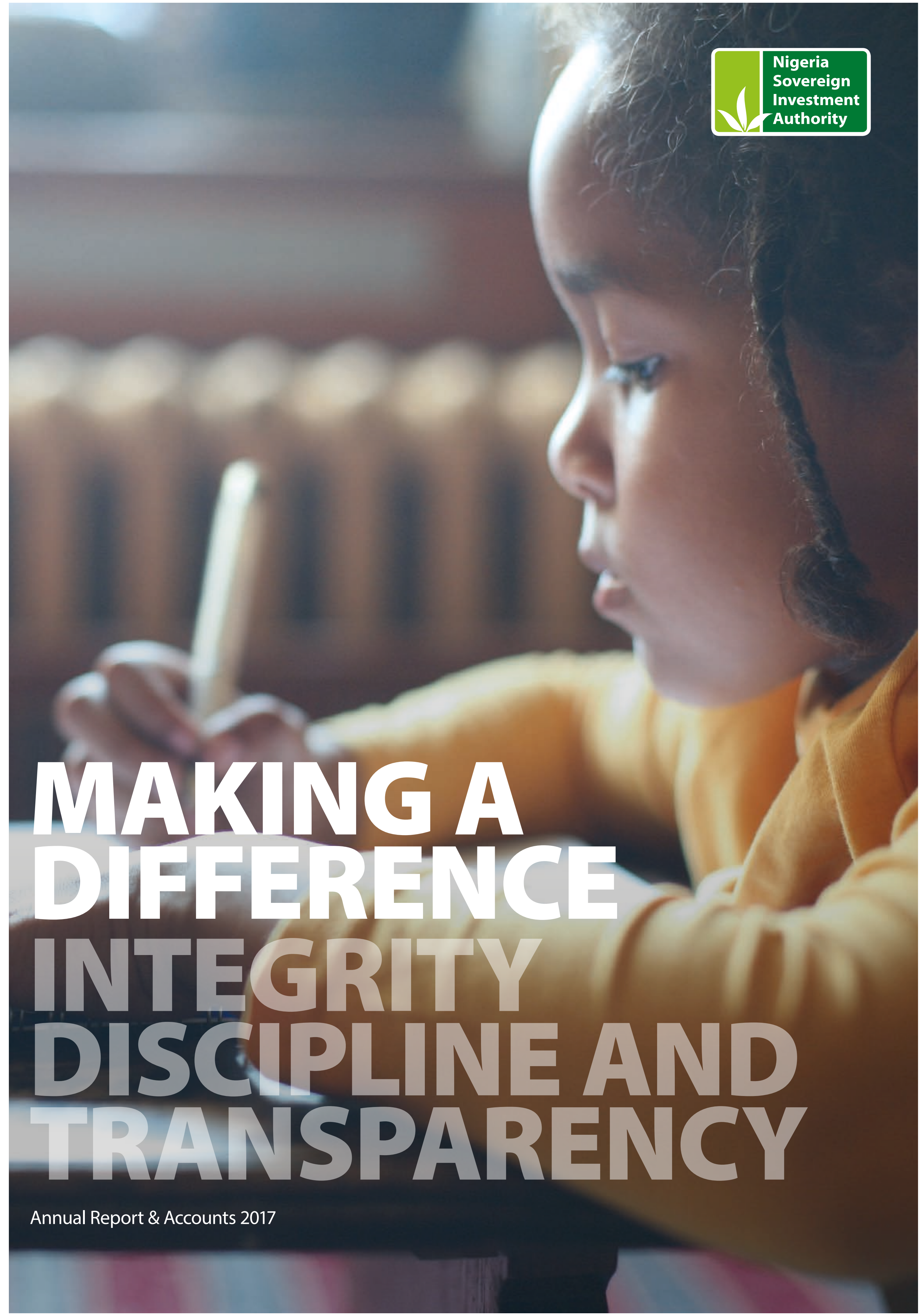

MAKING A DIFFERENCE
INTEGRITY DISCIPLINE AND TRANSPARENCY

Annual Report & Accounts 2017

Nigeria Sovereign Investment Authority Annual Report & Accounts 2017

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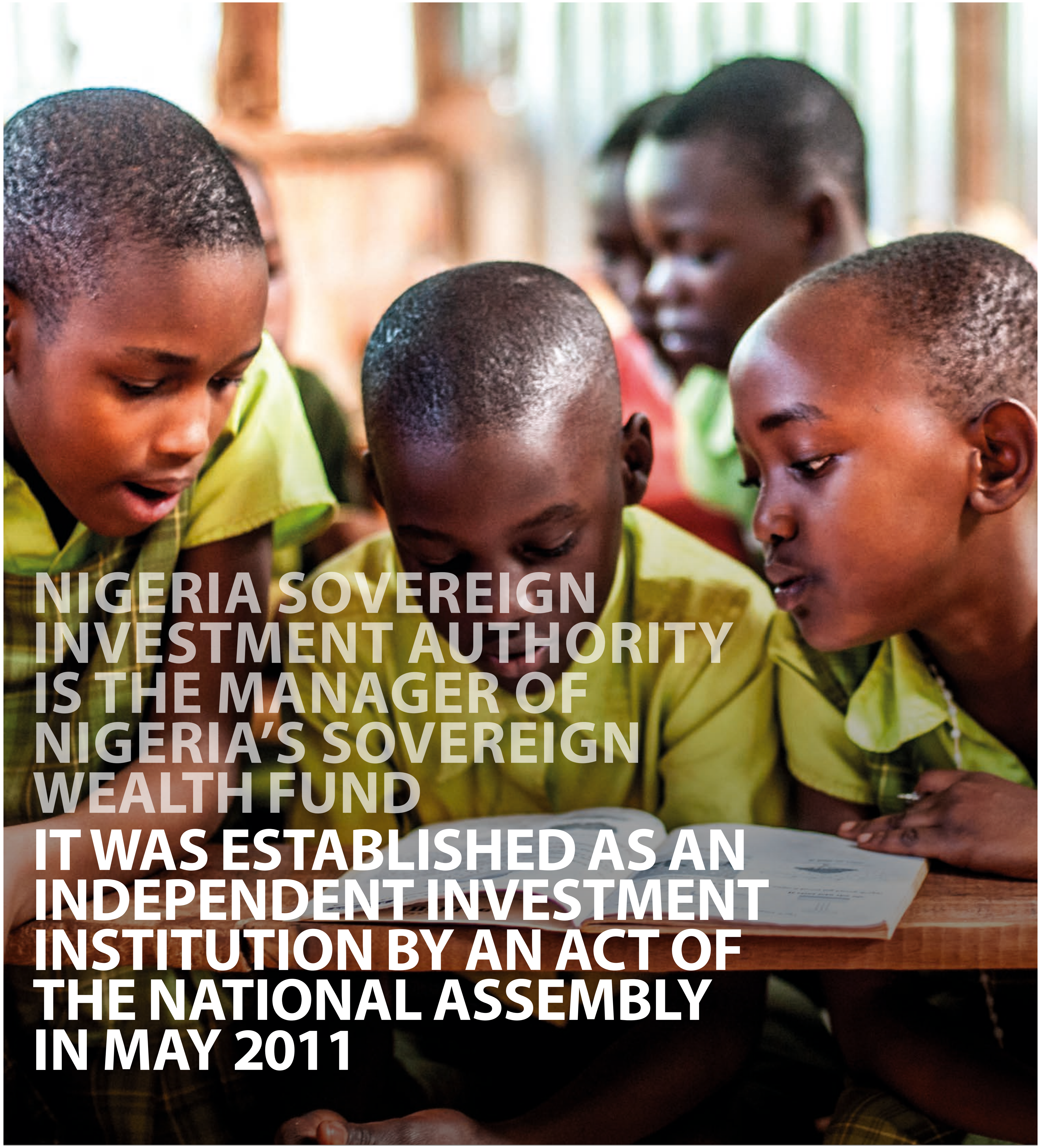


NIGERIA SOVEREIGN INVESTMENT AUTHORITY IS THE MANAGER OF NIGERIA'S SOVEREIGN WEALTH FUND

IT WAS ESTABLISHED AS AN INDEPENDENT INVESTMENT INSTITUTION BY AN ACT OF THE NATIONAL ASSEMBLY IN MAY 2011

CONTENTS

Front cover and left
Enabling disruptive technology to bring quality education to the children of low income families, see page 2.

PROVIDING ACCESS TO BASIC EDUCATION

150,000 STUDENTS ACROSS 59 SCHOOLS

Bridge Academies

Bridge International Academies works in partnership with governments, communities, parents and teachers to ensure access to quality education. Bridge has been proven to deliver significant learning outcomes at scale. NSIA invested in Bridge Academies with a view to addressing the gaps in the country's educational system by leveraging innovative technology afforded by Bridge. NSIA's commitment to Bridge Academy's Nigerian operations enabled expansion to states like Edo where, in partnership with the Edo State Government, Bridge operates 600 schools with 150,000 students and has trained over 6,000 teachers. It also operates 59 parent-paid schools in Nigeria and is providing quality education and world class teacher support to over 11,400 nursery and primary pupils across various local governments in Nigeria.

INTRODUCTION

ABOUT NSIA

The Nigeria Sovereign Investment Authority ("The Authority" or "NSIA") is an investment institution of the Federation, with the mandate to receive and manage funds on behalf of the three (3) tiers of government. The Authority derives its mandate from the Nigeria Sovereign Investment Authority (Establishment, etc.) Act 2011, which was signed into law on 25 May 2011.

Based on the mandate stipulated in NSIA Establishment Act, NSIA operates three (3) ring-fenced funds, namely: the Stabilisation Fund, the Future Generations Fund and the Nigeria Infrastructure Fund. In part, these funds were designed in accordance with the provisions of NSIA Act to serve as security against the possibility of future economic instability, to contribute towards the development of the country's infrastructure and as a savings mechanism for future generations.

NSIA commenced operations in October 2012 with the inauguration of a nine-member Board of Directors, three of whom are Executive Directors, and the injection of US$1 billion in seed capital. Investment operations commenced in 2013 and the institution quickly distinguished itself, proving to be a sustainable and transformative system for managing the excess revenue from crude oil. As a sign of confidence in the performance of the Management of NSIA, the current Administration led by President Muhammadu Buhari contributed an additional US$0.5 billion to the fund over a two-year period to 31 December 2017.

WE HAVE BUILT A REPUTATION AS A TRUSTED SYSTEM FOR IMPLEMENTING THE GOVERNMENT'S STRATEGY FOR FISCAL DISCIPLINE AND FOR EXECUTING BIG-TICKET INFRASTRUCTURE PROJECTS.

In the intervening years since our establishment, we have forged strategic partnerships with project operators and institutional investors who have supported the actualisation of our objectives. With our growing profile in asset management, we have built a reputation as a trusted system for implementing the government's strategy for fiscal discipline and for executing big-ticket infrastructure projects.

NSIA is a member of the International Forum of Sovereign Wealth Funds ("IFSWF") and is subscribed to the Santiago Principles on best practice for managing Sovereign Wealth Funds. With the total assets under management in excess of US$2.2 billion as of year-end 2017, NSIA is the third largest Sovereign Wealth Fund in Sub-Saharan Africa.

The Mandate Funds

NSIA operates three (3) ring-fenced funds namely:

Stabilisation Fund
The Stabilisation Fund is intended to safeguard against budgetary deficits, serving as a reserve from which government may make withdrawals to meet shortfalls in the budget brought about by falls in oil prices or other budgetary constraints.

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

Nigeria Infrastructure Fund
The Nigeria Infrastructure Fund (NIF) seeks to generate a portfolio of investments specifically related to and with the object of assisting the development of critical infrastructure in Nigeria that will attract and support foreign investment, economic diversification and growth.

Using these three funds, NSIA invests in a diversified portfolio of medium and long-term assets and aims to catalyse co-investment from strategic investors, while also managing third-party funds on behalf of other government institutions.

CORPORATE PHILOSOPHY

OUR MISSION

To play a leading role in driving sustained economic development for the benefit of all Nigerians through:

- building a savings base for the Nigerian people;
- enhancing the development of Nigeria's infrastructure; and
- providing stabilisation support in times of economic stress.

VISION

To become a leading sovereign wealth fund, globally; playing a role in promoting investments for Nigeria's economic development.

VALUES

NSIA's values are at the heart of all we do and determine how we work. They are the beacons that guide our operations and serve as the bedrock against which decisions are made. Our values provide direction to the institution in every situation and guide corporate behaviour at all levels.

NSIA's values play a fundamental role in driving the Authority towards delivering on the statutory mandates and pursing the institution's strategic objectives.

Integrity: we are uncompromising in 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.

INTRODUCTION

CHAIRMAN'S STATEMENT

Dear NSIA Stakeholders,

It is a privilege to write to you for the first time in my capacity as Chairman of the Board of the Nigeria Sovereign Investment Authority. Since its founding seven years ago, NSIA has aspired to be an institution that is as capable an investor in global financial markets as it is an infrastructure developer in Nigeria.

Our executives and employees are a diverse team of individuals; men and women who hail from every corner of this remarkable country, often having succeeded at earlier stages of their careers in first-class multi-national financial institutions. Our policies and practices value transparency, innovation, and dependability. We are a trusted counter-party, both as managers of third-party funds and as developers of large complex domestic infrastructure projects.

NSIA operates in two distinct businesses, both of which are defined by our ability to manage risks including Financial markets risks, Operating risks and Government policy risks.

WE WANT TO BE A TRUSTED COUNTER-PARTY, BOTH AS AN INVESTOR IN THIRD-PARTY FUNDS AND AS A DEVELOPER OF LARGE COMPLEX DOMESTIC INFRASTRUCTURE PROJECTS

Our first business segment is one that outsources the investment of a large portion of our funds to third-party asset managers - frequently located abroad – who invest significant sums of capital for us and other investors.

Our role, particularly as it relates to the Future Generations Fund ("FGF"), is to identify, assess, and then continually review talented investment professionals and quality institutions. We entrust these asset managers with the nation's savings as these external firms, not we, select individual stocks, bonds, and other assets.

The process of selecting third-party managers is active and begins with asset allocation. Our executive team, working with the Board's Externally Managed Investment Committee, spends extensive time considering the optimal mix of different assets (for example, equities, bonds, commodities, and real assets) that are likely to provide the most attractive risk-adjusted returns for our FGF and Stabilization Fund ("SF"). We look backwards at historical returns, volatility, and levels of correlation for each asset class; and we look forward at likely payout demands for our funds, taking into account potential liquidity needs and the investment horizon for each fund. Allowing for these and other variables, we develop an asset allocation model that is appropriate for each of the FGF and SF.

Diversification across multiple asset classes, which is the key component of our asset allocation model, is at the core of risk management for these two funds. Experience tells us that getting our asset allocation model right is the largest single contributor to our long-term returns for the FGF and the SF. The second critical contributor to returns is manager selection.

Manager selection requires developing an understanding of a manager's strategy and assessing how much risk they take in their attempt to achieve asset growth. We also closely assess and negotiate a manager's fees to assure that such payments are at or below global standards. When we interview and evaluate managers our team works hard to understand exactly what a manager tells us is their investment strategy, we then look to see if they actually do what they tell us they do, followed by a review of their historical returns. Manager selection is part science and part art. These selection skills are important competencies that we constantly focus on developing within our local team of Nigerians. We supplement our domestic know-how with the advice of an external investment advisory firm.

NSIA has proven its competency at managing large pools of capital on a global basis. Our team and processes are comparable to best-in-class institutions around the world. This is a hands-on continuous process where we review existing managers to assure ourselves they remain on strategy and where we search out new managers to fill gaps in our asset allocation model and to upgrade existing managers.

We periodically review our asset allocation model to make sure it remains appropriate given changes in the global economy and geopolitical environment. None of this guarantees strong investment results, particularly in the short-term, but over time with patience and a strong stomach, our rigorous and transparent process should translate into strong performance relative to comparable funds globally.

2017 was a good year to be overseeing the management of large pools of capital by applying our diversified asset class, external multi-manager model. Following a period of volatility in many developed and developing markets in 2016, most major asset classes, led by U.S. equities, increased in value in 2017. This was a positive environment for our new board to settle into our responsibilities – familiarizing ourselves with the legacy asset allocation model and managers, selectively considering new managers, and beginning to organize ourselves into distinct working committees.

An important set of decisions we made related to our committee structure. Historically, NSIA's Board oversaw its investment responsibilities via the work of two committees: (i) a single investment committee that oversaw both externally managed funds and directly invested funds (e.g., funds used to develop infrastructure assets) and (ii) a separate risk committee that assessed the risk of each investment. In 2017 we concluded that risk management for externally managed funds should not reside in a separate committee from that which made asset allocation and manager selection decisions. Risk considerations for these decisions should be incorporated directly into the investment process and those individuals who made investment decisions (via asset allocation and manager selection) should be directly accountable for the risk inherent in each such decision. We judged that risk is the twin of return and should not artificially be separated.

At the same time, we concluded that the process for investing capital directly into large infrastructure projects was different. For example, the risk of designing a project, selecting a contractor, pricing construction, overseeing construction, and understanding the political environment is very different than that of selecting a manager to oversee a portfolio of stocks. We concluded that direct development projects should continue to be subject to risk review by a team that are distinct from the investment and project management team.

OUR RIGOROUS AND TRANSPARENT PROCESS SHOULD TRANSLATE INTO STRONG PERFORMANCE

All of the above considerations led the Board to create an Externally Managed Investments Committee ("EMIC") and a separate Direct Investment Committee ("DIC"). We eradicated the standalone risk committee, but maintained a risk function that reports directly to NSIA's COO, providing compliance and process support to the EMIC and DIC investments, while separately providing independent risk assessment judgments for DIC projects.

Our second major business segment is that of developing infrastructure in such sectors as roads, bridges, healthcare, and agriculture.

These efforts are overseen by the above mentioned DIC of the Board. Direct investments in infrastructure, across all geopolitical zones, are more visible and the impact more immediate than the capital commitments made by the FGF and SF to third-party asset managers. For example, direct investments impact Nigerians today via construction jobs as workers build roads and healthcare facilities, via the hiring of teachers and their influence on students in new technology enhanced schools, and via farmers who are able to increase their crop yields by purchasing and applying affordable high quality fertilizer. Examples such as these, some of which are discussed in greater detail elsewhere in this annual report, were enabled by NSIA funded direct investment projects.

Nigeria's modest GDP growth in 2017, on the heels of a contraction in 2016, caused NSIA to increase its focus on direct domestic investments. The Board chose to increase the percentage of new funds received that were allocated to infrastructure investments from 40% historically to 50% today. The Board, via the DIC, also increased the number of potential investments reviewed and the size of the team of professionals who focus on infrastructure investments. The NSIA in 2017 pivoted towards infrastructure, helping to address immediate societal needs as we look to find a balance between meetings current as well as future needs of the country.

NSIA views its role as being distinct from that of a pure public sector institution or government agency. For one, the Act that established NSIA requires that we seek a return of capital invested in each project. Projects we develop, no matter the public impact, must generate revenues to allow the project to return capital plus a return. In addition to assessing the physical design and integrity of a proposed structure, we must also assess the likely demand for and commercial viability of a project. We then need to be certain of our ability to work with contractors and partners to complete a project on time and on budget. Direct investment related work is more personnel intensive and less scalable than the external manager process.

Because our human and financial capital are limited, we have identified key sectors on which we exclusively focus, allowing us to develop genuine sector and local execution knowledge and to benefit from the efficiencies that come with such expertise and focus.

As a Board, we understand that the organization incurs great risk when developing an infrastructure project. At every step of this direct investment process, poorly thought through decisions (or decisions that are made for political or other non-commercial reasons) can lead to significant overspending or the need to write-off a portion of or even an entire investment. Any one investment or investment partner has the potential to do more damage to our reputation as honest and wise investors than such individual or investment is likely able to enhance our reputation.

We constantly strive to be innovative, nimble, and timely in developing projects while being responsible stewards of the substantial infrastructure funds entrusted to NSIA. The Board is very focused on finding the right balance between achieving the above objectives and in so doing maximizing the impact of our limited capital and serving as an exemplar of an effective well-run Nigerian institution. In this respect, we are fortunate to have attracted an exceptional team of executives operating at an ED level as well as within each of our two key business units. As we look forward to 2018 and beyond, we are mindful of further establishing policies and practices that will ensure the long-run strength of NSIA as an institution. Our objective is to continuously build an institution that is defined by its professionalism and recognition that institutionalized policies and practices enable consistently stronger performance than an organization that is built around the personalities or idiosyncrasies of a few individuals. We also recognize that as a Board, our focus should remain on matters of governance, respecting our strong management team and enabling them to make executive decisions independent of the Board.

NSIA is grateful for the partnership of our many stakeholders, in government and the private sector – in particular the President, the Minister of Finance, the leadership and members of the National Assembly, the Governors of the 36 states of the Federation, the Minister of the FCT, and the Nigerian people. Without your support, we would be much less effective in our efforts to have a positive impact on the lives of current and future generations of Nigerians. Thank you.

Jide Zeitlin
Chairman, Board of Directors

WE HAVE IDENTIFIED KEY SECTORS ON WHICH WE EXCLUSIVELY FOCUS, ALLOWING US TO DEVELOP GENUINE SECTOR AND LOCAL EXECUTION KNOWLEDGE

INTRODUCTION

CHIEF EXECUTIVE'S REVIEW

Introduction

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 2017.

The year 2017 marked the fifth year of continuous investment operations by NSIA. The year was one of reflection as we reviewed the first five-year investment strategy and spent time outlining the corporate strategy for the next five years, ending in 2022. Nonetheless, I am delighted with the progress we have made and look forward to the next half decade with confidence that our diversified asset strategy can weather the anticipated market cycles.

In the year under review, NSIA benefited from a favourable economic and market trajectory, as most of our assets domiciled with third-party managers closed the year on a positive note, thereby providing capital appreciation. Our operation was an indirect beneficiary of the Government's Eurobond issuance, which raised US$3 billion in 2017. Most of the proceeds from the bonds were directed at bridging the domestic infrastructure gap, thereby providing an opportunity for the Authority to co-invest in some projects, with the Federal Government being the main sponsor.

The Authority's investment approach was further strengthened by the participation of the newly inaugurated Board of Directors, who offered practical insights and enabled NSIA to harness an expanded universe of opportunities. Consequently, the institution's efforts to align investment activities with possibilities in the market within the ambit of the approved risk management framework stimulated the achievement of an encouraging performance which resulted in:

- Total comprehensive income (excluding the impact of foreign exchange gains) of ₦26.28 billion (previous year: ₦46.24 billion).
- Total Assets recorded a growth of 27% to ₦533.88 billion at year end (previous year: ₦420.93 billion):
  - 68% of asset growth attributed to National Economic Council (NEC) Contribution: Additional $250 million allocated by NEC at the 2016 Governing Council Meeting received in Q3 2017.
- Return on Capital Employed (ROCE[1]) on the core funds:
  - Stabilisation Fund: 5.17%
  - Future Generations Fund: 6.05%
  - Nigeria Infrastructure Fund: 3.50%

Fund Report

All three ring-fenced funds: the Stabilisation Fund (SF), the Future Generations Fund (FGF) and the Nigeria Infrastructure Fund (NIF), continued to serve as the vehicles for the Authority's operations.

Within the year, the Authority committed significant capital across all three funds; more so within the NIF as financial pledges were made on investment opportunities identified in previous periods. With respect to the other funds, the Authority continued to operate its diverse investment portfolio of traditional and alternative assets. To date, NSIA has received and manages a core fund of $1.5 billion along with other managed accounts, with gross assets under management of $2.25 billion as of December 2017 including $450 million in third-party managed funds.

While the asset allocation strategy remained unchanged within the year under review, it is instructive that from 2018 and going forward, the infrastructure fund will benefit from an increased allocation. As a result, future contributions to NSIA will be allocated in the ratio 50:30:20, with 50% in the NIF, 30% in the FGF and 20% in SF as opposed to the erstwhile allocation of 40:40:20 for NIF, FGF and SF respectively.

For administrative convenience the Board approved a reclassification of the ring fenced funds to reflect the new focus. Both the SF and FGF are now administratively categorised as Externally Managed Investments while the NIF is categorised as Direct Investments. The two new categories of investments are overseen at a strategic level by separate Board Committees.

[1] ROCE is based on the Audited Financial Statement as presented in Naira

CHIEF EXECUTIVE'S REVIEW
(CONTINUED)

Externally Managed Investments
Whilst returns from the funds improved significantly over the period, a few of our managers underperformed largely due to their relatively conservative positioning of the Authority's portfolios.

- **Stabilisation Fund (SF)**
  According to the 2017 investment performance report from JP Morgan, NSIA's global fund custodian, the Stabilisation Fund, was up by 3%, which highlights our investment focus.

  Nonetheless, the Authority maintained the liquidity and capital preservation objectives of the SF in line with the fund mandate. At year-end 2017, the SF maintained a positive performance trajectory with the fund fully invested.

- **Future Generations Fund (FGF)**
  FGF is an intergenerational savings fund managed by NSIA. Based on the Authority's Diversified Asset Allocation Strategy, the FGF consists mostly of investments outside the country. As outlined in the Investment Policy Statement, the objective of the FGF is to provide future generations of Nigerians with a solid savings base to mitigate the effects of the depletion of the country's hydrocarbon reserves.

  From a performance standpoint, the Future Generations Fund was up 11.96% for the year. Within the period, the FGF remained evenly apportioned across global public equities, private equity, hedge funds and 'other diversifiers' (which are investments designed to reduce correlation with other asset classes). The FGF has a long-term investment horizon with asset classes structured to generate higher risk-adjusted returns, with the corresponding illiquidity in some cases.

  As of December 2017, the Authority had deployed over 50% of its capital across all the strategic asset classes for the FGF.

Direct Investments
As funding is expected to increase in the future, we anticipate that the growth will afford NSIA increased capacity to co-invest in critical infrastructure investments in Nigeria, going forward. Nonetheless, the strategy for the NIF remains the same with three core principles:
i) direct investment activities in focus sectors,
ii) establishment of co-investment funds, and
iii) creation of financial institutions and instruments to enable investments in infrastructure

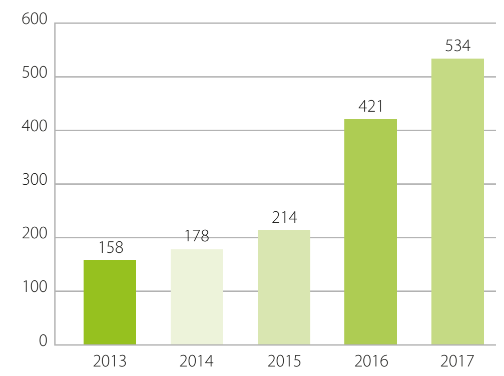
- **Direct Investment Activities:**
  NSIA sustained its infrastructure investment strategy for catalysing economic growth in Nigeria. The infrastructure investment team continued to prioritise development of and investment in bankable projects, acting as a catalyst for public sector capital, and mobilising private sector funding to progress projects to completion. Highlights of some of the direct investing activities undertaken within the year include:

  Healthcare
  The healthcare sector was accorded a heightened degree of attention during the year. Final contracts were drawn up with partner federal tertiary medical institutions under the Medical PPP programme with the Federal Ministry of Health. As a result, the following projects are expected to be commissioned in Q1 2019:
  — Development of a privately managed, advanced out-patient cancer radio and chemo therapy treatment centre within Lagos University Teaching Hospital (LUTH); and
  — Development of privately operated medical diagnostic centres, equipped with modern facilities, at both the Aminu Kano Teaching Hospital (AKTH) and the Federal Medical Centre Umuahia (FMCU).

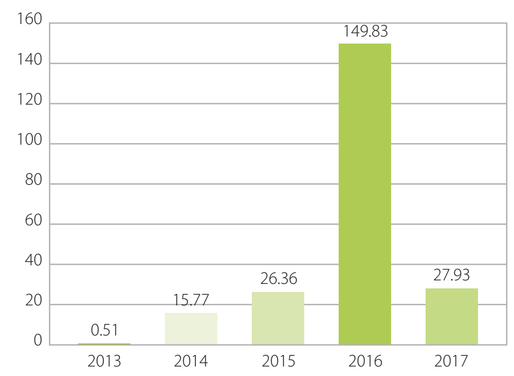
  The investment in LUTH is focused on oncology, whilst the diagnostic centres in AKTH and FMCU will provide diagnostic radiology and pathology services.

  Ogun State Land Reforestation and Waste to Energy Project
  During the year, the Ogun State Government (Ogun State), in partnership with NSIA and Lafarge Africa Plc, continued collaborative efforts to jointly develop the Ogun State Forest Landscape Restoration Project. The project's goal is to transform 108,000 hectares of heavily degraded land into an arable green area. The project combines land restoration with business development objectives by applying current innovations in agro-ecology and agro-forestry to effect the rehabilitation.

Statement of Financial Position (₦ bn): 2013 to 2017



Statement of Comprehensive Income (₦ bn): 2013 to 2017



Agriculture
The agriculture sector has remained strategically important to NSIA, particularly as it is an area where the Authority is able to make significant social impact and robust financial returns through direct investments. NSIA's investment in this space is anchored on three pillars, namely: investment in critical agriculture infrastructure, development of a strategic trading performance and indirectly via agriculture-focused funds.

Presidential Fertiliser Initiative (PFI):
Over the first 12 months of operations to December 2017 NSIA maintained its role as project manager and implementating agency for the Presidential Fertilizer Initiative (PFI). The initiative recorded the following outcome:
i. The production of over eight million bags of NPK 20:10:10 fertiliser for domestic consumption
ii. The bridging of the deficit gap in the fertiliser supply chain for the benefit of domestic farmers
iii. The enhancement of food security by reducing food-induced inflation and stimulating economic activities across the agriculture value chain
iv. The revitalisation of 15 moribund blending plants across the country, with a combined installed capacity of 2.4 million metric tonnes (72% of total available capacity)
v. The creation of several thousand direct and indirect jobs along the value chain

Given the aforementioned, we anticipate that the Board will approve Phase 2 of the programme for the 2018 wet and dry farming seasons.

Babban Gona Farmer Services Ltd (BG)
We invested in a farmer franchise programme operated by Babban Gona Farmer Services Ltd (BG). BG is a high impact, scalable agricultural franchise, that seeks to sustainably improve the lives of smallholder farmers through the provision of microfinance, farming inputs, harvesting and storage services, marketing services and training.

It is an inclusive agriculture model targeted at smallholder farmers, with a view to linking the farmers to larger economic operators. The goal is to improve agricultural productivity, expand markets and trade, and increase the economic resilience of rural communities. Under the franchise model, BG provides a suite of maize and rice inputs and mechanisation services that enable smallholder farmers to lower input costs, secure financing, and increase yields.

NSIA has appraised the viability of the programme from a social and commercial returns perspective and has committed to invest $5 million within the first quarter of 2018. We expect at least 20,000 outgrower farmers to benefit from the programme.

National Road Infrastructure
NSIA, as part of the Presidential Infrastructure Development Fund (PIDF), is involved in several road projects across the country, including construction of critical road projects such as the Lagos-Ibadan Expressway, Abuja-Kano Freeway, Second Nigeria Bridge and East-West Road. While these projects fall within investible transactions for the Authority, it is noteworthy that NSIA's involvement is also to ensure an increased road stock across the country while enabling broader national connectivity via road networks to ease the flow of goods and services.

Appropriate funding plans and project structures are being redeveloped for these projects and will be unveiled in 2018.

CHIEF EXECUTIVE'S REVIEW
(CONTINUED)

Leveraging agriculture to create jobs and address food inflation.

Connecting Nigeria by increasing network of roads.

Creation of Co-Investment Funds:

Novum Agric Industries Ltd

Having set up the UFF-NAIC Fund, a US $200 million, 50-50 co-investment agriculture fund with UFF Agriculture Fund (a company owned by Old Mutual Investment Group, South Africa), NSIA evaluated a series of potential agriculture projects for investment during the year. The Authority ultimately committed to one of these projects located in Panda, Nasarawa State: Novum Agric Industries Limited. To this effect, the UFF-NAIC Ltd concluded plans to invest US$25 million to upgrade the farm to a fully integrated farming operation. The investment is expected to occur within the first quarter of 2018.

This capital injection will be deployed towards expanding the farm's existing infrastructure, increasing installed capacity and optimising output. By modernising the farm's operations and backward integrating, it is expected that crop yield will improve significantly and the farm will be positioned to achieve optimal produce in both wet and dry seasons, going forward. The expanded infrastructure is projected to increase the mills' output tonnage by 60% across all produce.

Creation of Financial Institutions that Enable Investments in Infrastructure:

Infrastructure Credit Guarantee Limited – InfraCredit

As had been reported previously, NSIA co-created and invested in a subsidiary company called InfraCredit, which was established to provide enhanced credit facilities against local currency bonds for eligible domestic infrastructure transactions.

Within the period under review, InfraCredit completed its first transaction – a ten-year bond deal for Viathan Power, which reduced Viathan's interest payments by enabling it to access ₦10 billion of long-term funding via a direct bond raised with domestic pension funds. InfraCredit is presently an NSIA company, with Guarantco providing a contingent guarantee to the company. However, other investors have shown interest in contributing tier-1 equity or contingent capital to the business. Further capital injection is expected to strengthen the company's deal execution capacity.

Nigerian Mortgage Refinance Company (NMRC):

The Nigeria Mortgage Refinance Company (NMRC) is a private sector-driven mortgage refinancing company, established by NSIA in June 2013, with the public purpose of developing the primary and secondary mortgage markets to provide accessible and affordable housing in Nigeria.

NMRC is capitalised via a two-tier capital structure, with an investor mix; designed to ensure the success of the Company, as each group brings a unique value proposition to the institution. NMRC's Tier 1 investors include NSIA, Ministry of Finance Incorporated (MoFI), five commercial banks (CBs) and 14 primary mortgage banks (PMBs). The Company's Tier 2 Capital is subordinated debt drawn from a World Bank International Development Agency (IDA) loan facility.

Development Bank of Nigeria (DBN)

NSIA controls a 20% stake in DBN on behalf of the Ministry of Finance Incorporated (MOFI). As of October 2017, DBN commenced lending activities to Micro, Small and Medium Enterprises (MSMEs) valued at over ₦5 billion. This initial facility was made available to over 20,000 MSMEs through various microfinance institutions as part of efforts to unlock access to credit in the economy. Small scale enterprises make up 60% of Nigeria's economy and NSIA seeks to empower these businesses.

Family Homes Funds Limited (FHFL):

The Family Homes Funds Limited (FHFL) was incorporated and commenced operations in September 2016 as a flagship initiative of the Honourable Minister of Finance, with a 51% – 49% shareholding structure between MOFI and NSIA. FHFL is designed to create a blended pool of long-term funds to solve the problems in mass housing development and seeks to provide affordable homes and mortgages.

Nigeria Commodity Exchange (NCX):

The pre-privatisation of the Nigeria Commodity Exchange is ongoing albeit at a much slower place than expected. KPMG has concluded a preliminary report for NSIA. As a direct consequence of the nature of the project, NSIA is treating the transaction as a greenfield investment. Plans are underway to pursue closure of the transaction in 2018.

Third-Party Managed Funds:

The Authority continues to manage the US$350 million asset for the Nigeria Bulk Electricity Trading Company (NBET) and the US$100 million asset on behalf of the Debt Management Office (DMO). However, the investment agreement on the NBET fund will expire in July 2018. We also manage a portion of the Federal Government's Stabilisation Account (FGN Stab.), a Naira denominated fund which commenced in late 2015. These assets are managed using NSIA's investment policies.

Conclusion and Outlook

Given the progress recorded in 2017 within the domestic infrastructure space and sustained improvements in global macro economic indicators, it is widely expected that in 2018 the international markets will consolidate on the gains of 2017, sustaining the upward trajectory, albeit with the expectation of more volatility than the prior period.

With the coming year set to be a campaign season, the Authority is mindful that many investment activities will have to be front-loaded in 2018. The rise in the NSE All Share Index and in bond markets signals strong investor confidence, but this could stall if political considerations outweigh business outlook opportunities.

As the New Year unfolds, we aim to remain focused on our objectives, ensuring that NSIA navigates the next political transition as successfully as it did the previous one. To this extent, it is important that we focus on measuring the impact of our investments in Nigeria in order to ensure broader support for the Authority.

Finally, I wish to convey our unreserved gratitude to His Excellency, the President and Commander in Chief of the Federal Republic of Nigeria, President Muhammadu Buhari (GCFR); His Excellency, the Vice President of the Federal Republic of Nigeria, Prof. Yemi Osinbajo (GCON), SAN and the highly esteemed members of the National Economic Council for the immense support given to NSIA during the year. I also wish to thank the Board, Management and Staff for their dedication, hard work and commitment.

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

AS THE NEW YEAR UNFOLDS, WE AIM TO REMAIN FOCUSED ON OUR OBJECTIVES, ENSURING THAT NSIA NAVIGATES THE NEXT POLITICAL TRANSITION AS SUCCESSFULLY AS IT DID THE PREVIOUS ONE.

INVESTMENT MILESTONES

Improving the quality of education and increasing access for children of low income families through investment in education.

Providing quality food for Nigerians through investment in farming programmes.

2012-2013

- 1st NSIA Board inaugurated.
- Africa Finance Corporation & General Electric MoU signings.
- Established NMRC in partnership with FMOF, FMWHUD, CBN and WB/IFC.
- Invested in Fund for Agricultural Finance in Nigeria (FAFIN) with FMARD and the German Development Bank (KfW).

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.

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

Improving yield by providing quality fertiliser.

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 1st 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 FGN commissioned a task force for the establishment of Presidential Infrastructure Development Fund (PIDF) and names NSIA as Project Manager.

2016

- Commenced Presidential Fertilizer 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 US$200 million Agriculture Fund with UFF Agri Fund of South Africa.
- 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

- 2nd NSIA Board inaugurated.
- Partnered with GuarantCo. (under the auspices of PIDG) to establish InfraCredit.
- Additional US$250 million capital injection, as committed by National Economic Council (NEC).
- Over 8 million bags of NPK 20:10:10 produced as part of the Presidential Fertilizer Initiative (PFI).
- Invested in Education sector through Bridge International Academies.
- Invested in the Chapel Hill Denham Nigeria Infrastructure Debt Fund.

Early Works III, 2nd Niger Bridge, facilitating the movement of goods and services through increased road network.

PIDG: Private Infrastructure Development Group

FUNDS MANAGEMENT

CATALYZING INNOVATION IN AGRICULTURE

ACCESS TO HEALTHIER FOOD FOR 200,000+

Babban Gona

Babban Gona is an agricultural franchise that empowers small holder farmers by providing precise and cost-effective professional training, input, credit and marketing services to member farmers. NSIA invested in Babban Gona with a view to bolstering farmer yields and enabling growth from subsistent to commercial farming. Farmers have recorded over 400% increase in net income with over $6million in revenue generated. More than 200,000 rural people now have access to healthier food with over 25,000 member farmers already recruited under the scheme, most of whom are under 35 years of age.

FUNDS MANAGEMENT

MARKET OVERVIEW

The year 2017 saw continued political developments and economic growth across the world, particularly in the United States of America and many parts of Europe. These developments signalled a positive tone, impacting global trade and financial markets. According to the IMF, the global economy is estimated to have grown by 3.7% compared to 3.6% in 2016.

The US economy grew by 2.3% in 2017, higher than the 1.6% growth recorded in 2016. The Eurozone grew 2.4%, an improvement from 2016's growth levels of 1.7%, while Japan's growth was 1.7% in 2017 compared to 1.2% in 2016. Equity markets globally enjoyed one of their best years since the financial crisis, but returns in the bond markets were a little more restrained.

Despite concerns about Brexit negotiations, the UK economy has remained resilient, growing 1.8% in 2017, the same rate as 2016. The IMF also estimated that Emerging Market and Developing Economies (EMDEs) grew by an estimated 4.3% in 2017, owing to strong commodity prices, up from 4.1% in 2016. The Chinese economy grew by 6.8%, according to the IMF, which signified a slight improvement from the previous year's growth of 6.7%, signalling a trend of slower growth for the world's second largest economy.

Regionally, the IMF had estimated an average growth rate of 1.8% in 2017 for the Middle East, North Africa, Afghanistan and Pakistan, an increase on 2016. Growth in Sub-Saharan Africa (SSA) is estimated to have accelerated to 2.4% in 2017, improving from the 2016 growth rate of 1.3%, the lowest in over two decades. An increase in commodity prices led to an improvement in economic output, as exporters made substantial contributions towards SSA growth. Asia, ex-Japan and South Korea, grew 6.4%, a 0.1% improvement on 2016, resulting from a similar pickup in demand from China.

Energy commodities, including coal, crude oil and natural gas, were up 23.6% in 2017, recovering fully from their lowest point in 2016, while the value of metals and minerals also improved by 22.4% y/y. In its Commodity Markets Outlook, the World Bank reported a 0.1% increase in the price of gold in 2017. On a similar note, the value of precious metals declined by -0.2% due to investors' improved risk appetite.

According to the IMF, going forward, the US is expected to record a stronger growth rate of 2.8% in 2018 given stronger than expected activity in 2017, higher projected external demand, and the expected macroeconomic impact of tax reform. Euro area growth is expected to slow to 2.1% in 2018 due to shrinking of the working-age population in the majority of Euro area economies and persistent productivity and competitiveness gaps among the bordering members. The economies of advanced and emerging/frontier markets are projected to strengthen to 4.5% and 4.7% in 2018 and 2019 respectively. This positive outlook comes as a result of the strong global economic activity in 2017 amid continued robust activity in commodity importing and exporting countries. However, the lagged effect of recent investment weakness, slowing productivity growth, and negative demographic trends are expected to weigh in on the medium to long-term EMDE outlook.

In general, political developments around the world in 2017 were viewed positively by investors. The change of government in France and Netherlands, re-election of Shinzo Abe in Japan and the ongoing Brexit negotiations were all positive for the market. The uncertainty in Catalonia, following a disputed referendum in October, only provided short-term volatility in the financial markets. After a few hitches, President Trump's administration was able to push tax reforms through congress, which provided support for the equity markets.

On commodities, the IMF further forecasts a 4.0% increase in the price of energy commodities in 2018, with the value of crude oil expected to increase by 1.7%. Geopolitical considerations that are likely to remain in focus this year include the direction and policies of the US government under President Trump, the Brexit process, and political developments in Europe.

Developed Market Equities

United States of America

US equities had a stellar year in 2017 due to resurgent economic growth and impressive corporate earnings. According to Cambridge Associates, a leading investment advisory firm, corporates experienced double digit growth in real Earnings Per Share (EPS). The S&P gained 19.0%, a significant improvement from 11.6% in 2016. The US dollar lost 9% in trade-weighted terms in the period following the start of the new US administration.

NSIA INVESTS IN 42 COUNTRIES ON 5 CONTINENTS IN 24 CURRENCIES WITH 32 FUND MANAGERS

The Federal Reserve increased interest rates by 25 bps to a range of 1.25% to 1.5% at their meeting in December 2017, signalling to the market that the Federal Open Market Committee (FOMC) expects three further rate hikes in 2018. Economic data released by the United States Bureau of Labor Statistics showed that headline inflation was 2.1% y/y as of December, while core inflation increased to 1.8%. US growth is expected to remain resilient on the back of higher projected external demand and the expected macroeconomic impact of tax reform. Tax reform is expected to increase discretionary income for individuals and better profits for corporates, which could potentially lead to share buybacks as corporates no longer rely on capital outlet funding.

Europe

Eurozone stocks gained 13.6% in 2017, bouncing back from a disappointing 2016 as economic data exceeded expectations, earnings growth remained strong and Euro-centric political risks subsided, according to Cambridge Associates. In contrast, UK equities grew by 6.4% in dollar terms, going from 2016's leader to 2017's laggard within the continent. This lacklustre performance was due to high exposure to underperforming energy stocks, very little exposure to the IT sector, and Brexit uncertainty.

While small cap stocks were top performers in Europe, profit margins in the region remained low in 2017 compared to previous years, trailing real EPS of UK and Eurozone equities at 55% and 40% below 2008 levels, respectively. While the retrenchment of the European banking sector since the financial crisis has weighed down the region's earnings recovery, non-financial earnings also remain well below pre-crisis peaks, suggesting room for improvement in Europe.

Annual Consumer Price Index (CPI) inflation in the UK slipped to 3.0% in December from 3.1% in November, much in line with expectations. The statistics came in at about 0.3% above the 2.7% projected in the Bank of England's (BOE) November Inflation report. The drop in CPI could mark the beginning of a sustained downward trend in 2018 as the British pound continues to grow stronger. It also gives BOE room to maintain its tight monetary policy, although investors expect at least one interest rate increase in 2018.

UBS expects growth to remain robust in 2018, while a reinvigorated German-French alliance could lead to enhanced cooperation in the European Union (EU) and the Eurozone. While Brexit negotiations are unlikely to be completed, economic pressure on the UK, as well as its political fractures, suggests a move toward a soft and delayed Brexit.

Japan

GDP growth in Japan averaged 1.7% in 2017 according to the World Bank Global Economic Prospects report. Over the year, Japan experienced a stronger than expected growth trend due to higher levels of business investment and inventories, with export growth driving corporate profits and investment. Despite better than expected GDP growth, spending by Japanese households on goods and services remains tepid and wage gains remain muted, with headline CPI steady at 0.6% year on year. While inflation and wage pressures remain far from the Bank of Japan's (BOJ) target level, UBS expects the central bank's expansionary monetary policy to continue, although it is becoming apparent that BOJ is reducing its purchases of long-dated Japanese Government Bonds. Such tapering has had a positive impact on the Yen, but it is unclear how much further the BOJ can sustain it.

A sweeping election victory for incumbent Prime Minister Shinzo Abe boosted equity markets, with Japanese stocks rising 18.1% in 2017. Shinzo's victory could be a further endorsement for his expansionary Abenomics policy. The Japanese economy has now expanded for seven consecutive quarters, the longest positive run since the mid-1990's, according to UBS. While data indicates that growth in Q4 2017 is likely to have slowed down, the figures are likely to remain in positive territory and show further expansion in 2018.

The World Bank expects growth in Japan to slow to 1.3% in 2018, as fiscal stimulus is withdrawn and export growth moderates. Labour market conditions would continue to tighten, with the unemployment rate at a 22-year low amid growing labour shortages.

Emerging Markets

Over the past year, China's economy has benefited from the global recovery. Exports rose strongly, in part because of the devaluation of the Renminbi. The significant infrastructure stimulus of 2015/2016 had positive effects well into 2017 and, overall, credit continued to grow at a pace somewhat above that of nominal GDP. The outlook for China remains positive, albeit a potential risk from the movement of the US dollar, as dictated by the actions of the Federal Reserve.

India was one of the best performing markets in the world in 2017. Local and global factors combined perfectly to provide incentive to financial markets amid short-term disruption caused by implementation of the government's structural reforms.

Ashmore, a leading emerging markets investment firm, expects that economic growth in Brazil and Russia should continue to pick up in 2018. Emerging Markets are expected to see support from an ongoing synchronised pick up in global growth. The IMF forecast emerging market and developing economies GDP growth in 2018 to be 4.9%, a 2.9% growth premium compared to advanced economies. The gap is forecast to increase to 3.2% in 2019.

The IMF predicts that emerging and developing Asia will grow at around 6.5% over 2018–19, broadly the same pace as in 2017. The region continues to account for over half of world growth. Growth is expected to moderate gradually in China, pick up in India, and remain broadly stable across Emerging Markets (EM) in the ASEAN-5 region.

Frontier Markets

In 2017, Frontier Markets returned 31.8% in dollar terms, trailing behind the EM rally. Similar to Emerging Markets, improvements in earnings growth and earnings expectations have driven returns. Significantly, however, the earnings recovery is only just starting in Frontier Markets. Moreover, frontier valuations are reasonably attractive, trading in line with emerging markets and at a discount to developed markets. The MSCI Frontier Markets index is trading at around 12x price-to-earnings ratio, according to Ashmore. Structural changes are also accelerating in several frontier economies simultaneously, which can drive higher growth, boosting stock market returns and providing attractive investment opportunities.

Investment sentiment and stock market returns are likely to be bolstered by the anticipated confirmation of Argentina's reclassification to the MSCI Emerging Markets in May. Also, MSCI is expected to decide on upgrading Saudi Arabia from the frontier index to the emerging market index in June 2018, and this is expected to have a catalytic effect on the markets throughout the entire region.

2017 was a transitional year for the Egyptian economy, which was dealing with an FX devaluation and high inflation. The IMF programme, in combination with ongoing reform momentum, especially around subsidies and tax, are positives and there is a notable increase in consumer and corporate confidence. It is hoped that greater currency stability in 2018 will ease inflationary pressure and trigger a fall in interest rates, spurring increased private sector spending.

Nigeria's economy is recovering from the sharp fall in energy prices in 2014/2015 and from the recession it slipped into in Q2 2016. The Nigerian economy grew 1.92% in 2017, compared to 1.73% in 2016. The early but weak recovery was largely aided by improved global oil prices and production volumes, with the oil sector growing by 4.79% y/y, compared to the previous year's growth of -14.45%.

The rebound to growth territory was further buoyed by the actions of the Central Bank of Nigeria (CBN) through policies that saw the exchange rate in one window and the parallel market converge. These policies included the introduction of the Investors' and Exporters' window (NAFEX rate), which enabled an increase in foreign portfolio investments and effectively improved FX liquidity in the system. This significantly addressed deficiencies that resulted in narrowing the difference between the parallel market and official rates.

Headline inflation maintained a downward trend, declining for the 11th consecutive month to 15.4% y/y in December 2017 from a high of 18.7% y/y in January 2017 on the back of the base effect and improved FX liquidity. The moderation in inflation was dampened by high food prices, which drove the y/y food index to a seven-year high of 20.3% in November 2017.

Despite this, the positive macro economic trends – such as positive real GDP growth, moderation of inflation, improved Purchasing Managers' Index (PMI), a 42.3% increase in Nigerian Stock Exchange All Share Index (NSE ASI) in 2017, significant accretion to reserves, improved capital flows, along with an improvement in its 'Ease of Doing Business' ranking by 24 places to 145th position – strongly suggest that the economy is on its way to posting decent numbers for 2018.

THE FUTURE GENERATIONS FUND

The FGF was created by NSIA Act 2011 and became operational in 2012. At its creation, 40% of the Authority's seed capital was allocated to the FGF and the same percentage allocation was applied to subsequent capital inflows received. In 2017, the Board approved a revision in fund allocation. Hence, effective 2018, the FGF would receive 30% of all subsequent funding. To mitigate the effects of volatility and uncertainty, diversification is used as a key risk management tool in furtherance of the investment objectives on the fund.

FGF has a long-term investment horizon of above 20 years and is therefore expected to weather multiple economic and market cycles. As such, the Fund invests in a number of asset classes; from traditional assets such as equities to alternatives, including hedge funds and private equity. The FGF's Board Investment Committee approved a strategy that provides guidelines for the Fund's investments regarding its risk and return objectives. This is the FGF's Strategic Asset Allocation outlined in its Investment Policy Statement (IPS) and allows the fund to allocate assets to best possible use. The investment strategy is reviewed and updated to address changes in economic cycles, market factors and return expectations. This strategy allows the Fund to gain exposure to certain illiquid asset classes, thereby reducing short-term volatility and achieving stronger risk adjusted returns.

The asset allocation is based on long-term risk and return objectives, giving consideration to volatility. It is diversified across various asset classes and ensures risk is mitigated. This is why the asset allocation is mostly to growth assets (85%), with the rest allocated 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, Venture Capital & 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)-$ Bond Index**
Cash	5%	US T-Bill

Growth Drivers

Long Only Equity

The long only equity portion of the asset allocation is 20% and is invested in a combination of developed market and emerging/frontier markets. The developed market allocation was 8.0% and returned 11.2% in US dollar terms, lagging the MSCI World Index, which returned 22.4%. All three managers in this space provide regional diversification by focusing on the US, European and Japanese equity markets respectively. While the European and Japan-focused managers had positive returns, the US manager detracted due to its concentrated value orientation in a strong bull market for growth stocks.

The emerging market allocation constituted 12.3% of the portfolio and had a strong performance of 23.7% for the year. The four managers in this component lagged the MSCI Emerging Market Index by 13.6%. This could be attributed to the value base within the EM portfolio and high exposure to small cap stocks. Emerging market equities remained resilient, despite escalating tensions in the Korean peninsula, and were buoyed mainly by the weakness in the US dollar, strong commodity prices, stabilising fiscal balances and continued strength in Chinese economic data.

Absolute Return
This component is 15.8% of the FGF. The allocation returned 6.6%, as against 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 is expected to provide growth in times of stress in equity markets. AQR was the best performer in 2017, while JHL detracted over the same period.

Private Equity
The private equity component made up 9.7% of the FGF. This component is well diversified, with a good mix of developed market private equity managers from Europe and the US. In addition, there is exposure to EM through pan-African focused managers. In 2017, we invested in Akina, a secondary market fund that focuses on acquiring assets in mature funds in Europe. This investment increases the level of diversification, the fund giving us exposure to Europe's small and mid-market funds.

Other Diversifiers
This component of the FGF has a target allocation of 10%, with 2.3% allocated and 6% committed as of year-end 2017. In this space, we have maintained two managers – Healthcare Royalty Partners and Falko Regional Aircraft Fund, which are both in their investment periods. 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
Commodities and the hard assets components represented 2.2% and 0.3% respectively. Commodities began on a difficult note, but recovered during the year. Jamison Koppenberg, the macro-style manager in this space, returned -8.3%, lagging the benchmark return of 8.6%. This performance was driven by the manager's overweight exposure to natural gas, which went in a different direction.

Deflation Hedge
The deflation hedge allocation represented 48.6% of the FGF. For most of 2017, this allocation was held in cash and very liquid instruments with both local and foreign counterparties.

Year in Review
2017 was a positive year, with the MSCI World Index returning 17.2%. This strong global performance was due largely to earnings recovery as economic growth accelerated and commodity prices rebounded. Globally, equities also continued to benefit from economic policy support, as weaker-than-expected inflation allowed the major Central Banks to remain largely accommodative.

US equities had another strong year, with a 22% gain in market capitalisation. This was driven by the information technology sector, which was 2017's best performer. Emerging market equities had an even stronger run in 2017, returning more than 30%, boosted by a combination of an improving macroeconomic environment and reasonable valuations, as well as encouraging corporate earnings results and expectations.

The FGF saw an increase in cash deployments to private equity and hard assets, as most of these managers called capital to fund new portfolio investments. We introduced further diversification to the private equity space by investing in Akina Euro Choice Secondary Fund II, a fund that targets value and discounted secondary investments, taking advantage of special situations and growth capital in the European small and mid-market segment.

The FGF returned 11.62% for the year, maintaining a strong performance and steady overall returns, with minimal risk in line with the fund's long-term investment strategy.

2018 Outlook
In 2018, we aim to gain additional market exposure by allocating to the other diversifiers component and rebalancing the absolute return and emerging market equities components. We will make tactical changes in the long only developed market area 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.

FUNDS MANAGEMENT

THE STABILISATION FUND

The SF has an allocation of 20% of NSIA's pool of funds and is structured to play a fundamental role, serving as a source of stability for government revenues in times of economic downturn. The SF is intended to serve as a buffer against macroeconomic stress. The assets are therefore invested conservatively, striking a balance between generating a modest positive return and preserving capital in nominal terms. Withdrawals from the SF can be made at the discretion of the Minister of Finance, provided the request satisfies the criteria set out in NSIA Act.

Table 2.2: Fund Management Allocation

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

Growth Assets
US Treasury Bills and US Treasury Bonds
This asset class made up 39.7% of the fund and provided exposure to the very liquid and highly-rated US Treasuries market. The underlying investment has a maturity range of between one and three years. This component returned 0.4%, in line with the benchmark.

Time Deposit and Eurobonds
As of year-end, exposure to time deposits made up 43.1% of the fund. Secure returns were sought through investing with credible counterparties, with managers in the Investment Grade Corporate Credit (IGCC) being sourced and on-boarded, thereby fulfilling the capital preservation goal of the fund.

Year in Review
Within the year, NSIA increased allocation to the hedge asset component of the SF by adding two new managers – Smith Graham and Co and Investment Research + Management. These managers have a short duration strategy that invests across very high-quality US corporate fixed income instruments. As in other funds, cash management formed a significant part of this component given the dynamic market environment.

2018 Outlook
Management will continue to monitor the fund's performance in accordance with the strategic asset allocation guidelines and will continue to seek ways to optimise returns while meeting the capital preservation mandate of the fund.

THE NIGERIA INFRASTRUCTURE FUND

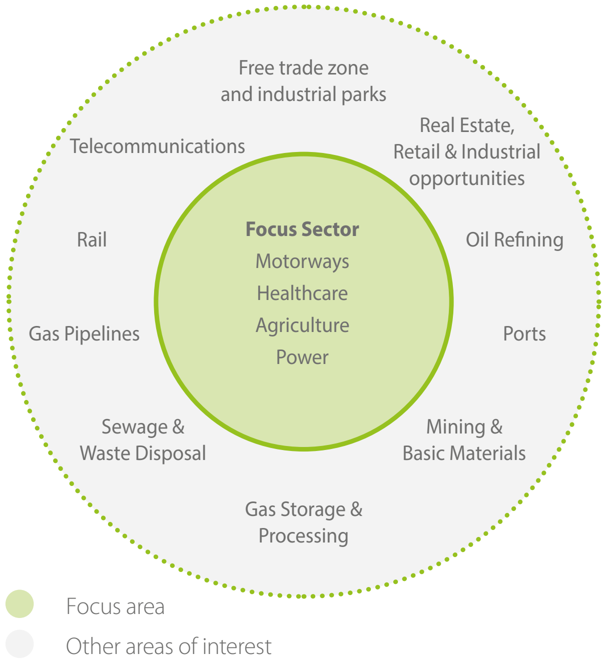
The Nigeria Infrastructure Fund (NIF) focuses on domestic infrastructure investments that meet the following four criteria: alignment with national priority; potential for attractive commercial returns and social benefits; ability to attract both domestic and foreign private sector participation; and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

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

Real Estate has been de-emphasised as a focus sector of the NIF. However, the fund will now consider Real Estate, Retail and Industrial opportunities together as an area of interest under one category.

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

Figure 2.1: The Nigeria Infrastructure Fund target sectors



Infrastructure Investments

Agriculture

In the year under review, the Fund for Agricultural Finance in Nigeria (FAFIN), which was established in December 2014 by NSIA, the Nigerian Federal Ministry of Agriculture and Rural Development and the German Government-owned Development Bank, KfW Bankengruppe, announced the capital injection of US$65.9 million for the final close. As part of this close, the African Development Bank, CDC Group, and the Dutch Good Growth Fund have jointly committed US$31 million to FAFIN, joining existing co-sponsors of the fund to drive agricultural transformation in Nigeria. FAFIN has made investments in L & Z Integrated Farms Limited, an integrated dairy business, and Diamond Pearls Agro, an edible oils business.

NSIA, in partnership with UFF, the agriculture investment arm of Old Mutual of South Africa, each committed US$25 million to forming an agriculture fund. The fund is pursuing a number of large-scale opportunities in the agriculture sector in Nigeria. The most notable of these opportunities is a potential investment in an integrated farm and feed producer in Nasarawa state, a deal which the NIF aims to close in Q1 2018.

Presidential Fertilizer Initiative (PFI)

NSIA, through an incorporated SPV, NAIC-NPK Limited, has been implementing the Presidential Fertilizer Initiative, 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 a reduced cost. This has led to foreign exchange savings through the maximisation of local content, savings in budgetary provisions for fertiliser subsidy, creation of significant direct and indirect jobs, enhancement of food security as a result of increase in food production, reduction in food-induced inflation and stimulation of economic activities across the agriculture value chain.

Healthcare

In 2017, NSIA's subsidiary, NSIA Healthcare Development and Investment Company (NHDIC), set out to catalyse private sector investment in order to address the infrastructure gap and improve key health indicators for the country.

NHDIC continued to undertake the development of diagnostics centres and specialist healthcare facilities to be co-located within federal hospitals across six geo-political zones of the country. Thus far, we have engaged a suite of private sector players to support the development and operational phases of the projects.

Power

Power remained a focus sector for NSIA in 2017 as we continued to explore a number of investment opportunities, particularly within the power generation and gas-to-power space. NSIA considered a number of partnership opportunities with institutional players interested in early stage investments in thermal, solar and hydropower generation. NSIA's objective remains to advance Nigeria's power generation capabilities.

Motorways

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

NSIA is partnering with the Federal Government of Nigeria through the Federal Ministry of Finance and the Debt Management Office for the establishment and management of a Road Trust Fund as an alternative financing mechanism for the funding of construction of strategic motorway projects such as the Second Niger Bridge, Lagos Ibadan Expressway and other key road infrastructure projects.

Education

In the year under review, NSIA undertook an investment in Bridge International Academies, the largest chain of low cost private schools in Africa, with a view to addressing the gaps in Nigeria's educational system.

Bridge serves students from low income communities, charging fees on average of US$6-10 per month depending on the market. It achieves its goal by leveraging innovative, low-cost technology to centrally control and drive efficiencies into every segment of the process of delivering education.

FUNDS MANAGEMENT

THIRD PARTY MANAGED FUNDS

Uche Orji, MD & CEO, NSIA, Jide Zeitlin, Chairman, NSIA, His Royal Highness, Sanusi Lamido Sanusi, Emir of Kano and Chairman, Babban Gona and Kola Masha, MD, Babban Gona at the Agreement Signing for NSIA's investment.

The Hon. Minister for Information and Culture, Alh. Lai Mohammed and Mr. Uche Orji, MD & CEO, NSIA during a courtesy visit by the Minister to NSIA.

Financial Instruments

Credit Enhancement

NSIA disbursed its equity commitment of US$25 million to InfraCredit in June 2017. InfraCredit is a specialised financial guarantor established by NSIA and GuarantCo in 2016 to enhance the credit quality of local currency debt instruments issued to finance eligible infrastructure related assets in Nigeria. InfraCredit's operational office has been set up at Victoria Island, Lagos. In December 2017, InfraCredit issued its maiden guarantee to Viathan Funding Plc., a first-time issuer in the captive/embedded power generation industry.

Chapel Denham Nigeria Infrastructure Debt Fund

In 2017, NSIA undertook an investment in the Chapel Hill Denham Nigeria Infrastructure Debt Fund. The Fund was established to provide long-term debt capital, in local currency, to infrastructure projects.

Similar to InfraCredit, the fund is designed to offer low-risk infrastructure investment opportunities to Pension Fund Administrators ("PFA") which have combined assets under management of approximately ₦7 trillion.

The Debt Management Office Fund

In July 2013, the Federal Government of Nigeria issued a US$1 billion Eurobond through the Debt Management Office (DMO). NSIA was appointed to serve as investment manager for US$200 million of this fund which, at the time, was to be invested in gas-to-power and other power related projects.

NSIA's investment policy with regard to the DMO Fund mirrors that of the Nigeria Infrastructure Fund. NSIA invested US$100 million of the managed funds in a private bond with Seven Energy, an integrated gas company, to enable the completion of gas-to-power infrastructure projects in Nigeria. The company defaulted on its interest payment in 2017. NSIA is currently engaged in a restructuring exercise to recover its investment.

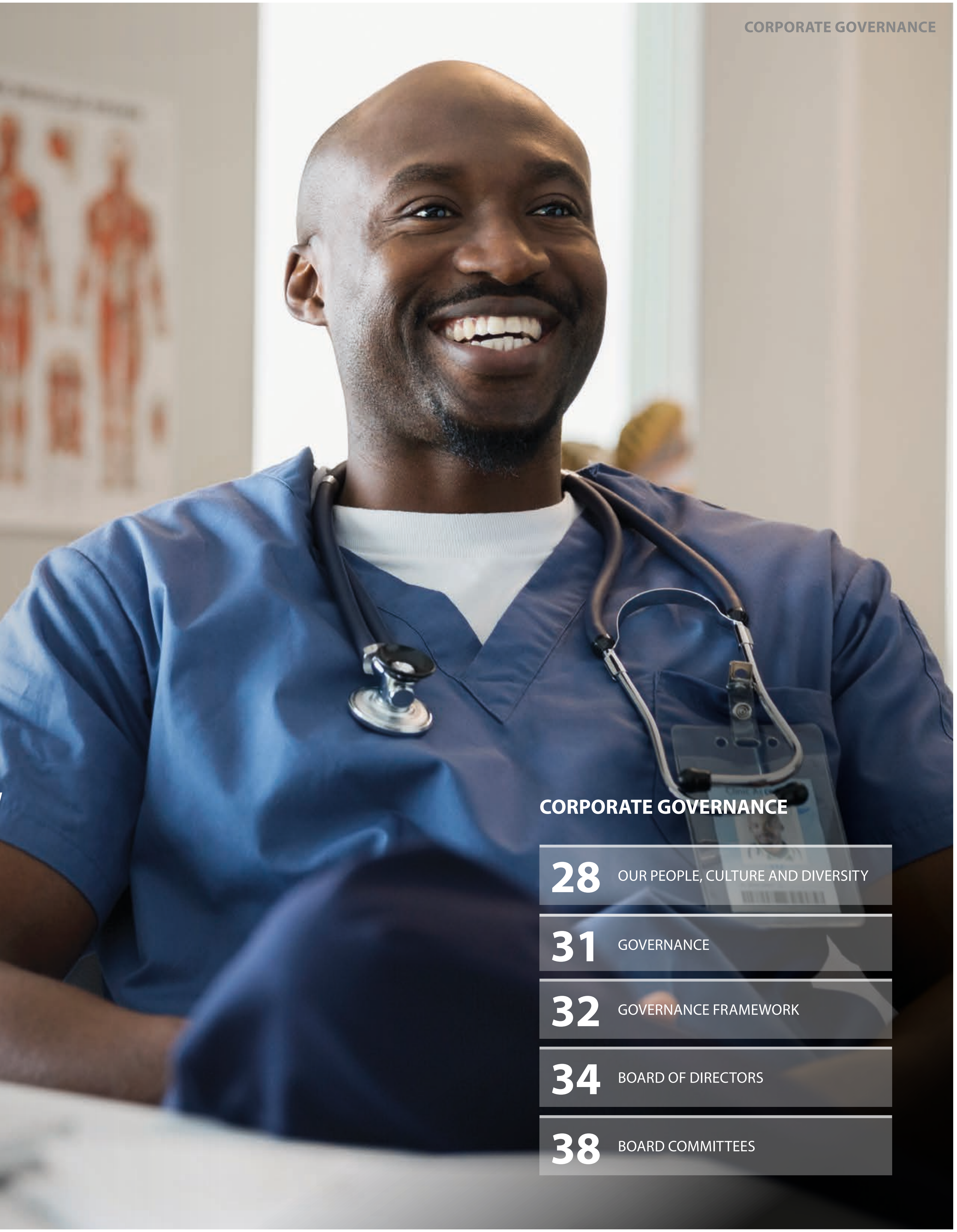
Over the last two years, the DMO had recalled US$100 million from the fund.

The Nigerian Bulk Electricity Trading Plc Fund

NSIA manages a US$350 million fund on behalf of Nigeria Bulk Energy Trading Plc (NBET) by the Federal Government of Nigeria. The funds were allocated in 2014 and have been under management by NSIA since then. NSIA's investment policy for the NBET Fund is similar to that of the Stabilisation Fund, with the aim of balancing NBET's short-term liquidity needs, ensuring the safety of the funds and driving returns above the benchmark set by NBET. The Authority continues to manage the funds along these guidelines.

To date, all funds have been invested, with performance exceeding the benchmark.

CORPORATE GOVERNANCE



IMPROVING ACCESS TO HEALTHCARE

1 CANCER CENTRE, 2 DIAGNOSTIC CENTRES, 100 NEW JOBS CREATED

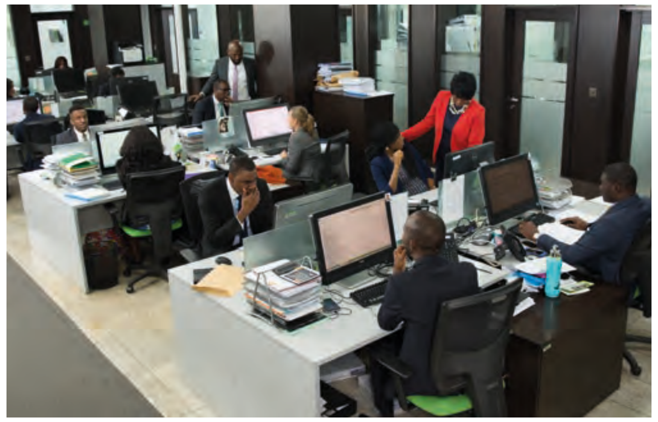
Lagos Cancer Centre, Abia and Kano Medical Diagnostic Centres

NSIA's healthcare strategy focuses on addressing the increasing burden of Non Communicable Diseases (NCDs) in Nigeria. The inadequacy of current healthcare infrastructure has led to avoidable loss of lives. Our aim is to equip the country with the required infrastructure to address this with an emphasis on building capacity and expertise locally. NSIA has invested in an outpatient Cancer Treatment Centre in Lagos state and two diagnostic centres in Kano and Umuahia. Our goal is to deploy sustainable investments in the sector to provide affordable, high quality healthcare for all Nigerians and in doing so, catalyse further investment in the sector.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

OUR PEOPLE, CULTURE AND DIVERSITY



Strong culture of collaboration for excellence.

NSIA Female Professional Network at a session in Abuja.

At NSIA we recognise and value the skills of our employees as the most important resource in delivering our mandate and outperforming on the goals set out to actualise our corporate strategy.

For 2017, the HR objective was centred on deepening NSIA's values of discipline, transparency and integrity as a measure to shore up performance, enhance productivity and drive cultural entrenchment. With this, Management approved the gradual introduction of acculturation initiatives targeted at delivering the set objectives. The initiatives deployed correlated positively, contributing to the 100% staff retention recorded for the year.

People and Culture

NSIA culture seeks to incubate, empower and unleash the potential and skills of our employees to deliver remarkable results. We painstakingly source and recruit individuals who may be innately different, but who all align with the ideals of NSIA culture.

"NSIA IS AN INSTITUTION WHICH OFFERS A UNIQUELY DIVERSE AND INCLUSIVE WORKPLACE FOR OUR EMPLOYEES. WE LISTEN TO AND SUPPORT THEM, ENSURING THEY FLOURISH AND HELPING THEM TO REALISE THEIR FULL POTENTIAL WITHIN THE ORGANISATION."

Uche Orji, Managing Director & Chief Executive Officer

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 outcome. NSIA 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 healthy competition amongst employees and across teams.

Developing Our People

The Authority commits a significant level of resources towards improving employee performance in terms of their capacity to deliver on the job, their 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 needs both on an individual and on a functional level, thereby exceeding the average training-hours-per-employee target for the year.

In addition to the development programmes, the Authority provides exceptional opportunities for staff to invest in self-actualisation even where there may not be direct or immediate benefit to the Authority.

Equipping Staff through training.

Staff unwinding after another profitable year.

Employee Engagement

Management places emphasis on open communication. Notwithstanding the periodic formal events (Town Hall meetings, Quarterly Investment Group dinner) led by Executive Management and covering such issues as organisational performance and inter-departmental efficiency, employees are actively encouraged to express ideas within and across functions in real time.

In 2017, the Authority held some Town Hall meetings and two review sessions. Recognising that team bonding inculcates a feeling of togetherness, the Authority hosted an employee week in December during which personal fitness and team cohesion themes were addressed. The week culminated in a year-end dinner for employees and their families as well as friends of the Authority.

Broadening Avenues for Engagement

One of the planks of the Authority's people management approach is an open-door policy that encourages employees to speak up freely, whether it is in relation to a personal complaint or a policy position. Recognising that the organisation's activities extend beyond our immediate operating environment, the Board and Management approved the procurement of an independent whistle-blowing facility operated by Deloitte and known as 'Tip-Off Anonymous'.

The Tip-Off system affords employees and partners of NSIA a confidential platform on which to raise concerns privately, reporting incidents and highlighting unethical behaviour.

NSIA Internship Programme

As one of Africa's premier sovereign wealth funds, NSIA is committed to building a diverse pool of future leaders seeking a career in investments, infrastructure finance and other related fields. We provide a framework for supporting undergraduate and postgraduate students from diverse academic backgrounds, giving them the opportunity to acquire knowledge that could enhance their academic and professional pursuits by offering practical, first-hand, on-the-job experience. The internship programme offers a wide range of opportunities for these students to gain insight into NSIA operations, investment projects and intervention programmes.

In 2017, two Nigerians were given the opportunity to benefit from the programme with internship periods ranging from one to three months. NSIA internship programme affords hands-on field experience through which interns are involved in live projects. It is noteworthy that previous beneficiaries have leveraged the programme to find their passion, determine clear career paths and chart courses of action for their futures.

Diversity and Inclusiveness

NSIA team is a group of people with varied work and life experiences. Our employees, male and female of all ages, are diverse in cultural and religious backgrounds, with varying social and psychological characteristics and perspectives. HR programmes are geared towards integrating every member of the team and making everyone feel valued. Being a small inclusive team, embracing our differences comes easily as we naturally play to each other's strengths, thereby expanding the pool of knowledge and skills available for resolving work challenges.

With the growing change of the workplace, HR continues to create a collaborative environment to sustain the dividends of our diverse workforce.

NSIA Female Professionals' Network

In the year under review, the Authority held the second of NSIA Female Professionals' Network (NFPN) events. Under the theme 'Self-Branding', the 2017 session provided NSIA female staff with the opportunity to share ideas and seek answers to the special concerns of women in the workplace.

Through the NFPN, NSIA aims to provide the opportunities, tools and mentors to help our female employees assume future leadership roles within the Authority.

As of 31 December 2017, our female staff constituted:
(a) 41% of total employees
(b) 64% of Management positions
(c) 33% of Executive Management

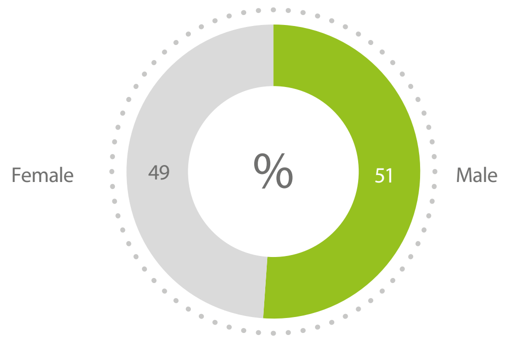
Pay Equity and Equal Opportunity

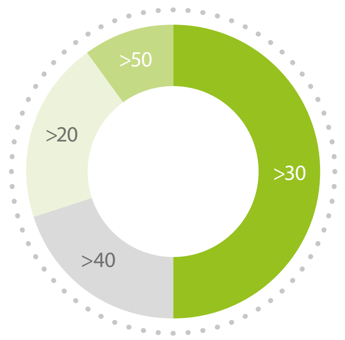
We are an equal opportunity employer. In NSIA, employees are recruited following a transparent recruitment process and rewarded based on result. Demographic profiling is a tertiary consideration in the manning strategy, as the Authority employs a merit based recruitment system. In essence, each NSIA employee is recruited purely on the perceived ability to deliver a pre-defined outcome.

NSIA's HR policy is particularly considerate towards female employees, with provision made for paid maternity leave and care systems developed specifically to support them. Male members of staff are also afforded paid paternity leave. With these benefits, the institution seeks to support employees' outside of the work place.

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

Figure 3.1: Ratio of Male-to-Female employees and Age profile of employee





GOVERNANCE

Corporate Governance

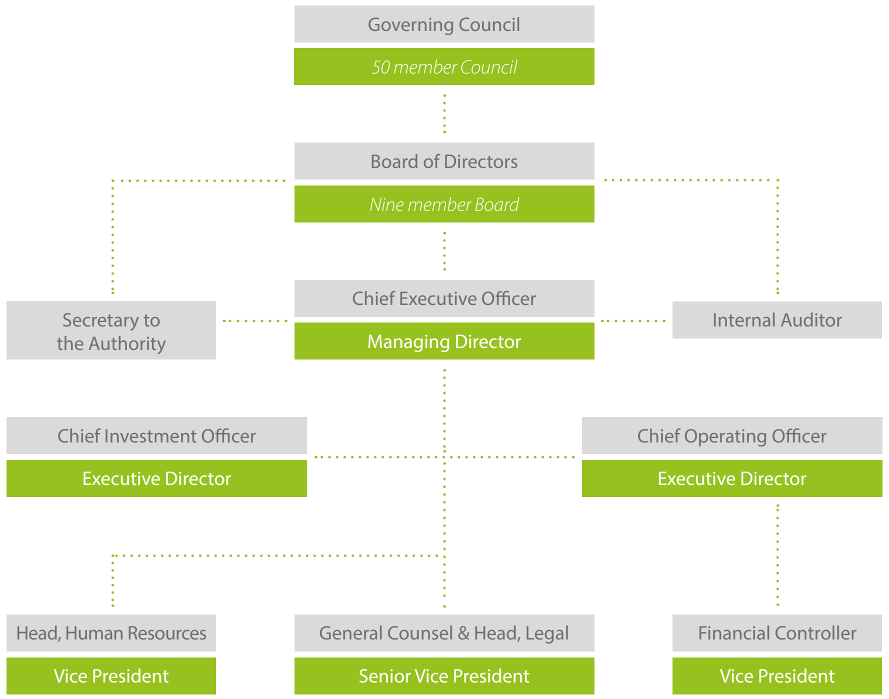
At NSIA, we recognise that the observance of and adherence to best practices in corporate governance contribute to the long-term success of the Authority. Accordingly, we conscientiously ensure that our operations are subjected to the highest standards of corporate governance in order to deliver value to all our stakeholders.

NSIA upholds world class standards in all areas of corporate governance, including clear performance monitoring and provision of strict operational guidelines. We believe good corporate governance practice is an accelerant which will continue to fuel the confidence placed in the Authority by all our stakeholders.

We hold ourselves to high ethical standards and transparency. In this regard, we have implemented a robust whistleblowing web-based platform to ensure we stay on the right course. Our core values of integrity, transparency and discipline continue to define our corporate behaviour.

Our governance practices strengthen operational efficiency and drive effectiveness across the organisation. This approach ensures that NSIA is run along the best commercial principles and philosophies applicable to the private sector.

Figure 3.2 depicts the governance structure of NSIA



CORPORATE GOVERNANCE

Code of Corporate Governance

The Authority's Code of Corporate Governance is reviewed periodically to align with global best practices. In addition 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 content of the Communication 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 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.

"THE BOARD REMAINS COMMITTED TO PROVIDING EFFECTIVE AND PRUDENT OVERSIGHT THAT DELIVERS SUSTAINABLE SUCCESS FOR THE ORGANISATION."

Jide Zeitlin, Chairman, Board of Directors

The development of NSIA's corporate governance policies and practices is a continuous process. Periodically, the contents of these policies are reviewed with the intention of improving corporate governance in accordance with Nigerian law and global best practice.

Governing Council

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

- His Excellency, the President of the Federal Republic of Nigeria (who may be represented by His Excellency, the Vice President);
- All 36 State Governors;
- The Honourable Minister of the Federal Capital Territory (FCT);
- The Honourable Minister of Finance;
- Attorney General of the Federation;
- The Honourable Minister of Budget and National Planning;
- The Governor of Central Bank of Nigeria (CBN);
- The Chief Economic Adviser to the President;
- The Chairman of Revenue Mobilisation, Allocation and Fiscal Commission; and
- 12 Members of the public appointed by the President on the recommendation of the Honourable Minister of Finance.

The Governing Council is charged with the responsibility 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 meeting following the publication of the Financial Statements.

Board of Directors

Section 15 of NSIA Establishment 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 policies and 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, namely, 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 to set broad policy guidelines that drive proper management and 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 three meetings during the financial year ended 31st December 2017, having been inaugurated within the second quarter of the year.

Responsibilities of the Board

The Board determines the strategic objectives and policies of the Authority to deliver long-term value by providing overall strategic direction within a framework of rewards, incentives and controls. It performs its oversight function through well-structured, planned, and assigned committees to take advantage of 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 a balance between 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; approval of 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; approval of the Authority's strategy, medium and short-term plan and its annual operating and capital expenditure budget; the appointment or removal of Auditors and the remuneration of Auditors.

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 nominated by the Authority; 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 take informed decisions and provide advice to promote the success of the Authority.

The Chairman also promotes effective relationships and open communications between 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 the Chief Investment Officer and Chief Operating Officer, both of whom are also 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.

BOARD OF DIRECTORS

Members of the Board Of Directors
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 Hanspeter Ackermann, 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 Chief Executive Officer
3. ED & COO – Executive Director Chief Operating Officer
4. ED & CIO – Executive Director Chief Investment Officer
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 focused on life science, natural resources and financial services in the Middle East and Africa, Mr. Zeitlin brings over three decades of investment banking experience to his role as Chairman of the Board of Directors.

He joined Goldman Sachs & Co. in 1987 and rose to become a Partner 1996, serving as the Global Chief Operating Officer in the investment banking division until his departure in December 2005. His career at Goldman Sachs included a number of senior management positions in its investment division, where he focused on the industrial and healthcare industries, as well as service in its executive office.

Mr Zeitlin has been the Chairman of Coach, Inc. since November 2014 and serves on the Board of Directors of Affiliated Manager Group Inc. (included in the S&P 500, with control of US$650 billion in assets under management). He serves as the Chairman of the Board of Trustees of Amherst College and as a Trustee of Montefiore Health Systems, Inc. He has been an Independent Non-Executive Director at Tapestry, Inc. since 2006. He is a member of the Harvard Business School Board of Dean's Advisors and serves as a Director of Cogentus Pharmaceuticals, Inc. He also serves as a Treasurer of Teach For America, Inc., Milton Academy and Common Ground Community.

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

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

Mr Uche Orji
Managing Director
& Chief Executive Officer

Mr Uche Orji is the Managing Director & Chief Executive Officer of the Nigeria Sovereign Investment Authority (NSIA). He was reappointed by the President of Nigeria for another five-year term in 2017.

He joined NSIA as the pioneer MD & CEO on 2 October 2012 from UBS Securities, where he was Managing Director in the New York branch of its Equities Division. Before then, Mr Orji had spent six years at JP Morgan Securities, London, from 2001-2006, rising from the post of Vice President to Managing Director within the Equities Division.

Mr Orji had also worked at Goldman Sachs Asset Management, London from 1998-2001. First joining as an Associate, he rose, in time, to become an Executive Director before resigning in 2001. Hitherto, he was the Financial Controller at Diamond Bank Plc., Lagos, Nigeria and had previously worked at Arthur Andersen & Co.

Until he assumed the role at NSIA, Mr Orji was a regular commentator for leading research and asset management publications. In this capacity, 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 in the semiconductor sector as well as the broader technology investment sectors. He advised several global portfolio management firms and Sovereign Wealth Funds in his role as global coordinator in the Equities Division.

Today, the organisation he leads is a trusted advisor to the Federal Government of Nigeria and has been instrumental in the actualisation of a number of economic transformation initiatives within the remit of its mandate. Mr Orji's visionary leadership has inspired the significant strides recorded by NSIA despite its short existence, and nurtured it into one of Africa's most respected sovereign wealth funds attracting a significant volume of foreign direct investments.

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

Uche studied Chemical Engineering at the University of Port Harcourt, Nigeria, graduating in 1990, and subsequently obtained an MBA from Harvard Business School in 1998.

Mr Hanspeter Ackermann
Executive Director
& Chief Investment Officer

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

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

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

From 1993–1996, Mr Ackermann served as President and Managing Partner of Eiger Asset Management, New York. He was Managing Director and CIO, and previously Senior Portfolio Manager at UBS, where he built the institutional fund management business for Swiss Bank Corporation (UBS) in New York from 1983-93. He began his career with Banque de L'Indochine et Suez in Paris, France.

He holds a BSc in Business Administration from the Handelsschule Kaufmaennischer Verein in Basel, Switzerland and is a Chartered Financial Analyst (CFA), Charter holder.

Mrs Stella Ojekwe-Onyejeli
Executive Director
& Chief Operating Officer

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

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

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

Mrs Ojekwe-Onyejeli is a qualified Chartered Financial and Tax Accountant. She spent over a decade at professional services firms Arthur Anderson and KPMG in Nigeria and South Africa, providing financial advisory and business assurance services. She currently serves on the Boards of Infrastructure Credit Guarantee Company Limited (InfraCredit) and Bridge International Academies.

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

Ms Halima Buba
Non-Executive Director

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

She rose to the level of Deputy General Manager at Ecobank Nigeria Limited before resigning to take up an appointment as a pioneer member of the Executive Management staff at TAJ Consortium Nigeria Ltd after a rich banking career spanning various commercial banks in Nigeria.

A committed humanitarian, Ms Buba serves as Patron, Community Project Management Committee, Michika. Prior to this, she had served on the Board of Adamawa Homes and Savings Ltd.

She holds a Bachelor of Science degree and a Master of Administration from the 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 a honorary member of the Chartered Institute of Bankers of Nigeria (CIBN) and has attended various courses.

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

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

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

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

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

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

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

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

He obtained 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.

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

He is also an alumnus of Georgetown University, Harvard Business School, Aspen Institute and INSEAD Business School, where he has undertaken several executive education programme.

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

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

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

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

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

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

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

Ms Machunga-Disu is a seasoned 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.

Prior to this, she worked for 21 years at the Nigerian National Petroleum Corporation (NNPC), where she held senior management positions with experience in exploration and production (E&P), and joint-interest management with the major international oil companies (IOCs). She was responsible for budget and long-term strategic plan development and, among other things, was also involved in the management of large-scale engineering development projects.

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

Ms Machunga-Disu holds a BSc in Social Science from Ahmadu Bello University, Zaria, a Postgraduate Diploma in Petroleum Management (CPS, Oxford, UK) as well as a 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.

CORPORATE GOVERNANCE

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:
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 (SF) and Future Generations Fund (FGF). Its members are:
i) Urum K. Eke MFR (Chair)
ii) Halima Buba (Member)
iii) Asue Ighodalo (Member)

b) Direct Investments Committee
Oversees policies, strategies and implementation framework for domestic infrastructure investment within the Nigerian Infrastructure Fund (NIF). The committee members are:
i) Bello Maccido (Chair)
ii) Lois Machunga-Disu (Member)
iii) Asue Ighodalo (Member)

c) 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 (Member)
iii) Halima Buba (Member)

d) Finance & General Purpose Committee
This Committee oversees 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 (Member)
iii) Halima Buba (Member)

e) Compensation & Human Resources 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 members of the Committee are:
i) Asue Ighodalo (Chair)
ii) Halima Buba (Member)
iii) Bello Maccido (Member)

Table 3.1: Attendance at 2017 Board Meetings

SN	Name	Q2, 2017	Q3, 2017	Q4, 2017
1	Jide Zeitlin	✓	✓	✓
2	Halima Buba	✓	✓	✓
3	Urum Kalu Eke, MFR	✓	✓	✓
4	Asue Ighodalo	✓	✓	✓
5	Lois L. Machunga-Disu	✓	✓	✓
6	Bello Maccido	✓	✓	✓
7	Uche Orji	✓	✓	✓
8	Stella Ojekwe-Onyejeli	✓	✓	✓
9	Hanspeter Ackermann	✓	✓	✓

Board of Directors of NSIA and some members of staff during a Board meeting

RISK MANAGEMENT

INVESTING IN FOOD SECURITY

3500 HECTARES FOR HIGHER YIELD

Novum Agric Industries Ltd

In its confidence that premium produce, quality processing and packaging and reasonable price will boost food security and encourage exports, the Authority explored partnership specialist agriculture funds. The Authority had co-invested in a US$200 million fund with Old Mutual Investment Group: the UFF-NAIC Agriculture Fund. Under the fund, the Authority's SPV invested in Novum Agric Industries Ltd, located in Nassarawa State. The capital injection into this company is being used to construct and install state of the art irrigation infrastructure, water reservoirs, grain storage and processing facilities on the farm, located in Nassarawa. The expanded infrastructure is projected to increase the mill's output tonnage by 60%.

RISK MANAGEMENT

RISK MANAGEMENT

RISK MANAGEMENT

Developments in Global Risks
According to KPMG's 2017 Global CEO Outlook, operational risk rose to become the highest concern globally for chief executives overall.

The survey, which covered over 1,200 CEOs in ten key markets and 11 key industry sectors, identified as the top risks in 2017: (i) Operational risk, (ii) Emerging technology risk, (iii) Reputational risk, (iv) Strategic risk, and (v) Cyber security risk,

Among the key risks published in a myriad of 2017 risk surveys, cyber security risk and regulatory risk persisted and were the most significant. Indeed, the consensus, from our review of 2017 risk surveys, was that the top risks that affected the global industry in terms of likelihood and impact were operational risk-related and included: (i) increased cyber threat such as physical attacks, data & information security, new & emerging technologies, information technology failures, and privacy / identity management; (ii) regulatory changes and increased scrutiny such as anti-money laundering, countering terrorist financing, enhanced tax scrutiny, sanctions, and compliance and conduct risk that may lead to unfair customer outcomes, or have negative impacts on market integrity; (iii) management of third-party relationships risks (such as outsourcing risk, fraud, and physical attack); (iv) geopolitical risk; and (v) organisational change.

In March 2017, the United Kingdom Financial Conduct Authority (FCA) asked financial services firms to respond to a Technology and Cyber Resilience Information Request. The questionnaire sought to gain insight into the cyber and technology resilience maturity of the FCA's priority organisations across the financial services industry. In May 2017, a strain of ransomware called WannaCry spread around the world, attacking hundreds of thousands of targets, including public utilities and large corporations. Several other ransomware variants such as NotPetya and Locky also wreaked havoc on businesses and firms worldwide in 2017.

ACCORDING TO KPMG'S 2017 GLOBAL CEO OUTLOOK, OPERATIONAL RISK ROSE TO BECOME THE HIGHEST CONCERN GLOBALLY FOR CHIEF EXECUTIVES OVERALL.

In December 2017, the FCA reported that cyber attacks had become one of the biggest threats to the safety of the financial services industry and that while a ten-fold increase in reports to the FCA had been observed between 2014 and 2017, financial institutions were still not reporting all instances of cyber attacks to the regulator. The regulator added that in the 12 months to December 2017, the National Cyber Security Centre recorded over 1,100 reported attacks, with 590 regarded as significant. Thirty of these required actions by government bodies, a number of which included the Financial Sector. Also in 2017, 69 material attacks were reported to the FCA (with ransomware making up 17% of recent attacks reported to the regulator), an increase on the 38 attacks reported in 2016 and 24 attacks in 2015. As cyber criminals appear to be a step ahead of target firms, the risk for global firms of cyber attacks will remain relevant for a while.

On the other hand, despite the geopolitical risk posed by Brexit, US presidential elections outcome, concerns around North Korea and persistent threats of terrorist attacks globally, the impact of geopolitical risk on the global economy in 2017 was moderate.

Nigeria Risk Environment in 2017
The recession that began in the country in the first quarter of 2016, coupled with the drop in crude oil prices and devaluation of the naira, resulted in a heightened risk environment for financial institutions and asset managers from the onset of the year. In April 2017, President Muhammadu Buhari launched the Nigerian Economic Recovery and Growth Plan (ERGP) medium-term plan for 2017 – 2020 aimed at restoring economic growth through optimising local content and empowering local businesses. The economy was able to exit recession in the second half of 2017, with a modest positive short to medium-term outlook, resulting largely from deliberate macroeconomic stimulus and a stable naira exchange rate. Specifically, the modest growth was attributed to the stimulus generated by implementing the ERGP and enhanced supply of foreign exchange arising from improved crude oil production and prices.

In April 2017, the Central Bank of Nigeria (CBN) introduced a special window for investors, exporters and end-users with a view to making investing in Nigeria more attractive to foreign investors and permitting portfolio investors, export banks and the regulator to trade US dollars at market determined rates. While investors remain wary of policy reversals, the market appears to be quietly optimistic about the return to a flexible foreign exchange rate regime.

IN APRIL 2017, THE CENTRAL BANK OF NIGERIA (CBN) INTRODUCED A SPECIAL WINDOW FOR INVESTORS, EXPORTERS AND END-USERS WITH A VIEW TO MAKING INVESTING IN NIGERIA MORE ATTRACTIVE TO FOREIGN INVESTORS.

The International Monetary Fund (IMF) in an August 2017 press release reported that high government bond yields and tight liquidity perpetuated a crowding out of private and banking sector credit to the economy; this, added to the banking system's exposure to the oil and gas sector, and the increase in non-performing loans from 6% in 2015 to 15% in March 2017, meant that the growth of Nigeria's asset management sector remained hindered not only by the high-risk operating environment but also by issues in the banking sector.

Following improved liquidity in the foreign exchange market, foreign investors concluded several acquisitions in 2017, including Liberty Holdings' acquisition of UNIC Insurance plc, Prudential plc's acquisition of Zenith Life Insurance Company Limited, and Allianz Group's acquisition of Ensure Insurance plc. In October 2017, MSCI announced that it would be retaining Nigeria in its Frontier Indexes, as changes to the foreign exchange regime had improved investor ability to repatriate capital. The indexes had been put under review for reclassification to stand alone status in September 2016.

The Debt Management Office (DMO) reported a fast-growing rise in the nation's public debt profile, comprising external and domestic debts of the Federal Government, those of the 36 states of the Federation and the Federal Capital Territory. Total public debt stood at US$66.63 billion (₦20.37 trillion) as at the end of September 2017. To put the growth in public debt in perspective, total public debt stock as at end of December 2016 was $57.39 billion (₦17.36 trillion).

In the first week of November 2017, President Muhammadu Buhari presented the 2018 Appropriation Bill, worth ₦8.612 trillion, to a joint session of the National Assembly. The proposed 2018 budget is predicated on deficit financing of about ₦1.7 trillion or 20% of the proposed ₦8.612 trillion budget. The President explained that the projected expenditure would drive rapid economic recovery. This statement suggests that the government intends to maintain consistency with the Medium-Term Expenditure Framework (MTEF) through an increase in allocation to capital projects.

According to the November 2017 CBN Monetary Policy Committee communique, the risks facing the domestic economy were two-fold, i.e. price and output; and while deficit financing of capital projects and use of a sinking fund to redeem maturing bonds would mitigate key risks in macroeconomic conditions, particularly with regard to volatility in the financial markets, this approach may also trigger challenges elsewhere in the economy, including concerns about (i) sustainability of rising public debt; (ii) rising public debt-to-GDP ratios – this has been on a consistent rise since 2012 and is now at approximately 16% of GDP; (iii) the structure of new borrowings with the proposed deficit financed ₦1.7 trillion expected to be sourced 50:50 between domestic and external markets and both sources exerting significant pressure on domestic macroeconomic conditions.

Evidence provided by the National Bureau of Statistics (NBS) confirmed that real Gross Domestic Product (GDP) grew by 1.40% in the third quarter of 2017, up from 0.72% in the second quarter of 2017, and contractions of 0.91 and 1.49% in the first quarter of 2017, and fourth quarter of 2016 respectively. The major drivers of real GDP growth were agriculture (0.88%) and industry (1.83%). Some subsectors contracted, including: construction (0.01%), trade (0.29%) and services (1.02%). Overall, non-oil real GDP contracted by 0.76% in Q3 2017, giving credence to the argument that more work is required to consolidate the recovery process by putting in place policies that will boost growth through the non-oil sector.

RISK MANAGEMENT

RISK MANAGEMENT (CONTINUED)

Cases of insecurity and insurgency were reported in all geo-political areas of the nation during the year, indicating a high level of insecurity across the country: (i) in the north-east and from the first quarter of 2017 to the end of the year, the country observed a resurgence in attacks by the terrorist group in the North Eastern states of Bornu, Adamawa, and Yobe; (ii) mostly in the middle belt, multiple instances of clashes and attacks were reported between herdsmen and communities / farmers during the year; (iii) in the South and South East, perennial incidences of cult clashes, kidnappings, armed robberies, and agitation for succession were reported; while (iv) in the South Western states, there was a myriad of criminal activities that ranged from kidnappings to vandalisation of pipelines, cult activities and armed robberies.

In November 2017, the Global Terrorism Index confirmed that for a third year in succession, Nigeria was the third most terrorised nation in the world, with Iraq and Afghanistan ranked first and second respectively. This made for a highly challenging operating environment.

The Economy and NSIA in 2017

Despite the economy being in recession as at the first quarter of 2017, in February the National Economic Council approved additional investments of US$250 million into NSIA from the Excess Crude Account. Combined with the US$250 million the Authority received in February 2016, the total capital invested into NSIA since its inception rose to US$1.5 billion. This additional funding, during a period of economic recession, represented a significant vote of confidence in the ability of the Authority to carry on with its prudent management of assets under its management.

Also in February 2017, the year-on-year (y/y) Composite Consumer Price Index (a measure of inflation) was 17.76%; the reported inflation rate thereafter consistently declined month-to-month and by December 2017 stood at 15.37%. According to the National Bureau of Statistics, the December 2017 reading was the 11th consecutive slowdown in headline y/y inflation since January 2017. CBN's Monetary Policy Committee attributed the receding inflationary pressures to a contraction in money supply, changes in price levels lower than those in the corresponding period of the previous year, and the relatively stable naira exchange rate.

NSIA was insulated against failing domestic prices as the Authority did not invest in domestic public equities. In addition, the Authority has a significant position in foreign corporate and government debts, which yielded constant fixed coupon payments during the year, a valuable investment when interest rates are declining.

Risk Outlook

From January 2018, the Markets in Financial Instruments Directive II (MiFID II), a framework of European Union (EU) legislation, will extend existing MiFID requirements in several areas including: (i) new market structure requirements; (ii) new and extended requirements in relation to transparency; (iii) new rules on research and inducements; (iv) new product governance requirements for manufacturers and distributors of MiFID 'products'; and (v) introduction of a harmonised commodity position limits regime.

MiFID II will result in several benefits for NSIA, including: greater transparency as external managers will now publish an annual top five execution venues used for each subclass of financial instrument they trade for managed portfolios; an increase in the scope of reportable transactions to include financial instruments traded, or admitted to trading, on all EU trading venues, not just EU-regulated markets; the extension of pre-trade transparency requirements to non-equities and restriction of trading venues' use of waivers from those requirements; and requirement for discretionary portfolio managers to comply with new, more burdensome transaction-recording requirements.

After a two-year transition period, the European Union's General Data Protection Regulation (GDPR) is expected to come into effect in Q2 2018 with financial institutions potentially facing stiff penalties of up to 4% of their global annual turnover for data privacy breaches. The GDPR (Regulation (EU) 2016/679) is a regulation intended to strengthen and unify data protection for all individuals within the EU. It also addresses the export of personal data outside the EU. The GDPR aims primarily to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. Unlike EU directives, this regulation does not require national governments to pass any enabling legislation and is thus directly binding and applicable.

THIS ADDITIONAL FUNDING, DURING A PERIOD OF ECONOMIC RECESSION, REPRESENTED A SIGNIFICANT VOTE OF CONFIDENCE IN THE ABILITY OF THE AUTHORITY TO CARRY ON WITH ITS PRUDENT MANAGEMENT OF ASSETS UNDER ITS MANAGEMENT.

When the GDPR regulation commences, any EU-based third-party fund manager that experiences data breaches will need to notify not only the regulators, but its clients (including NSIA) of any such data compromise. Fund managers will most likely want to avoid the negative publicity of these disclosures. As a result, we expect to see EU-based fund managers and other service providers such as law firms, upgrade risk assessments, end-to-end security improvements, and outsourced managed security services.

In late November 2017, OPEC and non-OPEC producers agreed to extend oil output cuts until the end of 2018 as they finalise clearance of the global crude oil glut. Crude oil prices are therefore predicted to be significantly above the US$45 per barrel on which the country's 2018 budget is predicated. However, early in November 2017, the Niger Delta Avengers announced an end to its ceasefire with the Federal Government and threatened to resume attacks on Nigerian oil facilities. Any such attacks would affect the nation's oil facilities in the region and stop or hinder oil production, thus negating foreign exchange projections.

In our opinion, the greatest risk to Nigeria's economic stability in terms of impact is a shock to the oil sector in the form of (i) sabotage to crude oil exploration infrastructure, (ii) fall in oil production output, as witnessed in the Niger Delta in 2016, and (iii) significant and sustained decline in international crude oil prices below the US$45 per barrel benchmark proposed by President Muhammadu Buhari in the 2018 budget.

Given the upcoming general elections scheduled for February 2019, we expect that political and sovereign risks will be the second highest over the next year. In the run-up to the elections, as physical security risks are further exacerbated by increased incidences of militancy, insurgency and lawlessness, we may witness a decline in local investment appetite as well as the rate of foreign direct investments into the country.

On the market front, the gradual recovery observed in Nigeria's oil sector will see economic activity pick up over the coming quarters. This recovery however depends largely on matters already discussed, i.e. further progress on exchange rate reforms, continued stability in the Niger Delta region, tackling of the general state of insecurity, and peaceful elections. Furthermore, to be sustainable, the ongoing recovery in Nigeria's oil industry should be moderated against the urge to increase imports and to liberalise country's foreign exchange markets, while simultaneously embarking on an ambitious capital spending programme, as this will result in deficit financing of its balance for several quarters, with the country posting modest to moderate budget deficits over the coming years.

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 against 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).

RISK MANAGEMENT
(CONTINUED)

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 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' interest; 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.

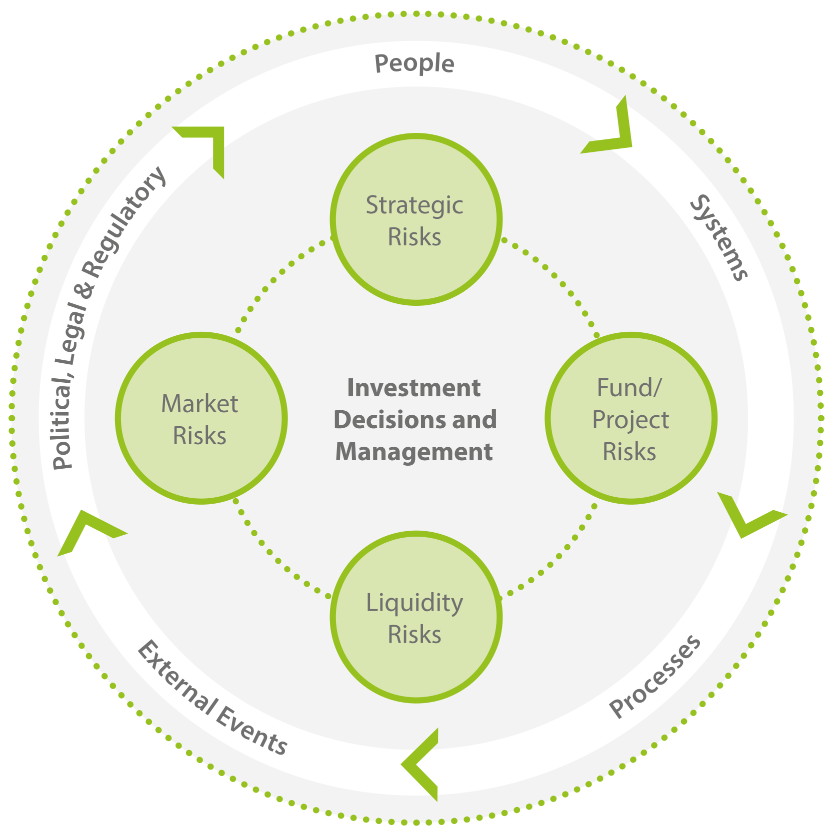
Second Line of Defence: Risk Management and Compliance Functions
The second line of defence comprises all units and functions responsible for providing overarching risk oversight at NSIA. As part of its duties, NSIA's risk management team provides independent risk oversight by monitoring and challenging 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



RISK MANAGEMENT
(CONTINUED)

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

Figure 4.2: Risk Exposure

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.

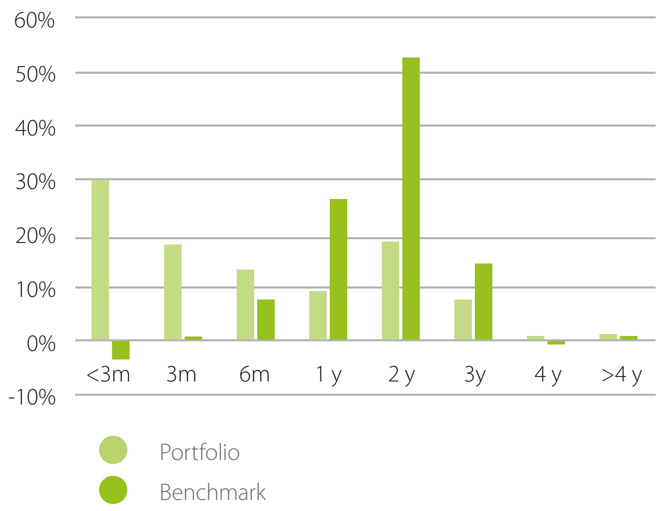
We manage our market risk by diversifying exposures and managing the Authority's asset allocation to balance risk and reward. Risk management produces risk measures and monitors them to ensure that portfolios remain within the risk appetite approved by the Authority's Board. We use a variety of risk 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 assessments of these risks and their impact on our portfolio are outlined below.

- **Commodity Price Risk:** This results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as grains, metals, crude oil, natural gas etc. At the end of December 2017, approximately 3.6% of the Future Generations Fund had direct exposure to commodities.
- **Interest Rate Risk:** Interest rate movements directly affect the price of fixed-income instruments

The Stabilisation Fund is exposed to interest rate risk. While its average duration (a measure of the sensitivity of instrument prices to changes in the rates) reduced from two years at the end of 2015 to 0.7 years at the end of 2016, the Authority took on more risk towards the end of 2017 to take advantage of the rising interest rate environment in the United States. However, the Authority remained cautious in its approach with the average duration of less than three years in line with the Stabilisation Fund's Investment Policy Statement. The investment duration distribution of instruments in the Stabilisation Fund are shown in the chart below:

Chart 4.1: Investment Duration Distribution

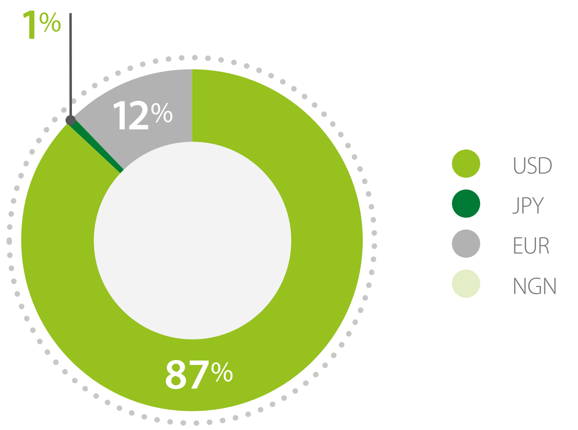


- **Equity Price Risk:** This results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity indices. At the end of December 2017, NSIA had approximately 20% of the Future Generations Fund directly invested in the global equity markets.
- **Currency 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, Future Generations and Infrastructure Funds are mostly held in US dollars. This is not expected to change going forward for the Stabilisation Fund and Future Generations Fund. However, we do expect this to change significantly in the Infrastructure Fund, as implementation of the fund mandate progresses. Investments in the Infrastructure Fund are made in US dollars, while returns are primarily expected in Naira, which would increase the currency risk in the Infrastructure Fund over time.

The direct currency position is the effective currency of the portfolio. The direct currency positions held by NSIA as at the end of December 2017 were significantly different from December 2016 as NSIA increased its investment in Nigerian Infrastructure. The direct exposure to the Japanese Yen and the Euro at the end of 2017 were largely unchanged from December 2016 at 1.22% vs. 1.58% for the Japanese Yen and 0.12% vs. 0.16% for the Euro in 2017 and 2016 respectively. However, NSIA's direct Naira exposure increased due to its investment in the Presidential Fertilizer Initiative – the Authority's direct Naira exposure increasing from 5.72% in 2016 to 12.15% in 2017. Consequently, NSIA's overall US dollar exposure dropped from 92.54% in 2016 to 86.51% in 2017, as shown in the pie chart below:

Chart 4.2: Currency Risk Exposure



However, the funds' investments are exposed to different currencies through the underlying assets, the exposure here is termed as the absolute currency exposure. Further analysis into the absolute currency exposure of assets held by the various portfolio managers at the end of December 2017 shows exposure to a swathe of global currencies; the exposures are compared to December 2016 and are detailed in below:

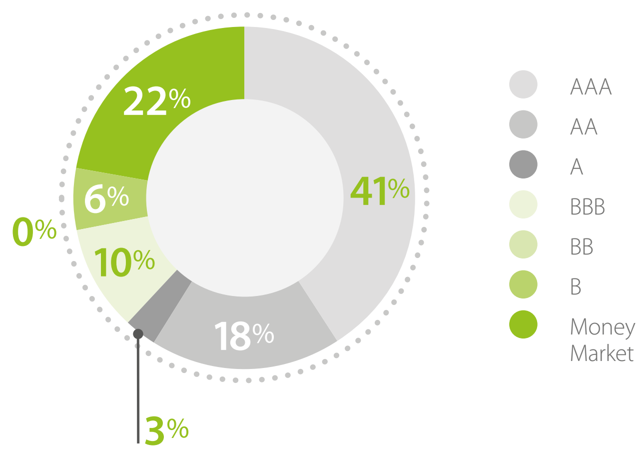
RISK MANAGEMENT
(CONTINUED)

Table 4.1: NSIA Absolute Currency Exposure comparing December 2016 to December 2017

Currency	Portfolio Weight As of 2016	Portfolio Weight As of 2017
US Dollar	97.05%	77.98%
Swedish Krona	0.96%	0.24%
Hungarian Florint	0.78%	0.04%
Brazilian Real	0.77%	0.77%
Polish Zloty	0.48%	0.05%
Australian Dollar	0.44%	0.44%
Russia Ruble	0.18%	0.08%
British Pounds	0.06%	0.07%
Canadian Dollar	0.01%	0.003%
UAE Dirham	-0.08%	0.027%
Singaporean Dollar	-1.06%	0.021%
Japanese Yen	-3.61%	1.51%
Euro	-3.96%	2.15%
Others	6.78%	5.17%

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 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.

Chart 4.3: Stabilisation Fund Credit rating 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, beta-to-benchmark tracking, scenario analysis to monitor the impact of trades on risk exposures prior to exposure, and stress testing of portfolio with risk scenarios.

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

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

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

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 throughout 2017 and beyond, liquidity risk will play a more prominent role. This is especially true for the 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 pose various challenges for NSIA.

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

Infrastructure projects are thoroughly analysed. They are taken through rigorous due diligence and 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, where possible, eliminate the occurrence of negative financial and non-financial impacts on our business. NSIA has adopted the use of three key framework methodologies and tools, namely: the Risk and Control Self-Assessment Process, Risk Events and Incident Management and Key Risk Indicator Monitoring. These frameworks aid the authority in monitoring and reporting on operational risks run by the Authority.

Figure 4.3: Operational risk management structure

FINANCIAL HIGHLIGHTS

UNLOCKING ACCESS TO LOCAL CURRENCY INFRASTRUCTURE FINANCE

ATTRACTING INTEREST IN INVESTMENT

InfraCredit

InfraCredit provides local currency guarantees to enhance the credit quality of debt instruments issued to finance creditworthy infrastructure assets in Nigeria. This entity is necessary because long-term capital required by infrastructure entities to be commercially successful is not available from the domestic banking market. InfraCredit's guarantees therefore serve as a catalyst to attract the investment interest, thereby deepening the Nigerian debt capital markets. The company successfully issued the first corporate infrastructure bonds in the Nigerian debt capital markets with a tenure of 10 years, extending the yield curve for corporate debt issuances.

FINANCIAL HIGHLIGHTS

General Information

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

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

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

* Tenure as an Executive Director lapsed in October 2017. She continues to serve as an Interim Executive Director and Chief Operating Officer following a resolution of the Board in that regard.
** The Board of the Authority was inaugurated on 12 May 2017 by the Federal Government of Nigeria.

Directors' Report

1. Consolidated and separate financial statements
The directors of the Authority present their annual report on the affairs of the Nigeria Sovereign Investment Authority ('the Authority' or 'NSIA'), together with the consolidated and separate financial statements of the Authority and the subsidiaries (known as 'the Group') and independent auditor's report for the year ended 31 December 2017.

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

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 Authority's operating results for the year:

	Note(s)	Group 31 December 2017 ₦'000	Authority 31 December 2017 ₦'000
Interest income	9	21,766,964	21,339,050
Net gain on financial assets	10	4,153,564	4,153,564
Net foreign exchange gains	11	1,652,172	1,703,128
Profit for the year		22,557,274	23,686,882
Total comprehensive income for the year		**27,929,908**	**31,121,898**

4. Objective
NSIA is an autonomous entity established under the laws of the Federal Republic of Nigeria with broad mandates to:
— building a savings base for the Nigerian people
— enhance the development of Nigerian infrastructure
— provide stabilisation support in times of economic stress, and
— 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:
— The President of Nigeria (who may be represented by the Vice-President);
— Governors of Nigeria's 36 States; and
— Eighteen other appointees, including:
(i) Attorney-General of the Federation,
(ii) Minister of Finance, and
(iii) Minister in charge of the National Planning Commission.

6. 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 firefighting equipment are installed at strategic locations within the Authority's premises.

Mrs Ezinwa Okoroafor
General Counsel
FRCN/2016/NBA/00000015045
10 May, 2018

Statement of Directors' Responsibilities

In relation to the consolidated and separate financial statements for the year ended 31 December 2017:
The Nigeria Sovereign Investment Authority Act requires the preparation of consolidated 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 include:

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

The directors accept 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 twelve 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

FINANCIAL HIGHLIGHTS

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 2017, 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 (IFRSs) 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 2017;
— the consolidated and separate statements of profit and loss and other 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 directors' report, statement of directors' responsibilities, statement of value added and five year financial summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Authority's complete annual report which is expected to be made available to us after that date.

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

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

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

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

Independent Auditor's Report *continued*

To the Members of Nigeria Sovereign Investment Authority

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

In preparing the consolidated 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.

FINANCIAL HIGHLIGHTS

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

31 May 2018

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

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note(s)	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Interest income	9	21,766,964	10,568,967	21,339,050	10,519,365
Investment income		2,603,755	1,326,161	362,081	631,878
Net gain on financial assets	10	4,153,564	27,747,126	4,153,564	27,747,126
Net foreign exchange gains	11	1,652,172	92,796,051	1,703,128	92,796,051
Total operating income		**30,176,455**	**132,438,305**	**27,557,823**	**131,694,420**
Investment management fees		(654,562)	(564,855)	(654,562)	(564,855)
Local custodian fees		(6,765)	(20,535)	(6,494)	(20,535)
Foreign custodian fees		(47,755)	(96,811)	(47,755)	(96,811)
Total investment management and custodian fee		(709,082)	(682,201)	(708,811)	(682,201)
Total operating profit		**29,467,373**	**131,756,104**	**26,849,012**	**131,012,219**
Revenue from infrastructure subsidiaries investment	12	31,367,992	–	–	–
Expense from infrastructure subsidiaries investment	13	(33,514,157)	–	–	–
Loss from infrastructure subsidiaries investment		(2,146,165)	–	–	–
Other income	14	7,960	666,107	7,960	663,877
Total other income		7,960	666,107	7,960	663,877
Operating and administrative expenses	15	(4,719,621)	(2,332,541)	(3,170,090)	(2,241,905)
Finance costs	16	(85,223)	–	–	–
Share of profit of investment in associate		434,988	289,755	–	–
Profit before taxation		**22,959,312**	**130,379,425**	**23,686,882**	**129,434,191**
Taxation	17	(402,038)	(132)	–	–
Profit for the year		**22,557,274**	**130,379,293**	**23,686,882**	**129,434,191**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Net change in fair value of available-for-sale financial asset	28.3	8,187,284	25,968,800	9,152,952	25,825,522
Net amount transferred to profit or loss	10	(1,717,936)	(12,359,477)	(1,717,936)	(12,359,477)
Share of comprehensive income of associates	23	60,049	(461,502)	–	–
Exchange differences on translating foreign operations	28.4	(1,156,763)	6,306,224	–	–
Total items that may be reclassified to profit or loss		**5,372,634**	**19,454,045**	**7,435,016**	**13,466,045**
Other comprehensive income for the year		**5,372,634**	**19,454,045**	**7,435,016**	**13,466,045**
Total comprehensive income for the year		**27,929,908**	**149,833,338**	**31,121,898**	**142,900,236**
Profit attributable to:					
Owners of NSIA		22,556,738	130,379,097	23,686,882	129,434,191
Non-controlling interest		536	196	–	–
		22,557,274	**130,379,293**	**23,686,882**	**129,434,191**
Total comprehensive income attributable to:					
Owners of NSIA		27,929,801	149,831,928	31,121,898	142,900,236
Non-controlling interest		107	1,410	–	–
		27,929,908	**149,833,338**	**31,121,898**	**142,900,236**

The accompanying notes on pages 65 to 121 form an integral part of these consolidated and separate financial statements.

FINANCIAL HIGHLIGHTS

Statement of Financial Position

As at 31 December 2017

	Note(s)	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Assets					
Cash and cash equivalents	18	22,336,959	148,267,906	8,545,297	141,076,852
Investment securities	19	429,852,525	249,822,688	404,313,672	234,132,773
Other assets	20	49,134,358	4,698,044	72,310,092	7,355,693
Inventories	21	13,797,596	–	–	–
Investments in subsidiaries	22	–	–	16,085,655	7,096,155
Investments in associates	23	2,453,380	1,957,853	1,600,490	1,600,000
Property and equipment	24	16,306,560	16,187,064	48,503	66,304
Intangible assets	25	1,201	621	63	621
Total assets		**533,882,579**	**420,934,176**	**502,903,772**	**391,328,398**
Liabilities					
Trade and other payables	26	29,285,925	24,089,561	7,884,464	3,718,488
Borrowings	27	3,534,631	–	–	–
Total liabilities		**32,820,556**	**24,089,561**	**7,884,464**	**3,718,488**
Equity					
Equity attributable to equity holders of parent					
Contribution by Government	28.1	280,662,500	204,375,000	280,662,500	204,375,000
Retained earnings	28.2	170,402,086	147,845,348	170,859,498	147,172,616
Fair value reserve	28.3	43,190,981	36,661,142	43,497,310	36,062,294
Foreign currency translation reserve	28.4	6,801,726	7,958,502	–	–
		501,057,293	396,839,992	495,019,308	387,609,910
Non-controlling interest	28.5	4,730	4,623	–	–
		501,062,023	**396,844,615**	**495,019,308**	**387,609,910**
Total equity and liabilities		**533,882,579**	**420,934,176**	**502,903,772**	**391,328,398**

Signed on behalf of the board of directors on 10 May, 2018 by:

Mr Olajide Zeitlin
Chairman
FRC/2018/IODN/00000018084

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

Additionally certified by:

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

The accompanying notes on pages 65 to 121 form an integral part of these consolidated and separate financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

	Group Contribution by government ₦'000	Group Foreign currency translation reserve ₦'000	Group Fair value reserves ₦'000	Group Retained earnings ₦'000	Group Non-Controlling interest ₦'000	Group Total equity ₦'000
Balance at 1 January 2016	**155,250,000**	**1,653,739**	**23,513,074**	**17,466,251**	**3,213**	**197,886,277**
Profit for the year	–	–	–	130,379,097	196	130,379,293
Exchange differences arising during the year	–	6,304,763	–	–	1,461	6,306,224
Net change in fair value of financial assets (available-for-sale)	–	–	25,969,047	–	(247)	25,968,800
Net amount transferred to profit or loss	–	–	(12,359,477)	–	–	(12,359,477)
Share of comprehensive income of associates	–	–	(461,502)	–	–	(461,502)
Total other comprehensive income for the year	–	6,304,763	13,148,068	–	1,214	19,454,045
Total comprehensive income for the year	**–**	**6,304,763**	**13,148,068**	**130,379,097**	**1,410**	**149,833,338**
Contribution by Government	49,125,000	–	–	–	–	49,125,000
Total transactions with owners	**49,125,000**	**–**	**–**	**–**	**–**	**49,125,000**
Balance at 31 December 2016	**204,375,000**	**7,958,502**	**36,661,142**	**147,845,348**	**4,623**	**396,844,615**
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
Exchange differences arising during the year	–	(1,156,776)	–	–	13	(1,156,763)
Net change in fair value of financial assets (available-for-sale)	–	–	8,187,726	–	(442)	8,187,284
Net amount transferred to profit or loss	–	–	(1,717,936)	–	–	(1,717,936)
Share of 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**	**–**	**–**	**–**	**–**	**152,575,000**
Balance at 31 December 2017	**280,662,500**	**6,801,726**	**43,190,981**	**170,402,086**	**4,730**	**501,062,023**
Note(s)	28.1	28.4	28.3	28.2	28.5	

Statement of Changes in Equity

For the year ended 31 December 2017

	Authority Contribution by government ₦'000	Authority Fair value reserve ₦'000	Authority Retained earnings ₦'000	Authority Total equity ₦'000
Balance at 1 January 2016	**155,250,000**	**22,596,249**	**17,738,425**	**195,584,674**
Profit for the year	–	–	129,434,191	129,434,191
Net change in fair value of financial assets (available-for-sale)	–	25,825,522	–	25,825,522
Net amount transferred to profit or loss	–	(12,359,477)	–	(12,359,477)
Total other comprehensive income for the year	**–**	**13,466,045**	**–**	**13,466,045**
Total comprehensive income for the year	**–**	**13,466,045**	**129,434,191**	**142,900,236**
Contribution by Government	49,125,000	–	–	49,125,000
Total transactions with owners	**49,125,000**	**–**	**–**	**49,125,000**
Balance at 31 December 2016	**204,375,000**	**36,062,294**	**147,172,616**	**387,609,910**
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 financial assets (available-for-sale)	–	9,152,952	–	9,152,952
Net amount transferred to profit or loss	–	(1,717,936)	–	(1,717,936)
Total other comprehensive income for the year	**–**	**7,435,016**	**–**	**7,435,016**
Total comprehensive income for the year	**–**	**7,435,016**	**23,686,882**	**31,121,898**
Contribution by Government	76,287,500	–	–	76,287,500
Total transaction with owners	**76,287,500**	**–**	**–**	**76,287,500**
Balance at 31 December 2017	**280,662,500**	**43,497,310**	**170,859,498**	**495,019,308**
Note(s)	28.1	28.3	28.2	

The accompanying notes on pages 65 to 121 form an integral part of these consolidated and separate financial statements.

Statement of Cash Flows

For the year ended 31 December 2017

	Note(s)	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Cash flows from operating activities					
Profit before taxation		22,959,312	130,379,425	23,686,882	129,434,191
Adjustments to reconcile profit before tax to net cash flow from operating activities					
Depreciation charge for the year	24	64,079	74,735	40,888	67,967
Amortisation of intangible assets	25	720	5,118	558	5,118
Interest income		(21,766,964)	(10,568,967)	(21,339,050)	(10,519,365)
Investment income		(2,603,755)	(1,326,161)	(362,081)	(631,878)
Unrealised gain on financial assets at FVTPL		(869,908)	(12,870,247)	(869,908)	(12,870,247)
Dividend income		(228,428)	–	(228,428)	–
Share of profit from associate	23	(434,988)	(289,755)	–	–
Finance costs		85,223	–	–	–
Movements in operating assets/liabilities					
Inventories		(13,797,596)	–	–	–
Other assets		(44,436,314)	(3,225,536)	(64,954,399)	(3,511,090)
Trade and other payables		4,798,592	8,301,052	4,165,976	(383,852)
Cash (used in)/generated from operations		**(56,230,027)**	**110,479,664**	**(59,859,562)**	**101,590,844**
Tax paid	17	(4,266)	(132)	–	–
Net cash (used)/generated in operating activities		**(56,234,293)**	**110,479,532**	**(59,859,562)**	**101,590,844**
Cash flows from investing activities					
Purchase of property, plant and equipment	24	(183,575)	(8,564,169)	(23,087)	(32,898)
Sale of property, plant and equipment	24	–	3,230	–	3,230
Purchase of other intangible assets	25	(1,300)	–	–	–
Payments for held-to-maturity financial asset		(175,437)	(5,858,647)	–	(5,858,647)
Payment for loans and receivables financial assets		(268,610,510)	(192,127,672)	(245,118,390)	(181,127,672)
Proceeds from liquidation/maturity of loans and receivables financial asset		197,904,283	145,930,531	186,042,954	145,228,771
Payment for available-for-sale financial asset		(35,357,672)	(24,991,265)	(32,985,442)	(23,999,685)
Proceed from available-for-sale financial asset		5,707,081	17,024,121	4,831,249	10,716,003
Purchases of financial asset at FVTPL		(169,434,500)	(88,592,000)	(169,434,500)	(88,592,000)
Maturity of financial asset at FVTPL		80,860,680	73,935,927	80,860,680	73,935,927
Investment and interest income received		26,833,493	14,006,251	24,414,976	13,740,477
Dividend received		228,428	–	228,428	–
Investments in subsidiaries		–	–	(8,989,500)	(30,000)
Investments in associates		(490)	–	(490)	–
Net cash used in investing activities		**(162,229,519)**	**(69,233,693)**	**(160,173,122)**	**(56,016,494)**
Cash flows from financing activities					
Contribution by Government		76,287,500	49,125,000	76,287,500	49,125,000
Proceeds from borrowings		5,000,000	–	–	–
Finance costs		(85,223)	–	–	–
Net cash generated from financing activities		**81,202,277**	**49,125,000**	**76,287,500**	**49,125,000**
Net cash movement for the year		**(137,261,535)**	**90,370,839**	**(143,745,184)**	**94,699,350**
Cash and cash equivalent at beginning of year		148,267,906	37,983,532	141,076,852	32,913,468
Net exchange gain on cash and cash equivalents		11,330,588	19,913,535	11,213,629	13,464,034
Total cash and cash equivalent at end of the year	18	**22,336,959**	**148,267,906**	**8,545,297**	**141,076,852**

The accompanying notes on pages 65 to 121 form an integral part of these consolidated and separate financial statements.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements

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

FINANCIAL HIGHLIGHTS

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 setup by the Nigeria Sovereign Investment Authority Act, which was signed in May 2011 and was allocated an initial US$1 billion in seed capital. The Authority commenced operations in October 2012.

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

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

The investment activities of the Funds are managed as follows:

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

2. Structure and content

The financial statements comprise:

a) A statement of financial position at the end of the year;
b) A statement profit or loss and other comprehensive income for the year;
c) A statement of changes in equity for the year;
d) A statement of cash flows for the year;
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 consolidated and separate financial statements of Nigeria Sovereign Investment Authority (NSIA) have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to the interpretations issued by the IFRIC.

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

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

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

The currency of the primary economic environment of the Authority is the Nigerian Naira.

There are subsidiaries within the Group with a functional currency of US Dollar and differences have been accounted for in the currency translation difference on the financial statements.

3.3 (a) Functional and presentation currency

Items included in the consolidated and separate financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated and separate financial statements are presented in Naira which is the group presentation currency.

3.3 (b) Foreign currency transactions and balances

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

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

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

3.3 (c) Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(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

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 4 to all periods presented in these consolidated and separate 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 2017.

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

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

— changes from financing cash flows;
— changes arising from obtaining or losing control of subsidiaries or other businesses;
— the effect of changes in foreign exchanges;
— changes in fair values; and
— other changes.

The effective date of the amendment is for years beginning on or after 1 January, 2017.

The group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements.

3.4 (b) 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, 2018 or later periods:

IFRS 17 Insurance contracts

The IFRS 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 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.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

3. Basis of preparation *continued*

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

It is unlikely that the interpretation will have a material impact on the group's consolidated and separate financial statements.

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:

Group 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.
— 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 lease 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.

Group as lessor:
— Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as eitherfinance 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 consolidated and separate financial statements.

The impact of this standard is currently being assessed.

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 group expects to adopt the interpretation for the first time in the 2018 consolidated and separate financial statements.

The impact of this interpretation is currently being assessed.

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" (FVTOCI) 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 give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. 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.
— 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 therefore no longer necessary for a loss 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.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

3. Basis of preparation *continued*

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

The group expects to adopt the standard for the first time in the 2018 consolidated and separate financial statements.

The impact of this standard is currently being assessed.

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 expects to adopt the standard for the first time in the 2018 consolidated and separate financial statements.

The impact of this standard is currently being assessed.

Amendments to IFRS 15: clarifications to IFRS 15 revenue from contracts with customers
The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

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

The group expects to adopt the amendment for the first time in the 2018 consolidated and separate financial statements.

The impact of this amendment is currently being assessed.

4. Significant accounting policies

4.1 Consolidation

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

4.1 (b) Change in ownership interest subsidiaries without loss of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.1 (c) Disposal of subsidiaries
When the Group ceases to have control over 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 a legal or constructive obligation to make payments on behalf of the associate.

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

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

4.2 Interest income
Interest income including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

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

4.2.1 Investment income
Investment income consists of dividends, realised gains and losses on disposal of securities. A gain or loss on investments or securities is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

4.3 Interest expense
Interest expense for all financial assets and financial liabilities carried at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest expense over the relevant period.

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.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

4. Significant accounting policies *continued*

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 expense on short positions.

4.6 Revenue from sales of fertilizer
Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Group when those inflows result in increases in equity, other than increases relating to contributions from equity participants (Government). Revenue is derived from the profits and proceeds yielded from the sale of fertilizer. Revenue is measured at the fair value of the consideration received or receivable. This is determined by the sales contract after taking into account any trade discounts. Income is recognised on an accrual basis as earned.

Revenue shall be recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group. Group's recognition criteria are peculiar to the transactions giving rise to the revenue.

Revenue from the sale of goods should be recognized when all of the following criteria are satisfied:
— The significant risks and rewards of ownership of the goods have been transferred to the buyer
— The seller retains neither continuing managerial involvement to the degree usually associated with ownership nor
— effective control over the goods sold
— The amount of the revenue can be reliably measured
— It is probable that economic benefits associated with the transaction will flow to the seller
— The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.7. Cost of sales of fertilizer
Cost of sales is primarily comprised of direct materials consumed in the manufacture of product, as well as blending fees and direct overhead expense necessary to acquire and convert the purchased materials into finished product. Cost of sales also includes the cost of haulage and export grant credit.

4.8 Fees and commissions
Fees, commission and other expenses that are not integral to the effective interest rate computation are recognised in profit or loss on an accrual basis as the related services are performed. The Authority earns its fees and commission on fiduciary activities performed. See note 33 for details of fiduciary activities performed by the Authority.

4.9 Income tax expenses
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 recorded as such in the income statement.

4.10 Financial assets and financial liabilities

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

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

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

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

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

Loans and recievables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Authority as fair value through profit or loss or available-for-sale. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. All of the Authority's advances are included in the loans and receivables category.

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

Available-for-sale
Financial assets classified by the Authority as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in fair value reserve in other comprehensive income until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in other comprehensive income are recognised in profit or loss. Interest income, calculated using the effective interest method, is recognised in profit or loss.

Dividends received on available-for-sale financial instruments are recognised in profit or loss when the Authority's right to receive payment has been established.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

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

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

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

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

4.10.5 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.

4.10.6 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.

Notes to the Consolidated and Separate Financial Statements
continued

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.

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

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

4.10.9 Investment in private equity funds
The fair value of the investments held in one of the Group's subsidiaries are recognised at fair value determined using the net asset valuation method. This is done by obtaining
i. the valuation of the Investee Fund's underlying investments;
ii. the value date of the net asset value (NAV) provided;
iii. cash flows (calls/distributions) since the latest value date; and
iv. the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's General Partner. If necessary, adjustments to the NAV are made to the various Investee Funds to obtain the best estimate of fair value.

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

4.11 Impairment of financial assets
Financial assets carried at amortised cost
At each end of the reporting date, the Authority assesses whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or portfolio of financial assets that can be reliably estimated. Some objective evidence that a financial asset or portfolio of assets is impaired includes observable data that comes to the attention of the Authority on the following events:

Significant financial difficulty of the issuer or debtor; are expected to be useful for more than one period;
— A breach of contract, such as a default or delinquency in payments;
— It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
— The disappearance of an active market for that financial asset because of financial; or
— Observable data indicating that there is a measurable decrease in the estimated future cash flow from a portfolio/group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio/group.

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

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. As a practical expedient, the Authority may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income.

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

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

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

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

The recoverable amount of an asset or a 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.

4.13 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.

4.14 Property and equipment

4.14.1 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.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

4. Significant accounting policies *continued*

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.

4.14.2 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.

4.14.3 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
Computer equipment	3.3 years
Furniture and fittings	5 years
Office equipment	4 years
Motor vehicles	4 years

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

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

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

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

4.16 Trade receivables
Trade receivables are measured and recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest rate 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.

4.17 Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method.

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.

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

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

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

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

4.21 Contingencies

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

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

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

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

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

4.22 Employee benefits

4.22.1 Post employment benefits

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

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

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

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

4.22.2 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.

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

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

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

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

4. Significant accounting policies *continued*

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

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

4.25 Financial guarantees

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

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

5. Critical accounting estimates and judgements

The preparation of consolidated and separate 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, liabilities, income and expenses.

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the 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 (see note 6).

5.1 Critical judgements in applying the Authority's accounting policies

The critical 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 4.10.7. The Authority measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

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

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

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

5.1.2 Financial assets and liabilities classification

The Authority's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances: Details of the Authority's classification of financial assets and liabilities are given in Note 4.10

5.1.3 Impairment of available-for-sale equity

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

5.1.4 Fair value of investment classified as available-for-sale

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

5.1.5 Fair value of private equity investments

The fair values of the private equity investments held by the Group 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 interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

6.1 Approach to risk management

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

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

6.2 Credit risk

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

6.2.1 Management of credit risk

The Authority's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting credit standards, hence the Authority only deals with counterparties that meet set credit ratings.

6.2.2 Exposure to credit risk

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

As at 31 December 2017, all financial assets are neither past due nor impaired. The credit quality of these financial assets are disclosed in the table below:

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
(i) Money market placements				
Counter parties with external credit ratings GBR, S&P, Fitch & Moody				
A1 (GBR)	–	3,046,408	–	3,046,408
AA- (S&P)	–	58,182,824	–	58,182,824
B+ (Fitch)	316,208	–	–	–
B (S&P)	–	8,840,312	–	8,840,312
B2* – (Moody)	–	20,114,662	–	20,114,662
Total money market placements	**316,208**	**90,184,206**	**–**	**90,184,206**

Notes to the Consolidated and Separate Financial Statements
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6. Financial risk management *continued*
6.2.2 *Exposure to credit risk* continued

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
(ii) Bank balances				
Counter parties with external credit ratings (S&P) A (Fitch)				
A (Fitch)	6,492,094	–	–	–
A+ (Fitch)	4,045,473	–	832	–
A- (S&P)	7,762,495	53,616,958	5,489,286	49,219,621
B (GCR)	13,628	–	13,628	–
B (S&P)	73,031	1,672,639	–	1,670,782
B2 (Moody)	3,624,422	853	3,041,302	853
BBB+ (S&P)	9,135	2,793,136	–	1,276
Total bank balances	**22,020,278**	**58,083,586**	**8,545,048**	**50,892,532**
(iii) Other assets				
Counter parties with external credit ratings				
B (GCR)	339,003	–	–	–
A-2 (S&P)	–	1,084,781	–	1,084,781
A+ (Fitch)	883,526	–	883,526	–
B2 (Moody)	32,599,743	–	32,599,743	–
	33,822,272	**1,084,781**	**33,483,269**	**1,084,781**
Counter parties without external credit ratings				
Other receivables	12,391,280	539,705	682,052	639,607
Intercompany receivables	–	–	38,113,681	5,055,645
Advances to staff	5,593	3,546	1,952	3,546
Total other assets (Financial assets)	**46,219,145**	**1,628,032**	**72,280,954**	**6,783,579**

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

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
(iv) Investment securities				
Counter parties with external credit ratings				
Held to Maturity				
AA+ (S&P)	–	4,329,608	–	4,329,608
B (S&P)	7,800,593	–	7,800,593	–
B+ (Fitch)	–	3,379,285	–	3,379,285
B2 (Moody)	175,437	5,770,479	–	5,770,479
B3 (Moody)	5,803,799	–	5,803,799	–
BB+ (Fitch)	3,737,387	–	3,737,387	–
B- (S&P)	–	3,657,732	-	3,657,732
	17,517,216	**17,137,104**	**17,341,779**	**17,137,104**

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Loans and Receivables				
A+ (Fitch)	17,742,162	–	17,742,162	–
A (GCR)	9,292,907	–	9,292,907	–
AAA (Fitch)	5,322,660	–	–	–
A- (Augusto & Co)	–	6,181,604	–	6,181,604
A2 (Moody)	7,747,972	–	7,747,972	–
A3 (Moody)	6,541,532	–	6,541,532	–
B (Fitch)	1,864,400	–	–	–
BBB+ (S&P)	–	7,651,603	–	7,651,603
BBB+ (GCR)	6,766,061	–	6,766,061	–
BAA1 (Moody)	6,363,645	12,280,654	6,363,645	12,280,654
B2 (Moody)	134,641,851	13,724,619	134,641,851	13,724,619
B (S&P)	66,409,768	60,855,005	65,416,925	60,855,005
	262,692,958	**100,693,485**	**254,513,055**	**100,693,485**
Available for sale				
AA+ (S&P)	–	24,660,440	–	24,660,440
B2 (Moody)	2,388,190	–	2,388,190	–
BBB- (GCR)	1,528,500	–	1,528,500	–
Baa3 (Moody)	6,075,231	–	6,075,231	–
BB+ S&P	–	2,197,267	–	2,197,267
	9,991,921	**26,857,707**	**9,991,921**	**26,857,707**
Counterparties without external credit ratings				
Private equity funds and hedge funds	138,780,522	92,264,145	121,597,009	76,574,230
	148,772,443	**119,121,852**	**131,588,930**	**103,431,937**
Financial assets at FVTPL				
B/B (S&P)	–	12,870,247	–	12,870,247
B2 (Moody)	869,908	–	869,908	–
	869,908	**12,870,247**	**869,908**	**12,870,247**
Total investment securities	**429,852,525**	**249,822,688**	**404,313,672**	**234,132,773**

Notes to the Consolidated and Separate Financial Statements
continued

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 as at 31 December 2017 and 31 December 2016. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

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 equivalent							
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 receivable	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 bill	175,437	–	–	–	–	–	175,437
Loans and Receivables:							
Fixed deposit	242,039,809	6,363,645	7,747,972	–	6,541,532	–	262,692,958
Available-for-sale							
Private equity investments	27,833,581	890,869	2,041,702	–	–	9,634,070	40,400,222
Nigeria treasury bills	609,069	–	–	–	–	–	609,069
Nigeria infrastructure debt fund	1,528,500	–	–	–	–	–	1,528,500
US treasury notes	–	–	–	–	–	24,805,655	24,805,655
Hedge fund managers	–	–	5,450,653	3,166,951	16,165,886	44,436,810	69,220,300
Fixed income products	–	–	–	–	–	12,208,697	12,208,697
Financial assets at fair value through profit or loss	869,908	–	–	–	–	–	869,908
	346,498,132	**7,254,514**	**15,240,327**	**3,166,951**	**22,707,418**	**103,540,814**	**498,408,156**

31 December 2016	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 equivalent							
Money market placements	32,001,382	–	–	58,182,824	–	–	90,184,206
Bank balances	8,862,689	–	–	–	–	49,220,897	58,083,586
Other assets							
Other receivables	539,905	–	–	–	–	1,084,581	1,624,486
Advances to staff	3,546	–	–	–	–	–	3,546
Investment securities Held to Maturity:							
Eurobonds	17,137,104	–	–	–	–	–	17,137,104
Loans and Receivables:							
Fixed deposit	22,578,404	12,280,654	–	58,182,824	–	7,651,603	100,693,485
Available-for-sale							
Private equity investments	7,700,773	947	2,655,493	2,074,192	2,765,587	15,399,786	30,596,778
US treasury notes	–	–	–	–	–	24,660,440	24,660,440
Hedge fund managers	–	–	4,719,182	2,597,525	13,512,409	43,035,518	63,864,634
Financial assets at fair value through profit or loss	12,870,247	–	–	–	–	–	12,870,247
	101,694,050	**12,281,601**	**7,374,675**	**121,037,365**	**16,277,996**	**141,052,825**	**399,718,512**

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 equivalent							
Bank balances	5,781,823	–	–	–	–	2,763,225	8,545,048
Other assets							
Other receivables	638,523	–	–	–	–	927,055	1,565,578
Account receivable	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							
Private equity investments	23,825,778	–	–	–	–	–	23,825,778
Nigeria infrastructure debt fund	1,528,500	–	–	–	–	–	1,528,500
US treasury notes	–	–	–	–	–	24,805,655	24,805,655
Hedge fund managers	–	–	5,450,653	3,166,951	16,165,886	44,436,810	69,220,300
Fixed income products	–	–	–	–	–	12,208,697	12,208,697
Financial assets at fair value through profit or loss	869,908	–	–	–	–	–	869,908
	354,561,594	**6,363,645**	**13,198,625**	**3,166,951**	**16,165,886**	**91,682,973**	**485,139,674**

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6. Financial risk management *continued*

31 December 2016	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 equivalent							
Money market placements	32,001,382	–	–	58,182,824	–	–	90,184,206
Bank balances	1,671,635	–	–	–	–	49,220,897	50,892,532
Other assets							
Other receivables	639,807	–	–	–	–	1,084,581	1,724,388
Intercompany receivables	5,020,120	–	–	–	–	35,525	5,055,645
Advances to staff	3,546	–	–	–	–	–	3,546
Investment securities Held to Maturity:							
Eurobonds	17,137,104	–	–	–	–	–	17,137,104
Loans and Receivables:							
Fixed deposit	22,578,404	12,280,654	–	58,182,824	–	7,651,603	100,693,485
Available-for-sale							
Private equity investments	4,746,355	–	822,678	2,074,192	2,765,589	4,498,049	14,906,863
US treasury notes	–	–	–	–	–	24,660,440	24,660,440
Hedge fund managers	–	–	4,719,182	2,597,525	13,512,409	43,035,518	63,864,634
Financial assets at fair value through profit or loss	12,870,247	–	–	–	–	–	12,870,247
	96,668,600	**12,280,654**	**5,541,860**	**121,037,365**	**16,277,998**	**130,186,613**	**381,993,090**

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 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Cash on hand	473	114	249	114
Bank balances	22,020,278	58,083,586	8,545,048	50,892,532
Money market placements	316,208	90,184,206	–	90,184,206
Total cash and cash equivalent	**22,336,959**	**148,267,906**	**8,545,297**	**141,076,852**

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

31 December 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	–	–	1,000,000	4,000,000	5,000,000
Total liabilities	**26,691,197**	**–**	**1,228,332**	**4,000,000**	**31,919,529**
Unfunded commitments with private equity fund managers	16,961,833	–	–	–	16,961,833
Total commitments	**16,961,833**	**–**	**–**	**–**	**16,961,833**

31 December 2016	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	1,198,158	228,375	–	–	1,426,533
Other payables	1,556,277	436,919	–	–	1,993,196
Payables to related parties	–	20,459,530	–	–	20,459,530
Total liabilities	**2,754,435**	**21,124,824**	**–**	**–**	**23,879,259**
Unfunded commitments with private equity fund managers	18,902,686	–	–	–	18,902,686
Total commitments	**18,902,686**	**–**	**–**	**–**	**18,902,686**

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	–	–	–	5,000,000	5,000,000
Unfunded commitments with private equity fund managers	13,526,557	–	–	–	13,526,557
Total commitments	**13,526,557**	**–**	**–**	**5,000,000**	**18,526,557**

31 December 2016	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	1,198,158	228,375	–	–	1,426,533
Other payables	1,784,549	430,151	–	–	2,214,700
Total liabilities	**2,982,707**	**658,526**	**–**	**–**	**3,641,233**
Unfunded commitments with private equity fund managers	12,664,131	–	–	–	12,664,131
Total commitments	**12,664,131**	**–**	**–**	**–**	**12,664,131**

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6. Financial risk management *continued*

6.4 Market risk

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

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

The Group's Market risk Framework includes:

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

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

6.4.1 Trading assets/Financial assets

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

6.4.2 Non-trading assets/Non-financial assets

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

6.4.3 Foreign exchange risk

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

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

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

Concentration of foreign currency exposure

31 December 2017	Group Naira ₦'000	Group USD ₦'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 – Monetary)	12,817,766	24,805,655	37,623,421
Other receivables	10,959,516	2,654,293	13,613,809
Account receivable	–	32,599,743	32,599,743
Advance to staff	5,593	–	5,593
Total monetary financial asset	**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 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 2016	Group Naira ₦'000	Group USD ₦'000	Group Total ₦'000
Cash and cash equivalents	1,359,916	146,907,990	148,267,906
Investment securities (held-to-maturity)	–	17,137,104	17,137,104
Investment securities (loans and receivables)	20,889,206	79,804,279	100,693,485
Investment securities (available-for-sale – Monetary)	–	24,660,440	24,660,440
Other receivables	536,605	1,087,881	1,624,486
Advance to staff	3,546	–	3,546
Total monetary financial asset	**22,789,273**	**269,597,694**	**292,386,967**
Financial liabilities – trade payables	347,145	1,079,388	1,426,533
Other payables	1,993,196	–	1,993,196
Payable to Federal Government of Nigeria	20,459,530	–	20,459,530
Total monetary financial liabilities	**22,799,871**	**1,079,388**	**23,879,259**
Net FCY exposure	–	268,518,306	268,518,306
Sensitivity at 5% appreciation	–	(13,425,915)	(13,425,915)
Sensitivity at 5% depreciation	–	13,425,915	13,425,915

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6. Financial risk management *continued*

Concentration of foreign currency exposure

31 December 2017	Authority Naira ₦'000	Authority USD ₦'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 – Monetary)	12,208,697	24,805,655	37,014,352
Other receivables	6,732	1,558,846	1,565,578
Account receivable	–	32,599,743	32,599,743
Intercompany receivables	18,326,345	19,787,336	38,113,681
Advance to staff	1,952	–	1,952
Total monetary financial asset	**33,290,007**	**356,405,430**	**389,695,437**
Financial liabilities – 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 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

Concentration of foreign currency exposure

31 December 2016	Authority Naira ₦'000	Authority USD ₦'000	Authority Total ₦'000
Cash and cash equivalents	**1,384,508**	**139,692,344**	**141,076,852**
Investment securities (held-to-maturity)	–	17,137,104	17,137,104
Investment securities (loans and receivables)	20,889,206	79,804,279	100,693,485
Investment securities (available-for-sale – Monetary)	–	24,660,440	24,660,440
Other receivables	639,607	1,084,781	1,724,388
Intercompany receivables	–	5,055,645	5,055,645
Advance to staff	–	3,546	3,546
Total monetary financial asset	**22,913,321**	**267,438,139**	**290,351,460**
Financial liabilities – trade payables	347,144	1,079,389	1,426,533
Other payables	2,214,700	–	2,214,700
Total monetary financial liabilities	**2,561,844**	**1,079,389**	**3,641,233**
Net FCY exposure	–	266,358,750	266,358,750
Sensitivity at 5% appreciation	–	(13,317,938)	(13,317,938)
Sensitivity at 5% depreciation	–	13,317,938	13,317,938

6.4.4 Interest rate risk

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

Net interest income sensitivity

There are two types of scenarios that give rise to interest rate risk. These are where the Group holds variable rate instruments susceptible to cash flow interest rate risk due to a change in market interest rates or the Group holds debts instruments measured at fair value which will be exposed to fair value interest rate risk. The Group holds debts instruments measured at fair value which are exposed to fair value interest rate risk.

The Group makes use of limit monitoring, earnings-at-risk and gap analyses to measure and control the market risk exposures within its investment book. The Group determines the effect of changes in interest rates on interest income; volatility in prices on trading income; and changes in funding sources and uses on the Group's liquidity. The management of interest rate risk against interest rate gap limits is supplemented with monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor/ issuer's credit standing) on debt securities held by the Group and equity price risk is subject to regular monitoring by Group risk management unit, but is not currently significant in relation to the overall results and financial position of the Group.

Interest rate movement have both cash flow and fair value effect depending on whether interest rate is fixed or floating. The impact resulting from adverse or favourable movement flows from either retained earnings or OCI and ultimately ends in equity in the following manner:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in other comprehensive income.

At 31 December 2017, the group's interest rate risk arises principally from risk assets and borrowings . Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates, however the Group has no borrowing a a variable rate. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group therefore analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for assets and liabilities that represent the major interest-earning and bearing positions.

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6. Financial risk management *continued*

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

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale – US treasury notes	24,805,655	24,660,440	24,805,655	24,660,440
Available-for-sale – Fixed income products	12,208,697	–	12,208,697	–
Available-for-sale – Treasury bills	609,069	–	–	
	37,623,421	**24,660,440**	**37,014,352**	**24,660,440**

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% strengthening
Group			
31 December 2016	Other comprehensive income	1,233,022	(1,233,022)

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

In thousands of Nigerian Naira	Impact on	Sensitivity to 5% strengthening	Sensitivity to 5% strengthening
Authority			
31 December 2016	Other comprehensive income	1,233,022	(1,233,022)

Equities securities price risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available for-sale investments. The Group has equity investments in private equites. All are classified as available-for-sale securities, thus there is no impact on post-tax profit. All impacts are on other comprehensive income and equity. 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 of unquoted equity securities 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 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale investments	5,258,546	4,481,820	4,429,823	3,697,324
Available-for-sale investments	(5,258,546)	(4,481,820)	(4,429,823)	(3,697,324)

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 in the table. A 5% increase and decrease in the equity price has been used in the sensitivity analysis below;

LSE – Chieftain Hanesbrands Inc.	222,481	241,251	222,481	241,251
LSE – Chieftain Hanesbrands Inc.	(222,481)	(241,251)	(222,481)	(241,251)

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

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 2017. All fair value measurements disclosed are recurring fair value measurements.

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7. Fair value hierarchy *continued*

Available-for-sale investment securities

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	**37,623,421**	**106,699,412**	**148,772,443**

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
US treasury notes	–	24,660,440	–	24,660,440
Private equity investments	–	2,197,267	28,399,511	30,596,778
Hedge fund managers	**4,825,019**	**–**	**59,039,615**	**63,864,634**
	4,825,019	**26,857,707**	**87,439,126**	**119,121,852**

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	**37,014,352**	**90,124,968**	**131,588,930**

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
US treasury notes	–	24,660,440	–	24,660,440
Private equity investments	–	2,276,771	12,630,092	14,906,863
Hedge fund managers	4,825,019	–	59,039,615	63,864,634
	4,825,019	26,937,211	71,669,707	103,431,937

Financial assets at fair value through profit or loss

31 December 2017	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Total ₦'000
Financial asset at fair value through profit or loss	–	869,908	–	869,908
	–	**869,908**	**–**	**869,908**

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial asset at fair value through profit or loss	–	12,870,247	–	12,870,247
	–	**12,870,247**	**–**	**12,870,247**

31 December 2017	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Total ₦'000
Financial asset at fair value through profit or loss	–	869,908	–	869,908
	–	**869,908**	**–**	**869,908**

31 December 2016	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial asset at fair value through profit or loss	–	12,870,247	–	12,870,247
	–	**12,870,247**	**–**	**12,870,247**

(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 2017. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

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

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

(c) Financial instruments in level 3
Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Authority. The Authority considers observable data to be market data that are actively involved in the relevant market. There were no transfers between levels during the year.

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

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.

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale financial assets – Private equity				
Opening balance	28,399,511	16,942,456	12,630,092	10,392,805
Additions	15,118,354	10,029,988	12,332,548	2,693,636
Distributions received	(4,273,686)	(3,620,341)	(2,018,916)	(3,183,704)
Disposals, repayments and write-offs	(1,647,031)	(166,761)	(1,147,031)	(166,761)
Fair value movement	2,655,815	2,527,558	1,995,276	1,358,678
Exchange gain	147,259	2,686,611	33,809	1,535,438
Closing balance	**40,400,222**	**28,399,511**	**23,825,778**	**12,630,092**

Notes to the Consolidated and Separate Financial Statements
continued

7. Fair value hierarchy *continued*

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale financial assets – Hedge fund				
Opening balance	59,039,615	36,202,501	59,039,615	35,522,052
Additions	2,379,983	18,867	2,379,983	18,867
Disposals, repayments and write-offs	(402,353)	(22,998)	(402,353)	(22,998)
Fair value movement	3,547,827	2,668,403	3,547,827	2,625,631
Exchange gain	205,618	20,172,842	205,618	20,896,063
Closing balance	**64,770,690**	**59,039,615**	**64,770,690**	**59,039,615**

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale financial assets – Nigeria Debt Infrastructure Fund				
Opening balance	–	–	–	–
Additions	1,528,500	–	1,528,500	–
Closing balance	**1,528,500**	**–**	**1,528,500**	**–**

Sensitivity analysis of fair value movements for level 3 available-for-sale financial assets

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

			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 adjusted	310,182	277,155
Fair value movement	Decrease	NAV adjusted	(310,182)	(277,155)

			Group 31 December 2016 ₦'000	Authority 31 December 2016 ₦'000
Available-for-sale financial assets	5% changes in fair value movement	Inputs	Difference	Difference
Fair value movement	Increase	NAV adjusted	259,798	199,215
Fair value movement	Decrease	NAV adjusted	(259,798)	(199,215)

Level 3 financial assets are all valued using the net asset value technique.

FINANCIAL HIGHLIGHTS

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

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					
Advances	5,593	–	–	5,593	5,593
Other receivables	13,613,809	–	–	13,613,809	13,613,809
Account receivable	32,599,743	–	–	32,599,743	32,599,743
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
Deferred income relating to government grant	1,465,369	–	–	1,465,369	1,465,369
Payables to Federal Government in respect of the Second Niger Bridge	18,331,582	–	–	18,331,582	18,331,582
	28,384,898	**–**	**–**	**28,384,898**	**28,384,898**

31 December 2016	Group Carrying value ₦'000	Group Level 1 ₦'000	Group Level 2 ₦'000	Group Level 3 ₦'000	Group Fair value ₦'000
Financial assets					
Advances	3,546	–	–	3,546	3,546
Other receivables	1,624,486	–	–	1,624,486	1,624,486
Held-to-maturity	17,137,104	–	17,137,104	–	17,517,216
Loans and receivables	100,693,485	–	-	100,693,485	100,693,485
	119,458,621	**–**	**17,137,104**	**102,321,517**	**119,838,733**
Financial liabilities					
Trade payables	1,426,533	–	–	1,426,533	1,426,533
Other payables	1,993,196	–	–	1,993,196	1,993,196
Payables to Federal Government in respect of the Second Niger Bridge	20,459,530	–	–	20,459,530	20,459,530
	23,879,259	**–**	**–**	**23,879,259**	**23,879,259**

Notes to the Consolidated and Separate Financial Statements

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7. Fair value hierarchy *continued*

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					
Advances	1,952	–	–	1,952	1,952
Other receivables	1,565,578	–	–	1,565,578	1,565,578
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**

31 December 2016	Authority Carrying value ₦'000	Authority Level 1 ₦'000	Authority Level 2 ₦'000	Authority Level 3 ₦'000	Authority Fair value ₦'000
Financial assets					
Advances	3,546	–	–	3,546	3,546
Other receivables	1,724,388	–	–	1,724,388	1,724,388
Held-to-maturity	17,137,104	–	17,137,104	–	17,517,216
Loans and receivables	100,693,485	–	–	100,693,485	100,693,485
	119,558,523	**–**	**17,137,104**	**102,421,419**	**119,938,635**
Financial liabilities					
Trade payables	1,426,533	–	–	1,426,533	1,426,533
Other payables	2,214,700	–	–	2,214,700	2,214,700
	3,641,233	**–**	**–**	**3,641,233**	**3,641,233**

8. Fund information

The chief operating decision maker is the board of directors. The operating funds have been determined by the board of directors for the purpose of allocating resources and assessing performance.

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

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

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

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

Fund revenue and results

31 December 2017	Note(s)	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Interest income	9	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	10	934,673	3,270,519	(51,628)	–	4,153,564
Net foreign exchange gains	11	(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	12	–	–	31,367,992	–	31,367,992
Expense from infrastructure subsidiaries investment	13	–	–	(33,514,157)	–	(33,514,157)
Loss from infrastructure subsidiaries investment		–	–	(2,146,165)	–	(2,146,165)
Other income	14	–	–	–	7,960	7,960
Total other income		–	–	–	7,960	7,960
Operating and administrative expenses	15	(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	16	–	–	(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	17	–	(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

Notes to the Consolidated and Separate Financial Statements
continued

8. Fair information *continued*

31 December 2017	Note(s)	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Reportable fund assets						
Cash and cash equivalent	18	2,050,447	7,774,644	9,404,928	3,106,940	22,336,959
Investment securities	19	77,246,453	180,338,298	172,267,774	–	429,852,525
Other assets	20	17,226,925	–	31,237,818	669,615	49,134,358
Inventories	21	–	–	13,797,596	–	13,797,596
Investment in associate	23	–	–	2,453,380	–	2,453,380
Property and equipment	24	–	–	16,258,058	48,502	16,306,560
Intangible assets	25	–	–	1,138	63	1,201
		96,523,825	**188,112,942**	**245,420,692**	**3,825,120**	**533,882,579**
Reportable fund liabilities						
Trade and other payables	26	1,716,537	6,234,299	15,453,462	5,881,620	29,285,918
Borrowings	27	–	–	3,534,631	–	3,534,631
		1,716,537	**6,234,299**	**18,988,093**	**5,881,620**	**32,820,549**
Interest income	9	1,373,276	2,427,342	6,768,349	–	10,568,967
Investment income		–	1,326,161	–	–	1,326,161
Net gain on financial assets	10	2,119,670	4,084,872	21,542,584	–	27,747,126
Net foreign exchange gains	11	14,717,157	56,282,814	21,796,080	–	92,796,051
Total operating fund income		**18,210,103**	**64,121,189**	**50,107,013**	**–**	**132,438,305**
Investment management fees		(43,463)	(505,210)	(16,182)	–	(564,855)
Local custodian fees		(3,239)	(6,477)	(10,819)	–	(20,535)
Foreign custodian fees		(14,309)	(72,406)	(10,096)	–	(96,811)
Total fund investment management and custodian fees		(61,011)	(584,093)	(37,097)	–	(682,201)
Total operating fund profit		**18,149,092**	**63,537,096**	**50,069,916**	**–**	**131,756,104**
Other income	14	–	–	–	666,107	666,107
Total other income		–	–	–	666,107	666,107
Operating and administrative expenses	15	(14,375)	(119,355)	(143,567)	(2,055,244)	(2,332,541)
Total operating and administrative expenses		(14,375)	(119,355)	(143,567)	(2,055,244)	(2,332,541)
Share of profit of investment in associate		–	–	289,755	–	289,755
Profit before tax		18,134,717	63,417,741	50,216,104	(2,055,244)	129,713,318
Taxation	17	–	(132)	–	–	(132)
Profit after tax		18,134,717	63,417,609	50,216,104	(2,055,244)	129,713,186
Profit attributable to:						
Owners of NSIA		18,134,717	63,417,413	50,216,104	(2,055,244)	129,712,990
Non-controlling interest		–	196	–	–	196
		18,134,717	63,417,609	50,216,104	(2,055,244)	129,713,186
Reportable fund assets						
Cash and cash equivalent	18	29,083,640	45,257,167	72,345,716	1,581,383	148,267,906
Investment securities	19	48,922,305	107,799,608	93,100,775	–	249,822,688
Other assets	20	1,084,781	2,557,746	468,451	587,066	4,698,044
Investment in associate	23	–	–	2,453,380	–	2,453,380
Property and equipment	24	–	–	16,258,058	48,502	16,306,560
Intangible assets	25	–	–	1,138	63	1,201
		79,090,726	**155,614,521**	**183,993,555**	**2,235,374**	**420,934,176**

31 December 2017	Note(s)	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Unallocated ₦'000	Total ₦'000
Reportable fund liabilities						
Trade and other payables	26	1,079,389	93,844	20,575,245	2,341,083	24,089,561
		1,079,389	**93,844**	**20,575,245**	**2,341,083**	**24,089,561**

Entity-wide information

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

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000
Attributable to the Authority's country of domicile	**20,173,293**	**10,507,534**
Attributable to foreign countries	**4,197,426**	**1,387,594**
Total investment and interest income	**24,370,719**	**11,895,128**

9. Interest income

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Interest income on bills	13,207,509	6,209,503	12,988,044	6,209,503
Interest on fixed deposits	7,055,751	2,801,815	6,847,302	2,801,815
Interest income on eurobonds	1,329,377	1,446,615	1,329,377	1,446,615
Interest income on bank balances	174,327	111,034	174,327	61,432
	21,766,964	**10,568,967**	**21,339,050**	**10,519,365**

Interest income are from financial assets which are not measured at FVTPL.

10. Net gain on financial assets

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Net gain on financial assets at fair value through profit or loss (Note 10a)	2,435,628	15,387,649	2,435,628	15,387,649
Net amount transferred to profit or loss	1,717,936	12,359,477	1,717,936	12,359,477
	4,153,564	**27,747,126**	**4,153,564**	**27,747,126**

Notes to the Consolidated and Separate Financial Statements
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10. Net gain on financial assets *continued*

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

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Unrealised gain on financial assets at FVTPL	869,908	12,870,247	869,908	12,870,247
Realised gain on financial assets at FVTPL	1,565,720	2,517,402	1,565,720	2,517,402
	2,435,628	**15,387,649**	**2,435,628**	**15,387,649**

Unrealised gains on financial assets at FVTPL represents the gains made on swap transactions carried out with the Central Bank of Nigeria during the year. The corresponding asset is shown in Note 19.

11. Net foreign exchange gains

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Net foreign exchange gains	1,652,172	92,769,015	1,703,128	92,796,051
	1,652,172	**92,769,015**	**1,703,128**	**92,796,051**

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

12. Revenue from infrastructure subsidiaries investment

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Revenue from sale of fertilizer	31,317,575	–	–	–
Guarantee fee income	50,417	–	–	–
	31,367,992	**–**	**–**	**–**

Revenue from sale of fertilizer represent revenue from sale of finished and packaged fertilizer to Agro-dealers and State Governments.

Guarantee fee income represents income earned by the Group's subsidiary Infrastructure Credit Guarantee Company Limited. The fee includes mandate fee which represents the fees earned from Viathan Funding Plc and North South Power for the preliminary checks and due diligence done by the Group's subsidiary Infrastructure Credit Guarantee Company Limited for providing guarantees for the issued and proposed bonds by the two client companies respectively.

13. Expense from infrastructure subsidiaries investment

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Cost of sales of fertilizer (Note 13.1)	33,507,564	–	–	–
Guarantee fee expenses	6,593	–	–	–
	33,514,157	**–**	**–**	**–**

13.1 Cost of sales of fertilizer

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Raw materials consumed	17,815,087	–	–	–
Blending plants fees	5,079,373	–	–	–
Direct trucking and logistics	6,549,313	–	–	–
Fertilizer insurance	24,704	–	–	–
Logistics and collateral management fees	594,069	–	–	–
Fertilizer clearing expense	3,329,946	–	–	–
Fertilizer testing fees	2,886	–	–	–
Letter of credit commission and charges	112,186	–	–	–
	33,507,564	**–**	**–**	**–**

14. Other income

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Fund management fee income	7,960	661,866	7,960	661,866
Fiduciary income	–	2,230	–	–
Gain on Disposal of fixed assets	–	2,011	–	2,011
	7,960	**666,107**	**7,960**	**663,877**

15. Operating and administrative expenses

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Personnel expenses (Note 15.1)	1,891,816	1,358,785	1,699,330	1,358,785
Directors fees (Non-executives)	46,959	–	37,500	–
Depreciation	64,079	74,735	40,888	67,967
Amortisation	720	5,118	558	5,118
Audit fees	79,528	30,000	30,000	20,000
Non audit fees	23,245	10,500	13,500	10,500
Other professional fees	853,547	311,921	772,662	311,921
General and administrative expenses	1,360,920	311,628	298,931	237,760
Office rent and other expenses	136,950	108,402	131,033	108,402
Travel expenses	261,857	121,452	145,688	121,452
	4,719,621	**2,332,541**	**3,170,090**	**2,241,905**

Notes to the Consolidated and Separate Financial Statements
continued

15. Operating and administrative expenses *continued*

15.1 Personnel expenses

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Salaries and allowances	1,793,094	1,293,094	1,603,265	1,293,094
Defined contribution plan	98,722	65,691	96,065	65,691
	1,891,816	**1,358,785**	**1,699,330**	**1,358,785**

16. Finance costs

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Current borrowings	85,223	–	–	–
	85,223	**–**	**–**	**–**

17. Taxation

Major components of the tax expense

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Current	402,038	132	–	–
Foreign income tax – current period	**402,038**	**132**	**–**	**–**

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

Reconciliation of the tax expense

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Reconciliation between accounting profit and tax expense				
Accounting profit	22,959,312	130,379,425	23,686,882	129,434,191
Tax at the applicable tax rate of 30% (2016: 30%)	6,887,794	39,113,828	7,106,065	38,830,257
Tax effect of adjustments on taxable income				
Difference in tax rates	620,309	(283,439)	–	–
Tax impact of exempt income	(7,106,065)	(38,830,257)	(7,106,065)	(38,830,257)
	402,038	**132**		**–**

17.1 Current tax liabilities

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Opening balance	–	–	–	–
Current tax for the year recognised in profit or loss	402,038	132	–	–
Tax paid during the year	(4,266)	(132)	–	–
Closing balance	**397,772**	**–**	**–**	**–**

Tax liability as at the end of the year is stated on notes 26 of the financial statements.

18. Cash and cash equivalents

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Cash on hand	473	114	249	114
Bank balances	22,020,278	58,083,586	8,545,048	50,892,532
Money market placements	316,208	90,184,206	–	90,184,206
	22,336,959	**148,267,906**	**8,545,297**	**141,076,852**
Maturity analysis:				
Current	22,336,959	148,267,906	8,545,297	141,076,852
	22,336,959	**148,267,906**	**8,545,297**	**141,076,852**

19. Investment securities

		Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Held to maturity	19.1	17,517,216	17,137,104	17,341,779	17,137,104
Loans and receivables	19.2	262,692,958	100,693,485	254,513,055	100,693,485
Available-for-sale	19.3	148,772,443	119,121,852	131,588,930	103,431,937
At fair value through profit or loss – designated	19.4	869,908	12,870,247	869,908	12,870,247
		429,852,525	**249,822,688**	**404,313,672**	**234,132,773**

19.1 Held to maturity

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Eurobonds	17,341,779	17,137,104	17,341,779	17,137,104
Nigerian treasury bill	175,437	–	–	–
	17,517,216	**17,137,104**	**17,341,779**	**17,137,104**
Maturity analysis:				
Current	7,976,030	–	7,800,593	–
Non-current	9,541,186	17,137,104	9,541,186	17,137,104
	17,517,216	**17,137,104**	**17,341,779**	**17,137,104**

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
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19. Investment securities *continued*

19.2 Loans and receivables

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Fixed deposits	262,692,958	100,693,485	254,513,055	100,693,485
	262,692,958	**100,693,485**	**254,513,055**	**100,693,485**
Maturity analysis:				
Current	262,692,958	100,693,485	254,513,055	100,693,485
	262,692,958	**100,693,485**	**254,513,055**	**100,693,485**

19.3 Available-for-sale

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Nigeria treasury bills	609,069	–	–	–
Fixed income products	12,208,697	–	12,208,697	–
Nigeria Infrastructure Debt Fund	1,528,500	–	1,528,500	–
US treasury notes	24,805,655	24,660,440	24,805,655	24,660,440
Hedge funds and long only equity managers	69,220,300	63,864,634	69,220,300	63,864,634
Private equity investments	40,400,222	30,596,778	23,825,778	14,906,863
	148,772,443	**119,121,852**	**131,588,930**	**103,431,937**
Maturity analysis:				
Current	609,069	–	–	–
Non-Current	148,163,374	119,121,852	131,588,930	103,431,937
	148,772,443	**119,121,852**	**131,588,930**	**103,431,937**
Reconciliation of available-for-sale financial assets				
Opening balance	119,121,852	113,479,673	103,431,937	103,249,573
Net movement: Additions/(disposals)				
US treasury notes	130,432	14,707,785	130,432	14,707,785
Available-for-sale equities	9,509,328	7,103,099	7,003,119	1,786,562
Available-for-sale securities	13,498,749	(29,759,689)	13,545,740	(29,759,689)
Hedge funds and long only equity managers	42,734	(18,339)	42,686	(18,339)
Movement in fair value reserves	6,469,348	13,609,323	7,435,016	13,466,045
	148,772,443	**119,121,852**	**131,588,930**	**103,431,937**

19.4 At fair value through profit or loss – designated

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Swap instruments	869,908	12,870,247	869,908	12,870,247
	869,908	**12,870,247**	**869,908**	**12,870,247**
Maturity analysis:				
Current	869,908	12,870,247	869,908	12,870,247
	869,908	**12,870,247**	**869,908**	**12,870,247**

The balance 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 $455 million represents the basis on which the changes in fair value were measured. The notional amount 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.

20. Other assets

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Financial assets:				
Other receivables	13,613,809	1,624,486	1,565,578	1,724,388
Account receivable	32,599,743	–	32,599,743	–
Intercompany receivables	–	–	38,113,681	5,055,645
Advances to staff	5,593	3,546	1,952	3,546
	46,219,145	**1,628,032**	**72,280,954**	**6,783,579**
Non-financial assets:				
Prepayment	2,915,213	3,070,012	29,138	572,114
	49,134,358	**4,698,044**	**72,310,092**	**7,355,693**
Maturity analysis:	1,073,895	–	–	–
Non-current	48,060,463	4,698,044	72,310,092	7,355,693
	49,134,358	**4,698,044**	**72,310,092**	**7,355,693**

N32.5 billion (2016: Nil) of Account receivable balance relates to receivables from Central Bank of Nigeria for a currency swap agreement that matured on 28 December 2017. Amount has been received post year end. N10.76 billion (2016: Nil) of other receivables relates to receivables from customers for sale of fertilizers by NAIC-NPK Limited (a subsidiary of the Group) during the financial year. The Company started operations during the financial year.

All trade receivables are neither past due nor impaired.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements

continued

21. Inventories

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Raw materials	4,175,582	-	-	-
Finished goods	9,622,014	-	-	-
	13,797,596	**-**	**-**	**-**
Maturity analysis:	13,797,596	-	-	-
Current	13,797,596	-	-	-

The cost of inventories recognised as an expense during the year in respect of continuing operations was N17.8 billion (2016: Nil)

There were no Inventories pledged as security for liabilities during the year.

22. Investments in subsidiaries

	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
At the beginning of the year	7,096,155	7,066,155
Additions during the year	8,989,500	30,000
At the end of the year	**16,085,655**	**7,096,155**
Investment types:		
Investment in equity shares	8,062,750	7,066,155
Investment in irredemable preference shares	8,022,905	30,000
	16,085,655	**7,096,155**
Maturity analysis:		
Non-current	16,085,655	7,096,155
	16,085,655	**7,096,155**

Name of company	Place of business/ Country of incorporation	% holding 2017	% holding 2016	Carrying amount 2017 ₦'000	Carrying amount 2016 ₦'000
NSIA Motorways Investment Corporation (NMIC) (i)	Nigeria	100.00 %	100.00 %	1,000	1,000
KG Brussels LP (ii)	United States of America	99.97 %	99.97 %	7,063,155	7,063,155
KG Acquisition I LLC	United States of America	100.00 %	100.00 %	–	–
FGF Private Equity Co. Limited (iii)	Nigeria	100.00 %	100.00 %	1,000	1,000
FGF Investments Limited (iv)	Nigeria	100.00 %	100.00 %	1,000	1,000
NSIA Agriculture Investment Company (v)	Nigeria	100.00 %	100.00 %	1,000	1,000
FGF PE Beta Limited (vi)	Nigeria	100.00 %	100.00 %	1,000	1,000
NSIA Property Investment Company Limited (vii)	Nigeria	100.00 %	100.00 %	1,000	1,000
NSIA Power Investment Company Limited (viii)	Nigeria	100.00 %	100.00 %	1,000	1,000
NSIA Healthcare Development and Investment Company Limited (ix)	Nigeria	100.00 %	100.00 %	1,000	1,000
Infrastructure Credit Guarantee Company Limited (x)	Nigeria	100.00 %	100.00 %	9,014,500	25,000
				16,085,655	7,096,155

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.

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's subsidiary NAIC-NPK (Sub-Subsidiary to the Authority)was set-up to invest in fertilizer. 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: wholly-owned subsidiary in investing in and to purchase, acquire, hold, develop, work and turn to account any land (of any tenure), landed property or real estate of any kind. The Company was incorporated in 2014.

viii) NSIA Power Investment Company Limited: wholly-owned subsidiary domiciled in Nigeria. The subsidiary was set-up to invest in the development of infrastructure related to power including but not limited to gas turbines, transmission lines, and other generation, transmission and distribution infrastructure and equipment. The Company was incorporated in 2014

ix) NSIA Healthcare Development and Investment Company Limited: wholly-owned subsidiary domiciled in Nigeria. The subsidiary was established to invest in any company, corporation, authority or body involved in or any arrangement related to healthcare infrastructure or healthcare service delivery and/or management. The Company was incorporated in 2014.

x) Infracstructure Credit Guarantee Company Limited is a wholly owned Subsidiary domiciled in Nigeria. 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 Authority also has indirect interest in the following subsidiaries:

	Place of business Country of incorporation	% holding 2017 ₦'000	% holding 2016 ₦'000
FMCU Advanced Medical Diagnostics Ltd (xi)	Nigeria	90 %	90 %
Luth Advanced Medical Services Ltd (xii)	Nigeria	50 %	50 %
Panda Agricultural Properties Management Limited (xiii)	Nigeria	100 %	–
Pandagric Novum Limited (xiv)	Nigeria	100 %	–

xi) FMCU Advanced Medical Diagnostics Ltd is a limited liability company established to carry out business as providers ofmodern medical pathology laboratory, radiography, and ancillary healthcare services. The Company was incorporated in 2016 and is yet to commence operations.

xii) Luth Advanced Medical Services Ltd is a limited liability company established to carry out business as providers of modern medical pathology laboratory services. The Company was incorporated in 2016 and is yet to commence operations.

xiii) Panda Agricultural Properties Management Limited is a limited liability company established to buy and lease out agricultural fixed assets. The Company was incorporated in 2017 and is yet to commence operations.

xiv) Pandagric Novum Limited is a limited liability company established to lease agricultural equipment, buy poultry feed seeds and process into finished poultry feed. The Company was incorporated in 2017 and is yet to commence operations.

Subsidiaries with material non-controlling interests

There are no subsidiaries with material non-controlling interests.

Notes to the Consolidated and Separate Financial Statements
continued

23. Investments in associates
The following table lists all of the associates in the group:

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
At the beginning of the year	1,957,853	2,129,600	1,600,000	1,600,000
Addition during the year	490	–	490	–
Share of profit of associate	434,988	289,755	–	–
Share of fair value reserves of associate	60,049	(461,502)	–	–
	2,453,380	**1,957,853**	**1,600,490**	**1,600,000**
Maturity analysis:				
Non-current	2,453,380	1,957,853	1,600,490	1,600,000
	2,453,380	**1,957,853**	**1,600,490**	1,600,000

Name of company	Place of business December 2016 ₦'000	% ownership interest 2017	% ownership interest 2016	Carrying amount 31 December 2017 ₦'000	Carrying amount 31 December 2016 ₦'000
Nigeria Mortgage Refinance Company (NMRC) (23.1)	Nigeria	20.91 %	22.70 %	2,453,380	1,957,853
Family Homes Funds Limited (FHFL) (23.2)	Nigeria	49.00 %	–	–	–
				2,453,380	**1,957,853**

23.1 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. During the financial year an additional capital was raised by the company which resulted in an increase in its paid-up capital from N1.76 billion to N1.91 billion. NSIA did not subscribe to this shares. Consequently, NSIA's percentage holding in NMRC reduced from 22.70% to 20.91%.

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

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

23.2 Family Homes Fund Limited (FHFL)
Family Homes Fund Limited (FHFL) is an innovative private sector driven financing solution to Nigeria's housing challenges. An initiative of the Federal Ministry of Finance and established in September 2016.

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

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

Summarised financial information of material associates	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Interest income	6,149,675	5,176,768	–	–
Interest expense	(2,173,194)	(2,153,901)	–	–
Other income	11,105	6	9,947	–
Write back/(impairment) of loans and advances	40,172	(38,467)	–	–
Depreciation and amortisation	(132,297)	(92,558)	–	–
Personnel expenses	(898,610)	(882,562)	–	–
Operating expenses	(1,050,891)	(719,849)	(185,848)	–
Profit before tax	1,945,960	1,289,437	(175,901)	–
Tax expense	(19,058)	(12,767)	–	–
Profit/(loss) for the period	1,926,902	1,276,670	(175,901)	–
Other comprehensive income	287,178	(428,350)	–	–
Total comprehensive income	**2,214,080**	**848,320**	**(175,901)**	–

Summarised Statement of financial position	NMRC 31 December 2017 ₦'000	NMRC 31 December 2016 ₦'000	FHFL 31 December 2017 ₦'000	FHFL 31 December 2016 ₦'000
Cash and cash equivalents	1,920,782	2,702,189	127,688	–
Loans and advances	8,225,029	8,104,246	–	–
Investment securities	31,761,737	29,391,930	–	–
Inventory	–	–	1,201,739	–
Other assets	269,907	307,545	1,000	–
Property and equipment	335,784	246,567	1,732	–
Intangible assets	27,379	36,136	–	–
Total assets	**42,540,618**	**40,788,613**	**1,332,159**	**–**
Liabilities				
Accounts payables	569,449	339,177	7,060	–
Company income tax	18,931	13,006	–	–
Term loan	22,816,413	24,268,660	1,500,000	–
NMRC fixed rate bonds	7,402,781	7,542,865	–	–
Total liabilities	**30,807,574**	**32,163,708**	**1,507,060**	**–**
Capital and reserves				
Share capital	1,912,900	1,762,500	1,000	–
Share premium	5,925,232	5,181,790	–	–
Retained earnings	2,650,750	1,343,320	(175,901)	–
Statutory reserves	1,105,830	527,694		–
Regulatory risk reserve	41,553	–		–
Available for sale reserves	96,779	(190,399)		–
Total equity	**11,733,044**	**8,624,905**	**(174,901)**	**–**
Total liabilities and equity	**42,540,618**	**40,788,613**	**1,332,159**	**–**

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the group and the associate.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

23. Investments in associates *continued*

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

Summarised Statement of financial position	NMRC 31 December 2017 ₦'000	NMRC 31 December 2016 ₦'000	FHFL 31 December 2017 ₦'000	FHFL 31 December 2016 ₦'000
Net asset of associate	11,733,044	8,624,905	(174,901)	–
Group share of net asset	2,453,380	1,957,853	(85,701)	–
Carrying value of associate	2,453,380	1,957,853	–	–
Difference	–	–	(85,701)	–
Share of losses not recognised	–	–	85,701	–

24. 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						
Balance at 1 January 2016	76,028	135,523	94,400	1,072	7,591,021	7,898,044
Additions	953	10,000	21,241	704	8,531,271	8,564,169
Disposal	–	(18,000)	–	–	–	(18,000)
Balance at 31 December 2016/ 1 January 2017	76,981	127,523	115,641	1,776	16,122,292	16,444,213
Addition	39,401	55,000	69,061	20,113	–	183,575
Balance at 31 December 2017	**116,382**	**182,523**	**184,702**	**21,889**	**16,122,292**	**16,627,788**
Accumulated depreciation						
Balance at 1 January 2016	39,301	82,909	74,345	629	–	197,184
Charge for the year	15,370	38,666	20,310	389	–	74,735
Disposal	–	(14,770)	–	–	–	(14,770)
Balance at 31 December 2016/ 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
Balance at 31 December 2017	**77,431**	**126,674**	**112,123**	**5,000**	**–**	**321,228**
Carrying amount						
Balance as at 31 December 2017	**38,951**	**55,849**	**72,579**	**16,889**	**16,122,292**	**16,306,560**
Balance as at 31 December 2016	**22,310**	**20,718**	**20,986**	**758**	**16,122,292**	**16,187,064**

	Authority Furniture and fittings ₦'000	Authority Motor vehicles ₦'000	Authority Computer equipment ₦'000	Authority Office equipment ₦'000	Authority Assets under construction ₦'000	Authority Total ₦'000
Cost						
Balance at 1 January 2016	76,028	121,739	94,400	1,072	–	293,239
Addition	953	10,000	21,241	704	–	32,898
Disposal	–	(18,000)	–	–	–	(18,000)
Balance at 31 December 2016/ 1 January 2017	76,981	113,739	115,641	1,776	–	308,137
Addition	450	–	22,637	–	–	23,087
Balance at 31 December 2017	**77,431**	**113,739**	**138,278**	**1,776**	**–**	**331,224**
Accumulated depreciation						
Balance at 1 January 2016	39,301	74,361	74,345	629	–	188,636
Charge for the year	15,370	31,898	20,310	389	–	67,967
Disposal	–	(14,770)	–	–	–	(14,770)
Transfer	–	–	–	–	–	–
Balance at 31 December 2016/ 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
Balance at 31 December 2017	**70,128**	**106,904**	**104,369**	**1,320**	**–**	**282,721**
Carrying amount						
Balance as at 31 December 2017	**7,303**	**6,835**	**33,909**	**456**	**–**	**48,503**
Balance as at 31 December 2016	**22,310**	**22,250**	**20,986**	**758**	**–**	**66,304**

Contractual commitments

At 31 December 2017 the Authority and Group had no contractual commitments for the acquisition of property and equipment (2016: Nil).

25. Intangilble assets

	Group Software ₦'000	Group Total ₦'000
Cost		
Balance at 1 January 2016	24,503	24,503
Balance at 31 December 2016/1 January 2017	24,503	24,503
Addition	1,300	1,300
Balance at 31 December 2017	**25,803**	**25,803**
Accumulated amortisation		
Balance at 1 January 2016	18,764	18,764
Charge for the year	5,118	5,118
Balance at 31 December 2016/1 January 2017	23,882	23,882
Charge for the year	720	720
Balance at 31 December 2017	**24,602**	**24,602**
Carrying amount		
Balance as at 31 December 2017	**1,201**	**1,201**
Balance as at 31 December 2016	**621**	**621**

Notes to the Consolidated and Separate Financial Statements
continued

25. Intangilble assets *continued*

	Authority Software ₦'000	Authority Total ₦'000
Cost		
Balance at 1 January 2016	24,503	24,503
Balance at 31 December 2016/1 January 2017	24,503	24,503
Balance at 31 December 2017	**24,503**	**24,503**
Accumulated amortisation Balance at 1 January 2016	**18,764**	**18,764**
Charge for the year	5,118	5,118
Balance at 31 December 2016/1 January 2017	23,882	23,882
Charge for the year	558	558
Balance at 31 December 2017	**24,440**	**24,440**
Carrying amount		
Balance as at 31 December 2017	**63**	**63**
Balance as at 31 December 2016	**621**	**621**

26. Trade and other payables

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Financial liability:				
Trade payables	1,911,529	1,426,533	1,698,057	1,426,533
Intercompany payable	–	–	4,152,936	–
Other payables	6,676,418	1,993,196	1,908,441	2,214,700
Payables to Federal Government in respect of the Second Niger Bridge	18,331,582	20,459,530	–	–
Deferred income on RSSF borrowing	1,465,369	–	–	–
Non financial liability:				
Accruals	503,255	210,302	125,030	77,255
Tax liabilities	397,772	–	–	–
	29,285,925	**24,089,561**	**7,884,464**	**3,718,488**

The tax accrual of N397.7 million relates to income tax on the operation of the Group's subsidiary KG Brussels LP.

Maturity analysis:

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Current	27,592,224	24,089,561	7,884,464	3,718,488
Non-current	1,693,701	–	–	–
	29,285,925	**24,089,561**	**7,884,464**	**3,718,488**

27. Borrowings

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Held at amortised cost				
Real Sector Support Facility (RSSF)	3,534,631	–	–	–
	3,534,631	**–**	**–**	**–**

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 N25 billion was approved by the Central Bank of Nigeria, however, the Company has only drawn down N5 billion as at the end of the financial year. The tenor of the loan is 6 years and interest rate is at a below market rate of 5%. This borrowing will be repaid from the proceeds of fertilizer sale. The deferred income element of N1.46billion is shown in Note 26.

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Maturity analysis				
Non-current	3,178,824	–	–	–
Current	355,807	–	–	–
	3,534,631	**–**	**–**	**–**

28. Equity and reserves

		Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Contribution by Government	28.1	280,662,500	204,375,000	280,662,500	204,375,000
Retained earnings	28.2	170,402,086	147,845,348	170,859,498	147,172,616
Fair value reserve	28.3	43,190,981	36,661,142	43,497,310	36,062,294
Foreign currency translation reserve	28.4	6,801,726	7,958,502	–	–
Non-controlling interest	28.5	4,730	4,623	–	–
		501,062,023	396,844,615	495,019,308	387,609,910

28.1 Contribution by Government

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Opening balance	204,375,000	155,250,000	204,375,000	155,250,000
Additions during the year	76,287,500	49,125,000	76,287,500	49,125,000
	280,662,500	204,375,000	280,662,500	204,375,000

The sum of US $250million was approved at the National Economic Council meeting on February 2017 as additional capital contribution by the three tiers of government to the Authority. This contribution was received by the Authority in the third quarter of the financial year.

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

28. Equity and reserves *continued*

28.2 Retained Earnings

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Opening balance	147,845,348	17,466,251	147,172,616	17,738,425
Profit for the year	22,556,738	130,379,097	23,686,882	129,434,191
	170,402,086	**147,845,348**	**170,859,498**	**147,172,616**

28.3 Fair-value reserve

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

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Items that may subsequently be reclassified to profit or loss				
Opening balance	36,661,142	23,513,074	36,062,294	22,596,249
Net change in value of available-for-sale financial assets	8,187,726	25,969,047	9,152,952	25,825,522
Net amount transferred to profit or loss	(1,717,936)	(12,359,477)	(1,717,936)	(12,359,477)
Share of change in value of available-for-sale financial assets – (associate)	60,049	(461,502)	–	–
	43,190,981	**36,661,142**	**43,497,310**	**36,062,294**

28.4 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 Company is exempted from income taxes.

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000
Opening balance	7,958,502	1,653,739
Exchange differences arising during the year	(1,156,776)	6,304,763
	6,801,726	**7,958,502**

28.5 Non-controlling interest (NCI)

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000
Opening Balance	4,623	3,213
Profit attributable to NCI	536	196
Fair value reserve	(442)	(247)
Currency translation differences	13	1,461
	4,730	**4,623**

29. Capital management

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

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

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

The Authority's adjusted net debt to equity ratio at 31 December 2017 was as follows:

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000
Total liabilities	32,820,549	24,089,562	7,884,461	3,718,490
Less: cash and cash equivalents	22,336,959	148,267,906	8,545,297	141,076,852
Net debt/ (surplus)	10,483,590	(124,178,344)	(660,836)	(137,358,362)
Total equity	501,062,024	396,844,615	495,019,308	387,609,910
Adjusted equity	501,062,024	396,844,615	495,019,308	387,609,910
Net debt/ (surplus) to adjusted equity ratio	**2%**	**(31)%**	**(0.13)%**	**(35)%**

30. Related parties

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

As disclosed in Note 22, NMIC, KG Brussels LP, FGF Private Equities Co. Ltd, FGF Investments Ltd, FGF PE Beta Ltd, NSIA Agriculture Investment Company, NSIA Property Investment Company Limited, NSIA Power Investment Company Limited, NSIA Healthcare Development and Investment Company Limited and Infrastructure Credit Guarantee Company Limited are subsidiaries of the Authority and are therefore related parties. FMCU Advanced Medical Diagnostics Ltd, Luth Advanced Medical Services Ltd, Panda Agricultural Properties Management Limited and Pandagric Novum Limited are sub-susidiaries of the Authority are also related parties. NMRC and FHFL are associates of the Authority and are also related parties.

The following are the balances with the Federal Goverment of Nigeria during the period:

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000
Payables to Federal Government in respect of the Second Niger Bridge	18,331,582	20,459,530
	18,331,582	**20,459,530**

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements
continued

30. 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 key management personnel have been identified as the executive management of the Authority. The executive management of the Authority did not hold any shares in the Authority during or as at the end of the period. The compensation paid or payable to key management for employee services is shown below:

Directors' remuneration and expenses:

	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000
Executive compensation	1,211,723	933,690
Fees as directors (non-executive)	37,500	–
Defined contribution plan	88,828	42,609
	1,338,051	**976,299**

Balances with subsidiaries

The Authority has the following receivables from the underlisted subsidiaries as at the reporting date:

	Type of interests	31 December 2017 Gross amount ₦'000	31 December 2016 Gross amount ₦'000
NSIA Motorways Investments Company	Subsidiary	534,870	531,108
KG Brussels L.P.	Subsidiary	38,326	35,326
NSIA Property Investment Co. Limited	Subsidiary	1,224,000	400
NSIA Power Investment Co. Limited	Subsidiary	600	400
NSIA Healthcare Development and Investment Co. Limited	Subsidiary	600	200
FGF Private Equity Co. Limited	Subsidiary	500	250
FGF P. E. Beta Limited	Subsidiary	400	200
Infrastructure Credit Guarantee Company Limited	Subsidiary	349,075	68,968
NAIC-NPK Limited	Sub-subsidiary	31,191,723	2,497,900
FGF Investment Limited	Subsidiary	4,773,587	1,920,893
		38,113,681	**5,055,645**

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

	Type of interests	31 December 2017 Gross amount ₦'000	31 December 2016 Gross amount ₦'000
NSIA Motorways Investments Company	Subsidiary	1,000	1,000
NSIA Property Investment Co. Limited	Subsidiary	1,000	1,000
NSIA Healthcare Development and Investment Co. Limited	Subsidiary	1,000	1,000
FGF Private Equity Co. Limited	Subsidiary	1,554	1,554
FGF P. E. Beta Limited	Subsidiary	1,554	1,554
NAIC-NPK Limited	Sub-subsidiary	4,072,376	1,000
FGF Investment Limited	Subsidiary	74,452	75,941
		4,152,936	**83,049**

During the period ended, there were no related party transaction with respect 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
— Commitments made to or by an related party.

During the period ended, the Authority guaranteed the N5 billion RSSF loan taken by NAIC-NPK Limited.

Other related party transactions

The following payment were made on behalf of the following subsidiaries during the financial period:

	31 December 2016 Type of relationship	31 December 2016 Nature of payment	31 December 2017 Gross amount ₦'000	31 December 2017 Gross amount ₦'000
NSIA Motorways Investment Company Limited	Subsidiary	Audit fees	3,000	3,000
NSIA Property Investment Company Limited	Subsidiary	Audit fees	1,000	200
NSIA Power Investment Company Limited	Subsidiary	Audit fees	1,000	200
NSIA Healthcare Development and Investment Company Limited	Subsidiary	Audit fees	1,000	200
FGF Private Equity Co. Limited	Subsidiary	Audit fees	1,000	250
FGF P. E. Beta Limited	Subsidiary	Audit fees	1,000	200
NAIC-NPK Limited	Sub-subsidiary	Audit fees	–	450
FGF Investment Limited	Subsidiary	Audit fees	2,000	500
NSIA Agriculture Investment Company Limited	Subsidiary	Audit fees	500	–
LUTH Advanced Medical Services Limited	Sub-subsidiary	Audit fees	500	–
Panda Agricultural Properties Management Limited	Sub-subsidiary	Audit fees	500	–
Pandagric Novum Ltd	Sub-subsidiary	Audit fees	500	–
FMCU Advanced Medical Diagnostics Limited	Sub-subsidiary	Audit fees	500	–
			12,500	**5,000**

FINANCIAL HIGHLIGHTS

Notes to the Consolidated and Separate Financial Statements

continued

31. Other contracts

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

31.1 Stabilisation fund

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

31.1.1 UBS Global Asset Management (UK) LTD

Engagement and Service

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

Reports on Investments

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

31.2 Future Generations Fund

31.2.1 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

31.2.2 Commodity managers

The commodity manager in which the Future Generations Fund is invested as at year end is:

— Jamison Capital Partners

31.2.3 Long only equity managers

The long only equity managers in which the Future Generations Fund is invested as at year end are stated below:

— Cevian Capital UK LLP
— Edgbaston Investment Partners
— Somerset Capital Management LLP
— Marathon Asset Management LLP
— Capital Group
— Prince Street Institutional Ltd
— Prince Street Opportunities Ltd
— Chieftain Capital

31.2.4 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
— Xenon Private Equity
— Helios Investment Partners
— Africa Capital Alliance
— Actis Capital

31.3 Nigeria Infrastructure Fund

31.3.1 Private equity Partners

The private equity fund in which the Infrastructure Fund invested as at year end are stated below:

— Fund for Agricultural Finance in Nigeria (FAFIN)

31.4 Custodians

Engagement and service

The Authority engaged these firms to provide custody services, as well as accounting, performance and compliance services to capital managed by the Authority Reports on investments

The custodians provide reports to the Authority on the performance of the capital custodied by said firms on a monthly basis.
The investment management fees paid to the investment fund managers, global and local custodians has been disclosed in note 8

32. Commitments

(a) Capital commitments

The Authority's unfunded commitments with private equity fund managers are as follows:

Capital commitments – US$:

	Authority 31 December 2017 $'000	Authority 31 December 2016 $'000	Naira equivalent Authority 31 December 2017 ₦'000	Naira equivalent Authority 31 December 2016 ₦'000
HealthCare Royalty Partners (HCRP)	7,344	14,398	2,241,754	4,384,168
Z Capital Partners	4,778	6,813	1,458,484	2,074,420
Fund for Agricultural Finance in Nigeria (FAFIN)	4,859	3,459	1,483,209	1,053,259
Helios Investors	2,306	5,165	703,906	1,572,875
Africa Capital Alliance	7,664	–	2,339,435	–
Synergy Private Equity Fund LP	82	–	25,030	–
Verod Capital	1,964	–	599,511	–
Abraaj Growth Markets Health Fund L.P	4,116	–	1,256,408	–
Actis Africa Real Estate	7,734	8,705	2,360,802	2,650,573
Total	**40,847**	**38,540**	**12,468,539**	**11,735,295**

Capital commitments – Euro:

	Authority 31 December 2017 €'000	Authority 31 December 2016 €'000	Naira equivalent Authority 31 December 2017 ₦'000	Naira equivalent Authority 31 December 2016 ₦'000
Xenon Private Equity	3,267	2,888	1,058,018	928,836
	3,267	2,888	1,058,018	928,836
Total Authority's capital commitments	–	–	**13,526,557**	**12,664,131**

Notes to the Consolidated and Separate Financial Statements

continued

32. Commitments *continued*

Other Group members unfunded commitments with private equity fund managers are as follows:

Capital commitments – US$:

	Group 31 December 2017 $'000	Group 31 December 2016 $'000	Naira equivalent Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000
RMB WestPort Real Estate Development Fund II LP	4,668	4,894	1,424,902	1,490,077
Synergy Private Equity Fund LP	–	501	–	152,541
Verod Capital	–	3,190	–	971,462
Falko Regional Aircraft Opportunities Fund	3,511	9,013	1,071,732	2,744,520
Partners, L.P. Series Four	–	1,148	–	349,675
Fortress Investment Fund IV, L.P.	133	133	40,598	40,448
Fortress Investment Fund V, L.P.	38	38	11,599	11,431
Fortress Investment Fund V Coinvestment, L.P.	46	46	14,041	13,901
H.I.G. Bayside Opportunity Fund, L.P.	163	163	49,756	49,516
Marlin Equity, L.P.	287	–	87,607	–
Marlin Equity II, L.P.	635	738	193,833	224,671
OCM Opportunities Fund VIIb, L.P.	625	625	190,781	190,313
Cerberus Institutional Partners, L.P. Series Four	1,148	–	350,427	–
Total	**11,254**	**20,489**	**3,435,276**	**6,238,555**
Total Group capital commitment	**–**	**–**	**16,961,833**	**18,902,686**

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$52.1 million/N15.9 billion and Euro 3.2 million/N1.05 billion (31 December 2017: US$59.03 million/N17.97 billion and Euro 2.8 million/N928.8 million). 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 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. These lease payments are payments made in advance and thus no minimum lease payments are required to be shown.

FINANCIAL HIGHLIGHTS

33. 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 N8 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 relates mainly to these investment management transactions and other fiduciary activity fees are recognised under other income in profit or loss as the related services being provided are performed.

The sums of USD$200 million and USD$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 USD$100 million was withdrawn from the DMO fund in order to fund the Second 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 2017 stood at USD$390.45 million and USD$120.95 million for NBET and DMO respectively (2016: $490.71 million and 2015: $529million for NBET and DMO) while nil income has been accrued by the Authority from the fiduciary agreement activities as of 31 December 2017.

c) A total sum of N14.713 billion have been received from the Federal Government Stabilization Account via the Office of the Accountant General of the Federation ("OAGF"). NSIA is to act as a manager to the fund with a mandate to invest the funds in line with the investment policies of the Stabilization Fund of the Authority. The fair value of the Fund as at 31 December 2017 was N16.205 billion.

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

34. Events after the reporting period

In order to ensure sustainability of the Presidential Fertilizer Initiative (PFI) programme, on 7th May 2018, the President of the Federal Republic of Nigeria approved payment of a cost differential of N8.9 billion to NAIC – NPK (a subsidiary of the Group) for the financial years ended 31 December 2017 and ending 31 December 2018. Of the N8.9 billion, N2.3 billion relates to the year ended 31 December 2017 while N6.6 billion relates to the year ending 31 December 2018. This is to augment the cost incurred by NAIC-NPK in the production of fertilizers under the Presidential Fertilizer Initiative as it would ensure that the ex-factory selling price remains at N5,000 per bag.

The cost differential for the year ended 31 December 2017 has not been treated as an adjusting subsequent event in these financial statements.

OTHER NATIONAL DISCLOSURES

8 MILLION BAGS OF FERTILIZER PRODUCED

NEARLY 200,000 JOBS CREATED

Presidential Fertilizer Initiative

The Presidential Fertilizer Initiative (PFI) is the brainchild of President Muhammadu Buhari's government. It was designed to address to the perennial problem of fertilizer pricing and availability in Nigeria. PFI brought together critical stakeholders in the agricultural and the private sector helped to meet demands for fertilizer at an affordable price. The Government was able to save about N60b in subsidies and another $150m in foreign exchange supplied over 8 million bags of fertilizer. This also resulted in the creation of several thousand direct and indirect jobs. The initiative's impact is expected to continue to provide impetus to all players for the benefit of all Nigerians.

OTHER NATIONAL DISCLOSURES

Value Added Statement

	Group 31 December 2017 ₦'000	Group 31 December 2017 %	Group 31 December 2016 ₦'000	Group 31 December 2016 %
Value added				
Value added by operating activities				
Revenue	61,979,435		132,728,060	
Bought-in materials and services	(36,986,245)		(1,576,104)	
Other operating income	7,960		666,107	
Total Value added	**25,001,150**	**100**	**131,818,063**	**100**
Value distributed				
To pay employees				
Salaries, wages, medical and other benefits	1,891,816		1,358,785	
	1,891,816	**8**	**1,358,785**	**1**
To pay providers of capital				
Finance costs	85,223		–	
	85,223	**–**	**–**	**–**
To pay government				
Income tax	402,038		132	
	402,038	**2**	**132**	**–**
To be retained in the business for expansion and future wealth creation:				
Value reinvested				
Depreciation, amortisation and impairments	64,799	–	79,853	–
	64,799	**–**	**79,853**	**–**
Value retained				
Retained profit	22,556,738		130,379,097	
Non-controlling interest	536		196	
	22,557,274	**90**	**130,379,293**	**99**
Total value distributed	**25,001,150**	**100**	**131,818,063**	**100**

	Authority 31 December 2017 ₦'000	Authority 31 December 2017 %	Authority 31 December 2016 ₦'000	Authority 31 December 2016 %
Value added				
Value added by operating activities				
Revenue	27,557,823		131,694,420	
Bought-in materials and services	(2,138,125)		(1,492,236)	
Other operating income	7,960		663,877	
	25,427,658	**100**	**130,866,061**	**100**
Value distributed				
To Pay employees				
Salaries, wages, medical and other benefits	1,699,330		1,358,785	
	1,699,330	**7**	**1,358,785**	**1**
To be retained in the business for expansion and future wealth creation:				
Value reinvested				
Depreciation, amortisation and impairments	41,446		73,085	
	41,446	**–**	**73,085**	**–**
Value retained				
Retained profit	23,686,882		129,434,191	
	23,686,882	**93**	**129,434,191**	**99**
Total value distributed	**25,427,658**	**100**	**130,866,061**	**100**

OTHER NATIONAL DISCLOSURES

Five Year Financial Summary

Statement of financial position	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Group 31 December 2014 ₦'000	Group 31 December 2013 ₦'000
Assets					
Cash and cash equivalents	22,336,959	148,267,906	37,983,532	49,920,539	111,924,187
Investment securities	429,852,525	249,822,688	164,382,547	117,746,679	45,114,706
Other assets	49,134,358	4,698,044	1,472,508	4,769,933	290,512
Inventories	13,797,596	–	–	–	–
Investments in associates	2,453,380	1,957,853	2,129,600	1,616,364	–
Property, plant and equipment	16,306,560	16,187,064	7,700,860	3,772,873	246,189
Intangible assets	1,201	621	5,739	12,168	19,777
Total assets	**533,882,579**	**420,934,176**	**213,674,786**	**177,838,556**	**157,595,371**
Liabilities					
Trade and other payables	29,285,925	24,089,561	15,788,508	6,310,289	439,677
Other financial liabilities	3,534,631	–	–	–	1,400,000
Total liabilities	**32,820,556**	**24,089,561**	**15,788,508**	**6,310,289**	**1,839,677**
Equity					
Share capital	280,662,500	204,375,000	155,250,000	155,250,000	155,250,000
Retained earnings	170,402,086	147,845,348	17,466,251	5,691,084	525,158
Foreign currency translation reserve	6,801,726	7,958,502	1,653,739	116,981	–
Fair value reserve	43,190,981	36,661,142	23,513,075	10,470,202	(19,464)
Non-controlling interest	4,730	4,623	3,213	–	–
Total equity	**501,062,023**	**396,844,615**	**197,886,278**	**171,528,267**	**155,755,694**
Total equity and liabilities	**533,882,579**	**420,934,176**	**213,674,786**	**177,838,556**	**157,595,371**

OTHER NATIONAL DISCLOSURES

Five Year Financial Summary

Statement of profit or loss and other comprehensive income	Group 31 December 2017 ₦'000	Group 31 December 2016 ₦'000	Group 31 December 2015 ₦'000	Group 31 December 2014 ₦'000	Group 31 December 2013 ₦'000
Interest income	21,766,964	10,568,967	5,821,745	3,920,787	1,395,718
Investment income	2,603,755	1,326,161	–	–	–
Net gain on financial assets	4,153,564	27,747,126	–	20,606	70,467
Net foreign exchange gains	1,652,172	92,796,051	8,736,293	–	–
Total operating income	**30,176,455**	**132,438,305**	**14,558,038**	**3,941,393**	**1,466,185**
Investment management fees	(654,562)	(564,855)	(492,781)	(293,762)	(9,575)
Local custodian fees	(6,765)	(20,535)	(12,251)	(16,988)	(8,131)
Foreign custodian fees	(47,755)	(96,811)	(91,627)	(33,581)	(4,199)
Total investment management and custodian fee	**(709,082)**	**(682,201)**	**(596,659)**	**(344,331)**	**(21,905)**
Total operating profit	**29,467,373**	**131,756,104**	**13,961,379**	**3,597,062**	**1,444,280**
Revenue from infrastructure subsidiaries investment	31,367,992	–	–	–	–
Expense from infrastructure subsidiaries investment	(33,514,157)	–	–	–	–
Loss from infrastructure subsidiaries investment	**(2,146,165)**	**–**	**–**	**–**	**–**
Other income	7,960	666,107	38,400	3,239,795	495,017
Total other income	**7,960**	**666,107**	**38,400**	**3,239,795**	**495,017**
Other operating expenses	(4,719,621)	(2,332,541)	(2,333,619)	(1,644,388)	(1,414,139)
Share of profit of investment in associates	434,988	289,755	124,914	16,364	–
Finance costs	(85,223)	–	–	–	–
Profit before taxation	**22,959,312**	**130,379,425**	**11,791,074**	**5,208,833**	**525,158**
Taxation	(402,038)	(132)	(15,496)	(42,907)	–
Profit for the year	**22,557,274**	**130,379,293**	**11,775,578**	**5,165,926**	**525,158**
Movement in fair value reserves	6,469,348	13,609,323	12,654,237	10,489,666	(19,464)
Currency translation differences	(1,156,763)	6,306,224	1,537,219	116,981	–
Share of comprehensive income of associates	60,049	(461,502)	388,322	–	–
Other comprehensive income for the period	**5,372,634**	**19,454,045**	**14,579,778**	**10,606,647**	**(19,464)**
Total comprehensive income for the period	**27,929,908**	**149,833,338**	**26,355,356**	**15,772,573**	**505,694**

Statement of financial position	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Assets					
Cash and cash equivalents	8,545,297	141,076,852	32,913,468	43,115,273	111,924,187
Investment securities	404,313,672	234,132,773	154,152,447	108,471,837	45,114,706
Other assets	72,310,092	7,355,693	3,844,603	4,769,621	290,512
Investments in subsidiaries	16,085,655	7,096,155	7,066,155	11,994,482	–
Investments in associates	1,600,490	1,600,000	1,600,000	1,600,000	–
Property, plant and equipment	48,503	66,304	104,603	185,378	246,189
Intangible assets	63	621	5,739	12,168	19,777
Total assets	**502,903,772**	**391,328,398**	**199,687,015**	**170,148,759**	**157,595,371**
Liabilities					
Trade and other payables	7,884,464	3,718,488	4,102,341	508,323	439,677
Other financial liabilities	–	–	–	–	1,400,000
Total liabilities	**7,884,464**	**3,718,488**	**4,102,341**	**508,323**	**1,839,677**
Equity					
Share capital	280,662,500	204,375,000	155,250,000	155,250,000	155,250,000
Retained earnings	170,859,498	147,172,616	17,738,425	5,532,544	525,158
Fair value reserve	43,497,310	36,062,294	22,596,249	8,857,892	(19,464)
Total equity	**495,019,308**	**387,609,910**	**195,584,674**	**169,640,436**	**155,755,694**
Total equity and liabilities	**502,903,772**	**391,328,398**	**199,687,015**	**170,148,759**	**157,595,371**

Statement of profit or loss and other comprehensive income	Authority 31 December 2017 ₦'000	Authority 31 December 2016 ₦'000	Authority 31 December 2015 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Interest income	21,339,050	10,519,365	5,811,617	3,774,168	1,395,718
Investment income	362,081	631,878	–	–	–
Net gain on financial assets	4,153,564	27,747,126	–	17,232	70,467
Net foreign exchange gains	1,703,128	92,796,051	8,732,124	–	–
Total operating income	**27,557,823**	**131,694,420**	**14,543,741**	**3,791,400**	**1,466,185**
Investment management fees	(654,562)	(564,855)	(492,781)	(293,762)	(9,575)
Local custodian fees	(6,494)	(20,535)	(12,251)	(16,988)	(8,131)
Foreign custodian fees	(47,755)	(96,811)	(91,627)	(33,581)	(4,199)
Total investment management and custodian fee	**(708,811)**	**(682,201)**	**(596,659)**	**(344,331)**	**(21,905)**
Total operating profit	**26,849,012**	**131,012,219**	**13,947,082**	**3,447,069**	**1,444,280**
Other operating income	7,960	663,877	38,400	3,239,795	495,017
Total other income	**7,960**	**663,877**	**38,400**	**3,239,795**	**495,017**
Other operating expenses	(3,170,090)	(2,241,905)	(1,779,601)	(1,679,478)	(1,414,139)
Profit for the year	**23,686,882**	**129,434,191**	**12,205,881**	**5,007,386**	**525,158**
Movement in fair value reserves	7,435,016	13,466,045	13,738,357	8,877,356	(19,464)
Retained income for the year	**31,121,898**	**142,900,236**	**25,944,238**	**13,884,742**	**505,694**

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