income on instruments measured at FVTPL.

4.3 Investment income
Investment income consists of dividends and income earned on the Group's equity, fund investments and fixed income products.

4.4 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.

4.5 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.

4.6 Income tax expense
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.

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 treated as an expense in the income statement.

4. Significant accounting policies *continued*

Subsidiaries and other affiliates in Nigeria that are wholly owned subsidiaries incorporated outside Nigeria are subjected to taxes based on the territories of operations and this is shown in the Group's financial statements.

4.7. Financial assets and financial liabilities (policy from 1 January 2018)
4.7.1 Recognition and initial measurement
The Group initially recognises cash and bank balances, money market placements, investment securities, other financial assets, other liabilities and borrowings on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue.

4.7.2 Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
— those to be measured subsequently at fair value (either through OCI or through profit or loss); and
— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
— the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
— how the performance of the portfolio is evaluated and reported to the Authority's management;
— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

(ii) Assessment whether contractual cash flows are solely payments of principal and interest
In this case, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk, other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
— contingent events that would change the amount and timing of cash flows;
— leverage features;
— prepayment and extension terms;
— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
— features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

— Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

— Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in net foreign exchange gains and impairment expenses are presented as a separate line item in the statement of profit or loss.

— Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income in the statement of profit or loss and other comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

All financial assets other than those measured as described above are measured at FVPL.

Financial liabilities

The Authority classifies its financial liabilities as measured at amortised cost and fair value through profit or loss.

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

4.7.5 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.

4.7.6 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.

4. **Significant accounting policies** *continued*

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.

4.7.7 Determination of fair values

A number of the Group'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.

4.7.8 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 financial assets measured at amortised cost is determined for disclosure purposes only and is determined by reference to the quoted closing bid price at the reporting date.

4.7.9 Investment in private equity funds

The fair value of the investments held in one of the Group's subsidiaries is 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.

4.7.10 Investment in fixed income products

The Group has classified some investments as fixed-income security during the financial year. Fixed income securities are debt securities which pay a fixed amount of interest in the form of coupon payments to investors. The interest payments are typically made periodically while the principal invested is repaid to the investor at maturity. Income is recognised on this investment when the interest payments are made.

4.7.11 Receivables

The fair value of short-term receivables is measured at its carrying amount.

4.7.12 Impairment of financial assets

See credit risk disclosures for details on impairment of financial assets.

4.7.13 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 profit or loss 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.

4.7.14 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:
— financial assets at fair value through profit or loss;
— loans and receivables;
— held-to-maturity investments; and
— available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above. Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:
— For financial assets at FVPL – in profit or loss within other income.
— For available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income.
— For other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

4. Significant accounting policies *continued*

— Assets carried at amortised cost: For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could 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 decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.
— Assets classified as available-for-sale: If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was 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.

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
Furniture and fittings	5 years
Motor vehicles	4 years
Computer equipment	3.3 years
Office equipment	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 derecognition 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 period 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 is 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 three 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 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal activity level.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

4.13 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 non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.14 Contingencies

4.14.1 Contingent assets

A 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.

4.14.2 Contingent liabilities

A 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.

4.15 Employee benefits

4.15.1 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 are recognised as an employee benefit expense in profit or loss in the period when the employees have rendered service entitling them to the contributions.

4. Significant accounting policies *continued*

Contributions to a defined contribution plan that are 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.

4.15.2 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.

4.16 Revenue

Revenue is defined as income arising in the course of an entity's ordinary activities.

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group determines whether a performance obligation is satisfied (and revenue is recognised) over time, or whether a performance obligation is satisfied (and revenue is recognised) at a point in time for all contracts. All revenue derived by the entity (NSIA) is recognised at a point in time because it has met all indicators of transfer of control which should be considered. This includes the following:

- the Group has a present right to payment for the asset;
- the legal title of the asset has been transferred to the customer;
- the customer has taken physical possession of the asset;
- the customer has the significant risks and rewards of ownership of the asset; and
- the customer has accepted the asset.

The Group recognises revenue from the following sources:

- Sales of NPK fertilisers.
- Interest/investment income.

In order to meet the core principle of recognising revenue to depict the transfer of promised goods or services to customers in an amount that reflects the amount of consideration to which an entity expects to be entitled in exchange for those goods or services, a five-step model is adopted; these five steps are:

a) Identify the contract with the customer
b) Identify the distinct goods or services
c) Determine the transaction price
d) Allocate the transaction price
e) Determine when to recognise revenue

Sale of NPK fertilisers

For sales of NPK fertilisers, revenue is recognised when control of the goods has transferred, being when the goods have been made available for pick up at the blender's premises. Agro-dealers and state governments are the only customers under this sale.

There are no provision to deliver the fertilisers to the customers. A receivable is recognised by the Group when the goods have been made available for pick up by the agro-dealers and state government, as this represents the point in time at which the right to consideration becomes unconditional based on the contract of sale the company has with its customers, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with credit terms of 90 days which is consistent with market practice.

There are no return policies and warranties granted to customers under the contract. The goods are sold directly to customers, there is no form of intermediary.

The NPK fertilisers are sold on price concessions based on amounts agreed with the Federal Government of Nigeria. Revenue from these sales is recognised based on the price specified in the contract with the customers (agro-dealers and state governments). Where the agreed price leads to a loss position for the company, the federal government reimburses the entity for selling below cost price.

4.17 Below market borrowings (Government grants)

The Group, through its subsidiary NAIC-NPK Limited, benefits from the Central Bank of Nigeria's Real Sector Support Facility (RSSF) Scheme where the Federal Government of Nigeria/ Central Bank of Nigeria through some commercial banks provide finance to companies in certain industries at subsidised interest rates. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

4.18 Capital and other 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.

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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.

4.19 Comparatives
Comparative figures, where necessary, have been reclassified to conform to changes in classifications in the current accounting year.

4.20 Intercompany receivables
Intercompany receivables represent balances due from the Authority's subsidiaries as at the end of the financial year. The balance on the financial statements represents the carrying amount as at the end of the year.

5. Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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 estimates are 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.

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

5.1.1 Valuation of financial instruments
The Authority's accounting policy on fair value measurements is discussed under Note 4. The fair values of quoted financial assets at fair value through OCI and financial assets at fair value through profit or loss are determined by reference to prices quoted in an active market. For financial assets at fair value through OCI equity investments which are unquoted, the Authority performs a fair valuation exercise on these investments using available and applicable inputs to determine their fair values.

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.

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. Critical accounting estimates and judgements
continued

5.1.3 Impairment of financial assets
IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The Group has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process.

5.1.4 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 investment 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, and 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 a 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 Group's policy on 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 Group only deals with counterparties that meet set credit ratings.

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6.2.2 Exposure to credit risk

Credit quality of financial assets

The carrying amount of financial assets represents the maximum credit exposure per credit rating.

As at 31 December 2018, all financial assets were neither past due nor impaired. The credit quality of these financial assets are disclosed in the table below:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
(i) Bank balances				
Counterparties with external credit ratings				
A (Fitch)	–	6,492,094	–	–
A+ (Fitch)	–	4,045,473	–	832
A- (S&P)	16,113,902	7,762,495	1,736,947	5,489,286
B (GCR)	–	13,628	–	13,628
B (S&P)	575	73,031	575	–
B2 (Moody)	27,794,206	3,624,422	27,794,206	3,041,302
BBB+ (S&P)	–	9,135	–	–
Total bank balances	**43,908,683**	**22,020,278**	**29,531,728**	**8,545,048**
(ii) Money market placements				
Counterparties with external credit ratings				
B+ (Fitch)	32,245,474	316,208	32,245,474	–
Total money market placements	**32,245,474**	**316,208**	**32,245,474**	**–**
(iii) Other assets				
Counterparties with external credit ratings				
B (GCR)	–	339,003	–	–
A-2 (S&P)	5,922,236	–	1,045,784	–
A+ (Fitch)	–	883,526	–	883,526
B (Fitch)	16,113,745	–	–	–
B2 (Moody)	20,377	32,599,743	20,377	32,599,743
	22,056,358	**33,822,272**	**1,066,161**	**33,483,269**
Counterparties without external credit ratings				
Other receivables	8,976,731	12,391,280	227,499	682,052
Trade receivables	4,548,081	–	4,334,246	
Intercompany receivables	–	–	30,346,432	38,113,681
Advances to staff	–	5,593	–	1,952
Total other assets (Financial assets)	**35,581,170**	**46,219,145**	**35,974,338**	**72,280,954**

6. Financial risk management *continued*

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
(iv) Investment securities				
Counterparties with external credit ratings				
Financial assets at amortised cost (2017: Held-to-maturity and loans & receivables)				
A+ (S&P)	16,603,012	–	16,603,012	–
B (S&P)	30,239,146	7,800,593	30,239,146	7,800,593
B2 (Moody)	182,472,004	175,437	182,472,004	–
B3 (Moody)	–	5,803,799	–	5,803,799
BB+ (Fitch)	–	3,737,387	–	3,737,387
A+ (Fitch)	–	17,742,162	–	17,742,162
A1+ (Fitch)	3,270,312	–	3,270,312	–
A- (GCR)	3,394,422	9,292,907	3,394,422	9,292,907
AAA (Fitch)	–	5,322,660	–	–
A (Moody)	6,719,465	–	6,719,465	–
A2 (Moody)	–	7,747,972	–	7,747,972
A3 (Moody)	–	6,541,532	–	6,541,532
B (Fitch)	28,732,784	1,864,400	28,732,784	–
B+ (Fitch)	6,217,503	–	6,217,504	–
BBB+ (GCR)	–	6,766,061	–	6,766,061
CCC (Fitch)	4,043,466	–	4,043,465	–
BAA1 (Moody)	–	6,363,645	–	6,363,645
B2 (Moody)	4,109,896	134,641,851	4,109,896	134,641,851
B (S&P)	–	66,409,768	–	65,416,925
	285,802,010	**280,210,174**	**285,802,010**	**271,854,834**
Counterparties with external credit ratings				
Financial assets at amortised cost	1,641,036	–	–	–
	1,641,036	–	–	–
Total financial assets at amortised cost (exclusive of impairment)	**287,443,046**	**280,210,174**	**285,802,010**	**271,854,834**

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	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial assets at FVOCI (2017: Available for sale)				
Counterparties with external credit ratings				
B2 (Moody)	–	2,388,190	–	2,388,190
BBB- (GCR)	–	1,528,500	–	1,528,500
Baa3 (Moody)	–	6,075,231	–	6,075,231
	–	**9,991,921**	**–**	**9,991,921**
Counterparties without external credit ratings				
Financial assets at FVOCI (2017: Available for sale)	9,474,482	138,780,522	7,934,647	121,597,009
Total financial assets at FVOCI (2017: Available for sale)	**9,474,482**	**148,772,443**	**7,934,647**	**131,588,930**
Counterparties with external credit ratings				
AAA (Moody)	33,327,803	–	33,327,803	–
Baa3 (Moody)	1,626,000		1,626,000	
Counter parties without external credit ratings				
Financial assets at FV through profit and loss	130,141,210	869,908	113,515,375	869,908
Total financial assets at FVTPL	**165,095,013**	**869,908**	**148,469,178**	**869,908**

6. Financial risk management *continued*

6.2.3 Concentration of risk of financial assets

Geographical sectors

The following table breaks down the Group's risk exposure at their carrying amounts, as categorised by geographical region as at 31 December 2018 and 31 December 2017. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2018	Group Nigeria ₦'000	Group Rest of Africa ₦'000	Group Europe ₦'000	Group Middle East ₦'000	Group Asia ₦'000	Group America ₦'000	Group Total ₦'000
Cash and cash equivalents							
Money market placements	32,245,474	–	–	–	–	–	32,245,474
Bank balances	29,531,728	–	–	–	–	14,376,955	43,908,683
Other assets							
Other receivables	11,134,143	–	–	–	–	–	11,134,143
Account receivables	8,333,282	–	–	–	–	–	8,333,282
Cost incurred on behalf of related party	16,113,745						16,113,745
Advances to staff	–	–	–	–	–	–	–
Investment securities							
At amortised cost							
Eurobonds	10,260,970	–	–	–	–	–	10,260,970
Nigerian treasury bills	3,984,976	–	–	–	–	–	3,984,976
Open market operations bills (OMO bills)	178,487,028	–	–	–	–	–	178,487,028
Fixed deposits	93,069,036	–	–	–	–	–	93,069,036
Loans and receivables:	1,641,036	–	–	–	–	–	1,641,036
At FVTPL							
US treasury notes	–	–	–	–	–	26,841,410	26,841,410
Fixed income products	–	–	–	–	–	22,963,236	22,963,236
	384,801,418	**–**	**–**	**–**	**–**	**64,181,601**	**448,983,019**

31 December 2017	Group Nigeria ₦'000	Group Rest of Africa ₦'000	Group Europe ₦'000	Group Middle East ₦'000	Group Asia ₦'000	Group America ₦'000	Group Total ₦'000
Cash and cash equivalents							
Money market placements	316,208	–	–	–	–	–	316,208
Bank balances	10,491,751	–	–	–	–	11,528,527	22,020,278
Other assets							
Other receivables	12,686,754	–	–	–	–	927,055	13,613,809
Account receivables	32,599,743	–	–	–	–	–	32,599,743
Advances to staff	5,593	–	–	–	–	–	5,593
Investment securities							
Held-to-maturity:							
Eurobonds	17,341,779	–	–	–	–	–	17,341,779
Nigerian treasury bills	175,437	–	–	–	–	–	175,437
Loans and receivables:							
Fixed deposit	242,039,809	6,363,645	7,747,972	–	6,541,533	–	262,692,959
Available-for-sale							
Nigerian treasury bills	609,069	–	–	–	–	–	609,069
US treasury notes	–	–	–	–	–	24,805,655	24,805,655
Fixed income products	–	–	–	–	–	12,208,697	12,208,697
	316,266,143	**6,363,645**	**7,747,972**	**–**	**6,541,533**	**49,469,934**	**386,389,227**

31 December 2018	Authority Nigeria ₦'000	Authority Rest of Africa ₦'000	Authority Europe ₦'000	Authority Middle East ₦'000	Authority Asia ₦'000	Authority America ₦'000	Authority Total ₦'000
Cash and cash equivalents							
Money market placements	32,245,474	–	–	–	–	–	32,245,474
Bank balances	29,531,728	–	–	–	–	–	29,531,728
Other assets							
Other receivables	2,171,076	–	–	–	–	–	2,171,076
Advances to staff	–	–	–	–	–	–	–
Investment securities							
At amortised cost							
Eurobonds	10,260,970	–	–	–	–	–	10,260,970
Nigerian treasury bills	3,984,976	–	–	–	–	–	3,984,976
Open market operations bills (OMO bills)	178,487,028	–	–	–	–	–	178,487,028
Fixed deposits	93,069,036	–	–	–	–	–	93,069,036
At FVTPL							
US treasury notes	–	–	–	–	–	24,805,655	24,805,655
Fixed income products	–	–	–	–	–	22,963,236	22,963,236
	349,750,288	**–**	**–**	**–**	**–**	**47,768,891**	**397,519,179**

6. Financial risk management *continued*

31 December 2017	Authority Nigeria ₦'000	Authority Rest of Africa ₦'000	Authority Europe ₦'000	Authority Middle East ₦'000	Authority Asia ₦'000	Authority America ₦'000	Authority Total ₦'000
Cash and cash equivalents							
Bank balances	5,781,823	–	–	–	–	2,763,225	8,545,048
Other assets							
Other receivables	638,523	–	–	–	–	927,055	1,565,578
Account receivables	32,599,743	–	–	–	–	–	32,599,743
Intercompany receivables	38,113,681	–	–	–	–	–	38,113,681
Advances to staff	1,952	–	–	–	–	–	1,952
Investment securities							
Held-to-maturity:							
Eurobonds	17,341,779	–	–	–	–	–	17,341,779
Loans and receivables:							
Fixed deposit	233,859,907	6,363,645	7,747,972	–	–	6,541,531	254,513,055
Available-for-sale							
US treasury notes	–	–	–	–	–	24,805,655	24,805,655
Fixed income products	–	–	–	–	–	12,208,697	12,208,697
	328,337,408	**6,363,645**	**7,747,972**	**–**	**–**	**47,246,163**	**389,695,188**

6.2.4 *Impairment of financial assets*

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Authority recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVPL:

— financial assets that are debt instruments;
— other assets and receivables; and
— financial guarantee contracts issued.

No impairment loss is recognised on equity investments.
The Authority measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

— debt investment securities that are determined to have low credit risk at the reporting date; and
— other financial instruments (other than other receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for other assets and receivables are always measured at an amount equal to lifetime ECL.

The Authority considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' or it is a sovereign debt issued in the local currency e.g. Treasury bills and Bonds issued by the Nigerian Government.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

6.2.5 *Credit risk measurement*

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to Note 6.2.5.2 on measurement of ECL below for more details.

6.2.5.1 *Credit risk grading*

The Group uses credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses rating models tailored to the various categories of

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counterparty. Specific information collected at the time of acquiring the financial assets (such as disposable income, and level of collateral for exposures; and turnover and industry type) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the risk management unit to be fed into the final internal credit rating for exposures. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

6.2.5.2 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

— financial assets that are not credit-impaired at the reporting date: they are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive);
— financial assets that are credit-impaired at the reporting date: they are measured as the difference between the gross carrying amount and the present value of estimated future cash flows; and
— financial guarantee contracts: they are measured as the expected payments to reimburse the holder less any amounts that the Authority expects to recover from the holder, the debtor or any other party.

Default definition

Under IFRS 9, the Group will consider a financial asset to be in default when:

— the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
— the borrower is more than 90 days past due on any material credit obligation to the Group.

Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group will consider indicators that are:

— qualitative: e.g. breach of covenants that are deemed as default events;
— quantitative: e.g. 90 days overdue status and non-payment of another obligation of the same issuer to the Authority; and
— based on internal and external objective evidence of impairment.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

6.2.6 Significant increase in credit risk

The Group has established a framework that considers qualitative, quantitative, and 'backstop' (30 days past due presumption) indicators to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include backstop based on delinquency.

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Authority's historical experience, expert credit assessment and forward-looking information. The Authority will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with its staging criteria by comparing:

— the risk of default on the exposure as at the reporting date; with
— the risk of default on the exposure as at the date of initial recognition.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. Modifying the contractual terms of a financial instrument may also affect this assessment.

Details of the qualitative and quantitative factors used to determine the significant increase in credit risk are highlighted in the next sub-head.

6. **Financial risk management** *continued*

6.2.6.1 Quantitative criteria

The use of quantitative criteria requires the Authority to refresh its quantitative metrics at least annually. The Authority adopted the following quantitative criteria for the purpose of assessing Significant Increase in Credit Risk (SICR), vis-à-vis stage allocation:

i. External rating parameter:

The Authority monitors changes in external ratings of obligors to assess significant increase/decrease in credit risk. Evidence of Significant Increase in Credit Risk (SICR) depends on rating at initial recognition and the extent of movement (number of notches downgrade/upgrade) as at reporting date.

The Authority applies different notches movement across each rating grade as evidence of SICR. Generally, obligors with higher credit rating would require more notches downgrade to evidence SICR, when compared with obligors with lower credit rating. The logic is that PD exponentially increases with movement down the rating grades. For instance, while a one-notch movement is deemed significant for a financial instrument rated CCC at origination, a three-notch movement is deemed significant for an AAA rated financial instrument.

Below is a table of the quantitative criteria used in allocating stages to the financial instruments of the Authority:

Stage 1	Stage 2	Stage 3
— Less than three (3) notches downgrade in the external rating of the obligor for financial instruments that were rated S&P equivalent of AAA to AA- at origination. — Less than two (2) notches downgrade in the external rating of the obligor for financial instruments that were rated S&P equivalent of A+ to BB- at origination. — No downgrade in the external rating of the obligor for financial instruments that were rated S&P equivalent of B+ and below at origination.	— More than three (3) notches downgrade in the external rating of the obligor for financial instruments that were rated S&P equivalent of AAA to AA- at origination. — More than two (2) notches downgrade in the external rating of the obligor for financial instruments that were rated S&P equivalent of A+ to BB- at origination. — One (1) or more notch downgrade in the external rating of the obligor for financial instruments that were rated S&P equivalent of B+ and below at origination.	— All facilities with a rating of D are grouped in stage 3.

ii. Backstop:

The Authority uses the backstop indicator otherwise known as 30 days past due presumption to assess significant decrease/increase in credit risk. Evidence of SICR depends on the financial instrument's performance status and the number of days for which contractual payments are past due.

The thresholds for these quantitative criteria will be reviewed by the Authority on an annual basis.

Stage 1	Stage 2	Stage 3
— The financial instrument is performing with less than 30 days past due on any contractual payment.	— The financial instrument is performing with 30 or more days but less than 90 days past due on any contractual payment; except if the Authority can rebut that the '30 days past due' presumption does not represent significant increase in credit risk for that particular financial instrument.	— The financial instrument is 90 or more days past due on contractual payments; except if the Authority can rebut that the '90 days past due' presumption does not represent a default event for that particular financial instrument.

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6.2.6.2 Qualitative criteria

The Authority uses a wide range of qualitative criteria for staging purposes, leveraging on IFRS 9 recommendations and a range of other factors.

The Authority shall override the stage allocation using quantitative assessment if the financial instrument meets the qualitative criteria for a different impairment stage as detailed below.

Below is a table of the qualitative criteria used in allocating stages to the financial instruments of the Group:

Stage 1	Stage 2	Stage 3

— The financial instrument meets CBN low risk exception criteria i.e. 'risk free and gilt edged'.
— All financial instruments at inception will be in stage 1 except if purchased or originated as credit impaired.
— The financial instrument has not had a significant increase in credit risk since origination as evidenced by (but not limited to) the following factors:
  — An actual or expected change in the regulatory, macroeconomic, or technological environment of the borrower at the reporting date does not result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
  — No expectation of forbearance or restructuring due to financial difficulties.
  — No evidence that full repayment of interest and principal will require the realisation of collateral or other form of support.
— The borrower did not suffer a regulatory fine that is significant in relation to its size/profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— No litigation against the obligor that is likely to have a material impact on profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— Government policies have little or no negative impact on the viability or profitability of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— No significant downturn in the obligor's industry at the reporting date relative to the origination date or the downturn is not expected to significantly impact the obligor's ability to meet contractual obligations relative to the origination date.
— There is no significant drop in the obligor's revenue or profitability at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— Little or reduction in financial support from a parent entity or other affiliate at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— No significant deterioration in liquidity/solvency levels of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— For financial institutions, no significant deterioration in obligor's CAMELS (i.e. Capital, Asset Quality, Management Capability, Earnings, Liquidity, and Sensitivity to market risks) at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— No significant deterioration in internal price indicators of credit risk at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
— Other factors other than those listed above that suggest that the ability of the obligor to meet contractual obligations at the reporting date has not changed materially from the origination date.
	— The financial instrument has had a significant increase in credit risk since origination as evidenced by (but not limited to) the following factors:
	— An actual or expected change in the regulatory, macroeconomic, or technological environment of the borrower at the reporting date results in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Expectation of forbearance or restructuring due to financial difficulties.
	— Evidence that full repayment of interest and principal will require the realisation of collateral or other form of support.
	— The borrower has suffered a regulatory fine that is significant in relation to its size/profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Litigation against the obligor is likely to have a material impact on revenue or profit at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Government policies have significant negative impact on the viability or profitability of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Significant downturn in the obligor's industry at the reporting date relative to the origination date or the downturn is expected to significantly impact the obligor's ability to meet contractual obligations relative to the origination date.
	— There is significant drop in the obligor's revenue or profitability at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Significant reduction in financial support from a parent entity or other affiliate at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Significant deterioration in liquidity/solvency levels of the obligor at the reporting date which could result in a significant change in the borrower's ability to meet its obligations relative to the origination date.
	— Other factors other than those listed above that suggest that the ability of the obligor to meet contractual obligations at the reporting date has changed materially from the origination date.
		— Financial instruments that are purchased or originated as credit impaired.
		— The financial instrument has objective evidence of impairment at the reporting date as evidenced by (but not limited to) the following:
		  — Withdrawal of operating licence from the obligor.
		  — Voluntary liquidation/insolvency of the obligor.
		  — If it becomes probable that the obligor may enter bankruptcy or other financial reorganisation.
		  — Disappearance of an active market for the financial instrument because of financial difficulties.
		  — The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses.
		  — Breach of covenants that are deemed as default events.
		  — Other qualitative factors representing default such as in the CBN's prudential guideline definition of default.

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(continued)

6.2.7 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial asset.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financial asset amortised cost. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to the 'Forward-looking information incorporated in the ECL models' subhead for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed by the Finance team on a periodic basis.

There have been no significant changes in estimation techniques or significant assumptions made between when the model was adopted and the reporting period.

6. Financial risk management *continued*

6.2.8 Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

IFRS 9 [B5.5.51] states that an entity need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses. In addition, an entity is not required to incorporate forecasts of future economic conditions over the entire life of a financial instrument. Rather, it suffices for an entity to extrapolate projections for periods that are far in the future from available information.

6.2.8.1 Incorporating forward-looking information into multi-year PD estimation

The Authority has financial instruments originating from different regions of the world, and as such, it may be impracticable to obtain information on future economic conditions for all the relevant regions. The Authority has therefore incorporated FLI into multi-year PD estimation using a two-step approach:

Step 1:
Convert Through-the-Cycles (TTC) PDs to Point-in-Time (PIT) PDs using logistic regression with global historical default rates and global macroeconomic variables (i.e. global GDP growth rate, global inflation rate and oil price). This is based on the fact that external rating grades are comparable across industries and jurisdictions.

Step 2:
Incorporate the impact of local economic conditions by analysing the likelihood of change in the rating of each financial instrument based on obligor specific information. This analysis will be conducted at every reporting date by considering the following information:

i. Rating outlook from external rating agencies for the obligor or the related sovereign.
ii. The expected impact of local macroeconomic forecasts (e.g. local GDP growth rate, exchange rate, inflation rate, unemployment rate etc.) on the obligor.
iii. Other obligor specific qualitative information that may provide an indication of future change in ratings.

6.2.8.2 Incorporating FLI into multi-year EAD and LGD estimation

The Authority adjusts the base case EAD and LGD estimates for periods where these parameters are expected to be significantly different from their historical averages based on forward-looking macroeconomic information.

6.2.8.3 Macroeconomic variable affecting the ECL allowance

The real historical gross domestic product (GDP) growth rate in Nigeria, inflation and crude oil price were identified as the key economic variables impacting the credit risk of the Group. Historical data on these variables for the last ten years were used to determine the three economic scenarios (base, optimistic and downturn) and their scenario weightings.

6.2.9 Economic variable assumptions
The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 are set out below. The scenarios 'best', 'optimistic' and 'downturn' were used for all portfolios.

		2019	2020	2021	2022	2023
a GDP growth rate (%)	Best	40%	40%	40%	40%	40%
	Optimistic	40%	40%	40%	40%	40%
	Downturn	30%	30%	30%	30%	30%
b Inflation rate (%)	Best	3%	3%	2%	2%	2%
	Optimistic	4%	3%	3%	3%	3%
	Downturn	4%	3%	3%	3%	3%
c Oil price (USD)	Best	69.40	70.00	70.00	70.00	70.00
	Optimistic	60.00	65.00	69.71	71.30	73.50
	Downturn	50.10	51.90	53.50	55.00	56.50

Sensitivity analysis on ECL model
The most significant forward-looking information with impact on the ECL allowance of the Group includes:
— Growth rate
— Inflation rate
— Oil prices

The table below demonstrates the sensitivity of the ECL allowance to movements in the significant forward-looking indicators for financial assets, with all other variables held constant:

	Group ECL allowance ₦'000	Group Net effect ₦'000	Authority ECL Allowance ₦'000	Authority Net effect ₦'000
Growth rate				
10% increase	573,504	(60,571)	516,382	(54,473)
No change	634,075	–	570,855	–
10% decrease	701,873	67,798	631,920	61,065
Inflation rate				
10% increase	636,666	2,591	573,233	2,378
No change	634,075	–	570,855	–
10% decrease	632,416	(1,659)	569,407	(1,448)
Oil prices				
10% increase	607,574	(26,501)	547,048	(23,807)
No change	634,075	–	570,855	–
10% decrease	662,669	28,594	596,636	25,781

6. Financial risk management *continued*

6.2.10 Loss allowance
The loss allowance recognised in the period is impacted by a variety of factors, as described below:
— transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and Lifetime ECL;
— additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
— impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
— impacts on the measurement of ECL due to changes made to models and assumptions;
— discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
— foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
— financial assets derecognised and write-offs of allowances related to assets that are written off.

There were no assets written off during the period.

See Note 14.1 for an explanation of the changes in the loss allowance of financial assets between the beginning and the end of the annual period.

6.2.11 Write-off policy
The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. Currently, there were no outstanding contractual amounts on such financial assets during the year ended 31 December 2018.

The table below analyses the Group's financial assets measured at amortised cost based on stage in which the allowances are taken on them. All financial assets fair valued through other comprehensive income are equity instruments.

	Group Stage 1 12 months' exposure ₦'000	Group ₦'000	Group Stage 2 Lifetime exposure ₦'000	Group Stage 3 Lifetime exposure ₦'000	Group Total ₦'000
Financial assets measured at amortised cost					
Eurobonds	10,260,970		–	–	10,260,970
Nigerian treasury bills	3,984,976		–	–	3,984,976
Open Market Operations bills (OMO bills)	178,487,028		–	–	178,487,028
Fixed deposits	93,069,036		–	–	93,069,036
Loans and receivables	1,641,036		–	–	1,641,036
Other assets	35,581,170				35,581,170
	323,024,216	–	–	–	323,024,216
Loss allowance (investment securities and other assets)	(2,955,668)	–	–	–	(2,955,668)
Carrying amount	320,068,548	–	–	–	320,068,548
Individually impaired	2,955,668	–	–	–	2,955,668
Collectively impaired	–	–	–	–	–
	2,955,668	–	–	–	2,955,668

	Authority Stage 1 12 months' exposure ₦'000	Authority ₦'000	Authority Stage 2 Lifetime exposure ₦'000	Authority Stage 3 Lifetime exposure ₦'000	Authority Total ₦'000
Financial assets measured at amortised cost					
Eurobonds	10,260,970		–	–	10,260,970
Nigerian treasury bills	3,984,976		–	–	3,984,976
Open Market Operations bills (OMO bills)	178,487,028		–	–	178,487,028
Fixed deposits	93,069,036		–	–	93,069,036
	285,802,010	–	–	–	285,802,010
	(570,855)	–	–	–	(570,855)
Loss allowance (investment securities and other assets)	285,231,155	–	–	–	285,231,155
Carrying amount					
Individually impaired	570,855	–	–	–	570,855
Collectively impaired	–	–	–	–	–
	570,855	–	–	–	570,855

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 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Cash in hand	133	473	133	249
Bank balances	43,908,683	22,020,278	29,531,728	8,545,048
Placements with financial institutions	32,245,474	316,208	32,245,474	–
Total cash and cash equivalents	**76,154,290**	**22,336,959**	**61,777,335**	**8,545,297**

6.3.2 *Exposure to liquidity risk*

The table below analyses the Group's non-derivative financial liabilities and unfunded commitments with private equity fund managers 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 2018	Group Up to 6 months ₦'000	Group Between 6 months and 1 year ₦'000	Group Between 1 and 2 years ₦'000	Group Greater than 2 years ₦'000	Group Total ₦'000
Trade payables	1,733,962	–	–	–	1,733,962
Other payables	18,756,444	–	–	–	18,756,444
Borrowings	3,125,829	4,034,513	7,872,118	21,449,259	36,481,719
Total liabilities	**23,616,235**	**4,034,513**	**7,872,118**	**21,449,259**	**56,972,125**
Unfunded commitments with private equity fund managers	19,069,581	–	–	–	19,069,581
Total commitments	**19,069,581**	**–**	**–**	**–**	**19,069,581**

31 December 2017	Group Up to 6 months ₦'000	Group Between 6 months and 1 year ₦'000	Group Between 1 and 2 years ₦'000	Group Greater than 2 years ₦'000	Group Total ₦'000
Trade payables	1,911,529	–	–	–	1,911,529
Other payables	6,448,086	–	228,332	–	6,676,418
Payables to related parties	18,331,582	–	–	–	18,331,582
Borrowings	20,547	124,657	725,719	5,035,582	5,906,505
Total liabilities	**26,711,744**	**124,657**	**954,051**	**5,035,582**	**32,826,034**
Unfunded commitments with private equity fund managers	16,961,833	–	–	–	16,961,833
Total commitments	**16,961,833**	**–**	**–**	**–**	**16,961,833**

31 December 2018	Authority Up to 6 months ₦'000	Authority Between 6 months and 1 year ₦'000	Authority Between 1 and 2 years ₦'000	Authority Greater than 2 years ₦'000	Authority Total ₦'000
Trade payables	1,520,494	–	–	–	1,520,494
Intercompany payables	1,591,131	–	–	–	1,591,131
Other payables	15,456,623	–	–	–	15,456,623
Total liabilities	**18,568,248**	**–**	**–**	**–**	**18,568,248**
NAIC NPK loan guaranteed by NSIA	3,125,829	4,034,513	7,872,118	21,449,259	36,481,719
Unfunded commitments with private equity fund managers	14,002,831	–	–	–	14,002,831
Total commitments	**17,128,660**	**4,034,513**	**7,872,118**	**21,449,259**	**50,484,550**

31 December 2017	Authority Up to 6 months ₦'000	Authority Between 6 months and 1 year ₦'000	Authority Between 1 and 2 years ₦'000	Authority Greater than 2 years ₦'000	Authority Total ₦'000
Trade payables	1,698,057	–	–	–	1,698,057
Intercompany payables	4,152,936	–	–	–	4,152,936
Other payables	1,908,441	–	–	–	1,908,441
Total liabilities	**7,759,434**	**–**	**–**	**–**	**7,759,434**
NAIC NPK loan guaranteed by NSIA	20,547	124,657	725,719	5,035,582	5,906,505
Unfunded commitments with private equity fund managers	12,902,016	–	–	–	12,902,016
Total commitments	**12,922,563**	**124,657**	**725,719**	**5,035,582**	**18,808,521**

6.4 Market risk

Market risk is the risk of loss from unfavourable 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 earnings 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 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 real estate assets, private equity, hospitality and infrastructure projects.

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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. Non-monetary financial assets are not exposed to foreign exchange risk in accordance with the standards. 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 show 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 2018	Group Naira ₦'000	Group USD ₦'000	Group Euro ₦'000	Group Total ₦'000
Cash and cash equivalents	27,760,064	48,205,869	188,357	76,154,290
Investment securities (at amortised cost)	–	287,443,046	–	287,443,046
Investment securities (at FVTPL) – Monetary	–	49,804,646	–	49,804,646
Other assets	456,363	35,124,807	–	35,581,170
Total monetary financial assets	**28,216,427**	**420,578,368**	**188,357**	**448,983,152**
Trade payables	273,388	1,460,574	–	1,733,962
Other payables	3,708,804	15,047,640	–	18,756,444
Deferred income relating to government grant	8,951,162	–	–	8,951,162
Payable to Federal Government of Nigeria	18,294,839	–	–	18,294,839
Borrowings	26,052,673	–	–	26,052,673
Total monetary financial liabilities	**57,280,866**	**16,508,214**	**–**	**73,789,080**
Net financial asset FCY exposure	**–**	**404,070,154**	**188,357**	**404,258,511**
Sensitivity at 5% appreciation	–	(20,203,508)	(9,418)	(20,212,926)
Sensitivity at 5% depreciation	–	20,203,508	9,418	20,212,926

6. Financial risk management *continued*

Concentration of foreign currency exposure

31 December 2017	Group Naira ₦'000	Group USD ₦'000	Group Euro ₦'000	Group Total ₦'000
Cash and cash equivalents	7,250,328	15,086,631	–	22,336,959
Investment securities (held-to-maturity)	175,437	17,341,779	–	17,517,216
Investment securities (loans and receivables)	8,955,405	253,737,553	–	262,692,958
Investment securities (available-for-sale)	12,817,766	24,805,655	–	37,623,421
Other assets	10,965,109	35,254,036	–	46,219,145
Total monetary financial assets	**40,164,045**	**346,225,654**		**386,389,699**
Trade payables	46,179	1,865,350	–	1,911,529
Other payables	6,676,418	–		6,676,418
Deferred income relating to government grant	1,465,369	–	–	1,465,369
Payable to Federal Government of Nigeria	18,331,582	–	–	18,331,582
Borrowings	3,534,631	–	–	3,534,631
Total monetary financial liabilities	**30,054,179**	**1,865,350**	**–**	**31,919,529**
Net financial asset FCY exposure	**–**	**344,360,304**	**–**	**344,360,304**
Sensitivity at 5% appreciation	–	(17,218,015)	–	(17,218,015)
Sensitivity at 5% depreciation	–	17,218,015	–	17,218,015

Concentration of foreign currency exposure

31 December 2018	Authority Naira ₦'000	Authority USD ₦'000	Authority Euro ₦'000	Authority Total ₦'000
Cash and cash equivalents	**27,760,064**	**33,828,914**	**188,357**	**61,777,335**
Investment securities (at amortised cost)	–	285,232,084	–	285,232,084
Investment securities (at FVTPL)	–	49,804,646	–	49,804,646
Other assets	25,053,608	7,463,900	–	32,517,508
Total monetary financial assets	**52,813,672**	**376,329,544**	**188,357**	**429,331,573**
Trade payables	1,520,494	–	–	1,520,494
Intercompany payables	1,591,131	–	–	1,591,131
Other payables	15,456,623	–	–	15,456,623
Total monetary financial liabilities	**18,568,248**	**–**	**–**	**18,568,248**
Net financial asset FCY exposure	**–**	**376,329,544**	**188,357**	**376,517,901**
Sensitivity at 5% appreciation	–	(18,816,477)	(9,418)	(18,825,895)
Sensitivity at 5% depreciation	–	18,816,477	9,418	18,825,895

Concentration of foreign currency exposure

31 December 2017	Authority Naira ₦'000	Authority USD ₦'000	Authority Euro ₦'000	Authority Total ₦'000
Cash and cash equivalents	**2,746,281**	**5,799,016**	**–**	**8,545,297**
Investment securities (held-to-maturity)	–	17,341,779	–	17,341,779
Investment securities (loans and receivables)	–	254,513,055	–	254,513,055
Investment securities (available-for-sale)	12,208,697	24,805,655	–	37,014,352
Other assets	18,335,029	53,945,925	–	72,280,954
Total monetary financial assets	**33,290,007**	**356,405,430**	**–**	**389,695,437**
Trade payables	295,081	1,402,976	–	1,698,057
Intercompany payables	3,850,110	302,826	–	4,152,936
Other payables	1,908,441	–	–	1,908,441
Total monetary financial liabilities	**6,053,632**	**1,705,802**	**–**	**7,759,434**
Net financial asset FCY exposure	**–**	**354,699,628**		**354,699,628**
Sensitivity at 5% appreciation	–	(17,734,981)		(17,734,981)
Sensitivity at 5% depreciation	–	17,734,981		17,734,981

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 debt instruments measured at fair value which will be exposed to fair value interest rate risk.

6. Financial risk management *continued*

The table below shows the impact of interest rate changes (increase/decrease) on the Group's fixed interest financial assets carried at fair value and the effect on other comprehensive income.

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Available-for-sale – US treasury notes	–	24,805,655	–	24,805,655
Available-for-sale – Fixed income products	–	12,208,697	–	12,208,697
Available-for-sale – Treasury bills	–	609,069	–	–
	–	**37,623,421**	**–**	**37,014,352**

In thousands of Nigerian Naira	Impact on	Impact of 5% strengthening	Impact of 5% weakening
Group			
31 December 2018	Other comprehensive income	–	–

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% weakening
Group			
31 December 2017	Other comprehensive income	1,881,171	(1,881,171)

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% weakening
Authority			
31 December 2018	Other comprehensive income	–	–

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% weakening
Authority			
31 December 2017	Other comprehensive income	1,850,718	(1,850,718)

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6.4.5 Equity securities price risk

The Group is exposed to equity securities price risk because of investments held by the Group and recognised on the consolidated statement of financial position at FVOCI. 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 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Equity instruments measured at FVOCI (2017: Available-for-sale)	9,474,482	5,258,546	7,934,647	4,429,823
	(9,474,482)	**(5,258,546)**	**(7,934,647)**	**(4,429,823)**

The table below shows the effect in other comprehensive income and equity of changes in available quoted securities (quoted on the London Stock Exchange (LSE)) in the Group. The impact was excluded from the table above. A 5% increase and decrease in the equity price has been used in the sensitivity analysis below:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
LSE – Chieftain Hanesbrands Inc.	233,779	222,481	233,779	222,481
	(233,779)	**(222,481)**	**(233,779)**	**(222,481)**

Other comprehensive income would increase/(decrease) as a result of gains/(losses) on equity securities measured at FVOCI by the amounts shown above.

7. Fair value hierarchy

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 2018. All fair value measurements disclosed are recurring fair value measurements.

7. Fair value hierarchy *continued*

Investment securities at FVOCI

31 December 2018	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Total ₦'000
NG Clearing Ltd	–	–	523,000	523,000
MTN securities, Bridge Academies Limited and Chieftain Investments	4,675,587	2,736,060	1,539,835	8,951,482
	4,675,587	**2,736,060**	**2,062,835**	**9,474,482**

Investment securities available-for-sale

31 December 2017	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Total ₦'000
US treasury notes	–	24,805,655	–	24,805,655
Private equity investments	–	–	40,400,222	40,400,222
Nigeria treasury bills	–	609,069	–	609,069
Nigeria infrastructure debt fund	–	1,528,500	–	1,528,500
Hedge fund managers	4,449,610	–	64,770,690	69,220,300
Fixed income products	–	12,208,697	–	12,208,697
	4,449,610	**39,151,921**	**105,170,912**	**148,772,443**

Investment securities at FVOCI

31 December 2018	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Total ₦'000
NG Clearing Ltd	–	–	523,000	523,000
MTN securities, Bridge Academies Limited and Chieftain Investments	4,675,587	2,736,060	–	7,411,647
	4,675,587	**2,736,060**	**523,000**	**7,934,647**

Investment securities available-for-sale

31 December 2017	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Total ₦'000
US treasury notes	–	24,805,655	–	24,805,655
Private equity investments	–	–	23,825,778	23,825,778
Nigeria infrastructure debt fund	–	1,528,500	–	1,528,500
Hedge fund managers	4,449,610	–	64,770,690	69,220,300
Fixed income products	–	12,208,697	–	12,208,697
	4,449,610	**38,542,852**	**88,596,468**	**131,588,930**

Financial assets at fair value through profit or loss

31 December 2018	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Total ₦'000
Currency swap (Note 21.6.1)	–	762,044	–	762,044
Private equity investments	–	–	43,559,000	43,559,000
Hedge funds and long only equity investments	–	–	69,343,323	69,343,323
US treasury notes	–	26,841,410	–	26,841,410
Fixed income products	–	22,963,236	–	22,963,236
	–	**50,566,690**	**112,902,323**	**163,469,013**

31 December 2017	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Currency swap (Note 21.6.1)	–	869,908	–	869,908
	–	**869,908**	**–**	**869,908**

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Financial assets at fair value through profit or loss

31 December 2018	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Total ₦'000
Currency swap (Note 21.6.1)	–	762,044	–	762,044
Private equity investments	–	–	26,933,165	26,933,165
Hedge funds and long only equity investments	–	–	69,343,323	69,343,323
Nigeria infrastructure debt fund	–	1,626,000	–	1,626,000
US treasury notes	–	26,841,410	–	26,841,410
Fixed income products	–	22,963,236	–	22,963,236
	–	**52,192,690**	**96,276,488**	**148,469,178**

31 December 2017	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Currency swap (Note 21.6.1)	–	869,908	–	869,908
	–	**869,908**	**–**	**869,908**

(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 2018. 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 judgement 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.

7. Fair value hierarchy *continued*

Investments in hedge funds and private equity funds measured at FVOCI
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 2018 for financial assets measured at FVOCI.

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Available-for-sale – Private equity				
Opening balance	40,400,222	28,399,511	23,825,778	12,630,092
Additions		15,118,354	–	12,332,548
Disposals, repayments and distributions received	–	(5,920,717)	–	(3,165,947)
Fair value movement	–	2,655,815	–	1,995,276
IFRS 9 reclassification	(40,400,222)	–	(23,825,778)	–
Exchange gain	–	147,259	–	33,809
Closing balance	**–**	**40,400,222**	**–**	**23,825,778**

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Available-for-sale – Hedge funds				
Opening balance	64,770,690	59,039,615	64,770,690	59,039,615
Additions		2,379,983		2,379,983
Disposals, repayments and distributions received	–	(402,353)	–	(402,353)
Fair value movement	–	3,547,827	–	3,547,827
IFRS 9 reclassification	(64,770,690)	–	(64,770,690)	–
Exchange gain	–	205,618	–	205,618
Closing balance	**–**	**64,770,690**	**–**	**64,770,690**

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial assets measured at FVOCI/Available-for-sale – Bridge Academies Limited and NG Clearing				
Opening balance	1,143,600	1,143,600	–	–
Additions	1,139,835	–	523,000	–
Fair value movement	(299,000)	–	–	–
Exchange gain	78,400	–	–	–
Closing balance	**2,062,835**	**1,143,600**	**523,000**	**–**

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial assets at fair value through profit or loss – Private equity				
Opening balance	–	–	–	–
Additions	9,003,662	–	6,068,415	–
Disposals, repayments and distributions received	(3,504,546)	–	(2,995,848)	–
Fair value movement	(4,282,440)	–	(1,600,642)	–
IFRS 9 reclassification	40,400,222	–	23,825,778	–
Exchange gain	1,942,102	–	1,635,462	–
Closing balance	**43,559,000**	**–**	**26,933,165**	**–**

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial assets at fair value through profit or loss – Hedge funds				
Opening balance	–	–	–	–
Additions	25,953,500	–	25,953,500	–
Disposals, repayments and distributions received	(16,592,617)	–	(16,592,617)	–
Fair value movement	(9,221,262)	–	(9,221,262)	–
IFRS 9 reclassification	64,770,690	–	64,770,690	–
Exchange gain	4,433,012	–	4,433,012	–
Closing balance	**69,343,323**	**–**	**69,343,323**	**–**

Sensitivity analysis of fair value movements for Level 3 financial assets measured at FVOCI
The table below shows the sensitivity analysis of fair value movements for Level 3 financial assets measured at FVOCI:

			Group 31 December 2018 ₦'000	Authority 31 December 2018 ₦'000
Financial assets measured at FVOCI	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV/Fair value	(690,135)	(541,095)
Fair value movement	Decrease	NAV/Fair value	690,135	541,095

			Group 31 December 2017 ₦'000	Authority 31 December 2017 ₦'000
Available-for-sale financial assets	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV/Fair value	310,182	277,155
Fair value movement	Decrease	NAV/Fair value	(310,182)	(277,155)

			Group 31 December 2017 ₦'000	Authority 31 December 2017 ₦'000
Financial assets at fair value through profit or loss	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV/Fair value	(554,476)	(546,976)
Fair value movement	Decrease	NAV/Fair value	554,476	546,976

There were no Level 3 instruments classified at fair value through profit or loss in 2017.

7. Fair value hierarchy *continued*

7.1.1 Fair value hierarchy of financial assets and financial liabilities not measured at fair value

31 December 2018	Group Carrying value ₦'000	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Fair value ₦'000
Financial assets					
Other receivables	11,134,143	–	–	11,134,143	11,134,143
Trade receivables	8,333,282	–	–	8,333,282	8,333,282
Cost incurred on behalf of related party in respect of 2nd Niger Bridge	16,113,745	–	–	16,113,745	16,113,745
Advances to staff	–	–	–	–	–
Financial assets measured at amortised cost	286,822,091	–	18,578,065	268,251,836	286,829,901
	322,403,261	**–**	**18,578,065**	**303,833,006**	**322,411,071**
Financial liabilities					
Borrowings	26,052,673	–	–	26,052,673	26,052,673
Trade payables	1,733,962	–	–	1,733,962	1,733,962
Other payables	18,756,444	–	–	18,756,444	18,756,444
Payables to Federal Government in respect of the 2nd Niger Bridge	18,294,839	–	–	18,294,839	18,294,839
	64,837,918	**–**	**–**	**64,837,918**	**64,837,918**

31 December 2017	Group Carrying value ₦'000	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Fair value ₦'000
Financial assets					
Other receivables	46,219,145	–	–	46,219,145	46,219,145
Held-to-maturity	17,517,216	–	17,517,216	–	17,843,278
Loans and receivables	262,692,958	–	–	262,692,958	262,692,958
	326,429,319	**–**	**17,517,216**	**308,912,103**	**326,755,381**
Financial liabilities					
Trade payables	1,911,529	–	–	1,911,529	1,911,529
Other payables	6,676,418	–	–	6,676,418	6,676,418
Payables to Federal Government in respect of the 2nd Niger Bridge	18,331,582	–	–	18,331,582	18,331,582
	26,919,529	**–**	**–**	**26,919,529**	**26,919,529**

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31 December 2018	Authority Carrying value ₦'000	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Fair value ₦'000
Financial assets					
Other receivables	2,171,076	–	–	2,171,076	2,171,076
Account receivables	3,456,830	–	–	3,456,830	3,456,830
Intercompany receivables	30,346,432	–	–	30,346,432	30,346,432
Advances to staff	–	–	–	–	–
Financial instruments at amortised cost	285,232,084	–	14,139,820	274,971,114	289,110,934
	321,206,422	**–**	**14,139,820**	**310,945,452**	**325,085,272**
Financial liabilities					
Trade payables	1,520,494	–	–	1,520,494	1,520,494
Intercompany payables	1,591,131	–	–	1,591,131	1,591,131
Other payables	15,456,623	–	–	15,456,623	15,456,623
	18,568,248	**–**	**–**	**18,568,248**	**18,568,248**

31 December 2017	Authority Carrying value ₦'000	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Fair value ₦'000
Financial assets					
Other assets	1,567,530	–	–	1,567,530	1,567,530
Held-to-maturity	17,341,779	–	17,341,779	–	17,667,341
Loans and receivables	254,513,055	–	–	254,513,055	254,513,055
	273,422,364	**–**	**17,341,779**	**256,080,585**	**273,747,926**
Financial liabilities					
Trade payables	1,698,057	–	–	1,698,057	1,698,057
Intercompany payables	4,152,936	–	–	4,152,936	4,152,936
Other payables	1,908,441	–	–	1,908,441	1,908,441
	7,759,434	**–**	**–**	**7,759,434**	**7,759,434**

8. Fund information

The Authority has three funds being the Stabilisation Fund (SF), the Future Generations Fund (FGF) and the 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:

Reportable Fund	Products and services
The Stabilisation Fund (SF)	To provide stabilisation support to the Federation in times of economic stress.
The Future Generations Fund (FGF)	To invest in a diversified portfolio of appropriate growth investments in order to provide future generation of Nigerians a solid savings base for such a time as the hydrocarbon reserves in Nigeria are exhausted.
The 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 fund is included below. Performance is measured based on fund as included in the internal management reports. Funds profitability is used to measure performance as the directors believe that such information is most relevant in evaluating the profitability of each fund.

8. Fund information *continued*

Fund revenue and results

31 December 2018	The Stabilisation Fund ₦'000	The Future Generations Fund ₦'000	The Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Interest income	3,823,619	11,490,431	8,494,318	9,848	23,818,216
Investment income	575,057	1,469,123	1,164,032	–	3,208,212
Interest income on instrument measured at FVPL	161,101	493,622	141,802	–	796,525
Net gain on financial assets	(669,772)	1,249,818	(334,086)	–	245,960
Net foreign exchange gains	4,938,373	5,378,109	7,679,155	56,554	18,052,191
Total operating segment income	**8,828,378**	**20,081,103**	**17,145,221**	**66,402**	**46,121,104**
Investment management fees	(36,212)	(850,939)	–	–	(887,151)
Local custodian fees	(15,696)	(23,907)	(6,010)		(45,613)
Global custodian fees	(5,032)	(54,080)	(10,739)	(19,778)	(89,629)
Impairment charge on financial assets	(64,166)	(129,262)	(750,495)	–	(943,923)
Total operating fund profit	**8,707,272**	**19,022,915**	**16,377,977**	**46,624**	**44,154,788**
Revenue from infrastructure subsidiaries investment	–	–	27,403,230	–	27,403,230
Expense from infrastructure subsidiaries investment	–	–	(30,608,117)	–	(30,608,117)
Loss from infrastructure subsidiaries investment	**–**	**–**	**(3,204,887)**	**–**	**(3,204,887)**
Other income	–	1,016,780	10,379,868	8,610	11,405,258
Operating and administrative expenses	(707,034)	(1,410,122)	(836,988)	(808,081)	(3,762,225)
Interest expense	–	–	(2,617,160)	–	(2,617,160)
Share of profit of investment in associate	–	–	209,300	–	209,300
Profit before tax	**8,000,238**	**18,629,573**	**20,308,110**	**(752,847)**	**46,185,074**
Taxation	**–**	**(219,461)**	**–**		**(219,461)**
Profit for the year from continuing operations	**8,000,238**	**18,410,112**	**20,308,110**	**(752,847)**	**45,965,613**
Profit from discontinued operations	**–**	**–**	**538,816**	**–**	**538,816**
Profit for the year	**8,000,238**	**18,410,112**	**20,846,926**	**(752,847)**	**46,504,429**
Profit attributable to:					
Owners of NSIA	8,000,238	18,409,220	20,846,925	(752,847)	46,503,536
Non-controlling interest	–	893	–	–	893
	8,000,238	18,408,327	20,846,925	(752,847)	46,502,643
Reportable fund assets					
Cash and cash equivalents	17,493,387	25,260,097	20,327,973	13,072,833	76,154,290
Investment securities	92,776,689	195,350,614	173,264,283	–	461,391,586
Other assets	1,013,794	2,418,184	40,582,636	174,755	44,189,369
Inventories	–	–	20,685,075	–	20,685,075
Investments accounted for using the equity method		–	13,647,879	–	13,647,879
Investment in subsidiary	–	–	–	–	
Property and equipment	–	–	1,344,066	272,950	1,617,016
Intangible assets	–	–	–	12,893	12,893
	111,283,870	**223,028,895**	**269,851,912**	**13,533,431**	**617,698,108**
Reportable fund liabilities					
Other liabilities	1,411,906	658,791	30,236,130	15,951,222	48,258,049
Borrowings	–	–	26,052,673	–	26,052,673
	1,411,906	**658,791**	**56,288,803**	**15,951,222**	**74,310,722**

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31 December 2017	The Stabilisation Fund ₦'000	The Future Generations Fund ₦'000	The Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Interest income	4,107,981	6,742,228	10,916,155	600	21,766,964
Investment income	–	2,603,755	–	–	2,603,755
Net gain on financial assets	934,673	3,270,519	(51,628)	–	4,153,564
Net foreign exchange gains/(losses)	(57,102)	223,348	1,485,712	214	1,652,172
Total operating segment income	**4,985,552**	**12,839,850**	**12,350,239**	**814**	**30,176,455**
Investment management fees	15,327	(669,889)	–	–	(654,562)
Local custodian fees	–	–	(6,765)	–	(6,765)
Foreign custodian fees	(6,277)	(37,720)	(3,758)	–	(47,755)
Total fund investment management and custodian fees	**9,050**	**(707,609)**	**(10,523)**	**–**	**(709,082)**
Total operating fund profit	**4,994,602**	**12,132,241**	**12,339,716**	**814**	**29,467,373**
Revenue from infrastructure subsidiaries investment	–	–	31,367,992	–	31,367,992
Expense from infrastructure subsidiaries investment	–	–	(33,514,157)	–	(33,514,157)
Loss from infrastructure subsidiaries investment	**–**	**–**	**(2,146,165)**	**–**	**(2,146,165)**
Other income	–	–	–	7,960	7,960
Operating and administrative expenses	(38)	(347,026)	(1,946,727)	(2,425,830)	(4,719,621)
Total operating and administrative expenses	**(38)**	**(347,026)**	**(1,946,727)**	**(2,425,830)**	**(4,719,621)**
Finance cost	–	–	(85,223)	–	(85,223)
Share of profit of investment in associate	–	–	434,988	–	434,988
Profit before tax	**4,994,564**	**11,785,215**	**8,596,589**	**(2,417,056)**	**22,959,312**
Taxation	–	(402,038)	–	–	(402,038)
Profit after tax	**4,994,564**	**11,383,177**	**8,596,589**	**(2,417,056)**	**22,557,274**
Profit attributable to:					
Owners of NSIA	4,994,564	11,382,641	8,596,589	(2,417,056)	22,556,738
Non-controlling interest	–	536	–	–	536
	4,994,564	**11,383,177**	**8,596,589**	**(2,417,056)**	**22,557,274**
Reportable fund assets					
Cash and cash equivalents	2,050,447	7,774,644	9,404,928	3,106,940	22,336,959
Investment securities	77,246,453	180,338,298	172,267,774	–	429,852,525
Other assets	17,226,925	–	31,237,818	669,615	49,134,358
Inventories	–	–	13,797,596	–	13,797,596
Investment in associate	–	–	2,453,380	–	2,453,380
Property and equipment	–	–	16,258,058	48,502	16,306,560
Intangible assets	–	–	1,138	63	1,201
	96,523,825	**188,112,942**	**245,420,692**	**3,825,120**	**533,882,579**
Reportable fund liabilities					
Other liabilities	1,716,537	6,234,299	15,453,462	5,881,620	29,285,918
Borrowings	–	–	3,534,631	–	3,534,631
	1,716,537	**6,234,299**	**18,988,093**	**5,881,620**	**32,820,549**

9. Interest income

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Interest income on US treasury notes	–	443,692	–	443,692
Interest income on Nigerian treasury bills	305,283	219,465	–	–
Interest income on fixed deposits	5,905,172	7,055,751	5,905,172	6,847,302
Interest income on open market operation bills	16,195,559	12,544,352	16,195,559	12,544,352
Interest income on Eurobonds	1,250,077	1,329,377	1,250,077	1,329,377
Interest income on bank balances	162,125	174,327	162,125	174,327
	23,818,216	**21,766,964**	**23,512,933**	**21,339,050**

10. Investment income

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Investment income from securities	3,208,212	2,603,755	1,386,859	362,081
	3,208,212	**2,603,755**	**1,386,859**	**362,081**

11. Interest income on financial assets at FVTPL

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Interest income on US treasury notes	440,462	–	440,462	–
Interest income from fixed income products	356,063	–	356,063	–
	796,525	**–**	**796,525**	**–**

12. Net gain on financial assets

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Net gain on financial assets at fair value through profit or loss (Note 12.1)	536,178	4,156,247	1,174,257	4,156,247
Net loss on US treasury notes and fixed income products	(290,218)	(2,683)	(290,218)	(2,683)
	245,960	**4,153,564**	**884,039**	**4,153,564**

12.1 Net gain on financial assets at fair value through profit or loss (FVTPL)

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Unrealised gain on financial swap	762,044	869,908	762,044	869,908
Realised gain on financial swap	3,230,018	1,565,720	3,230,018	1,565,720
Fair value changes on private equity, hedge funds and other securities	(5,868,673)	–	(4,724,175)	–
Net gains on sale of equity instruments	2,412,789	1,720,619	1,906,370	1,720,619
	536,178	**4,156,247**	**1,174,257**	**4,156,247**

Notes to the Consolidated and Separate Financial Statements (continued)

13. Net foreign exchange gains

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Net foreign exchange gains	18,052,191	1,652,172	18,901,727	1,703,128
	18,052,191	**1,652,172**	**18,901,727**	**1,703,128**

14. Impairment charge on financial assets

	Group 31 December 2018 ₦'000	Authority 31 December 2018 ₦'000
Financial assets at amortised cost	943,923	321,761
	943,923	**321,761**

The following tables explain the changes in the loss allowance of financial assets between the beginning and the end of the annual period:

	Group Stage 1 12-month ECL ₦'000	Group Stage 2 Lifetime ECL ₦'000	Group Stage 3 Lifetime ECL ₦'000	Group Purchased credit-impaired ₦'000	Group Total ₦'000
Loss allowance as at 1 January 2018	2,011,745	–	–	–	**2,011,745**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2					
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Changes in financial assets during the year	–	–	–	–	–
Changes in PDs/LGDs/EADs	940,655	–	–	–	**940,655**
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount	–	–	–	–	–
FX and other movements	–	–	–	–	–
Total net P&L charge during the period	3,268	–	–	–	**3,268**
	943,923	–	–	–	**943,923**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	–	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2018	**2,955,668**	**–**	**–**	**–**	**2,955,668**

14. Impairment charge on financial assets *continued*

	Authority Stage 1 12-month ECL ₦'000	Authority Stage 2 Lifetime ECL ₦'000	Authority Stage 3 Lifetime ECL ₦'000	Authority Purchased credit-impaired ₦'000	Authority Total ₦'000
Loss allowance as at 1 January 2018	249,094	–	–	–	**249,094**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2					
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Changes in financial assets during the year	–	–	–	–	–
Changes in PDs/LGDs/EADs	318,493	–	–	–	**318,493**
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount	–	–	–	–	–
FX and other movements	–	–	–	–	–
Total net P&L charge during the period	3,268	–	–	–	**3,268**
	321,761	–	–	–	**321,761**
Other movements with no P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	–	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2018	**570,855**	**–**	**–**	**–**	**570,855**

Notes to the Consolidated and Separate Financial Statements
(continued)

15. Revenue from infrastructure subsidiaries investment

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Revenue from sale of fertiliser	27,403,230	31,317,575	–	–
Guarantee fee income	–	50,417	–	–
	27,403,230	**31,367,992**	**–**	**–**

Revenue from sale of fertiliser represents revenue from sale of finished and packaged fertiliser to agro-dealers and State Governments.

Guarantee fee income in 2017 represents the amortised portion of the non-refundable fee calculated as a percentage of the guaranteed amount earned by the Group's subsidiary, Infrastructure Credit Guarantee Company Limited, for providing guarantee for bonds issued by some issuing entities. There was a loss of control in the subsidiary during the financial year, and the results of the subsidiary have been included as part of the share of profit from associated and jointly controlled entities in the statement of comprehensive income.

16. Expense from infrastructure subsidiaries investment

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Cost of sales of fertiliser (Note 16.1)	30,608,117	33,507,564	–	–
Guarantee fee expenses	–	6,593	–	
	30,608,117	**33,514,157**	**–**	**–**

16.1 Cost of sales of fertilisers

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Raw materials consumed	19,618,251	17,815,087	–	–
Blending plants fees	3,399,132	5,079,373	–	–
Direct trucking, storage and other logistics	5,272,195	7,280,272	–	–
Fertiliser clearing and testing expense	2,318,539	3,332,832	–	–
	30,608,117	**33,507,564**	**–**	**–**

17. Other income

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Fiduciary income	1,036,042	7,960	1,025,390	7,960
Cost differential on fertiliser sales	8,600,000	–	–	–
Benefit from below market rate loan	1,769,216	–	–	–
	11,405,258	**7,960**	**1,025,390**	**7,960**

₦1.01 billion of fiduciary income relates to fund management fees earned on management of Nigeria Bulk Electricity Trading Plc (NBET) funds.

Cost differentials on sales of fertiliser relates to approved disbursement by the Federal Government of Nigeria for cost differential on the sales of fertiliser by the Group subsidiary NAIC-NPK Ltd. The cost differential was granted to the Group to settle the shortfalls of the 2017 and 2018 Presidential Fertiliser Initiative (PFI).

Benefit from below market rate loan arose from the straight line amortisation of the fair value of the benefit over the tenor of the borrowing. See Note 29.1 for additional information.

18. Operating and administrative expenses

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Personnel expenses (Note 18.1)	1,927,726	1,891,816	1,927,727	1,699,330
Directors' expenses (Non-executives)	100,000	46,959	100,000	37,500
Depreciation	57,818	64,079	57,818	40,888
Amortisation	63	720	63	558
Audit fees	71,900	79,528	41,900	30,000
Non audit fees	15,000	23,245	15,000	13,500
Other professional fees	488,039	853,547	361,218	772,662
General and administrative expenses	855,930	1,360,920	533,047	298,931
Office rent and other expenses	190,493	136,950	190,494	131,033
Travel expenses	55,256	261,857	55,256	145,688
	3,762,225	**4,719,621**	**3,282,523**	**3,170,090**

Notes to the Consolidated and Separate Financial Statements
(continued)

18.1 Personnel expenses

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Salaries and allowances	1,824,341	1,793,094	1,824,342	1,603,265
Defined contribution plan	103,385	98,722	103,385	96,065
	1,927,726	**1,891,816**	**1,927,727**	**1,699,330**

19. Interest expense

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Effective interest on borrowings	2,617,160	85,223	–	
	2,617,160	**85,223**	**–**	**–**

Effective interest on borrowings relates to the interest expense the Group incurred in connection with the borrowing of funds. The amount borrowed was provided by the Central Bank of Nigeria to NAIC-NPK (a subsidiary of the Group) to finance the Presidential Fertiliser Initiative for which the Authority initially provided stop-gap financing. See Note 29 for details of the borrowings.

20. Cash and cash equivalents

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Cash on hand	133	473	133	249
Bank balances	43,908,683	22,020,278	29,531,728	8,545,048
Money market placements	32,245,474	316,208	32,245,474	–
	76,154,290	**22,336,959**	**61,777,335**	**8,545,297**

Money market placements classified as cash and cash equivalents are placements with less than 90 days maturity period.

21. Investment securities

		Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Held-to-maturity	21.1	–	17,517,216	–	17,341,779
Financial assets measured at amortised cost	21.2	286,822,091	–	285,232,084	–
Loans and receivables	21.3	–	262,692,958	–	254,513,055
Financial assets measured at FVOCI	21.4	9,474,482	–	7,934,647	–
Available-for-sale investments	21.5	–	148,772,443	–	131,588,930
Financial assets at fair value through profit or loss	21.6	165,095,013	869,908	148,469,178	869,908
		461,391,586	**429,852,525**	**441,635,909**	**404,313,672**

21.1 Held-to-maturity investments

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Eurobonds	–	17,341,779	–	17,341,779
Nigerian treasury bills	–	175,437	–	–
	–	**17,517,216**		**17,341,779**
Maturity analysis:				
Current	–	7,976,030	–	7,800,593
Non-current	–	9,541,186	–	9,541,186
	–	**17,517,216**	**–**	**17,341,779**

21.2 Financial assets measured at amortised cost

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Eurobonds	10,260,970	–	10,260,970	–
Nigerian treasury bills	3,984,976	–	3,984,976	–
Open market operations bills (OMO bills)	178,487,028	–	178,487,028	–
Fixed deposits	93,069,036	–	93,069,036	–
Loans and receivables	1,641,036	–	–	
	287,443,046	–	285,802,010	–
Impairment/expected credit loss	(620,955)	–	(569,926)	
	286,822,091	**–**	**285,232,084**	**–**
Maturity analysis:				
Current	286,822,091	–	285,232,084	–
	286,822,091	**–**	**285,232,084**	**–**

21.3 Loans and receivables

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Fixed deposits and OMO bills	–	262,692,958	–	254,513,055
	–	**262,692,958**	**–**	**254,513,055**
Maturity analysis:				
Current	–	262,692,958	–	254,513,055
	–	**262,692,958**	**–**	**254,513,055**

21.4 Financial assets measured at FVOCI

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Equity instruments				
NG Clearing Ltd	523,000	–	523,000	–
MTN securities, Bridge Academies Limited and Chieftain Investments	8,951,482	–	7,411,647	–
	9,474,482	**–**	**7,934,647**	**–**
Maturity analysis:				
Non-current	9,474,482	–	7,934,647	–
	9,474,482	**–**	**7,934,647**	**–**

21.5 Available-for-sale investment securities

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Nigerian treasury bills	–	609,069	–	–
Fixed income products	–	12,208,697	–	12,208,697
Nigeria Infrastructure Debt Fund (NIDF)	–	1,528,500	–	1,528,500
US treasury notes	–	24,805,655	–	24,805,655
Hedge funds and long only equity managers	–	69,220,300	–	69,220,300
MTN securities	–	2,388,190	–	2,388,190
Private equity investments	–	38,012,032	–	21,437,588
	–	**148,772,443**	**–**	**131,588,930**
Maturity analysis:				
Current	–	609,069	–	–
Non-current		148,163,374		131,588,930
	–	**148,772,443**	**–**	**131,588,930**

21. Investment securities *continued*

21.6 Financial assets at fair value through profit or loss

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Currency swap (Note 21.6.1)	762,044	869,908	762,044	869,908
Private equity investments	43,559,000	–	26,933,165	–
Hedge funds and long only equity investments	69,343,323	–	69,343,323	–
Nigeria Infrastructure Debt Fund (NIDF)	1,626,000	–	1,626,000	–
Fixed income products	22,963,236	–	22,963,236	–
US treasury notes	26,841,410	–	26,841,410	–
	165,095,013	**869,908**	**148,469,178**	**869,908**
Maturity analysis:				
Current	17,238,887	869,908	17,238,887	869,908
Non-current	147,856,126	–	131,230,291	–
	165,095,013	**869,908**	**148,469,178**	**869,908**

21.6.1 *For swap instruments, the balance in 2018 shows the fair value of the financial assets arising from the currency swap transactions with the Central Bank of Nigeria (CBN). The notional contract amount of $515.5 million (2017: $455 million) represents the basis on which the changes in fair value were measured. The notional amounts indicate the volume of transactions as at the period end and are indicative of neither the market risk nor the credit risk. As a result of the counterparty involved, we have assessed the impact of credit risk on the financial asset to be minimal, as the counterparty (CBN) is backed by the sovereign guarantee of the Federal Government of Nigeria. In lieu of the foregoing, a credit value adjustment was not effected on the fair valuation of the derivative.*

22. Other assets

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial assets:				
Other receivables	11,134,143	35,296,096	2,171,076	34,167,273
Account receivables	8,333,282	10,923,049	3,456,830	–
Intercompany receivables	–	–	30,346,432	38,113,681
Cost incurred on behalf of the Federal Government of Nigeria	16,113,745	–	–	–
	35,581,170	**46,219,145**	**35,974,338**	**72,280,954**
Impairment/expected credit loss	(2,334,713)	–	(929)	–
Total financial assets	33,246,457	46,219,145	35,973,409	72,280,954
Non-financial assets:				
Prepayment	10,942,912	2,915,213	109,269	29,138
Total other assets	**44,189,369**	**49,134,358**	**36,082,678**	**72,310,092**
Maturity analysis:				
Current	–	1,073,895	–	–
Non-current	44,189,369	48,060,463	36,082,678	72,310,092
	44,189,369	**49,134,358**	**36,082,678**	**72,310,092**

Notes to the Consolidated and Separate Financial Statements
(continued)

Cost incurred on behalf of the Federal Government of Nigeria relates to the cost the Group has incurred on behalf of the Federal Government of Nigeria on the 2nd Niger Bridge project.

Expected credit losses on trade receivables from the Group's subsidiary NAIC-NPK Limited have been accounted for in line with the applicable financial reporting standards. Subsequent to the reporting date, the Company has recovered its receivable balance in full from the various obligors.

23. Inventories

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Raw materials	8,991,275	4,175,582	–	–
Finished goods	11,693,800	9,622,014	–	–
	20,685,075	**13,797,596**	**–**	**–**
Maturity analysis:				
Current	20,685,075	13,797,596	–	–
	20,685,075	**13,797,596**	**–**	**–**

There were no inventories pledged as security for liabilities (2017: Nil).

24. Investments in subsidiaries

	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
At the beginning of the year	16,085,655	7,096,155
Additions during the year	–	8,989,500
Disposal of subsidiary/loss of control	(10,968,829)	–
At the end of the year	**5,116,826**	**16,085,655**
Investment types:		
Investment in equity shares	5,116,826	8,062,750
Investment in irredeemable preference shares	–	8,022,905
	5,116,826	**16,085,655**
Maturity analysis:		
Non-current	5,116,826	16,085,655
	5,116,826	**16,085,655**

24. Investments in subsidiaries *continued*

24.1 Information on subsidiary entities controlled by the Authority

Name of entity	Place of business/ Country of incorporation	% of ownership interest 2018	% of ownership interest 2017	Carrying amount 2018 ₦'000	Carrying amount 2017 ₦'000
NSIA Motorways Investment Corporation (NMIC) (i)	Nigeria	99.99%	100.00%	1,000	1,000
KG Brussels LP (ii)	United States of America	99.7%	99.97%	5,108,826	7,063,155
KG Acquisition I LLC	United States of America	100.00%	100.00%	–	–
FGF Private Equity Co. Limited (iii)	Nigeria	99.99%	99.99%	1,000	1,000
FGF Investments Limited (iv)	Nigeria	99.99%	99.99%	1,000	1,000
NSIA Agriculture Investment Company (v)	Nigeria	99.99%	99.99%	1,000	1,000
FGF PE Beta Limited (vi)	Nigeria	99.99%	99.99%	1,000	1,000
NSIA Property Investment Company Limited (vii)	Nigeria	99.99%	99.99%	1,000	1,000
NSIA Power Investment Company Limited (viii)	Nigeria	99.99%	99.99%	1,000	1,000
NSIA Healthcare Development and Investment Company Limited (ix)	Nigeria	99.99%	99.99%	1,000	1,000
Infrastructure Credit Guarantee Company Limited (24.2)	Nigeria	50.00%	100.00%	–	9,014,500
				5,116,826	16,085,655

i) NSIA Motorways Investment Corporation is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set up to invest in the development of roads, bridges, toll plaza and related road transport infrastructure. The company was incorporated in 2014.

ii) 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. The company was incorporated in 2014. During the financial year, there was a return of capital of ($11,667,637) ₦1,954,329, which led to a reduction in the capital apportionment owned by NSIA.

iii) FGF Private Equity Co. Limited is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set up to invest in private equities. The company was incorporated in 2015.

iv) FGF Investments Limited is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set up to invest in private equities and other investments. The company was incorporated in 2015.

v) NAIC is a wholly owned subsidiary of NSIA, domiciled in Nigeria. It was setup to carry on the business of agricultural investment and management, investment in agricultural land and businesses of all kinds. The company was incorporated in 2016.

vi) FGF PE Beta Limited is a wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set up to invest in private equities. The company was incorporated in 2015.

vii) NSIA Property Investment Company Limited is a wholly-owned subsidiary 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. The company was incorporated in 2014.

vii) NSIA Power Investment Company Limited is 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. The company was incorporated in 2014.

ix) NSIA Healthcare Development and Investment Company Limited is a 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. The company was incorporated in 2014.

The Authority also has indirect interest in the following subsidiaries:

	Place of business/ Country of incorporation	% of ownership interest 2018 ₦'000	% of ownership interest 2017 ₦'000
FMCU Advanced Medical Diagnostics Limited (x)	Nigeria	90%	90%
AKTH Advanced Medical Diagnostics Limited (xi)	Nigeria	90%	90%
NAIC-NPK Limited (xii)	Nigeria	100%	100%

x) FMCU Advanced Medical Diagnostics Limited is a limited liability company established to carry out business as providers of modern medical pathology laboratory, radiography, and ancillary healthcare services. The company was incorporated in 2016.

xi) AKTH Advanced Medical Diagnostics Limited is a limited liability company established to carry out business as providers of modern medical pathology laboratory, radiography, and ancillary healthcare services. The company was incorporated in 2017.

xi) NAIC-NPK Limited liability company was incorporated in 2016. It was established under Nigeria Agriculture Investment Company (100% ownership) to establish, run and carry on business as proprietors of fertiliser plants and to manufacture, treat, process, produce, supply and deal in fertilisers and all substances (natural or artificial) suited to improving the fertility of soil or water.

24.2 Loss of control in Infrastructure Credit Guarantee Company Limited (InfraCredit)

During the year, InfraCredit received $21.98 million and ₦991.5 million from Africa Finance Corporation (AFC), as additional investment in the company. This amount represents AFC's investment in the company. The company recognised this investment in share capital as at the end of the year. The additional investment led to dilution of ownership and also loss of control in the company by the Nigeria Sovereign Investment Authority as at the reporting date. The Authority now recognises its investment in InfraCredit as a joint venture which is accounted for using equity accounting in line with IAS 28 – Investments in Associates and Joint Ventures.

As stated above, there was loss of control of the Group's investment in InfraCredit through sale of 50% equity interest to a new shareholder during the period. See 'Investments accounted for using the equity method' in Note 25 for more information.

	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Opening balance	9,014,500	–
Cash paid for purchase of shares in subsidiary	–	9,014,500
Transfer from investment in subsidiary to joint venture	(9,014,500)	–
	–	**9,014,500**

25. Investments accounted for using the equity method

The amounts recognised in the statement of financial position are as follows:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Associates and joint ventures	13,647,879	2,453,380	10,614,990	1,600,490

The amounts recognised in the statement of comprehensive income are as follows:

Associates	**269,260**	**495,037.00**	–	–

The below shows a detailed movement of this balance:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
At the beginning of the year	2,453,380	1,957,853	1,600,490	1,600,000
Addition during the year	10,925,239	490	9,014,500	490
Share of profit of associate and joint venture	209,300	434,988	–	–
Share of fair value reserves of associate and joint venture	59,960	60,049	–	–
At the end of the year	**13,647,879**	**2,453,380**	**10,614,990**	**1,600,490**
Maturity analysis:				
Non-current	**13,647,879**	**2,453,380**	**10,614,990**	**1,600,490**

Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2018. The entities listed below have 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, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of company	Notes	Group Place of business/ Country of incorporation	Group % ownership interest 2018	Group % ownership interest 2017	Group Carrying amount 31 December 2018 ₦'000	Group Carrying amount 31 December 2017 ₦'000
Investment in associates						
Nigeria Mortgage Refinance Company (NMRC)	25.1	Nigeria	20.91%	20.91%	2,758,781	2,453,380
Family Homes Funds Limited (FHFL)	25.2	Nigeria	49%	49%	–	-
Panda Agriculture Operations and Management Ltd	25.3	Mauritius	30%	0%	–	–
Pandagric Novum Ltd	25.4	Nigeria	30%	0%	–	–
					2,758,781	**2,453,380**

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Name of company	Notes	Group Place of business/ Country of incorporation	Group % ownership interest 31 December 2018	Group % ownership interest 31 December 2017	Group Carrying amount 31 December 2018 ₦'000	Group Carrying amount 31 December 2017 ₦'000
Investment in joint venture						
LUTH Advanced Medical Services Limited	25.5	Nigeria	50%	50%	–	
UFF-NAIC Agriculture Management Company (Mauritius) Limited	25.6	Mauritius	50%	0%	1,009	–
UFF-NAIC Agriculture Investment Company (Mauritius) Limited	25.7	Mauritius	50%	0%	1,870,802	–
Panda Agricultural Properties Management Ltd	25.8	Nigeria	50%	0%	–	–
Panda Agricultural Properties Management Ltd	25.9	Mauritius	50%	0%	–	–
Infrastructure Credit Guarantee Company Limited	25.10	Nigeria	50%	100%	9,017,288	–
Total investment in joint venture					**10,889,099**	**–**
Total investments in joint ventures and associates					**13,647,880**	**2,453,380**

Name of company	Notes	Authority Place of business/ Country of incorporation	Authority % ownership interest 2018	Authority % ownership interest 2017	Authority Carrying amount 31 December 2018 ₦'000	Authority Carrying amount 31 December 2017 ₦'000
Investment in associates						
Nigeria Mortgage Refinance Company (NMRC)	25.1	Nigeria	20.91%	20.91%	1,600,000	1,600,000
Family Homes Funds Limited (FHFL)	25.2	Nigeria	49%	49%	490	490
Panda Agriculture Operations and Management Ltd	25.3	Mauritius	30%	0%	–	–
Pandagric Novum Ltd	25.4	Nigeria	30%	0%	–	–
					1,600,490	**1,600,490**
Investment in joint venture						
Infrastructure Credit Guarantee Company Limited	25.10	Nigeria	50%	100%	9,014,500	–
					9,014,500	**–**
Total investment in joint ventures and associates					**10,614,990**	**1,600,490**

The Authority has indirect investments in joint ventures in the following entities:						
UFF-NAIC Agriculture Management Company (Mauritius) Limited	25.6	Mauritius	50%	0%	3,052	–
UFF-NAIC Agriculture Investment Company (Mauritius) Limited	25.7	Mauritius	50%	0%	1,907,188	–
LUTH Advanced Medical Services Limited (LUTH)	25.5	Nigeria	50%	50%	500	–
					1,910,740	**–**

25.1 Nigeria Mortgage Refinance Company (NMRC)
Nigeria Mortgage Refinance Company (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 is the summarised financial information for NMRC which is accounted for using the equity method.

25.2 Family Homes Fund Limited (FHFL)
Family Homes Fund Limited (FHFL) is an innovative private sector driven financing solution to Nigeria's housing challenges. It is an initiative of the Federal Ministry of Finance and was established in September 2016. There are no contingent liabilities relating to the Group's interest in the associate.

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

25. Investments accounted for using the equity method *continued*

25.3 Panda Agriculture Operations and Management Ltd
A company limited by shares and incorporated in Mauritius on 2 February 2018 with company number 153361.

The company operates and manages all farms, assets and land acquired by Panda Agricultural Properties Management Limited. This entity is owned by UFF-NAIC Agriculture Investment Company (Mauritius) Limited and Novum Holdings Ltd – a non-Group entity.

25.4 Pandagric Novum Ltd
A company limited by shares and incorporated in Nigeria on 16 November 2017.

The company is currently owned by Panda Agricultural Operations & Management (Mauritius) Ltd and Panda Agricultural Properties Management Ltd – a Nigerian entity duly incorporated in Nigeria.

Pandagric Novum Limited has been established to sell, purchase, import, export, take or let or hire or lease, repair, alter, improve, deal in machinery, equipment, implements, tools, accessories, used for developing, growing, raising, processing, packaging of all kinds of agricultural products. It can also carry on the businesses of farming, production, harvesting, procurement, grading, pooling, marketing agriculture and horticulture in all their forms. The company is able to enter into partnerships, joint ventures, concessions and generally collaborate with other entities in the development of integrated farms and businesses.

The company currently operates and manages the farm assets acquired by Panda Agricultural Properties Management Limited.

25.5 LUTH Advanced Medical Services Limited (LUTH)
The company is a limited liability company established to carry out business as providers of modern medical pathology laboratory services. The company was incorporated in 2016.

25.6 UFF-NAIC Agriculture Management Company (Mauritius) Limited
A company incorporated in Mauritius on 8 June 2017 with registration number 147877. This company is a special purpose vehicle (SPV) company owned by UFF Management (Mauritius) Limited and NSIA Agriculture Investment Company Limited.

It was established to provide asset management services and investment management and advisory services exclusively to the UFF-NAIC Agriculture Investment Company (Mauritius) Limited and/or to each of the shareholders and/or its affiliates and ancillary activities.

25.7 UFF-NAIC Agriculture Investment Company (Mauritius) Limited
UFF-NAIC Agriculture Investment Company (Mauritius) Limited was incorporated in Mauritius on 27 March 2017 with company number 146100. The company is a joint venture between NSIA and Old Mutual African Agricultural Fund. An initial commitment of USD25m from NSIA and Old Mutual African Agricultural Fund has been made with a target of a total commitment size of USD200m from other third parties. Although the funds to the joint venture are provided by Old Mutual African Agricultural Fund, UFF Management Limited act as representatives on behalf of Old Mutual.

The fund is currently pursuing farmland and agribusiness investments as well as high technology driven agriculture in various parts of Nigeria.

25.8 Panda Agricultural Properties Management Ltd
Panda is a company limited by shares which was incorporated in Mauritius on 6th of February 2018 with company number 153425. The company was established to acquire agricultural land and agri-businesses in Nigeria for the purpose of long-term investment and ancillary activities related thereto. The company will also focus on acquiring fixed assets for farming operations.

25.9 Panda Agricultural Properties Management Ltd
A company limited by shares and incorporated in Nigeria on 9 of November 2017.

The company is owned by Panda Agricultural Properties Management (Mauritius) Limited and UFF-NAIC Agriculture Investment

Company (Mauritius) Limited. The company has been established to sell, purchase, import, export, take or let or hire or lease, repair, alter, improve, deal in machinery, equipment, implements, tools, accessories, used for developing, growing, raising, processing, packaging of all kinds of agricultural products. It can also carry on the businesses of farming, production, harvesting, procurement, grading, pooling, marketing agriculture and horticulture in all their forms.

The company has acquired farm assets from Novum Agric Industries in pursuit of its objectives.

25.10 Infrastructure Credit Guarantee Company Limited (InfraCredit)

This is a company jointly owned with Africa Finance Corporation (AFC). The company provides local currency guarantees to enhance the credit quality of debt instruments issued to finance creditworthy infrastructure assets in Nigeria that conform with its eligibility criteria. The company was incorporated in 2016. The company was a fully owned subsidiary of the Nigeria Sovereign Investment Authority until 19 December 2018. However, on 19 December 2018, the Authority lost control due to additional investment in InfraCredit by Africa Finance Corporation (AFC). This investment by AFC has now diluted the investment in InfraCredit to an 'investment in joint venture'.

25.10.1 The Group lost control of InfraCredit during the year as stated above. This was as a result of additional investment in InfraCredit by Africa Finance Corporation (AFC) during the period. The Group assessed that it exercises joint control over the investee company through its retained interest of 50%.

25.10.2 The Authority's share of the joint venture's financial position is as shown below:

	31 December 2018 ₦'000	31 December 2017 ₦'000
Balance at start of the year	–	–
Fair value of retained interest in joint venture	9,014,500	–
Share of associate's profit	2,788	–
Share of profit/(loss) from other comprehensive income	–	–
Share of accumulated unrecognised results	–	–
Carrying amount as at 31 December 2018	**9,017,288**	**–**

Summarised financial information of associates

Set out below is the financial information of the associates of the Group as at 31 December 2018, which, in the opinion of the directors, are material to the Group.

Summarised statement of comprehensive income	NMRC 31 December 2018 ₦'000	NMRC 31 December 2017 ₦'000	FHFL 31 December 2018 ₦'000	FHFL 31 December 2017 ₦'000
Interest income	7,079,510	6,149,675	155,001	–
Interest expense	(3,177,341)	(2,173,194)	–	–
Other income	6,741	11,105	–	9,947
Net write back of financial assets	6,981	40,172	–	–
Depreciation and amortisation	(177,083)	(132,297)	(633)	–
Personnel expenses	(819,333)	(898,610)	(102,777)	–
Operating expenses	(983,979)	(1,050,891)	(175,216)	(185,848)
Profit before tax	**1,935,496**	**1,945,960**	**(123,625)**	**(175,901)**
Income tax	(94,387)	(19,058)	–	–
Profit/(loss) for the year	**1,841,109**	**1,926,902**	**(123,625)**	**(175,901)**
Other comprehensive income	(92,105)	287,178	–	–
Total comprehensive income	**1,749,004**	**2,214,080**	**(123,625)**	**(175,901)**

25. Investments accounted for using the equity method *continued*

Summarised statement of financial position	NMRC 31 December 2018 ₦'000	NMRC 31 December 2017 ₦'000	FHFL 31 December 2018 ₦'000	FHFL 31 December 2017 ₦'000
Cash and cash equivalents	6,505,444	1,920,782	12,620,971	127,688
Loans and advances	17,024,218	8,225,029	–	–
Investment securities	45,033,440	31,761,737	–	–
Inventories	–	–	8,789,834	1,201,739
Other assets	142,433	269,907	95,494	1,000
Investment properties	–	–	1,259,966	–
Property and equipment	545,727	335,784	2,245	1,732
Intangible assets	40,620	27,379	368	–
Total assets	**69,291,882**	**42,540,618**	**22,768,878**	**1,332,159**
Other liabilities	662,702	569,449	21,201,697	7,060
Tax liabilities	93,917	18,931	365,737	–
Borrowings	37,598,419	22,816,413	1,500,000	1,500,000
Debt securities issued	17,743,249	7,402,781	–	–
Total liabilities	**56,098,287**	**30,807,574**	**23,067,434**	**1,507,060**

Capital and reserves	NMRC 31 December 2018 ₦'000	NMRC 31 December 2017 ₦'000	FHFL 31 December 2018 ₦'000	FHFL 31 December 2017 ₦'000
Share capital	2,125,444	1,912,900	1,000	1,000
Share premium	5,925,231	5,925,232	–	–
Retained earnings	3,497,055	2,650,750	(299,557)	(175,901)
Statutory reserves	1,604,080	1,105,830	–	–
Statutory credit risk reserve	–	41,553	–	–
Fair value reserves	41,785	96,779	–	–
Total equity	**13,193,595**	**11,733,044**	**(298,557)**	**(174,901)**
Total liabilities and equity	**69,291,882**	**42,540,618**	**22,768,877**	**1,332,159**

Reconciliation of the summarised financial information presented to the carrying amount of its interest in NMRC and FHFL:

Capital and reserves	NMRC 31 December 2018 ₦'000	NMRC 31 December 2017 ₦'000	FHFL 31 December 2018 ₦'000	FHFL 31 December 2017 ₦'000
Net assets of associate/joint venture	13,193,595	11,733,044	(298,557)	(174,901)
Group share of net assets	2,758,781	2,453,380	(146,293)	(85,701)
Carrying value of associate	2,758,781	2,453,380	–	–
Difference	–	–	(146,293)	(85,701)
Share of losses not recognised	–	–	146,293	85,701

Summarised financial information of joint ventures

Set out below is the financial information of the joint ventures of the Group as at 31 December 2018, which, in the opinion of the directors, are material to the Group.

Summarised statement of comprehensive income	InfraCredit 31 December 2018 ₦'000	InfraCredit 31 December 2017 ₦'000	LUTH 31 December 2018 ₦'000	LUTH 31 December 2017 ₦'000
Interest and investment income	524,155	239,854	–	–
Net foreign exchange gain/loss	79,130	(9,698)	–	–
Guarantee fee income	340,000	50,417	–	–
Other income	34,226	–	350	–
Guarantee fee expense	(78,079)	(6,593)	–	–
Impairment loss on financial assets	(47,436)	–	–	–
Operating expenses	(682,398)	(676,789)	–	–
Profit/(loss) for the year	**169,598**	**(402,809)**	**350**	**–**
Total comprehensive income	**169,598**	**(402,809)**	**350**	**–**

Summarised statement of financial position	InfraCredit 31 December 2018 ₦'000	InfraCredit 31 December 2017 ₦'000	LUTH 31 December 2018 ₦'000	LUTH 31 December 2017 ₦'000
Cash and cash equivalents	13,763,541	398,599	–	–
Investment securities	17,413,426	8,964,409	–	–
Other assets	933,958	1,181,037	1,000	1,000
Property and equipment	122,378	140,772	1,675,620	–
Intangible assets	2,133	1,138	–	–
Total assets	**32,235,436**	**10,685,955**	**1,676,620**	**1,000**
Other liabilities	1,756,389	2,184,593	1,776,165	500
Debt capital	12,813,690	–	–	–
Total liabilities	**14,570,079**	**2,184,593**	**1,776,165**	**500**
Capital and reserves				
Ordinary share capital	1,983,190	991,595	1,000	1,000
Preference shares capital	16,045,810	8,022,905	–	–
Retained earnings	(363,643)	(522,143)	(100,545)	(500)
Fair value reserves	–	9,005	–	–
Total equity	**17,665,357**	**8,501,362**	**(99,545)**	**500**
Total liabilities and equity	**32,235,436**	**10,685,955**	**1,676,620**	**1,000**

25. Investments accounted for using the equity method *continued*

Reconciliation of the summarised financial information presented to the carrying amount of its interest in InfraCredit and LUTH:

	InfraCredit 31 December 2018 ₦'000	InfraCredit 31 December 2017 ₦'000	LUTH 31 December 2018 ₦'000	LUTH 31 December 2017 ₦'000
Net assets of associate/joint venture	17,665,357	–	(99,545)	500
Group share of net assets	8,832,679	–	(99,545)	500
Carrying value of associate	8,832,679	–	–	–
Difference	–	–	(99,545)	500
Share of losses not recognised	–	–	(99,545)	(500)

InfraCredit was a subsidiary in the past financial year, thus there are no comparative numbers.

Summarised statement of comprehensive income	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2017 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2017 ₦'000
Interest income	–	–	12,687	–
Project related cost	(20,476)	–	(1,165,869)	–
Other income	27,782	–	1,337,749	–
Operating expenses	(7,923)	(6,938)	(617,863)	–
Profit before tax	**(617)**	**(6,938)**	**(433,296)**	**–**
Income tax	–		(306)	
Loss for the period	**(617)**	**(6,938)**	**(433,602)**	**–**
Other comprehensive income	–		599,862	–
Total comprehensive loss	**(617)**	**(6,938)**	**166,260**	**–**
Loss attributable to:				
Parent	–	–	(355,309)	–
Non-controlling interest	–	–	(78,294)	–
	–	**–**	**(433,603)**	**–**
Total comprehensive income attributable to:				
Parent	–	–	228,682	–
Non-controlling interest	–	–	(62,422)	–
	–	**–**	**166,260**	**–**

Summarised statement of financial position	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2017 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2017 ₦'000
Cash and cash equivalents	83	–	3,685,793	–
Investment securities	–	–	146,250	–
Other assets	35,068	5,738	282,908	–
Property and equipment	–	–	619,120	–
Total assets	**35,151**	**5,738**	**4,734,071**	**–**
Other liabilities	31,118	12,753	991,346	–
Total liabilities	**31,118**	**12,753**	**991,346**	**–**
Capital and reserves				
Share capital	12,006	306	4,063,131	–
Retained earnings	(7,957)	(7,340)	(447,884)	–
Currency translation reserves	(16)	20	126,356	–
Non-controlling interest	–	–	1,122	–
Total equity	**4,033**	**(7,014)**	**3,742,725**	**–**
Total liabilities and equity	**35,151**	**5,739**	**4,734,071**	**–**

Summarised statement of financial position	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Management Company (Mauritius) Limited 31 December 2017 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2018 ₦'000	UFF-NAIC Agriculture Investment Company (Mauritius) Limited 31 December 2017 ₦'000
Net assets of associate/joint venture	4,033	–	3,741,603	–
Group share of net assets	2,017	–	1,870,802	–
Carrying value of associate	2,017	–	1,870,802	–
Difference	–	–	–	–
Share of losses not recognised	–	–	–	–

26. Property and equipment

	Group Furniture and fittings ₦'000	Group Motor vehicles ₦'000	Group Computer equipment ₦'000	Group Office equipment ₦'000	Group Assets under construction ₦'000	Group Total ₦'000
Cost						
As at 1 January 2017	76,981	127,523	124,188	1,776	16,113,745	16,444,213
Additions	39,401	55,000	69,061	20,113	–	183,575
As at 31 December 2017	116,382	182,523	193,249	21,889	16,113,745	16,627,788
As at 1 January 2018	116,382	182,523	193,249	21,889	16,113,745	16,627,788
Additions	37,600	207,322	37,048	295	1,343,974	1,626,239
Loss of control in subsidiary*	(38,951)	(55,000)	(54,972)	(20,113)	–	(169,036)
Transfer of asset**	–	–	–	–	(16,113,745)	(16,113,745)
As at 31 December 2018	115,031	334,845	175,325	2,071	1,343,974	1,971,246
Accumulated depreciation						
As at 1 January 2017	54,671	106,805	94,655	1,018	–	257,149
Charge for the year	22,760	19,869	17,468	3,982	–	64,079
As at 31 December 2017	77,431	126,674	112,123	5,000	–	321,228
As at 1 January 2018	77,431	126,674	112,123	5,000	–	321,228
Loss of control in subsidiary*	(12,999)	(4,526)	(2,611)	(4,680)	–	(24,816)
Charge for the year	9,170	24,068	24,313	267	–	57,818
As at 31 December 2018	73,602	146,216	133,825	587	–	354,230
As at 31 December 2018	**41,429**	**188,629**	**41,500**	**1,484**	**1,343,974**	**1,617,016**
As at 31 December 2017	**38,951**	**55,849**	**81,126**	**16,889**	**16,113,745**	**16,306,560**

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	Authority Furniture and fittings ₦'000	Authority Motor vehicles ₦'000	Authority Computer equipment ₦'000	Authority Office equipment ₦'000	Authority Total ₦'000
Cost					
As at 1 January 2017	76,981	113,739	115,641	1,776	308,137
Additions	450	-	22,637	-	23,087
As at 31 December 2017	77,431	113,739	138,278	1,776	331,224
As at 1 January 2018	77,431	113,739	138,278	1,776	331,224
Additions	37,600	207,322	37,048	295	282,265
As at 31 December 2018	115,031	321,061	175,326	2,071	613,489
Accumulated depreciation					
As at 1 January 2017	54,671	91,489	94,655	1,018	241,833
Charge for the year	15,457	15,415	9,714	302	40,888
As at 31 December 2017	70,128	106,904	104,369	1,320	282,721
As at 1 January 2018	70,128	106,904	104,369	1,320	282,721
Charge for the year	9,170	24,068	24,313	267	57,818
As at 31 December 2018	79,298	130,972	128,682	1,587	340,539
Carrying amount					
As at 31 December 2018	**35,733**	**190,089**	**46,644**	**484**	**272,950**
As at 31 December 2017	**7,303**	**6,835**	**33,909**	**456**	**48,503**

* During the year, Infrastructure Credit Guarantee Company Limited changed from a subsidiary to an associate due to the loss of control by the Authority. Consequently, the assets and liabilities of InfraCredit ceased being recognised as part of the Group's assets but are now accounted for using the equity method.

** During the year, the assets under construction held by NSIA Motorways Investment Company (NMIC) were reclassified to other assets. Additional disclosures for the assets are shown under other assets as cost incurred on behalf of the Federal Government of Nigeria in respect of the 2nd Niger Bridge.

27. Intangible assets

	Group Software 31 December 2018 ₦'000	Authority Software 31 December 2018 ₦'000
Cost		
Balance at 1 January 2018	25,803	24,503
Additions	12,893	12,893
Loss of control in subsidiary	(1,138)	–
Balance at 31 December 2018	**37,558**	**37,396**
Amortisation		
Balance at 1 January 2018	24,602	24,440
Charge for the year	63	63
Balance at 31 December 2018	**24,665**	**24,503**
Carrying amount		
Balance at 31 December 2018	**12,893**	**12,893**

	Group Software 31 December 2017 ₦'000	Authority Software 31 December 2017 ₦'000
Cost		
Balance at 1 January 2017	24,503	24,503
Additions	1,300	–
Balance at 31 December 2017	**25,803**	**24,503**
Amortisation		
Balance at 1 January 2017	23,882	23,882
Charge for the year	720	558
Balance at 31 December 2017	**24,602**	**24,440**
Carrying amount		
Balance at 31 December 2017	**1,201**	**63**

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28. Other liabilities

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial liability:				
Trade payables	1,733,962	1,911,529	1,520,494	1,698,057
Intercompany payable	–	–	1,591,131	4,152,936
Other payables	18,756,444	6,676,418	15,456,623	1,908,441
Payables to the Federal Government of Nigeria in respect of the 2nd Niger Bridge (28.1)	18,294,839	18,331,582	–	–
Deferred income on RSSF borrowing (28.2)	8,951,162	1,465,369	–	–
Non financial liability:				
Accruals	284,034	503,255	347,267	125,030
Tax liabilities	237,608	397,772	–	–
	48,258,049	**29,285,925**	**18,915,515**	**7,884,464**
Maturity analysis:				
Current	22,723,115	1,693,701	18,915,515	–
Non-current	25,534,934	27,592,224	–	7,884,464
	48,258,049	**29,285,925**	**18,915,515**	**7,884,464**

28.1 This represents the total amount received from the Federal Government of Nigeria in respect of the construction of the 2nd Niger Bridge of Nigeria project. The total amount of expenses incurred to date has been included in other assets and shown as cost incurred on behalf of FGN in respect of the 2nd Niger Bridge, while the unspent portion is included in cash and bank balances.

28.2 Deferred income on Real Sector Support Facility (RSSF) borrowing relates to the deferred income on the below the market rate loan obtained from Union Bank of Nigeria Plc and United Bank for Africa Plc. The loans were secured for the Federal Government of Nigeria's Presidential Fertiliser Initiative scheme under the Central Bank of Nigeria's Real Sector Support Facility (RSSF) scheme. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the tenor of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date. The total grant to date is ₦35 billion. An interest expense of ₦2.6 billion relating to this facility has been disclosed in the statement of comprehensive income for the year 2018. See Note 29.1 for additional details.

29. Borrowings

		Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Financial liabilities at amortised cost					
Real Sector Support Facility (RSSF)	(29.1)	26,052,673	3,534,631	–	–
		26,052,673	**3,534,631**	**–**	**–**

29.1 The amount borrowed was provided by the Central Bank of Nigeria to NAIC-NPK (a subsidiary of the Group) to finance the Presidential Fertilizer Initiative for which the Authority initially provided stop-gap financing. A total amount of ₦40 billion was approved by the Central Bank of Nigeria, however, the company has drawn down ₦35 billion at the end of the reporting period. The tenor of the loan is six years and interest rate is at a below market rate of 5%. This borrowing will be repaid from the proceeds of fertiliser sale. The deferred income element of ₦8.95 billion (2017: ₦1.46 billion) is shown in Note 28. The income recognised during the year was ₦1.769 billion. This is shown in Note 17.

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Maturity analysis				
Current	3,219,661	355,807	–	–
Non-current	22,833,012	3,178,824	–	–
	26,052,673	**3,534,631**	**–**	**–**

30. Equity and reserves

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Contribution by Government	280,662,500	280,662,500	280,662,500	280,662,500
Retained earnings	256,550,342	170,402,086	253,690,496	170,859,498
Fair value reserve	1,786,620	43,190,981	2,245,070	43,497,310
Foreign currency translation reserve	4,382,101	6,801,726	–	–
Non-controlling interest	5,823	4,730	–	–
	543,387,386	**501,062,023**	**536,598,066**	**495,019,308**

30.1 Contribution by Government

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Opening balance	280,662,500	204,375,000	280,662,500	204,375,000
Additions during the year	–	76,287,500	–	76,287,500
	280,662,500	**280,662,500**	**280,662,500**	**280,662,500**

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30.2 Retained earnings

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Opening balance	170,402,086	147,845,348	170,859,498	147,172,616
Adjustment to opening balance as a result of IFRS 9 adoption	(2,011,745)	–	(249,094)	–
Profit for the year	46,503,536	22,556,738	42,036,469	23,686,882
Reclassification from fair value reserves as a result of adoption of IFRS 9	41,656,465	–	41,043,623	–
	256,550,342	**170,402,086**	**253,690,496**	**170,859,498**

30.3 Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of equity instruments. The amounts are never transferred to profit or loss under IFRS 9 even when the investments are derecognised. 2017 figures relate to the fair value of available-for-sale investments warehoused in reserves before the adoption of IFRS 9.

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Opening balance	43,190,981	36,661,142	43,497,310	36,062,294
Change/adjustment in value of available-for-sale financial assets	–	6,469,790	–	7,435,016
Change in value of financial assets measured at FVOCI	192,144	–	(208,617)	–
Share of change in value of available-for-sale financial assets (Associates)	–	60,049	–	–
Share of change in value of financial assets measured at FVOCI (Associates)	59,960	–	–	–
Reclassification to retained earnings as a result of adoption of IFRS 9	(41,656,465)	–	(41,043,623)	–
	1,786,620	**43,190,981**	**2,245,070**	**43,497,310**

30.4 Foreign 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 subsidiaries with US Dollars as functional currency into the Group's presentation currency. The amounts presented within other comprehensive income are the gross amounts as the companies are exempted from income taxes.

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000
Opening balance	6,801,726	7,958,502
Exchange differences arising during the year	(2,419,625)	(1,156,776)
	4,382,101	**6,801,726**

30.5 Non-controlling interest (NCI)

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000
Opening balance	4,730	4,623
Profit attributable to NCI	893	536
Fair value reserve	(846)	(442)
Currency translation differences	1,046	13
	5,823	**4,730**

31. Discontinued operations

During the financial year, InfraCredit received $21.98 million and ₦991.5 million from Africa Finance Corporation (AFC), as additional investment in the company. This amount represents AFC's investment in the company. The company recognised this investment in share capital as at the end of the year. The additional investment led to dilution of ownership and also loss of control in the company by the Nigeria Sovereign Investment Authority as at the reporting date.

Analysis of the result of discontinued operations and the result recognised in the re-measurement of assets or disposal group is as shown below:

Profit for the period as at the date of disposal is as follows:

Summarised statement of comprehensive income	31 December 2018 ₦'000	31 December 2017 ₦'000
Interest and investment income	506,922	239,854
Net foreign exchange gain/(loss)	76,528	(9,698)
Guarantee fee income	328,822	50,417
Other income	33,101	–
Guarantee fee expense	(75,512)	(6,593)
Impairment loss on financial assets	(45,877)	–
Operating expenses	(654,355)	(676,789)
Profit before tax	**169,629**	**(402,809)**
Profit/(loss) for the period	**169,629**	**(402,809)**
Total comprehensive income	**169,629**	**(402,809)**

The value of the net assets for the subsidiary disposed at the date of disposal is as follows:

Summarised statement of financial position	31 December 2018 ₦'000	31 December 2017 ₦'000
Total assets	23,215,360	10,685,953
Total liabilities	14,570,079	2,184,593
Equity	8,645,281	8,501,360
	23,215,360	**10,685,953**

31.1 Calculation of Group gain on deemed disposal

	₦'000
Fair value of 50% interest retained	9,014,500
Less:	
Net asset de-recognised	(8,645,281)
Gain on deemed disposal	369,219
Profit for the period	169,597
Profit from discontinued operations	538,816

31.2 Calculation of Authority/company gain on deemed disposal

	₦'000
Fair value of 50% interest retained	9,014,500
Cost of investment deemed disposed	(9,014,500)
Remeasurement gain/loss	–

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32. Capital management

The Group 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 Group 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 Group's adjusted net debt to equity ratio at 31 December 2018 was as follows:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Total liabilities	74,310,722	32,820,556	18,915,515	7,884,461
Less: cash and cash equivalents	76,154,290	22,336,959	61,777,335	8,545,297
Net surplus	(1,843,568)	10,483,597	(42,861,820)	(660,836)
Total equity	543,387,386	501,062,024	536,598,066	495,019,308
Adjusted equity	543,387,386	501,062,024	536,598,066	495,019,308
Net surplus to adjusted equity ratio	**0%**	**2%**	**(8)%**	**0%**

33. 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 the investment in subsidiaries, associates and joint venture notes, FMCU Advanced Medical Diagnostics Ltd, AKTH Advanced Medical Diagnostics Limited, Lagos-Ibadan Expressway Development Company Limited, Abuja-Kano Expressway Development Company Limited, East-West Expressway Development Company Limited and Mambilla Hydropower Development Company Limited are sub-subsidiaries of the Authority and are related parties in accordance with the applicable standards.

NMRC, FHFL, Panda Agricultural Properties Management (Mauritius) Limited and Pandagric Novum Limited are associates of the Authority.

UFF-NAIC Management Company (Mauritius) Limited, UFF-NAIC Agriculture Investment Company (Mauritius) Limited, Panda Agricultural Properties Management Ltd, Panda Agricultural Properties Management (Mauritius) Limited, LUTH Advanced Medical Services Ltd and Infrastructure Credit Guarantee Company Limited (InfraCredit) are jointly controlled by other entities and are therefore also related parties.

The following are the balances with the Federal Government of Nigeria during the year:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000
Payables to Federal Government in respect of the 2nd Niger Bridge	18,294,839	18,331,582
Cost incurred on behalf of the Federal Government of Nigeria in respect of the 2nd Niger Bridge	**16,113,745**	–

33. Related parties *continued*

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 members of the Board 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:

	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000
Executive compensation	1,179,559	1,211,723
Non-executive directors' fees and other benefits	100,000	37,500
Defined contribution plan	53,566	88,828
	1,333,125	**1,338,051**

Balances with subsidiaries

The Authority has the following receivables from the underlisted subsidiaries as at the reporting date:

	Type of interest	31 December 2018 ₦'000	31 December 2017 ₦'000
NSIA Motorways Investments Company	Subsidiary	604,224	534,870
KG Brussels L.P.	Subsidiary	–	38,326
NSIA Property Investment Co. Limited	Subsidiary	1,743,385	1,224,000
NSIA Power Investment Co. Limited	Subsidiary	800	600
NSIA Healthcare Development and Investment Co. Limited	Subsidiary	573,504	600
FGF Private Equity Co. Limited	Subsidiary	4,586,172	500
FGF P. E. Beta Limited	Subsidiary	221,542	400
FGF Investment Limited	Subsidiary	2,656,186	4,773,587
NSIA Agriculture Investment Company	Subsidiary	3,983,208	–
Infrastructure Credit Guarantee Company Limited	Subsidiary		349,075
FMCU Advanced Medical Diagnostics Limited	Sub-subsidiary	561,455	–
AKTH Advanced Medical Diagnostics Limited	Sub-subsidiary	271,278	–
NAIC-NPK Limited	Sub-subsidiary	15,144,678	31,191,723
		30,346,432	**38,113,681**

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

	Type of interest	31 December 2018 ₦'000	31 December 2017 ₦'000
NSIA Motorways Investments Company	Subsidiary	1,000	1,000
NSIA Property Investment Co. Limited Subsidiary	Subsidiary	1,000	1,000
NSIA Healthcare Development and Investment Co. Limited	Subsidiary	1,000	1,000
FGF Private Equity Co. Limited	Subsidiary	1,000	1,554
FGF P. E. Beta Limited	Subsidiary	1,000	1,554
NAIC-NPK Limited	Sub-subsidiary	1,489,479	4,072,376
FGF Investment Limited	Subsidiary	75,452	74,452
NSIA Agriculture Investment Company	Subsidiary	20,200	–
NSIA Power Investment Co. Limited	Subsidiary	1,000	–
		1,591,131	**4,152,936**

The Authority has the following payables to the underlisted associates and joint ventures as at the reporting date:

	Type of interests	31 December 2018 ₦'000	31 December 2017 ₦'000
LUTH Advanced Medical Services Limited	Joint venture	1,775,665	–
Infrastructure Credit Guarantee Company Limited	Joint venture	245,324	–
		2,020,989	**–**

	Type of relationship	Nature of payment	Gross amount ₦'000
NSIA Property Investment Company Ltd	Subsidiary	Audit fees	1,000
NSIA Healthcare Development Investment Company Ltd	Subsidiary	Audit fees	1,000
NSIA Agriculture Investment Company Ltd	Subsidiary	Audit fees	1,000
NSIA Motorways Investment Company Ltd	Subsidiary	Audit fees	3,000
NSIA Power Investment Company Ltd	Subsidiary	Audit fees	1,000
FGF Investments Limited	Subsidiary	Audit fees	1,000
FGF PE Beta Limited	Subsidiary	Audit fees	1,000
FGF Private Equity Co. Limited	Subsidiary	Audit fees	1,000
KG Brussels	Subsidiary	Review fees	3,000
FMCU Advanced Medical Diagnostics Limited	Sub-subsidiary of NSIA	Audit fees	500
AKTH Advanced Medical Diagnostics Limited	Sub-subsidiary of NSIA	Audit fees	500
LUTH Advanced Medical Services Limited	Joint venture	Audit fees	500

During the period, there were no related party transactions relating to the following:
— Provisions for doubtful debts related to the amount of outstanding balances.
— Expense recognised during the period in respect of bad or doubtful debts due from related parties.

34. Other contracts

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

34.1 The Stabilisation Fund

The Authority engaged the following investment managers through its global custodian JP Morgan for the management of the Stabilisation Fund. The details of the investment managers as of period end are:

UBS Global Asset Management (UK) LTD

Engagement and service

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

Smith Graham & Co

Engagement and service

Smith Graham provides investment management services on behalf of NSIA. The Manager operates under a fixed income discretionary mandate. Under the mandate, the Manager is authorised to invest in US treasuries, commercial papers, agency papers, and investment-grade corporate instruments. The firm is required to render periodic reports to the Authority including information on holdings, transactions, executive summary, and economic outlook.

Income Research + Management (IR+M)

IR+M is a privately-owned, independent, fixed income investment management firm that provides investment management services to the Authority. Their investment philosophy and process are based on the belief that careful security selection and active risk management provide superior results over the long-term. They provide investment management services for investments in US fixed income securities in investment opportunities across the corporate, securitised, governments, and municipal sectors.

34.2 The Future Generations Fund

Hedge fund

The hedge fund managers in which the Future Generations Fund is invested as at year end are stated below:
— JHL Capital Group LLP
— Blue Mountain Capital Management
— Arbiter Offshore Ltd
— AQR Capital Management
— The Canyon Value Realisation Fund (Cayman) Ltd, CNPG
— Palestra Capital
— Brasidas Asia
— Alpstone Global Macro Fund
— Holocene Advisors Offshore Fund Ltd

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Long only equity managers
The long only equity managers in which the Future Generations Fund is invested as at year and are stated below:
— Cevian Capital UK LLP
— Edgbaston Investment Partners
— Somerset Capital Management LLP
— Marathon Asset Management LLP
— Goldman Sachs
— Chieftain Capital
— Prince Street Institutional Ltd
— Prince Street Opportunities Ltd
— Prince Street Offshore
— RWC

Private equity partners
The private equity fund in which the Future Generations Fund is invested as at year end are stated below:
— Z Capital Partners
— Healthcare Royalty Partners
— FGF Xenon Private Equity
— Helios Investment Partners
— Africa Capital Alliance
— Actis Capital
— Abraaj Growth Markets Health Fund L.P.
— Akina Euro Choice
— Reverence Capital Fund

34.3 The Nigeria Infrastructure Fund

Private equity partners
The private equity fund and investments in which the Infrastructure Fund invested as at period end are stated below:
— Fund for Agricultural Finance in Nigeria (FAFIN)
— Nigeria Infrastructure Debt Fund (NIDF)

34.4 Custodians

Engagement and service
The Authority engaged JP Morgan Chase & Co (global custodian) and Stanbic IBTC Bank Limited (local custodian) to provide custody services, as well as accounting, performance and compliance services to capital managed by the Authority. The custodians provide reports to the Authority on the performance of the capital custodied by it on a monthly basis.

The investment management fees paid to the investment fund managers, global and local custodians have been disclosed on the income statement.

35. Commitments

(a) Capital commitments

The Authority's unfunded commitments with private equity fund managers are as follows:

Capital commitments – US$:

			Naira equivalent	
	Authority 31 December 2018 $'000	Authority 31 December 2017 $'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
HealthCare Royalty Partners (HCRP)	8,018	7,344	2,605,850	2,241,754
Z Capital Partners	4,993	4,778	1,622,725	1,458,484
Capital Alliance Private Equity Fund 'CAPE IV'	7,664	–	2,490,800	–
Fund for Agricultural Finance in Nigeria (FAFIN)	4,859	4,859	1,579,175	1,483,209
Helios Investors	2,306	2,306	749,450	703,906
Africa Capital Alliance	–	7,664	–	2,339,435
Abraaj Growth Markets Health Fund L.P.	3,567	4,116	1,159,275	1,256,408
Actis Africa Real Estate	8,511	7,734	2,766,075	2,360,802
Total	**39,918**	**38,801**	**12,973,350**	**11,843,998**

Capital commitments – Euro:

			Naira equivalent	
	Authority 31 December 2018 $'000	Authority 31 December 2017 $'000	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000
Xenon Private Equity	2,935	3,267	1,029,481	1,058,018
Total	**2,935**	**3,267**	**1,029,481**	**1,058,018**
Total Authority's capital commitments	–	–	**14,002,831**	**12,902,016**

Other Group members' unfunded commitments with private equity fund managers are as follows:

Capital commitments – US$:

			Naira equivalent	
	Group 31 December 2018 $'000	Group 31 December 2017 $'000	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000
RMB WestPort Real Estate Development Fund II LP	4,848	4,668	1,575,600	1,424,902
Synergy Private Equity Fund LP	146	82	47,450	25,030
Verod Capital	1,964	1,964	638,300	599,511
Falko Regional Aircraft Opportunities Fund	5,557	3,511	1,806,025	1,071,732
Fortress Investment Fund IV, L.P.	133	133	43,225	40,598
Fortress Investment Fund V, L.P.	38	38	12,350	11,599
Fortress Investment Fund V Coinvestment, L.P.	46	46	14,950	14,041
H.I.G. Bayside Opportunity Fund, L.P.	163	163	52,975	49,756
Marlin Equity, L.P.	287	287	93,275	87,607
Marlin Equity II, L.P.	635	635	206,375	193,833
OCM Opportunities Fund VIIb, L.P.	625	625	203,125	190,781
Cerberus Institutional Partners, L.P. Series Four	1,148	1,148	373,100	350,427
Total	**15,590**	**13,300**	**5,066,750**	**4,059,817**
Total Group capital commitment			**19,069,581**	**16,961,833**

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As disclosed above, the Group has committed to provide capital to various collective investment vehicles. The total of these commitments at the statement of financial position date is US$55.5 million/₦18 billion and Euro 2.9 million/₦1.02 billion (2017: US$52.1 million/₦15.9 billion and Euro 3.2 million/₦1.05 billion). The Group'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 Group has recorded the commitments as being current in accordance with the underlying legal documents. The Group 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 one and five 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.

36. Other fiduciary activities

The Authority performs the following fiduciary activities:

a) The Authority holds shares in Development Bank of Nigeria (DBN) in trust for the Federal Government of Nigeria (FGN). The shares are valued at ₦8 billion, which represents 20% of the shareholding of the DBN. The Ministry of Finance has mandated the Authority to guide DBN towards the achievement of its organisational goals. The Authority is expected to remit all dividends received from DBN within 30 days and obtain prior consent from the FGN before the disposal, transfer or otherwise change of ownership of the shares. There were no dividends paid by DBN in the current year.

b) The Authority provides investment management and custody services to the Debt Management Office (DMO) 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. The fees and commissions which relate mainly to these investment management transactions and other fiduciary activity fees are recognised under other income in the statement of comprehensive income as the related services being provided are performed.

   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$100 million was withdrawn from the DMO fund in order to fund the 2nd Niger Bridge Project and Lagos/Ibadan expressway project on the authority of the Federal Government. The fair value of the Managed funds as at 31 December 2018 stood at US$NIL and US$122.60 for NBET and DMO respectively (2017: $390.45 million and 2017: $120.95 million for NBET and DMO) while nil income has been accrued by the Authority from the fiduciary agreement activities as of 31 December 2018.

c) During the financial year, the President of the Federal Republic of Nigeria, President Muhammadu Buhari, approved the establishment of a Presidential Infrastructure Development Fund (PIDF), which is to be managed by the Nigeria Sovereign Investment Authority (NSIA), and invested specifically in critical road and power projects across the country. The National Economic Council (NEC) authorised the initial transfer of $650 million dollars to NSIA from the Nigeria Liquefied Natural Gas (NLNG) Dividend Account, as seed funding for PIDF May 17, 2018. This initiative aims to eliminate the risks of project funding, cost variation and completion that have plagued the development of the nation's critical infrastructure assets – such as the 2nd Niger Bridge, Lagos to Ibadan Expressway, East-West Road, Abuja to Kano Road, Mambilla Hydroelectric Power – over the last few decades. This fund is currently being managed by the Authority. There was no income earned on the management of the funds during the financial year.

37. Events after the reporting period

The President of the Federal Republic of Nigeria, President Muhammadu Buhari, confirmed the appointment of two Executive Directors for the Authority. Those confirmed were Mrs Stella Ojekwe-Onyejeli, who was announced Executive Director for a second term on 13 March 2019, effective 17 October 2017 and Mr Aminu Umar-Sadiq, who was announced Executive Director on 13 March 2019, effective 21 February 2019.

In order to ensure sustainability of the Presidential Fertiliser Initiative (PFI) programme, the President of the Federal Republic of Nigeria approved the release of ₦8.6 billion in March 2019 to the Group's subsidiary NAIC-NPK Limited. This represents funds to cover the cost differential of the Company for the financial years ended 31 December 2017 and 31 December 2018. This is to augment the cost incurred by Company in the production of fertilisers under the Presidential Fertiliser Initiative as it would ensure that the ex-factory selling price remains at ₦5,000 per bag. This income has been recognised on the separate financial statements of the Company and the Group.

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

38. IFRS 9 adoption

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in Note 4.7.

38.1 Classification and measurement of financial instruments

Classification and measurement requirements of IFRS 9

The classification categories for financial assets under IAS 39 of held-to-maturity, loans and receivables, FVTPL and available-for-sale determine their measurement. These are replaced in IFRS 9 with categories that reflect the measurement, namely amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the entity's business model for managing the financial asset, whereas IAS 39 bases the classification on specific definitions for each category. IFRS 9 maintains the financial liability at amortised cost and financial liabilities fair valued through profit or loss categories as contained in IFRS 9.

Overall, the IFRS 9 financial asset classification requirements are considered more principle based than under IAS 39.

Applying the requirements of IFRS 9 as stated above has led to changes in the classification of the Group's financial assets as highlighted below.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group	IAS 39 Measuring category	IAS 39 Carrying amount ₦'000	IFRS 9 Measuring category	IFRS 9 Carrying amount ₦'000
Financial assets				
Cash and cash equivalents (Loans and receivables)	Amortised cost	76,154,290	Amortised cost	76,154,290
Investment securities (Held-to-maturity)	Amortised cost	17,517,216	Amortised cost	17,517,216
Investment securities (Loans and receivables)	Amortised cost	262,692,958	Amortised cost	262,692,958
Investment securities (Available-for-sale)	FVOCI	7,446,869	FVOCI	7,446,869
Investment securities (Available-for-sale)	FVOCI	141,325,574	FVTPL	141,325,574
Investment securities (At FVTPL)	FVTPL	869,908	FVTPL	869,908
Other assets (Loans and receivables)	Amortised cost	46,219,145	Amortised cost	46,219,145

Parent	IAS 39 Measuring category	IAS 39 Carrying amount ₦'000	IFRS 9 Measuring category	IFRS 9 Carrying amount ₦'000
Financial assets				
Cash and cash equivalents (Loans and receivables)	Amortised cost	61,777,335	Amortised cost	61,777,335
Investment securities (Held to Maturity)	Amortised cost	17,341,779	Amortised cost	17,341,779
Investment securities (Loans and receivables)	Amortised cost	254,513,055	Amortised cost	254,513,055
Investment securities (Available-for-sale)	FVOCI	6,837,800	FVOCI	6,837,800
Investment securities (Available-for-sale)	FVOCI	124,751,130	FVTPL	124,751,130
Investment securities (At FVTPL)	FVTPL	869,908	FVTPL	869,908
Other assets (Loans and receivables)	Amortised cost	72,280,954	Amortised cost	72,280,954

Items in brackets are IAS 39 categories.

There were no changes to the classification and measurement of financial liabilities. All of the Group's significant financial liabilities continue to be measured at amortised cost under IFRS 9 as was the case under IAS 39.

38. IFRS 9 adoption *continued*

38.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Group IAS 39 Carrying amount 31 December 2017 ₦'000	Group IFRS 9 Changes ₦'000	Group IFRS 9 Carrying amount 1 January 2018 ₦'000
Amortised cost			
Cash and cash equivalents			
Opening balance	76,154,290	–	–
Remeasurement: ECL allowance	–	–	–
Closing balance	–	–	76,154,290
Investment securities – Held-to-maturity			
Opening balance	17,517,216	–	–
Reclassification: To IFRS 9 amortised cost	–	(17,517,216)	–
Closing balance			–
Investment securities – Loans and receivables			
Opening balance	262,692,958	–	–
Reclassification: To IFRS 9 amortised cost	–	(262,692,958)	–
Closing balance	–	–	–
Investment securities – At amortised cost			
Opening balance	–	–	–
Reclassification: From IAS 39 Held-to-maturity	–	17,517,216	–
Remeasurement: ECL allowance	–	–	–
Reclassification: From IAS 39 Loans and receivables	–	262,692,958	–
Remeasurement: ECL allowance	–	–	–
Closing balance	–	–	280,210,174
Other assets			
Opening balance	46,219,145	–	–
Closing balance	–	–	46,219,145
Fair value through other comprehensive income (FVOCI)			
Investment securities – Available-for-sale			
Opening balance	148,772,443	–	–
Reclassification: To IFRS 9 FVOCI	–	(7,446,869)	–
Reclassification: To IFRS 9 FVTPL		(141,325,574)	
Closing balance	–	–	–
Investment securities – At FVOCI			
Opening balance	–	–	–
Reclassification: From IAS 39 Available-for-sale	–	7,446,869	–
Closing balance	–	–	7,446,869

Notes to the Consolidated and Separate Financial Statements
(continued)

	Group IAS 39 Carrying amount 31 December 2017 ₦'000	Group IFRS 9 Changes ₦'000	Group IFRS 9 Carrying amount 1 January 2018 ₦'000
Fair value through profit or loss (FVTPL)			
Investment securities – At FVTPL			
Opening balance	869,908	–	–
Reclassification: To IFRS 9 FVTPL		141,325,574	
Closing balance	–	–	142,195,482

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	Authority IAS 39 Carrying amount 31 December 2017 ₦'000	Authority IFRS 9 Changes ₦'000	Authority IFRS 9 Carrying amount 1 January 2018 ₦'000
Amortised cost			
Cash and cash equivalents			
Opening balance	61,777,335	–	–
Closing balance	–	–	61,777,335
Investment securities – Held-to-maturity			
Opening balance	17,341,779	–	–
Reclassification: To IFRS 9 amortised cost	–	(17,341,779)	–
Closing balance	–	–	–
Investment securities – Loans and receivables			
Opening balance	254,513,055	–	–
Reclassification: To IFRS 9 amortised cost	–	(254,513,055)	–
Closing balance	–	–	–
Investment securities – At amortised cost			
Opening balance	–	–	–
Reclassification: From IAS 39 Held-to-maturity	–	17,341,779	–
Remeasurement: ECL allowance	–	–	–
Reclassification: From IAS 39 Loans and receivables	–	254,513,055	–
Remeasurement: ECL allowance	–	–	–
Closing balance	–	–	271,854,834
Other assets			
Opening balance	72,280,954	–	–
Closing balance	–	–	72,280,954
Fair value through other comprehensive income (FVOCI)			
Investment securities – Available-for-sale			
Opening balance	131,588,930	–	–
Reclassification: To IFRS 9 FVOCI	–	(6,837,800)	–
Reclassification: To IFRS 9 FVTPL	–	(124,751,130)	–
Closing balance	–	–	–
Investment securities – At FVOCI			
Opening balance	–	–	–

38. IFRS 9 adoption *continued*

	Authority IAS 39 Carrying amount 31 December 2017 ₦'000	Authority IFRS 9 Changes ₦'000	Authority IFRS 9 Carrying amount 1 January 2018 ₦'000
Reclassification: From IAS 39 Available-for-sale	–	6,837,800	–
Closing balance	–	–	6,837,800
Fair value through profit or loss (FVTPL)			
Investment securities – At FVTPL			
Opening balance	869,908	–	–
Reclassification: To IFRS 9 FVTPL	–	124,751,130	–
Closing balance	–	–	125,621,038

38.3 Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

	Group IAS 39 allowances ₦'000	Group IFRS 9 loss allowances ₦'000	Group Impact on retained earnings/NCI ₦'000
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Investment securities	–	192,086	192,086
Other assets	–	–	–
	–	192,086	192,086
Held-to-maturity (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Investment securities	–	47,919	47,919
	–	47,919	47,919
	–	**240,005**	**240,005**

Notes to the Consolidated and Separate Financial Statements
(continued)

	Parent IAS 39 allowances ₦'000	Parent IFRS 9 loss allowances ₦'000	Parent Impact on retained earnings/NCI ₦'000
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Investment securities	–	192,086	192,086
Other assets	–	–	–
	–	192,086	192,086
Held-to-maturity (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Investment securities	–	47,919	47,919
	–	47,919	47,919
	–	**240,005**	**240,005**

38.4 Carrying amount of financial assets without IFRS 9 impact.

The following table shows the effect if reclassifications into amortised category and fair value category based on IFRS 9 had not happened.

	Group Carrying amount per IAS 39 ₦'000	Group Carrying amount per IFRS 9 ₦'000	Group Effect of expected credit loss on opening carrying amount ₦'000
Financial assets			
Held-to-maturity	17,517,216	17,469,297	47,919
Loans and receivables	262,692,958	262,500,872	192,086
Available-for-sale instruments	148,772,443	148,767,899	4,544
Financial assets at fair value through profit or loss	869,908	869,908	–
Other assets	46,219,145	46,219,145	–
	476,071,670	475,827,121	244,549

	Authority Carrying amount per IAS 39 ₦'000	Authority Carrying amount per IFRS 9 ₦'000	Authority Effect of expected credit loss on opening carrying amount ₦'000
Financial assets			
Held-to-maturity	17,341,779	17,293,860	47,919
Loans and receivables	254,513,055	254,320,969	192,086
Available-for-sale instruments	131,588,930	131,584,386	4,544
Financial assets at fair value through profit or loss	869,908	869,908	–
Other assets	72,280,954	72,280,954	–
	476,594,626	476,350,077	244,549

39. IFRS 15 adoption

The Group has adopted IFRS 15 (as amended in April 2016) with effect from 1 January 2018. In addition to the more extensive disclosure requirements, the standard introduced a five-step approach to revenue recognition as follows:
— identify the contract;
— identify performance obligations in the contract;
— determine the transaction price;
— allocate transaction price to performance obligations in the contract; and
— recognise revenue when the entity satisfies a performance obligation.

The Group has applied IFRS 15 in accordance with the modified retrospective approach which permits for the first-time application of the standard on a retrospective basis but with a cumulative catch-up posted through retained earnings without restating comparative numbers.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of the government grant balances which are not within the scope of IFRS 15.

Apart from providing more disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a quantitative impact on these financial statements. The impact of adopting the standard on the transition date is illustrated below:

39.1 Impact on comprehensive income for the year ended 31 December 2017

There was no quantitative impact of adoption of IFRS 15 to the Group's statement of comprehensive income. Qualitative disclosures have been made in these financial statements.

39.2 Impact on financial position

There was no quantitative impact of adoption of IFRS 15 to the Group's statement of financial position. Qualitative disclosures have been made in these financial statements.

Making an Impact: investing in infrastructure projects of national priority to create a platform for the economy to grow

NSIA is serving as the programme manager and implementing entity for the Presidential Infrastructure Development Fund (PIDF), an initiative of the Presidency conceived to accelerate the execution of critical, strategic infrastructure projects essential to the rapid growth and modernisation of Nigeria's economy.

Specifically, the Fund will ensure the timely completion of the four road projects and one power project, namely 2nd Niger Bridge, Lagos – Ibadan Expressway, Abuja – Kano Expressway, East-West Road and Mambilla Hydropower Project. So far, US$650 million has been committed.

Other Disclosures

Value Added Statement

	Group 31 December 2018 ₦'000	%	Group 31 December 2017 ₦'000	%	Authority 31 December 2018 ₦'000	%	Authority 31 December 2017 ₦'000	%
Revenue	73,524,334		61,544,447		45,482,083		27,557,823	
Administrative expenses (local and foreign)	(39,173,279)		(39,430,121)		(4,471,004)		(3,878,901)	
Other non-operating income (local and foreign)	11,614,558		442,948		1,025,390		7,960	
Value added	45,965,613	100	22,557,274	100	42,036,469	100	23,686,882	100
Applied as follows:								
To pay employees								
Salaries and other personnel costs	1,927,726	4	1,891,816	8	1,927,727	5	1,699,330	7
Maintenance of assets								
Depreciation and amortisation	57,881	0	64,799	0	57,881	0	41,446	0
To pay government								
Taxation	219,461	1	402,038	2	–	0	–	0
Retained for growth and expansion								
Profit for the year	43,760,545	95	20,198,621	90	40,050,861	95	21,946,106	93
	45,965,613	100	22,557,274	100	42,036,469	100	23,686,882	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.

Five Year Financial Summary

Statement of financial position	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000	Authority 31 December 2014 ₦'000
Assets					
Cash and cash equivalents	61,777,335	8,545,297	141,076,852	32,913,468	43,115,273
Investment securities	441,635,909	404,313,672	234,132,773	154,152,447	108,471,837
Other assets	36,082,678	72,310,092	7,355,693	3,844,603	4,769,621
Investment in subsidiary	5,116,826	16,085,655	7,096,155	7,066,155	11,994,482
Investment in associate and joint ventures	10,614,990	1,600,490	1,600,000	1,600,000	1,600,000
Property and equipment	272,950	48,503	66,304	104,603	185,378
Intangible assets	12,893	63	621	5,739	12,168
Total assets	**555,513,581**	**502,903,772**	**391,328,398**	**199,687,015**	**170,148,759**
Liabilities					
Other liabilities	18,915,515	7,884,464	3,718,488	4,102,341	508,323
Borrowings	–	–	–	–	–
Total liabilities	**18,915,515**	**7,884,464**	**3,718,488**	**4,102,341**	**508,323**
Equity and reserves					
Contribution by Government	280,662,500	280,662,500	204,375,000	155,250,000	155,250,000
Retained earnings	253,690,496	170,859,498	147,172,616	17,738,425	5,532,544
Fair value reserves	2,245,070	43,497,310	36,062,294	22,596,249	8,857,892
Currency translation reserves	–	–	–	–	–
Total equity and amount attributable to equity contributors (Government)	536,598,066	495,019,308	387,609,910	195,584,674	169,640,436
Total equity	**536,598,066**	**495,019,308**	**387,609,910**	**195,584,674**	**169,640,436**
Total equity and liabilities	**555,513,581**	**502,903,772**	**391,328,398**	**199,687,015**	**170,148,759**

Statement of comprehensive income	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000	Authority 31 December 2014 ₦'000
Investment and interest income	24,899,792	21,701,131	11,151,243	5,811,617	3,774,168
Interest income on instrument measured at FVTPL	796,525	–			
Net gain on financial assets	884,039	4,153,564	27,747,126	–	17,232
Net foreign exchange gains	18,901,727	1,703,128	92,796,051	8,732,124	–
Total operating income	**45,482,083**	**27,557,823**	**131,694,420**	**14,543,741**	**3,791,400**
Investment management fees	(731,478)	(654,562)	(564,855)	(492,781)	(293,762)
Local custodian fees	(45,613)	(6,494)	(20,535)	(12,251)	(16,988)
Foreign custodian fees	(89,629)	(47,755)	(96,811)	(91,627)	(33,581)
Total investment management and custodian fee	**(866,720)**	**(708,811)**	**(682,201)**	**(596,659)**	**(344,331)**
Impairment charges on financial assets	(321,761)	–	–	–	–
Total operating profit	**44,293,602**	**26,849,012**	**131,012,219**	**13,947,082**	**3,447,069**
Other income	1,025,390	7,960	663,877	38,400	3,239,795
Total other income	**1,025,390**	**7,960**	**663,877**	**38,400**	**3,239,795**
Operating and administrative expenses	(3,282,523)	(3,170,090)	(2,241,905)	(1,779,601)	(1,679,478)
Total operating and administrative expenses	**(3,282,523)**	**(3,170,090)**	**(2,241,905)**	**(1,779,601)**	**(1,679,478)**
Share of profit of investment in associates	–	–	–	–	–
Profit before taxation	**42,036,469**	**23,686,882**	**129,434,191**	**12,205,881**	**5,007,386**
Profit for the year	**42,036,469**	**23,686,882**	**129,434,191**	**12,205,881**	**5,007,386**

Statement of comprehensive income	Authority 31 December 2018 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000	Authority 31 December 2014 ₦'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit and loss					
Movement in fair value reserves					
Net change in fair value	(208,616)	7,435,016	25,825,522	13,738,357	8,877,356
Net amount transferred to profit or loss/retained earnings		–	(12,359,477)	–	–
Other comprehensive income for the year	**(208,616)**	**7,435,016**	**13,466,045**	**13,738,357**	**8,877,356**
Total comprehensive income for the year	**41,827,853**	**31,121,898**	**142,900,236**	**25,944,238**	**13,884,742**

Five Year Financial Summary
(continued)

Statement of financial position	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Group 31 December 2014 ₦'000
Assets					
Cash and cash equivalents	76,154,290	22,336,959	148,267,906	37,983,532	49,920,539
Investment securities	461,391,586	429,852,525	249,822,688	164,382,547	117,746,679
Other assets	44,189,369	49,134,358	4,698,044	1,472,508	4,769,933
Inventories	20,685,075	13,797,596	–	–	–
Investment in subsidiary	–	–	–	–	–
Investment in associate and joint ventures	13,647,879	2,453,380	1,957,853	2,129,600	1,616,364
Property and equipment	1,617,016	16,306,560	16,187,064	7,700,860	3,772,873
Intangible assets	12,893	1,201	621	5,739	12,168
Total assets	**617,698,108**	**533,882,579**	**420,934,176**	**213,674,786**	**177,838,556**
Liabilities					
Other liabilities	48,258,049	29,285,925	24,089,561	15,788,509	6,310,289
Borrowings	26,052,673	3,534,631	–	–	–
Total liabilities	**74,310,722**	**32,820,556**	**24,089,561**	**15,788,509**	**6,310,289**
Equity and reserves					
Contribution by Government	280,662,500	280,662,500	204,375,000	155,250,000	155,250,000
Retained earnings	256,550,342	170,402,086	147,845,348	17,466,251	5,691,084
Fair value reserves	1,786,620	43,190,981	36,661,142	23,513,074	10,470,202
Currency translation reserves	4,382,101	6,801,726	7,958,502	1,653,739	116,981
Total equity and amount attributable to equity contributors (Government)	**543,381,563**	**501,057,293**	**396,839,992**	**197,883,064**	**171,528,267**
Non-controlling interests	5,823	4,730	4,623	3,213	–
Total equity	**543,387,386**	**501,062,023**	**396,844,615**	**197,886,277**	**171,528,267**
Total equity and liabilities	**617,698,108**	**533,882,579**	**420,934,176**	**213,674,786**	**177,838,556**

Statement of comprehensive income	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Group 31 December 2014 ₦'000
Investment and interest income	27,026,428	24,370,719	11,895,128	5,821,745	3,920,787
Interest income on instrument measured at FVTPL	796,525	–	–	–	–
Net gain on financial assets	245,960	4,153,564	27,747,126	–	20,606
Net foreign exchange gains	18,052,191	1,652,172	92,796,051	8,736,293	–
Total operating income	**46,121,104**	**30,176,455**	**132,438,305**	**14,558,038**	**3,941,393**
Investment management fees	(887,151)	(654,562)	(564,855)	(492,781)	(293,762)
Local custodian fees	(45,613)	(6,765)	(20,535)	(12,251)	(16,988)
Foreign custodian fees	(89,629)	(47,755)	(96,811)	(91,627)	(33,581)
Total investment management and custodian fee	**(1,022,393)**	**(709,082)**	**(682,201)**	**(596,659)**	**(344,331)**
Impairment charges on financial assets	(943,923)	–			
Total operating profit	**44,154,788**	**29,467,373**	**131,756,104**	**13,961,379**	**3,597,062**
Revenue from infrastructure subsidiaries investments	27,403,230	31,367,992	–	–	–
Expense from infrastructure subsidiaries investments	(30,608,117)	(33,514,157)	–	–	–
Loss from infrastructure subsidiaries investments	**(3,204,887)**	**(2,146,165)**	**–**	**–**	**–**
Other income	11,405,258	7,960	666,107	38,400	3,239,795
Total other income	**11,405,258**	**7,960**	**666,107**	**38,400**	**3,239,795**
Operating and administrative expenses	(3,762,225)	(4,719,621)	(2,332,541)	(2,333,619)	(1,644,388)
Total operating and administrative expenses	**(3,762,225)**	**(4,719,621)**	**(2,332,541)**	**(2,333,619)**	**(1,644,388)**
Interest expense	(2,617,160)	(85,223)	–	–	–
Share of profit of investment in associates	209,300	434,988	289,755	124,914	16,364
Profit before taxation	**46,185,074**	**22,959,312**	**130,379,425**	**11,791,074**	**5,208,833**
Taxation	(219,461)	(402,038)	(132)	(15,496)	(42,907)
Profit for the year from continuing operations	**45,965,613**	**22,557,274**	**130,379,293**	**11,775,578**	**5,165,926**
Profit from discontinued operations	538,816	–	–	–	–
Profit for the year	**46,504,429**	**22,557,274**	**130,379,293**	**11,775,578**	**5,165,926**

Statement of comprehensive income	Group 31 December 2018 ₦'000	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Group 31 December 2014 ₦'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit and loss					
Movement in fair value reserves					
Net change in fair value	191,299	6,469,348	25,968,800	12,654,237	10,489,666
Net amount transferred to profit or loss/retained earnings	–	–	(12,359,477)	–	–
Currency translation differences	(2,418,579)	60,049	6,306,224	1,537,219	116,981
Share of other comprehensive income of investments in associate	59,960	(1,156,763)	(461,502)	388,322	–
Other comprehensive income for the year	**(2,167,320)**	**5,372,634**	**19,454,045**	**14,579,778**	**10,606,647**
Total comprehensive income for the year	**44,337,108**	**27,929,908**	**149,833,338**	**26,355,356**	**15,772,573**

List of Abbreviations

AED	United Arab Emirates Dirham
AFC	Africa Finance Corporation
AfDB	African Development Bank
AI	Artificial Intelligence
AKTH	Aminu Kano Teaching Hospital
APP	Agriculture Promotion Policy
ARS	Argentine Peso
ASI	All-Share Index
AUM	Assets Under Management
BIA	Bridge International Academies
BOD	Board of Directors
BPE	Bureau of Public Enterprises
BPS	Basis Points
BREXIT	Britain's Exit from the EU
BRL	Brazilian Real
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CHF	Swiss Franc
CIBN	Chartered Institute of Bankers of Nigeria
CIO	Chief Investment Officer
CNY	Chinese Yuan
COO	Chief Operating Officer
CPI	Consumer Price Index
DBN	Development Bank of Nigeria
DfID	Department for International Development
DIC	Direct Investment Committee
DKK	Danish Krone
DMO	Debt Management Office
ECB	European Central Bank
ED	Executive Director
EM	Emerging Market
EMI	Externally Managed Investments
EMIC	Externally Managed Investments Committee
ERGP	Economic Recovery and Growth Plan
ERP	Enterprise Resource Planning
EU	European Union
EUR	Euro
EXIMBANK	Export Import Bank
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FG	Federal Government
FGF	Future Generations Fund
FMCU	Federal Medical Centre, Umuahia
FX	Foreign Exchange
GBP	Great Britain Pound
GCI	Global Climate Institute
GCRI	Global Conflict Risk Index
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GPs	General Partners
GSCI	Goldman Sachs Commodity Index
HKD	Hong Kong Dollar
IDB	Islamic Development Bank
IDR	Indonesian Rupiah
IFRS	International Financial Reporting Standard
IFSWF	International Forum of Sovereign Wealth Funds
IMF	International Monetary Fund
INEC	Independent National Electoral Commission
InfraCredit	Infrastructure Credit Guaranty Company Limited
INR	Indian Rupee
IPS	Investment Policy Statement
IT	Information Technology
JCPOA	Joint Comprehensive Plan of Action
JPY	Japanese Yen
KfW	German Development Bank/Kfw Bankengruppe
KPIs	Key Performance Indicators
KRW	South Korean Won
KWD	Kuwaiti Dinar
LUTH	Lagos University Teaching Hospital
MD	Managing Director
MSCI	Morgan Stanley Capital International
MXN	Mexican Peso
MYR	Malaysian Ringgit
NAIC	NAIC Agriculture Investment Company (Mauritius) Limited
NBET	Nigerian Bulk Electricity Trading Plc
NBS	National Bureau of Statistics
NCX	Nigerian Commodities Exchange
NEC	National Economic Council
NED	Non-Executive Director
NFN	NSIA Female Network
NGN	Nigerian Naira
NHDIC	NSIA Healthcare Development and Investment Company
NIF	Nigeria Infrastructure Fund
NLNG	Nigeria Liquefied Natural Gas Limited
NMRC	Nigeria Mortgage Refinance Company
NNPC	Nigerian National Petroleum Corporation
NSE	Nigeria Stock Exchange
NSIA	Nigeria Sovereign Investment Authority
OCP	OCP Group of Morocco
OPEC	Organisation of Petroleum Exporting Countries
P/E	Price/Earning
PFI	Presidential Fertiliser Initiative
PHP	Philippine Peso
PIDF	Presidential Infrastructure Development Fund
PIDG	Private Infrastructure Development Group
PPP	Purchasing Power Parity
Q	Quarter
ROA	Return on Asset
ROCE	Return on Capital Employed
ROI	Return on Investment
RUB	Russian Ruble
S&P	Standard & Poor's
SDGs	Sustainable Development Goals
SEK	Swedish Krona
SF	Stabilisation Fund
SGD	Singapore Dollar
SPV	Special Purpose Vehicle
SSA	Sub Saharan Africa
SWF	Sovereign Wealth Fund
SWFI	Sovereign Wealth Fund Institute
TBD	To Be Determined
T-Bill	Treasury Bill
TG	Trust Group
THB	Thai Baht (Currency of Thailand)
TWD	New Taiwan Dollar
UBS	Union Bank of Switzerland
UFF	UFF Agri Asset Management
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEPFI	United Nations Environment Programme Finance Initiative
US	United States of America
USD	United States Dollar
VAIDS	Voluntary Assets and Income Declaration Scheme
VC	Venture Capital
VND	Vietnamese Dong
WB	World Bank
WEF	World Economic Forum
ZAR	South African Rand

Corporate Information

Registered Office	The Clan Place 4th Floor, Plot 1386A Tigris Crescent, Maitama, Abuja, Nigeria
Auditors	**PricewaterhouseCoopers** Landmark Towers 5B, Water Corporation Road Victoria Island Lagos
Bankers	**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