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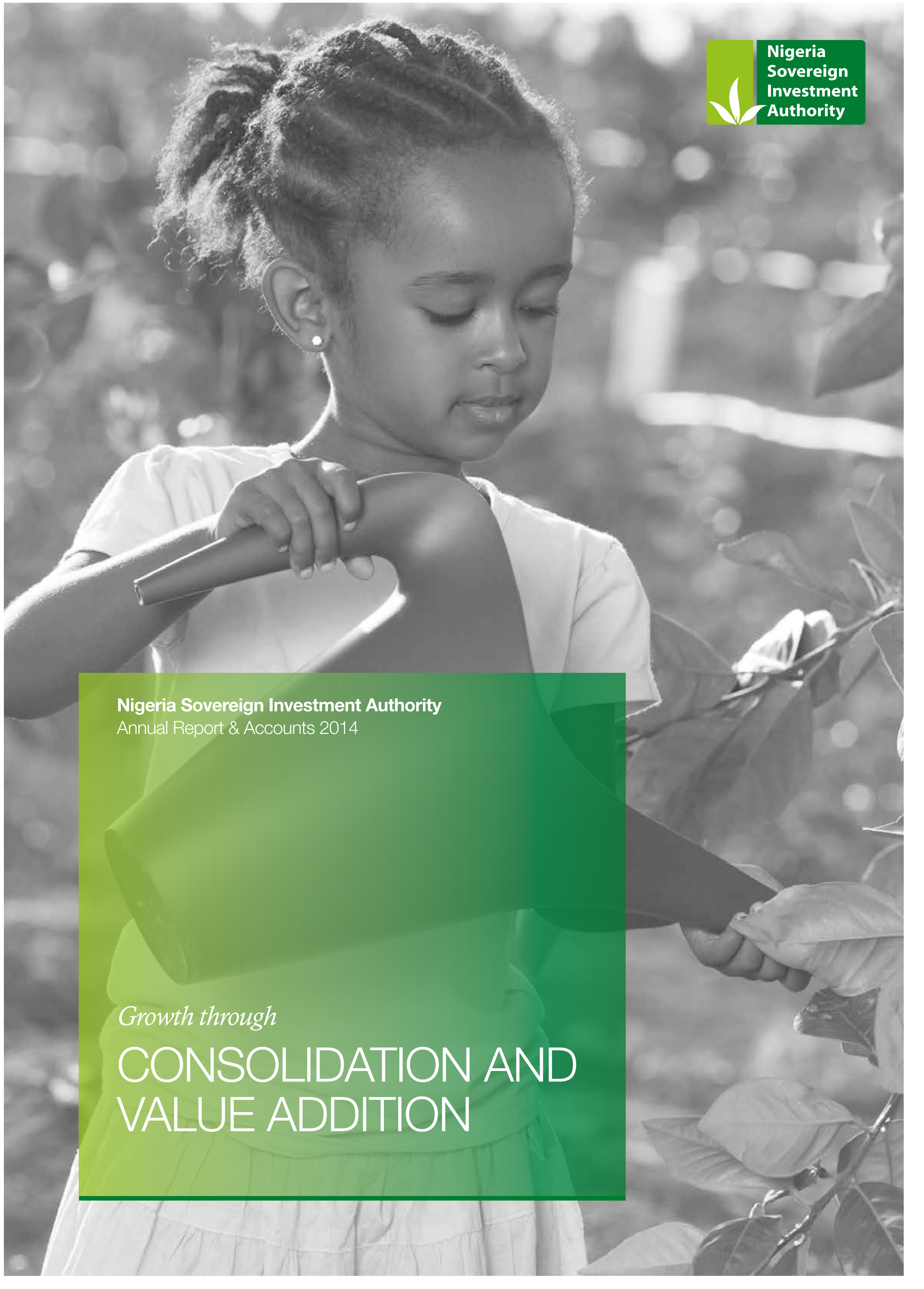
Nigeria Sovereign Investment Authority Annual Report & Accounts 2014



Nigeria Sovereign Investment Authority
Annual Report & Accounts 2014

Growth through

CONSOLIDATION AND VALUE ADDITION

UNITY AND FAITH, PEACE AND PROGRESS

THE NIGERIA SOVEREIGN INVESTMENT AUTHORITY (NSIA) IS THE MANAGER OF NIGERIA'S SOVEREIGN WEALTH FUND. IT WAS ESTABLISHED AS AN INDEPENDENT AGENCY BY AN ACT OF THE NATIONAL ASSEMBLY IN MAY 2011.

In recognition of the strides NSIA has recorded despite being a young institution, the Authority received global recognition through its admission into the International Forum of Sovereign Wealth Funds. It was also awarded the 'African Sovereign Wealth Fund Initiative of the Year' by the Africa investor Magazine in 2013.

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the 2014 Annual Report of the Nigeria Sovereign Investment Authority (NSIA).

Alhaji Mahey Rasheed, OFR
Chairman of the Board of Directors

In 2014, NSIA successfully focused on executing the strategic roadmap laid out in the 2013 Annual Report. Indeed, the year 2014 was a period of consolidation and growth for the organisation.

During the year under review, a sharp divergence in the performance of international equity markets significantly prevailed. In this regard, a significant outperformance in the US equity market, weakness in European markets and a slowdown in emerging markets. Besides, commodity prices remained volatile with crude oil prices declining sharply in the second half of the year due to a combination of weak global demand and significant increase in supply, particularly from US shale suppliers.

In the international capital markets, the aggressive quantitative easing programme in Japan, and lingering outcome of similar measures in the United Kingdom has resulted in bond yields remaining depressed in developed markets, affecting the performance of our bond-exposed Stabilisation Fund. However, in the case of the United States where those measures occurred earlier, an increasing stabilisation in the market was noted. Consequently, the US dollar outperformed other major currencies in 2014 and positively impacted the performance of NSIA's Funds, as these had significant exposure to US markets.

In addition, the Nigerian financial markets were also negatively affected by a combination of decline in oil prices and concerns about impending elections, which influenced investor sentiments; all of which culminated in interest rate increases, over 35% decline in the All-Share Index and a devaluation of the Naira in the second half of the year 2014. Consequently, the Nigeria Infrastructure Fund was affected. This is due to the fact that the Fund has significant domestic exposure.

NSIA ACHIEVED A NET COMPREHENSIVE INCOME OF ₦15.8 BILLION, COMPARED TO THE ₦525 MILLION RECORDED WITHIN THE FIRST FIFTEEN MONTHS OF OPERATION ENDING IN DECEMBER 2013. BY ALL ACCOUNTS, 2014 WAS A SUCCESSFUL YEAR.

In spite of the prevailing volatile market conditions in the global financial markets, I am pleased to report that the NSIA achieved a net comprehensive income of ₦15.8 billion, compared to the ₦525 million recorded within the first fifteen months of operation ending in December 2013. By all accounts, 2014 was a successful year. Besides, the higher income generation, the NSIA has recorded further success in the pursuit of its goal of promoting investments for economic development. In this regard, the NSIA, through the Nigeria Infrastructure Fund, initiated several major projects in 2014 including co-development of the Second Niger Bridge through a Public-Private Partnership (PPP). NSIA also collaborated with the government, private sector and multilateral institutions by investing in the Nigeria Mortgage Refinancing Company to stimulate the development of the local mortgage industry. In addition, NSIA signed a Memorandum of Cooperation with the Federal Ministry of Health to develop sophisticated diagnostic centers across all the six geopolitical zones of the country.

Moreover, significant investments were made in 2014 through the Future Generations Fund (FGF) and Stabilisation Fund (SF), with placements in more than 28 strategic outlets, as the NSIA continues to pursue a fully diversified strategy. And, in order to enable the execution of its strategy in secondary private equity investments the NSIA operationalised a US listed subsidiary through which it acquired secondary interests in private equity. Indeed, the measure translated into a highly successful outcome in 2014.

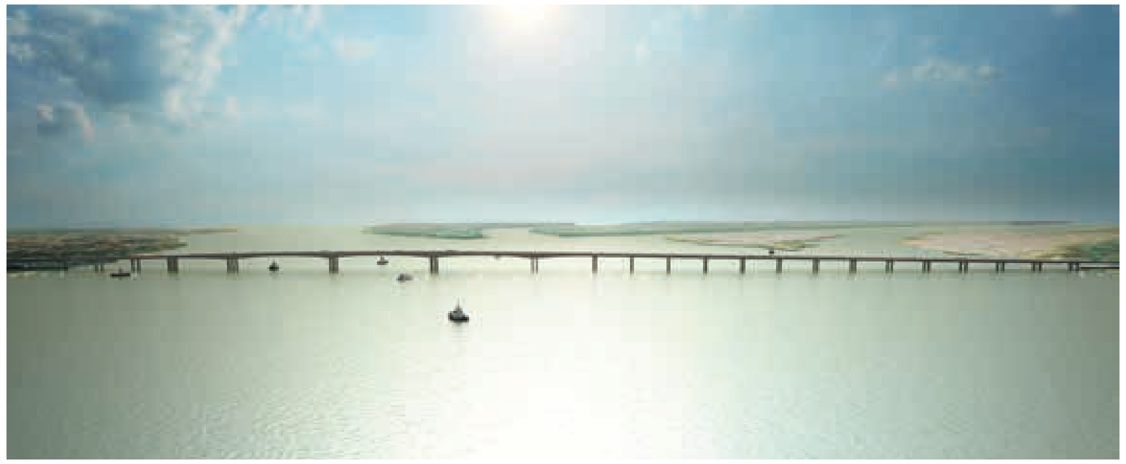
Furthermore, the NSIA has availed its expertise to some agencies of the Federal Government by embarking on third party asset management on their behalf in order to enhance the return on assets of some of their funds. In this respect, it undertook a third party fund management of $350 million on behalf of the Nigerian Bulk Electricity Trading Plc (NBET) along a similar strategy as its Stabilisation Fund, and for which it would earn a fee above a benchmark. NSIA also created a gas-to-power fund on behalf of the Debt Management Office (DMO), managing $200 million to help address the lack of gas supply to power plants in Nigeria.

As we look ahead in 2015, the weakness in crude oil prices might persist for the foreseeable future, thereby potentially impacting on new contributions from the Federation. Consequently, I do not anticipate a substantial growth in the funds under management through that source. However, NSIA is initiating some other strategies to grow its assets, while at the same time focusing on the efficient management of the existing assets. Moreover, the Nigeria Infrastructure Fund is expected to be more active, investing in power, real estate, healthcare and other prime opportunities.

In conclusion, I want to thank my fellow Board members for their hard work in 2014. Their invaluable contributions enabled our organisation to achieve significant success in the year. In recognition of this, the NSIA was ranked by the US-based Sovereign Wealth Fund Institute, the global joint second out of 7th category for transparency in governance. I also thank the Management and staff for their hard work in achieving this success. In addition, on behalf of the NSIA, I thank the President, the Minister of Finance, the leadership and members of the National Assembly, the Governors of the 36 states of the Federation and the Nigerian people for their continued support and understanding.

There is much work ahead as we navigate a challenging 2015. However, we are optimistic that a successful 2015 general election will usher in a new era of rapid economic growth for Nigeria.

NSIA UNDERTOOK SEVERAL MAJOR PROJECTS IN 2014 INCLUDING CO-DEVELOPMENT OF THE SECOND NIGER BRIDGE THROUGH A PUBLIC-PRIVATE PARTNERSHIP (PPP).



CHIEF EXECUTIVE'S REVIEW

In the fiscal year ended 31 December 2014, the NSIA continued to make progress with the implementation of its mandate and investment strategy.

Mr Uche Orji
Managing Director and Chief Executive Officer

The year 2014 was NSIA's second consecutive financial year of providing positive returns on investment in the face of volatile global market conditions. Within the period under review, NSIA recorded improved profitability as it increased capital deployment along the lines of its asset allocation model previously outlined in 2013 and executed its investment strategy which was underpinned by four major themes:

— Diversified Asset Allocation: NSIA maintained its asset allocation strategy and increased asset deployment in the Future Generations Fund (FGF) with particular focus on private equity and the "other diversifier" categories. Within the period under review, capital deployed within the FGF rose to 81% up from 8% at the end of 2013, with the key highlights being the acquisition of secondary interests in private equities, increased deployment within select hedge funds and investments in the other diversifier categories, which are aimed at providing returns uncorrelated with the markets.

— Retention of the five key sub-sector focus for the Nigeria Infrastructure Fund (NIF): NSIA retained its focus on the five key sub-sectors of the NIF which are; agriculture, healthcare, motorways, power (including gas-to-power) and real estate. In this regard, the NIF, continued to progress, albeit slowly, given the extensive process involved in developing Infrastructure projects. The main highlights during the year included a $100m bond investment with Seven Energy Nigeria Ltd to support investment in gas-to-power projects; advancement in early works program for the Second Niger Bridge project (2NB) and memorandum of cooperation signed with six teaching hospitals and Federal Medical Centers for Public-Private Partnerships (PPPs) in healthcare.

— Growth in assets under management: In light of fiscal constraints, NSIA explored growing its assets under management through both core and alternative sources such as third party asset management. During the year, NSIA availed its services to other agencies of the Federal Government through third-party asset management agreements. This strategy resulted in a $550million increase in assets under management comprising of $200m managed on behalf of the Debt Management Office (DMO) for investments in gas-to-power projects and $350m of liquidity management on behalf of the Nigeria Bulk Electricity Trading Plc (NBET). For these services, NSIA earns a modest fee based on the excess returns above a pre-determined hurdle rate agreed with the DMO and the NBET and;

— Strengthening of Infrastructure Financing Institutions: NSIA continued to work on building and strengthening complementary institutions for infrastructure investments. Aside from investing in the Nigeria Mortgage Refinance Company (NMRC), in 2013, NSIA helped to set up the organisation and expects NMRC to play a key role in driving the mortgage market in Nigeria. Separately, in the process of developing infrastructure financing options, NSIA's Management identified a gap in credit enhancement which it considered pivotal for improving the liquidity of infrastructure bonds by enabling participation from pension funds and insurance companies. Consequently, the NSIA commenced work in developing a Nigerian Credit Enhancement Facility. While this effort is still at an early stage, NSIA's Management was encouraged by the positive feedback from market participants as it expects this will improve the liquidity of infrastructure bonds.

These and several other actions undertaken by Management resulted in a significant increase in profitability for 2014. The year ended with net comprehensive income of ₦15.8 billion, up from the ₦525 million recorded in the previous Annual Report for the 15-month period ending 31 December, 2013. This level of income was largely driven by the performance of investments made in the FGF and the NIF. The performance of the Stabilisation Fund (SF) was modest for the year, which was not unusual given the fund's strategy.

Furthermore, every effort is being made to adhere to the Santiago principles of transparency and strong governance which resulted in NSIA receiving a significant improvement in its transparency ranking from the US-based Sovereign Wealth Fund Institute (SWFI).

Result in detail

The strategic asset allocation remains unchanged at 40% in Future Generations Fund, 40% in Nigeria Infrastructure Fund and 20% in the Stabilisation Fund.

Future Generations Fund

The FGF aims to provide future generations of Nigerians a solid savings base for such a time when the hydrocarbon reserves in Nigeria are exhausted. The asset allocation of the FGF remains broadly diversified with 25% in global public equities, 25% in private equity, 25% in hedge funds and 25% in 'other diversifiers' – which are investments designed to reduce correlation with equity and bond markets. 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.

In 2014, FGF invested in private equity interests in the secondary market which contributed significantly to returns. Furthermore FGF posted a modest positive return from its hedge fund investments during what was a difficult year for hedge funds; while a significant exposure to USD assets resulted in notable gains given the strength of the USD during the year vis-á-vis other major currencies and the Naira.

Nigeria Infrastructure Fund

The NIF focuses on domestic infrastructure investments that meets the following four criteria: align with national priority, have potential for attractive commercial and social returns; where NIF can attract both domestic and foreign private sector participation, and where the regulatory environment is conducive. Out of the fifteen investible sectors identified at the beginning of 2013, the core areas of initial focus are: agriculture, healthcare, motorways, power and real estate. Other sectors will be addressed as assets under management increase or if compelling opportunities become available.

Agriculture

The Fund for Agricultural Finance in Nigeria (FAFIN) is co-sponsored by NSIA alongside the Federal Ministry of Agriculture and Rural Development (FMARD) and Kreditanstalt für Wiederaufbau (KfW), the German Government-owned development bank. FAFIN was formally launched in December 2014. It is a US$100 million agriculture-focused fund that provides affordable long-term capital and technical assistance solutions. It is targeted at developing commercially viable small and medium enterprises (SMEs) and intermediaries across the agriculture sector in Nigeria.

Healthcare

NSIA, through its healthcare investment vehicle, NSIA Healthcare Investment and Development Company (NHIDC), has entered into a Memorandum of Cooperation (MoC) with the Federal Ministry of Health to develop six (6) diagnostic centres in the Federal Medical Centres (FMCs) and Federal Teaching Hospitals (FTH) across all six geopolitical zones of the country. NHIDC has advanced its relationship with one of the partner healthcare institutions for a joint development agreement. Under the agreement, an ultra-modern tertiary specialist hospital will be established to undertake advanced surgery and medical care. NHIDC is also in the process of completing the financing of a modern microbiology and advanced radiology facility in partnership with one of the FMCs. NSIA anticipates that it will achieve financial close on these two healthcare investments within the next year.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Real Estate

NSIA has been active in appraising investment opportunities across critical real estate infrastructure covering retail, commercial and hospitality sub-segments. In July 2014, NSIA signed a Memorandum of Understanding with Eagle Hills, a real estate investment and development company focused on developing new city hubs in high-growth international markets including Nigeria.

Motorways

NSIA continues to develop the Second Niger Bridge, through a partnership between its Motorways vehicle, NSIA Motorways Investment Company, NMIC and Julius Berger Investment (JBI). To date, the Federal Government of Nigeria (FGN) has injected ₦10 billion of its committed ₦30 billion contribution to the project. The Presidential groundbreaking ceremony took place in March 2014 and was immediately followed by the deployment of Engineering, Procurement and Construction (EPC) contractors for early works. This project will be the first major Public-Private Partnership (PPP) undertaken by the Federal Government of Nigeria, and heralds the introduction of private financing into the Motorways sector at federal level. Financial close is anticipated within the first half of 2016.

Power

In 2014, NSIA commenced work in the power sector. Its strategic importance to the development of Nigeria cannot be over-emphasised. NSIA's Management identified and commenced negotiations on certain investment opportunities and I am confident that by 2016, some of these opportunities will be concluded.

Stabilisation Fund

The SF is focused on liquidity, and targets the preservation of capital. In the year, asset allocation remained split between Hedge Assets (short-term US government debt) and Growth Assets (absolute return fixed income).

Third-Party Asset Management

As previously mentioned, NSIA took on third-party asset management on behalf of the Nigerian Bulk Electricity Trading Plc and the Debt Management Office, of $350 million and $200 million, respectively. The DMO's gas-to-power fund is managed along the same investment policy statement as the NIF. NSIA invested $100 million of these funds in a private bond with Seven Energy to enable the completion of gas infrastructure. The investment will enable the operation of a few Independent Power Plants (IPPs) and improve the operations of other industrial assets to which Seven Energy serves as a gas supplier. This bond is priced along with the publicly-issued Eurobond and has a seven-year tenor. NSIA's Management continue to seek opportunities for significant investments in gas-to-power; and are at advanced stages on a handful of transactions to enable the sector.

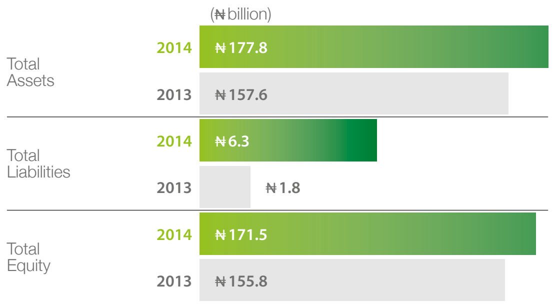
The NBET Liquidity Fund is managed along similar investment policy statements as the SF such as balancing NBET's short-term liquidity needs, safety of the funds and driving returns above the benchmark set by NBET. These funds are invested in bond instruments with a blended rating of 'B'.

Outlook

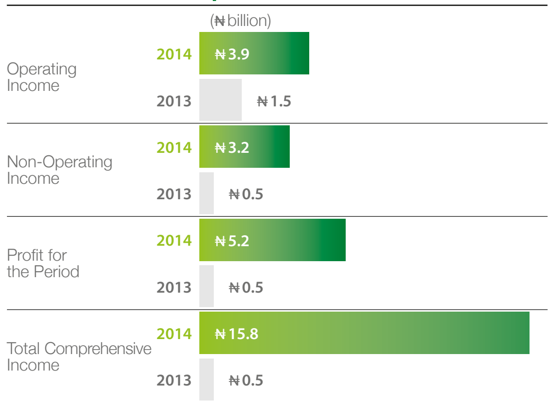
With a combination of macroeconomic uncertainties, weak commodity prices and general concerns about global demand, the year 2015 will not be wanting of challenges. With these uncertainties in mind, NSIA believes that a prudent approach will be to maintain a diversified asset allocation strategy. The domestic focus in 2015 via the NIF will benefit from the successfully concluded elections in Nigeria which I believe will improve the outlook for the market.

Alongside the Chairman, I want to thank the Board, Management and staff of NSIA for their support and hard work during the year. We have a firm base to build on and we will persevere in our vision of creating long-term value for Nigeria and becoming a best-in-class sovereign wealth fund manager.

Statement of Financial Position



Statement of Comprehensive Income



Adding value through

OUR VISION AND MISSION

Vision

To establish NSIA as a leading sovereign wealth fund globally; playing a role in promoting investments for economic development

Mission

Our mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through:

+ Building a savings base for the Nigerian people
+ Enhancing the development of Nigeria's infrastructure
+ Providing stabilisation support in times of economic stress

OVERVIEW OF FUNDS

NSIA commenced operations in October 2012 with an initial seed capital of one billion US dollars. The NSIA Act mandates the Authority to make investments through three ring-fenced funds:

Future Generations Fund
To build a savings base for the Nigerian people

Nigeria Infrastructure Fund
To enhance the development of Nigeria's infrastructure

Stabilisation Fund
To provide stabilisation support in times of economic stress

The Future Generations Fund
The main objective of the Future Generations Fund (FGF) is to preserve and grow the value of assets transferred into it. This is done by investing in a diversified portfolio of appropriate investments. Our aim is to provide future generations of Nigerians with a solid savings base for a time when the country's hydrocarbon reserves will have been depleted.

The Nigeria Infrastructure Fund
The Nigeria Infrastructure Fund (NIF) aims to enhance the development of infrastructure, primarily through investment in domestic infrastructure projects that meet targeted financial returns. Such projects could potentially remove barriers to Nigeria's economic growth, while providing opportunities for income yield, capital growth and job creation. Areas earmarked for investment include Agriculture, Healthcare, Real Estate, Power and Motorways amongst others.

The NSIA Act stipulates that the Authority may invest up to a maximum of 10% of the NIF in social infrastructure projects that promote economic development in underserved sectors or regions in the country.

The Stabilisation Fund
The Stabilisation Fund (SF) is intended to act as a buffer against short-term macro-economic stress. The assets are therefore to be invested conservatively, striking a balance between generating a modest positive return and preserving capital in nominal terms. Withdrawals from the SF can be made at the discretion of the Minister of Finance, provided the request satisfies the criteria set out in the NSIA Act.

We continue to enhance our pace of operation in line with our strategic objectives. The milestones in 2014 show an upward trajectory both in initiatives and performance

2014 Milestones

January 2014
FGF invests 75% absolute return component, 100% long only equity component, and makes first commitment to a private equity fund.

February 2014
FGN injects additional US$550 million into NSIA to be managed on behalf of the Nigerian Bulk Energy Trading Company Plc (NBET) and the Debt Management Office (DMO).

February 2014
NSIA, through its corporate subsidiary NMIC, commits to the Second Niger Bridge Project under a DFBOT arrangement.

March 2014
Presidential ground-breaking ceremony of the Second Niger Bridge.

April 2014
NSIA publishes inaugural Annual Report 2013 with a profit of ₦525 million.

NSIA Healthcare Investment and Development Company Limited (NHIDC), signs Memorandum of Cooperation with six Federal healthcare institutions across the six geopolitical regions of the country.

July 2014
NSIA receives an improved transparency rating in the Linaburg-Maduell transparency index, leaping from joint 33rd to joint second place.

September 2014
NSIA, through the DMO Gas-to-Power fund, anchored Seven Energy's $400 million Bond raise by investing $100m dedicated to gas pipeline infrastructure.

October 2014
NSIA enters into a Collaboration Agreement with the World Bank and other SWFs on a Global Infrastructure Facility.

December 2014
Completion of acquisition of private equity interests bringing total commitment in FGF to 80% of total assets.

Adding value by

ENHANCING THE DEVELOPMENT OF NIGERIA'S INFRASTRUCTURE

Funds Update

MARKET OVERVIEW

Economic forecasts at the start of 2015 are similar to where they were 12 months ago.

Economic forecasts project that the US economy will grow by 3%, while Japan and the Eurozone are expected to grow at approximately 1%. China's growth is expected to gradually decelerate, yet still post over 7% growth. Some emerging markets, such as Latin America, may even exceed that pace.

Regarding ten-year US Treasury yields, the consensus is that they will rise to 3.2%. It is also expected that US Dollar will continue to rise against both the Euro and the Japanese Yen. With regard to equity valuations, they are similar to where they were at the beginning of the year, given a combination of lacklustre returns and subdued earnings. Most strategists continue to recommend stocks over bonds, despite some disagreement about the ideal regional mix of those investments.

However, as we look to 2015, it is important to note that several things have changed over the course of 2014 that have the potential to impact return patterns. Monetary policy divergence, while not a new theme, has had a pronounced effect on certain currency pairs in recent months. The Dollar's rise is producing a significant tightening of conditions in the US, while conversely, a weak Euro is loosening conditions in the Eurozone.

Regarding commodities, following a weak 2013, and led by the fall in the price of oil in the second half of the year, prices fell sharply in 2014. This fall will continue to impact profit margins, trade balances, inflation rates, as well as a variety of related asset classes including inflation-protected securities, natural resources equities, and some emerging markets equities. However, overall, low oil prices are a net benefit to consumers and the importing major developed economies.

Developed Market Equities

United States

US equities strongly outperformed international peers in both 2013 and 2014. It is doubtful that this level of performance can be sustained, given both a reversal in earnings growth leadership in favour of other regions and higher valuations in the US. In contrast to earnings growth that is expected to pick up in the Eurozone and Japan, concerns about the quality of US corporate earnings are rising. For 2015, the expectations in the US have been revised downwards towards low single digits on the back of an appreciating Dollar. The growing reliance of US companies on foreign markets helps explain why margins stand 25% above their historical average and could come under pressure.

Moreover, although there is currently weak wage growth in the US due to elevated unemployment, there is some indication that the labour market is tightening, raising expectations of a near term inflection point. Whether this development leads to wage inflation remains to be seen. Finally, it is important to consider the growing practice of using share buybacks to boost per share earnings growth that has by some estimates contributed 25% to 30% of recent earnings per share (EPS) growth. S&P 500 companies will spend over 90% of earnings in 2015 (over $950 billion) on share buybacks and dividends.

Europe

European equity valuations barely moved over the course of 2014. They maintain significantly cheaper US equivalents on both a normalised and forward earnings bases. Contrasting the strength of the US dollar, European earnings should get a boost from currency weakness. This would boost the value of their foreign sales, as well as support a recovering financial sector.

Around 30% of expected earnings growth in 2015 is expected to come from the heavily weighted financial sector. Moreover, much of the source of this growth is not coming from new lending, but rather from firms making much lower write-off provisions than they did previously. In the third quarter of 2014, for example, European financial earnings were up 30% year-on-year, as some of these institutions returned to profitability. Furthermore, low interest rates will reduce debt servicing costs and should boost margins. However, it is unclear whether this is enough to offset flagging domestic appetite.

None of this is to downplay the risks to earnings. Stagnant domestic economies are not fertile ground for margin expansion. The large exposure of European firms to emerging market revenues may provide further downside risk as their growth cools. It is also worth noting that the financial sector remains subject to an increasing amount of regulatory scrutiny, which raises costs and restricts their ability to conduct some businesses.

Nevertheless, apart from the recurring problem of Greece, there are clear signs of green shoots of recovery across Europe. This is helped by the ECB's massive €60 billion monthly bond purchase programme, which is due to run until September 2016. It is also due to the recent rapid depreciation of the euro, and the collapse in oil prices. After several years of disappointing expectations, 2015 looks like the first year that continental corporate earnings will grow meaningfully.

Japan

From a valuations perspective, Japanese stocks are significantly cheaper than US equities. This is on both a trailing price-earnings basis, and when comparing price-to-book ratios. Japanese earnings may also continue to receive a boost from further yen weakness. Furthermore, a renewed focus on shareholder returns by many Japanese companies is also helping. The recent drafting of the Stewardship Code and creation of the JPX Nikkei 400 have galvanised management attention. This is because qualifying for listing may attract the attention of the main Japanese government pension fund, which is ramping up its purchases of domestic equities. A number of other domestic institutions such as the Trust Banks have already started to follow suit, in part because inflation will weaken real bond returns.

Downside risks of course cannot be ignored, although some macro risks such as high debt burdens and demographics will not have an imminent impact. In the short term, the bigger risk for the success of Abenomics may be that households have not fully shared in the recent benefits. This could on the one hand lower political support, and on the other hand reduce earnings for companies that focus on domestic consumers. Nevertheless, relatively attractive valuations and double digit earnings growth, as well as low energy prices, provide solid support for Japanese equities.

Emerging Market Equities

Emerging market equities under-performed their developed market peers in 2014, driven by the strong performance of the US market. As with European and Japanese equities, emerging markets now trade at a significant discount to the US market. On a standalone basis, they are priced at 12.3 times normalised earnings. This is below their long-term historical average of 14.5 times (although during the emerging markets crisis in 1998, they briefly traded at nine times normalised earnings). It is worth noting that much of this undervaluation in emerging market equities today is concentrated in cyclical sectors such as energy, materials and financials sectors.

THE FUTURE GENERATIONS FUND

The purpose of the Future Generations Fund (FGF) is to preserve and grow the value of assets transferred into it, thereby enabling future generations of Nigerians to benefit from the country's finite hydrocarbon reserves.

Asset Allocation

	Asset Allocation	Benchmark
Growth Assets	85%	MSCI All Country World Index
Developed Equities	10%	MSCI World Index
Emerging & Frontier Equities	15%	MSCI Emerging Markets Index
Private Equity, VC and value-added Real Estate	25%	Cambridge Associates US Private Equity Index
Absolute Return	25%	HFR Event-Driven (Total) Index
Other Diversifiers	10%	TBD
Hedging Assets: Inflation	10%	Weighted Composite
Commodities	5%	S&P GSCI (Equal Weighted)
Hard Assets	5%	50% FTSE® EPRA/NAREIT Developed Real Estate Index /50% CA Private Natural Resources Benchmark
Hedging Assets: Deflation	5%	Citigroup World Government Bond Index (Hedged)-$
Cash	5%	US T-Bill

The FGF has a long investment time horizon of greater than 20 years, effectively spanning multiple economic and market cycles. This, coupled with the Fund's payout requirements, allows management to gain exposure to certain asset classes that are less liquid and can therefore attain greater risk-adjusted returns. Though this is not a required mandate, such investments should also dampen near-term volatility in relative terms. Of the $1 billion seeded to NSIA, the NSIA Board has assigned 40% to the FGF. To implement the investment objectives of the FGF, NSIA has set the Fund's first strategic asset allocation as detailed below on the left.

The asset allocation is based on long-term risk and return objectives, giving consideration to volatility and correlation levels across the Fund. The allocation is diversified across various asset classes ensuring that underperformance in a single class is mitigated to an extent at the portfolio level. The classes are segmented into Growth Drivers, Inflation Hedges and Deflation Hedges. At this stage of NSIA's life cycle, the vast majority of exposure to these asset classes will be sought through the hiring of external managers.

Growth Drivers

Long Only Equity

The long only equity portion of the asset allocation comprises 25% of the FGF, and is broken down into developed market and emerging and frontier market components. Given the time horizon of the Fund, the decision has been taken that the emerging and frontier market portion should receive a larger weighting than that of developed markets. This is due to the view that over the long-term there is greater growth potential in emerging and frontier markets than developed markets.

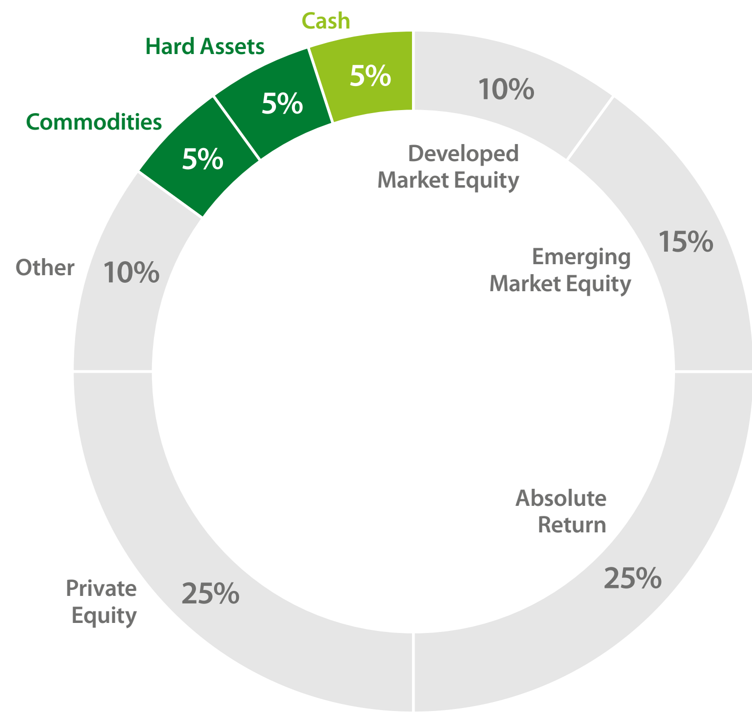
Absolute Return

This component received a 25% weighting of the FGF. Managers in this asset class have the discretion to invest across growth strategies and geographies. Absolute return strategies, such as credit, long/short, or global macro, aim to earn a positive return irrespective of market direction. As such, this asset class should provide a source of growth in times of stress in equity markets.

Private Equity

The private equity component also received a 25% weighting. Again, given the long-term nature of the FGF's investment horizon, the inherent lack of liquidity in this asset class is negated. Therefore, the Fund can gain exposure to an asset class that can obtain considerable outperformance to other benchmarks within the asset allocation. The selection of private equity managers will take longer than managers in any of the other asset classes.

Fund Management Allocation



Other

This component, while smaller (at 10%), increased from the 2013 level of 5%. The increased target exposure has been taken from the Hard Asset portion of the allocation, and was made on the basis of the opportunity sets available in each of the asset classes. This portion serves as a diversifying strategy to the other asset classes within the growth section of the asset allocation. This component will allow the Fund the latitude to seek exposure to products such as direct lending or royalties, and shall seek out returns uncorrelated to the rest of the portfolio.

Inflation Hedges

Hard Assets and Commodities

An allocation of 5% has been made to both the Commodities and the Hard Assets components. The Hard Assets portion of the allocation has been reduced from 10% to 5%, with this being re-allocated to Other Diversifiers in line with the above. Given that most of the capital accruing to the Fund comes from revenues derived from oil exports, these components have been underweighted somewhat as the Fund has a natural inflation hedge built in.

Deflation Hedge

As the threat of deflation is remote, the allocation received a small weighting of 5% for cash or cash-like instruments.

Year in Review

2014 was a year of capital deployment for the FGF. Core components of the allocation, Absolute Return and Long Only Equity, were fully invested in Q1 and Q2. Developed Market Long Only Equity was the best performing component of these two allocations, however the aggregate performance of both allocations outperformed their respective benchmarks in 2014.

In the private equity allocation, primary commitments were made to three managers totaling approximately 28.4% of the targeted allocation. As of year-end, assets held with these managers totaled approximately 5%. These commitments will continue to be drawn over the coming four to five years. A portfolio of private equity interests was acquired in the secondary market and the principal invested represented 47.5% of the allocation. Given the mature stage of these interests, the FGF will accrue continuous cash flows from these investments over the next few years. By the year end, the revaluation of these interests resulted in a gain of 23.59%. No further commitments were made this period such that NSIA could continue to attain vintage year diversification. Beyond this, two commitments were made to a manager in each of the Commodities and Other Diversifiers components, while additions have not yet been made to the Hard Assets portion. Considering the comparative opportunity in the market, the decision was taken to increase the allocation weighting to Other Diversifiers from 5% to 10%, while reducing Hard Assets from 10% to 5%.

By year end, approximately 81% of the asset allocation had been committed, with the remainder capital held in the NSIA cash management strategy. Cash management for the FGF saw capital deployed to three differentiated, absolute return, fixed income strategies. These mandates were placed in order to mitigate the cash drag on the portfolio while also taking into account the zero interest rate environment prevalent globally.

2015 Outlook

The primary objective in 2015 is the selection of additional managers in the Hard Assets and Other Diversifiers components of the asset allocation. Furthermore, there will be selective commitments made in the primary private equity market, with opportunistic activity in the secondary market where possible. Throughout 2015, the performance of current managers within the Fund will be monitored against the objectives for each asset class.

THE NIGERIA INFRASTRUCTURE FUND

The Nigeria Infrastructure Fund (NIF) is managed by an in-house team of investment professionals. They are tasked with identifying infrastructure investments, undertaking project development for potential investments, and recommending projects for investment to the Board.

The Nigeria Infrastructure Fund Target Sectors

Focus sectors
Other sectors of interest

In pursuit of the NIF objectives, a five year infrastructure investment rolling plan (the Five-Year Plan) has been prepared to provide strategic guidance for NIF investments. An Infrastructure Fund Investment Policy Statement (IPS) has also been developed. The IPS provides an investment framework for the NIF, setting out the NIF's investment objectives, risk tolerance and constraints.

Choosing Focus Sectors

In order to identify focus sectors for the Five-Year Plan, Management consulted with sector experts, regulatory agencies, strategic partners, Ministries, Departments and Agencies. The choice of focus sectors was guided by the following principles:
— sectors that align with national priority;
— potential for attractive commercial and social returns;
— conducive regulatory environment; and
— ability to unlock private sector participation.

The NIF has six focus sectors: Agriculture, Real Estate, Healthcare, Motorways, Power and Gas-to-Power.

Agriculture

Agriculture remains a sector of strategic importance for Nigeria and an area where we see opportunities for economic impact and financial returns. In light of this, NSIA continues to appraise investments in critical agriculture infrastructure across the agriculture value chain in Nigeria.

The Fund for Agricultural Finance in Nigeria (FAFIN) is co-sponsored by NSIA, the Nigerian Federal Ministry of Agriculture and Rural Development (FMARD) and KfW, the German government-owned development bank. The Fund was formally launched in December 2014. FAFIN is a $100 million target agriculture focused fund. It provides affordable, long-term capital and technical assistance solutions, for the development of commercially viable small and medium enterprises (SMEs) and intermediaries across the agriculture sector in Nigeria. During the launch, Sahel Capital, the fund managers of FAFIN, announced its first investment, acquiring a 25% stake in L & Z Integrated Farms Limited, one of the fastest growing dairy producers and processors in Nigeria.

NSIA BROADENS THE COUNTRY'S AGRICULTURE BASE BY CO-SPONSORING FAFIN

Real Estate

NSIA has been active in appraising investment opportunities across the affordable and mass housing, commercial and hospitality real estate segments.

In July 2014, NSIA signed a Memorandum of Understanding (MoU) with Eagle Hills, a real estate investment and development company focused on developing new city hubs in high-growth international markets. Eagle Hills is a sovereign investment entity of the government of Abu Dhabi, led by Mohamed Alabbar, Founder and Chairman of the Emaar Group.

Pursuant to the MoU, NSIA and Eagle Hills entered into a Joint Venture agreement to co-develop Phase One of the Abuja Centenary City development. This consists of serviced and residential apartments, offices, luxury villas and the Address Hotel (an Emaar branded five-star hotel, which will be integrated with retail space).

NSIA continues to view the affordable and mass housing segment as critical for Nigeria. We have forged strategic partnerships with public and private institutions for the development of commercially viable housing real estate projects. These will incorporate new technology as well as new construction standards, for the delivery of high quality, affordable housing products.

Healthcare

In 2014, NSIA conducted a review of the Nigerian healthcare sector. We identified three segments within the sector to pursue investment opportunities. These include:
— *Tertiary specialist hospitals:* Investment in hospitals providing healthcare focused on non-communicable diseases. Within this segment, NSIA will seek partnerships with existing public hospitals to leverage the breadth of clinical capacity at these establishments.
— *Medical diagnostic facilities:* Investments in this segment would focus on establishing modern medical diagnostic facilities either as standalone facilities or joint venture partnerships with public hospitals.
— *Medical manufacturing:* Investments in greenfield or brownfield pharmaceutical manufacturing facilities, or other medical equipment and supplies manufacturing facilities.

NSIA is currently developing two projects in the specialist hospital and medical diagnostics segments, respectively. NSIA, through its healthcare investment subsidiary, NSIA Healthcare Investment and Development Company, has entered into a Joint Development Agreement with one of the leading teaching hospitals in the country. This aims to establish a state-of-the-art, tertiary specialist hospital to undertake advanced surgery and medical care. NHIDC is also in the process of completing the financing of a modern medical laboratory and advanced radiology facility in partnership with one of the Federal Government's Medical Centres. NSIA expects to achieve financial completion on two healthcare investments in 2015.

THE NIGERIA INFRASTRUCTURE FUND CONTINUED

Motorways

NSIA is actively pursuing investments in road infrastructure, which would attract private funding to the road sector. This would improve the general state of Nigeria's roads, reduce the funding burden on the Federation Account, and introduce private sector efficiencies to the procurement, delivery and management of road infrastructure.

In line with this, in partnership with Julius Berger, we are currently undertaking a project to build, operate and maintain a second bridge crossing over the Niger River. This connects Asaba and Onitsha, and will improve collaboration between the South-South and South-East zones of Nigeria. Major milestones achieved on the project so far include the signing of the Early Works II contract and Deed of Undertaking, on-boarding of Advisers (Financial, Legal, and Technical), completion of the ESIA report and commencement of construction. To date, the government has committed ₦10 billion of its expected ₦30 billion contribution to the project.

NSIA has also taken initial steps to partner with The Infrastructure Bank for the reconstruction and rehabilitation of the Lagos-Ibadan expressway.

Power

Reliable power supply is essential to Nigeria's future growth prospects, particularly in light of the nation's focus on job creation and the development of an industrial base. With the ongoing transformation of Nigeria's power sector through privatisation, NSIA continues to evaluate opportunities alongside private investors across the power sector value chain. We are seeing an increasing number of attractive investment opportunities.



ON-GOING PILING WORK AT THE SITE FOR THE SECOND NIGER BRIDGE

3D RENDITION OF THE PROPOSED SECOND NIGER BRIDGE AT COMPLETION


PRELIMINARY WORK DONE AT THE CONSTRUCTION SITE OF THE SECOND NIGER BRIDGE

IN COLLABORATION WITH JULIUS BERGER INVESTMENTS LTD, WE ARE CURRENTLY UNDERTAKING A PROJECT TO BUILD, OPERATE AND MAINTAIN A SECOND BRIDGE CROSSING OVER THE NIGER RIVER. THE SECOND NIGER BRIDGE (2NB) WILL CONNECT ASABA AND ONITSHA, AND IMPROVE ECONOMIC ACTIVITIES ACROSS THE COUNTRY.

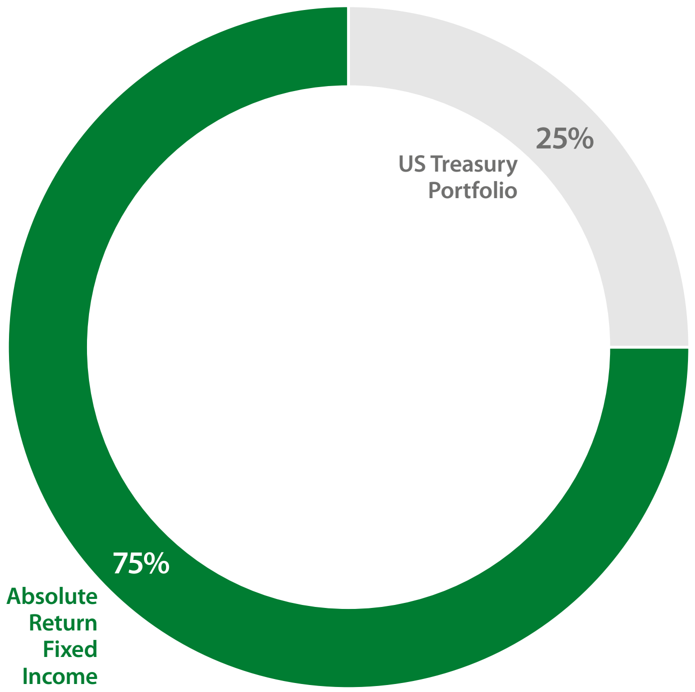
THE STABILISATION FUND

The Stabilisation Fund (SF) is the smallest of the three NSIA pools of capital, with a 20% allocation of funds under management.

Asset Allocation

	Policy Target	Benchmark
Growth Assets	75%	MSCI All Country World Index
Absolute Return Fixed Income		— Libor 3 Month USD
		— 91 Day Treasury Bill Index
		— Barclays US Universal Bond Index
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

Fund Management Allocation



The purpose of the SF is to act as a buffer against short-term macro-economic instability associated with considerable government revenues derived from hydrocarbon exports.

The SF has a short-time horizon and low returns target. The asset allocation is split between Hedge Assets and Growth Assets. Investments are made conservatively, with a focus on liquidity given the unpredictable nature of the future capital calls that will be made on the Fund. We, therefore, allocated the following assets as shown in the table, below on the left.

Growth

Absolute Return Fixed Income

The decision to shift this segment of the SF from a Corporate Buy & Hold mandate to an Absolute Return Fixed Income mandate was taken so that the Fund had greater capability to earn incremental returns. This needs to be done while navigating the challenges of the globally prevailing zero interest rate environment and also rising rates in the future. This allocation is dynamic, with the mandate holder unconstrained by benchmark and having flexibility to navigate fixed income markets, taking active duration, currency and credit exposure in order to obtain returns in any given market conditions.

Hedge

US Treasury Bills and US Treasury Bonds

This asset class provides exposure to less risky and lower yielding instruments. The maturity on US Treasury Bonds is limited to three years. This component will help to ensure the capital preservation goal of the SF. Given the simplicity and standardised nature of this mandate, diversification across managers is not necessary, but rather cost considerations are at the fore.

Year in Review

2014 saw the amendment of the Investment Policy Statement to broaden the growth portion of the asset allocation to allow for the inclusion of Absolute Return Bond mandates. To this end, three managers were selected to manage the 75% weighting to this asset class. These managers were on-boarded through Q2 and Q3. However, towards year end the decision was taken to temporarily pull back from the market due to increased volatility levels.

2015 Outlook

Management will monitor the performance of the selected managers throughout 2015, and assess the merits of further diversification within the Absolute Return Fixed Income portion of the allocation.

OTHER FUNDS

The Debt Management Office Fund

In July 2013, the Federal Government of Nigeria issued a $1 billion Eurobond through the Debt Management Office (DMO). NSIA was appointed to act as investment manager for $200 million of this fund 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 has invested $100 million in a private bond with Seven Energy to enable the completion of gas infrastructure. This includes Independent Power Plants in the South South, as well as improvements to other assets within the region. This bond has the same price as the publicly issued Eurobond and a seven-year tenor.

We continue to seek gas-to-power investment opportunities.

The Nigerian Bulk Electricity Trading Plc Fund

The NSIA was appointed to serve as Investment Manager for the $350million Fund allocated to the Nigeria Bulk Energy Trading Plc (NBET) by the Federal Government of Nigeria.

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, safety of the funds and driving returns above the benchmark set by NBET.

To date, all funds have been invested and performance is above the benchmark. However, we are mindful of the continued weakness in US dollar interest rates in 2015.

NSIA INVESTMENT IN SEVEN ENERGY GAS-TO-POWER PROJECT, AKWA IBOM

Adding value by

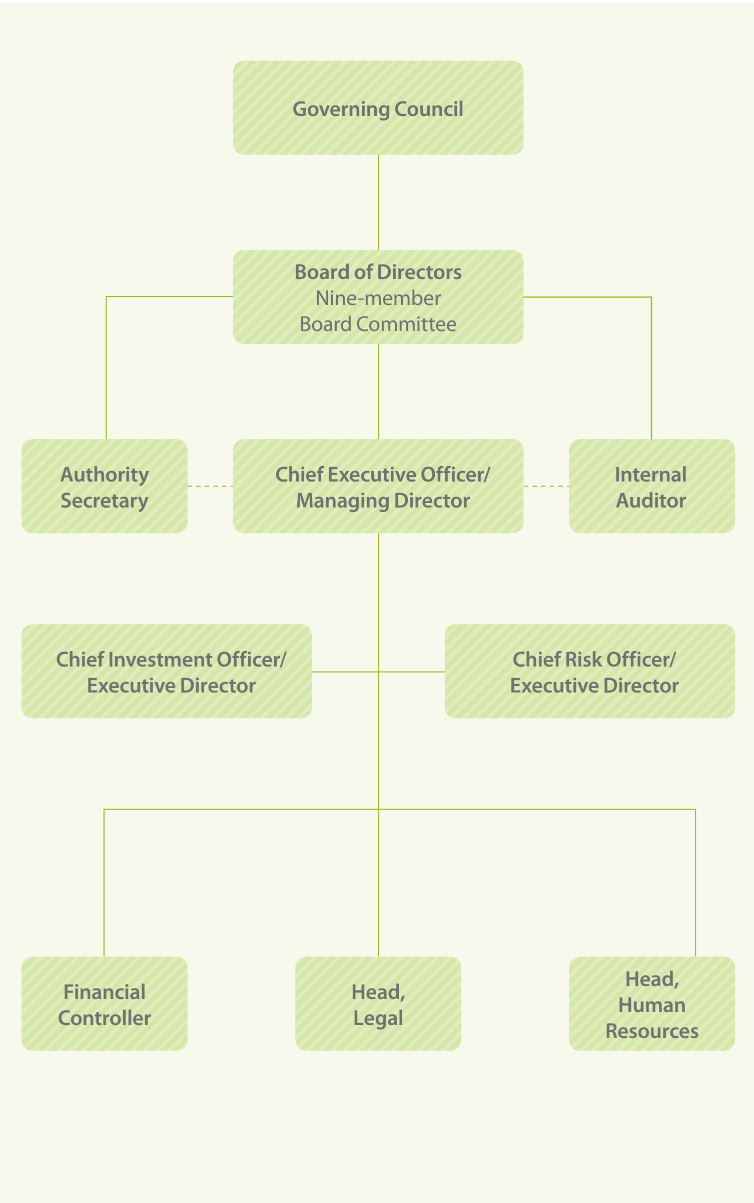
SUSTAINABLE CORPORATE GOVERNANCE

Corporate Governance

GOVERNANCE

Strong corporate governance fosters successful relationships within the Authority, and encourages long-term, sustainable corporate growth.

Operating Structure



NSIA strives to develop a robust, strong and transparent corporate governance framework, in line with the provisions of the NSIA Act.

The Act sets out clearly the purpose, obligations, responsibilities, standards and procedures of each of the functions that make up NSIA governance (Governing Council, Board of Directors and Executive Management).

These obligations are reinforced by NSIA's responsibility to meet international best practice standards, such as the Santiago Principles. These were established to define the operational framework for sovereign wealth funds worldwide. The Principles uphold independence of the Authority's governing bodies and Management from the Authority's owner, the Nigerian government. This separation of functions enables the operational independence required to implement investment strategies without fear of any outside intervention.

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

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

Our People, Diversity & Culture

Our people are at the core of our success. Given our lean staffing approach, we have assembled an exceptional team with diverse educational and professional experience, who all share a common passion for achieving NSIA's vision. Our integrated approach to Human Resources (HR) management leverages on the talents of our employees to deliver world class investments and value for our stakeholders. We have taken deliberate steps to cultivate and sustain an enabling environment which fosters innovation, creativity and learning. We are indebted to our people for their continued contributions and commitment.

Diversity and inclusiveness are business imperatives for NSIA. We value differences in perspectives and by focusing on diversity in our recruitment, we are able to draw from a broad pool of talents. The wide spectrum of our workforce, partners and clients, positions us to make better informed decisions to achieve our business objectives.

Our work culture is driven by our values of Discipline, Transparency and Integrity. These reflect what matters most to us as individuals and as an organisation. They are the foundation of our success. These guide our business interactions, and drive every decision we make. By promoting our organizational culture, we ensure that our employees continue to strive for the highest possible standards.

Governing Council

The Governing Council consists of His Excellency, The President of the Federal Republic of Nigeria (also represented by the Vice President), the 36 Governors and the Honourable Minister of the Federal Capital Territory; The Honourable Minister of Finance; The Attorney General of the Federation; The Honourable Minister of Economic Planning, Governor of the Central Bank of Nigeria (CBN), Chief Economic Advisor to the President, Chairman of Revenue Mobilisation, Allocation and Fiscal Commission, and 12 Members of the public appointed by the President on the recommendation of the Honorable Minister of Finance.

Responsibilities of the Governing Council include, but are not limited to, providing advice and counsel to the Board and Management, whilst observing the independence of the Board and Management. It holds an annual meeting following publication of NSIA's Annual Report.

Board of Directors

NSIA's Board of Directors is charged with overseeing and approving the development of a strategic plan to meet NSIA's long-term goals. NSIA's Board is the highest decision-making body responsible for governance and financial policy. It monitors and supervises NSIA's financial performance through:

— review of investment performance of each of the Funds;
— review and approval of NSIA's operating and capital budgets as well as investments; and
— review and approval of quarterly and year-end financial statements.

Furthermore, the Board is expected to work with Management to identify principal investment risks, and ensure that systems are in place to manage those risks. It must also monitor NSIA's performance against agreed goals and objectives, and approve or ratify NSIA's policies.

The NSIA Board is made up of nine members consisting of a Non-Executive Chairman and three Executive Directors (Chief Executive Officer/ Managing Director, Chief Investment Officer and Chief Risk Officer) and five Non-Executive Directors.

BOARD OF DIRECTORS

The Executive and Non-Executive Directors of NSIA's Board bring a diverse range of skills and competence from a mixture of financial, industry-related and entrepreneurial backgrounds. This has contributed to NSIA's success to date.

Alhaji Mahey Rasheed, OFR
Chairman, Board of Directors

Mr Uche Orji
Managing Director and
Chief Executive Officer

Mr Hanspeter Ackermann
Executive Director and
Chief Investment Officer

Mrs Stella Ojekwe-Onyejeli
Executive Director and Chief Risk Officer

Mrs Ibukun Awosika
Non-Executive Director

Mr Arnold Ekpe
Non-Executive Director

Mrs Olabisi Soyebo
Non-Executive Director

Mr Hassan Musa Usman
Non-Executive Director

Mr Jide Zeitlin
Non-Executive Director

Alhaji Mahey Rasheed, OFR
Chairman of the Board of Directors

– Alhaji Rasheed is a former Deputy Governor of the Central Bank of Nigeria (CBN). Prior to his retirement in 2004, he gained extensive experience in central banking. While at CBN, he led the External Reserve Management operations for more than a decade. For about two decades, he was at the forefront of formulating and implementing monetary and financial policies, risk management strategies, and corporate governance.

– Alhaji Rasheed is a former Chairman of the Nigerian Security Printing and Minting Plc, and a pioneer Director of the National Insurance Supervisory Board (now known as the National Insurance Commission (NAICOM)), the apex insurance sector regulator in Nigeria. He is also a former Chairman of Legacy Pension Managers Ltd (a Pension Fund Management Company).

– Alhaji Rasheed was Chairman of the Clearing Exchange Committee of the West African Clearing House (WACH) between 1992-1993 (the committee handling all trade transactions in the West African sub region). During this time, he worked hard to transform the body into today's West African Monetary Agency (WAMA), responsible for regional monetary integration in West Africa.

– In 1999, Alhaji Rasheed was appointed by the IMF to represent Africa on the Fund's panel of experts on Safeguards Assessment. The Panel advises IMF on fiduciary assessment for member countries.

– Alhaji Rasheed has served on the boards of a number of other public and private sector companies, as well as influential national and international committees representing the Federal Government of Nigeria, Central Bank of Nigeria and New Nigeria Development Company – the development finance institution where he began his career.

– Currently, Alhaji Rasheed is a member of the Board of First Bank of Nigeria, and Chairman of its Board's Audit Committee.

– Alhaji Rasheed attended Ahmadu Bello University, Zaria and Harvard University, USA where he obtained a BSc. Economics and MPA Public Policy respectively. He is an Edward Mason Fellow of Harvard University.

– In 2004, Alhaji Rasheed was honoured as an Officer of the Federal Republic (OFR) by the Federal Government of Nigeria.

Mr Uche Orji
Managing Director and
Chief Executive Officer

– Mr. Orji is the Managing Director & Chief Executive Officer of the Nigeria Sovereign Investment Authority (NSIA). He brings a wealth of global experience in the financial services sector in his role as pioneer Managing Director & Chief Executive Officer of the NSIA.

– He joined the NSIA as CEO on October 2nd 2012, from Switzerland's largest bank, UBS Securities, where he was Managing Director in the New York branch of its Equities research Unit. Prior to his experience at UBS Securities, Uche Orji had spent 6 years at JP Morgan Securities in London, from 2001-2006, rising from the post of Vice President to Managing Director within the Equities division.

– Prior to JP Morgan, Uche Orji was at Goldman Sachs Asset Management, London from 1998-2001, as Analyst/Portfolio Manager. In his role he was a member of the team running the Pan European Equity Fund and global technology fund. He was also an equity analyst covering the chemical, pulp and paper, communication equipment and technology sectors across a wide range of companies such as BASF, Bayer, Ericsson, Nokia, Philips Electronics, Siemens, ARM Holdings etc.

– While at JP Morgan in London, Mr. Orji was the lead semiconductor analyst and global coordinator for Semiconductor research at UBS, covering more than 35 technology companies in the US and more than 100 investor clients globally. Mr. Orji was ranked number 1 by the institutional Investor magazine in 2006 and number 1 by Thompson/ Extel in 2003 out of more than 60 semiconductor equity analysts in Europe. While at UBS in New York, Mr. Orji was ranked number 3 by Institutional Investor magazine in 2012 out of more than 100 semiconductor equity analysts and number 5 globally by Forbes Magazine.

– Mr. Orji was a regular commentator at major media houses including CNBC and Bloomberg TV, and also provided strategic advice to the management of companies such as Intel Electronics, AMD, Texas Instruments, ARM Holdings etc. He also advised several global portfolio management firms and sovereign wealth funds in his role as an analyst and global coordinator of semiconductor research for UBS. He has co-authored several hundred research pieces in the Semiconductor sector and broader technology investment sectors.

– Uche Orji studied Chemical Engineering at the University of Port Harcourt, Nigeria, graduating in 1990 with a Bachelor of Engineering degree. He also obtained an MBA from Harvard Business School in 1998. Prior to his MBA program, Mr. Orji worked at Diamond Bank Plc., Lagos, Nigeria as Assistant manager and Acting Financial Controller and Arthur Andersen & Co, Lagos, Nigeria as an audit staff. Mr. Orji completed his national youth service in Bauchi, Bauchi State where he worked at the Nigeria Industrial Development Bank (present day Bank of Industry).

BOARD OF DIRECTORS CONTINUED

Mr Hanspeter Ackermann
Executive Director and Chief Investment Officer

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

– Between 2010 and 2013, he served as Assistant General Manager at Samba Capital in Riyadh, Saudi Arabia. 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, Hanspeter was co-founder and Principal of Monteverdi International Management PLC, in New York, USA. From 1996-2004, he was President and Managing Director of Deutsche Bank Investment Management Inc. in New York. He also served as CIO and Senior Portfolio Manager for several closed-end mutual funds listed on the New York Stock Exchange.

– From 1993 – 1996, Hanspeter served as President and Managing Partner of Eiger Asset Management, New York. He was Managing Director and CIO, and previously Senior Portfolio Manager at UBS, where he built the institutional fund management business for Swiss Bank Corporation (UBS) in New York from 1983-93.

– 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. He is a Chartered Financial Analyst (CFA).

Mrs Stella Ojekwe-Onyejeli
Executive Director and Chief Risk Officer

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

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

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

– Mrs Ojekwe-Onyejeli is a qualified chartered financial and tax accountant. She spent over a decade at professional services firms Arthur Anderson and KPMG in Nigeria and South Africa, providing financial advisory and business assurance services.

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

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

Mrs Ibukun Awosika
Chair, Finance and General Purpose and Compensation Committees

– Mrs Awosika is the founder and CEO of The Chair Centre Group. The companies in the group include The Chair Centre Limited, Sokoa Chair Centre Limited, Furniture Manufacturers Mart, TCC Security Systems, and Cubes and Boxes Limited. The companies are involved in furniture manufacturing, retail and bank-way security systems services.

– She serves on a number of corporate and not-for-profit boards amongst which are: First Bank of Nigeria Limited, Cadbury Nigeria Plc., Convention on Business Integrity (CBi). She chairs the boards of FBN Capital Limited; Kakawa Discount House Limited, Afterschool Graduate Development Centre (AGDC) – a facility which she promoted to help address youth employability and enterprise issues in Nigeria; and was past Chairman, FBN Life Assurance Limited.

– She is a graduate of Chemistry from University of Ife, Nigeria; an alumnae of the Chief Executive Programme of Lagos Business School; the Global Executive MBA of IESE Business School, Barcelona-Spain; and Global CEO Programme of Wharton, IESE and C.E.I.B.S Business Schools.

– With high interest in social issues including women, she is a co-founder and past chairperson of Women in Business and Management, and Public Service (WIMBIZ). An ordained Pastor and founder of the Christian Missionary Fund; Mrs Awosika, through this faith-based organization works with hundreds of missionaries spread across Nigeria to change lives through provision of medical, educational, and other supplies.

– As a fellow of the African Leadership Initiative and Aspen Global Leadership network, Mrs Awosika, through her projects, aspires to use her opportunities in life to further the greatness of her dear country by raising entrepreneurs to create jobs for the large unemployed youthful population. She is a member of the Nigerian Economic Summit Group (NESG), served on National Job Creation Committee (NCJC), and sits on the International Advisory Board of IESE Business School, Barcelona-Spain.

– Mrs Awosika is a multiple award-winning entrepreneur, and the First Nigerian recipient of the prestigious International Women Entrepreneurial Challenge Award (IWEC) as a nominee of the US Department of State in 2008.

– She loves to watch investigative and legal series in her leisure time. She is married to Abiodun Awosika and they are blessed with three wonderful sons.

Mr Arnold Ekpe
Chair, Risk Committee

– Mr Ekpe has a proven track record in banking, finance and investments in Africa.

– He has served as Chief Executive of Ecobank and UBA, two of Africa's leading financial institutions. As the longest-serving CEO of Ecobank (where he was CEO twice), he was responsible for the transformation of the group from a West African bank to the first truly pan-African banking group. He was also responsible for turning around UBA in the early 2000s.

– Mr Ekpe previously established and headed Citibank's Structured and Corporate Finance business in Sub-Sahara-Africa, and was a partner at Capital Alliance, the leading private equity firm in West Africa.

– He is currently the Chairman of Atlas Mara, a UK listed pan African banking group and Honorary President of the Business Council for Africa.

– Mr Ekpe holds a first class honours degree in mechanical engineering from Manchester University and an MBA from Manchester Business School.

Mrs Olabisi Soyebo
Chair, Audit Committee

– Mrs Soyebo is a Partner in the law firm Abdullahi Ibrahim & Co, where she heads its Abuja office.

– She is a Securities and Exchange Commission (SEC) approved capital market consultant, and a fellow of the Chartered Institute of Arbitrators (UK).

– Mrs Soyebo focuses on complex civil/criminal appellate litigation. She advises on commercial transactions including conveyance, corporate finance, capital markets, banking, labour, employment, and oil and gas.

– She was called to the Nigerian Bar in 1988, appointed a Notary Public in 1998, and was admitted to the Inner Bar as a Senior Advocate of Nigeria (SAN) in 2008.

– Mrs Soyebo obtained a BA (Hons) in Sociology at the College of St. Elizabeth New Jersey, USA in 1985. She then went on to study at the University of Buckingham, England where she graduated with an LLB (Hons) in law in 1987.

BOARD OF DIRECTORS
CONTINUED

Mr Hassan Musa Usman
Board Member

– Mr Usman is the Managing Director/Chief Executive Officer of ASO Savings and Loans Plc. A Chartered Accountant, Hassan possesses a relevant, winning career spanning over twenty years in Finance and Investment Advisory and Privatization Services, covering various sectors and global regions.

– Prior to becoming MD/CEO of ASO, he served as Executive Director (Investments) at Abuja Investment and Property Development Company Ltd., the Federal Capital Territory's premier development agency in Nigeria. He has also headed key units of the Bureau of Public Enterprises, including Petrochemicals and Gas, Transport Sector Reform and Telecommunications. At Citibank Nigeria, where he worked for 7 years, until 2000, Hassan headed the Structured and Cross-border Finance Team within its Corporate Finance Group. This followed stints managing Capital Markets and Corporate Banking relationships.

– He had worked for 3 years within the Financial Markets Division of Arthur Andersen S.C. London, and before then, as Research Assistant in the International Economic and Monetary Relations department of the Central Bank of Nigeria, Lagos. He has served on the boards of major corporations, including NITEL, Nigerian Sovereign Investment Authority (NSIA), Nigerian Mortgage Refinance Company (NMRC) etc, and on the Council of the Nigerian Stock Exchange.

– Mr Usman graduated with a BA, in Economics from the University of Sussex, and an M. Phil in Development Economics from Darwin College, University of Cambridge. He is an Associate of the Institute of Chartered Accountants in England and Wales. He is also a Registered US National Association of Securities Dealers Series 7 Investment Banking Representative. Hassan speaks English and Hausa and is married with four children. In his free time he plays football, basketball, and listens to jazz.

Mr Jide Zeitlin
Chair, Investment Committee

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

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

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

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

BOARD COMMITTEES

NSIA's Board performs its functions through five main committees each with a defined purpose, composition and structure. The Chairman of the Board is not a member of any of these committees.

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

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

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

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

Finance & General Purpose Committee (F&GP)
Oversees the financial, operational and administrative functions of NSIA.

Governance Structure

	Board of Directors				
	Investment Committee	Audit Committee	Compensation Committee	Risk Committee	F&GP Committee
Alhaji Mahey Rasheed, OFR					
Mr Uche Orji					
Mr Hanspeter Ackermann					
Mrs Stella Ojekwe-Onyejeli					
Mrs Ibukun Awosika		■	Chair	■	Chair
Mr Arnold Ekpe				Chair	
Mrs Olabisi Soyebo	■	Chair	■		■
Mr Hassan Musa Usman	■	■	■	■	■
Mr Jide Zeitlin	Chair				

Adding value by

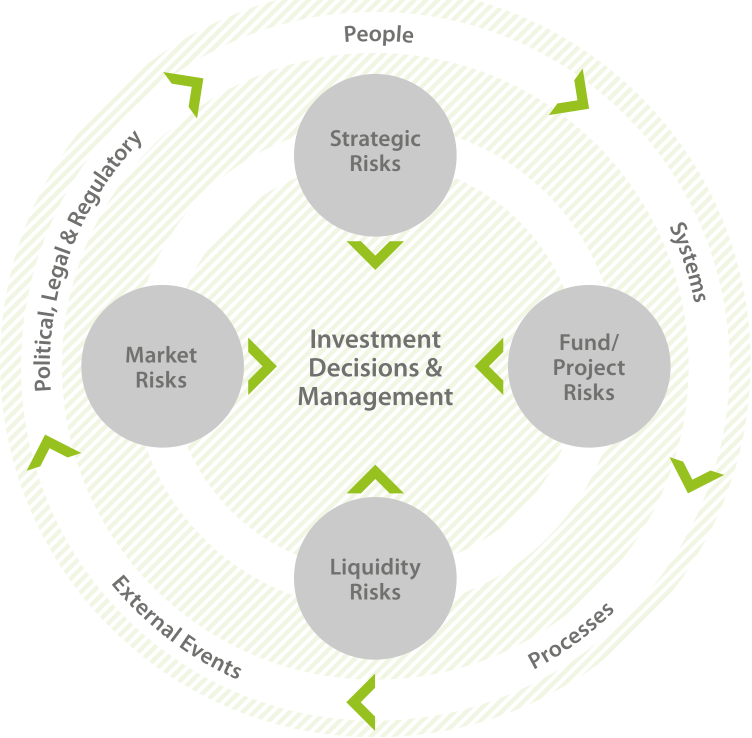
BUILDING A SAVINGS BASE FOR THE NIGERIAN PEOPLE

Risk Management

RISK MANAGEMENT

At the Nigeria Sovereign Investment Authority (NSIA), we believe that a sound risk management system is the foundation for building a vibrant and viable institution.

Risk Management Structure



Risk Management Approach

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

Our strategy for managing risk is to understand risk within our invested universe and the externalities that can affect this, with the aim of monitoring, controlling and mitigating against undesired events. Accordingly, our highly experienced Risk Management team has developed a comprehensive risk management process through which we monitor, evaluate and manage the risks in conducting our activities (both internal and external).

Objectives of Risk Management

The Authority's risk management objectives are as follows:

— 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 the growth rate of stakeholders' savings;
— negate any threat to the value of the funds available to support the Nigerian people in times of economic stress;
— support the sustainable development of Nigeria's infrastructure by ensuring projects are selected based on careful identification and assessment of inherent risks;
— ensure that the Authority's investment plans are consistent, aligned with the defined risk appetite, and supported by an effective and efficient risk management function;
— optimise the Authority's risk and return trade-offs by ensuring that every member of staff acts as a primary risk manager while establishing strong risk management protocols complemented by independent review and oversight structures;
— contribute to building a risk-smart workforce and business environment that allows for innovation and responsible risk-taking while ensuring cost-effective and legitimate 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. The management of risk in NSIA is primarily guided and monitored by the Board Risk Committee. The Chief Risk Officer regularly advises the Risk Committee of the Board about relevant risk metrics and material exposures. The Risk Committee in turn advises the Investment Committee and the Board as appropriate. Details regarding the composition and main responsibilities of our Board of Directors and the Board Risk Committees regarding risk management oversight are contained in the respective Charters.

Three Lines of Defence

Our risk management framework is designed 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 manager 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, risk management provides independent risk oversight by monitoring and challenging the effectiveness of NSIA's fund management and general operating practices. Risk management 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 comprises internal auditors with primary responsibility for 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 commented below on our strategies to mitigate the various risk groups that may impact NSIA operations.

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.

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

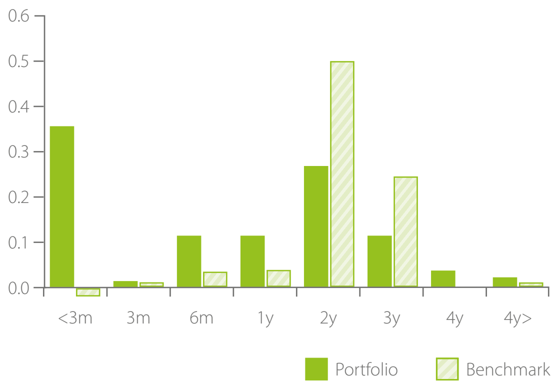
We manage our market risk by diversifying exposures and managing the Authority's asset allocation to balance risk and reward. Risk management produces risk measures and monitors them to ensure that portfolios remain within the risk appetite approved by the Authority's Risk Committee. We use a variety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

Our assessments of these risks and their impact on our portfolio are 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 2014, approximately 4% of the Future Generations Fund had direct exposure to commodities.

— *Interest Rate Risk:* Interest rate movements directly affect the price of fixed-income instruments. The Stabilisation Fund is exposed to interest rate risk and its average duration is approximately two years, with most of the instruments having term to maturity of less than three years as shown below.

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 2014, NSIA had approximately 25% of the Future Generations Fund invested in the global equity markets.

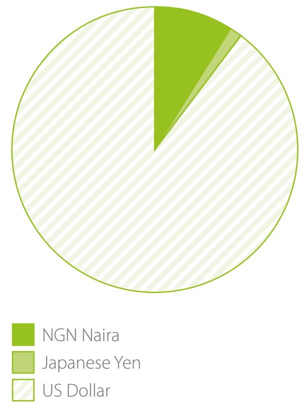
— *Currency Rate Risk:* The value of the Funds under NSIA management is significantly affected by exchange rate movements that result from exposures to changes in spot prices, forward prices and volatilities of currency rates. The effective currency of NSIA is US dollars. However, due to statutory reporting requirements, the reporting currency is Naira. We are, therefore, significantly affected by the Nigerian Naira/US dollar exchange rate.

The Stabilisation, Future Generations and Infrastructure Funds are mostly held in US dollars. This is not expected to change going forward for the Stabilisation Fund and Future Generations Fund. We, however, 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 held. The direct currency positions held by NSIA as at the end of December 2014 are approximately 9% Naira, 1.5% Japanese Yen and 89.5% US dollars. Further analysis into the underlying currency exposure of assets held by the various portfolio managers at the end of December 2014 shows a reduced absolute exposure to the US dollar and an increased absolute exposure to emerging market currencies as shown in the pie chart and table below.

NSIA Absolute Currency Exposure as at End Dec 2014

Currency	Portfolio Weight	Currency	Portfolio Weight
US Dollar	83.8%	Renminbi	0.6%
Nigerian Naira	8.8%	Indonesian Rupiah	0.6%
Mexican Peso	2.1%	Hungarian Forint	0.6%
Indian Rupee	1.3%	Hong Kong Dollar	0.5%
Chilean Peso	1.2%	Brazilian Real	0.3%
South African Rand	0.8%	Polish Zlotych	0.3%
South Korean Wong	0.8%	New Zealand Dollar	-1.1%
Brazilian Real	0.8%	Japanese Yen	-1.5%
		Others	1.8%

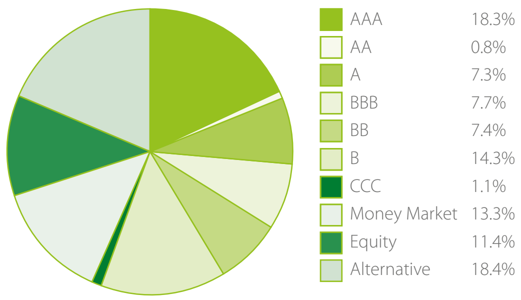
Currency Risk Exposure



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 funds is shown below.

Credit and Asset Class 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.

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.

There are allocations in the Future Generations Fund and the Nigeria Infrastructure Fund which 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 2015 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 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 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.

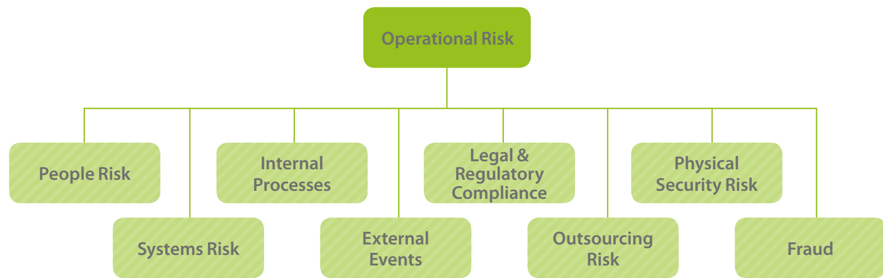
We have defined eight key operational risk categories as depicted below for more detailed and effective management. We seek to manage our operational risk through:

— 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 operational risk identification, assessment, treatment, monitoring and reporting.

Operational Risk Categories



Stability through

PROVIDING SUPPORT IN TIMES OF ECONOMIC STRESS.

Financial Statements

Directors, Officers and Professional Advisors

Chairman	Alhaji Mahey Rasheed (OFR)
Directors	Mr Uche Orji (Managing Director) Mr Hanspeter Ackermann (Executive Director) Mrs Stella Ojekwe-Onyejeli (Executive Director) Mrs Ibukun Awosika (Non-Executive Director) Mr Arnold Ekpe (Non-Executive Director) Mrs Olabisi Soyebo (SAN) (Non-Executive Director) Mr Hassan Musa Usman (Non-Executive Director) Mr Jide Zeitlin (Non-Executive Director)
Acting Company Secretary	Mrs Ezinwa Okoroafor
Registered Office	The Clan Place, 4th floor Plot 1386A, Tigris Crescent Maitama, Abuja
Auditors	**PricewaterhouseCoopers** 252E Muri Okunola Street Victoria Island Lagos, Nigeria
Bankers	**Access Bank** Plot 999c Danmole Street Off Adeola Odeku/Idejo Street Victoria Island, Lagos, Nigeria **United Bank of Africa** UBA House 57 Marina Lagos, Nigeria **JP Morgan** 270 Park Avenue New York, 10017-2070 USA
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
Investment Advisor	**Cambridge Associates Limited** 80 Victoria Street Cardinal Place London, SW1E 5JL

Directors' Report

For the year ended 31 December 2014

1. Financial Statements

The Directors present their annual report on the affairs of Nigeria Sovereign Investment Authority ('the Authority' or 'NSIA'), together with the financial statements and independent auditor's report for the year ended 31 December 2014.

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 will be performed through three ring fenced funds; Stabilisation Fund (SF), Nigeria Infrastructure Fund (NIF) and the Future Generations Fund (FGF). The Authority commenced operations in October 2012.

3. Operating Results

The following is a summary of the Group and Authority's operating results:

	Group **12 months to 31 December 2014 ₦'000**	Authority **12 months to 31 December 2014 ₦'000**
Operating income	3,941,393	3,791,400
Non-operating income	3,239,795	3,239,795
Profit for the period	5,165,926	5,007,386
Total comprehensive income for the period	15,772,573	13,884,742
Retained earnings for the period	5,691,084	5,532,544

4. Objective

NSIA is an autonomous entity established by the Law of the Federal Republic of Nigeria as enacted by the Act of the National Assembly with a broad mandate to:

a) build a savings base for the Nigerian people;
b) enhance the development of Nigerian infrastructure;
c) provide stabilisation support in times of economic stress; and
d) carry out such other matters as may be related to the above objects.

5. Governance and Management

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

The Council comprises the following:

a) the President of Nigeria (who may be represented by the Vice-President);
b) governors of Nigeria's 36 States; and
c) eighteen other appointees, including:
   I. Attorney-General of the Federation,
   II. Minister of Finance,
   III. Minister in charge of the National Planning Commission.

6. Employment of Disabled Persons

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

7. Employee Health, Safety and Welfare

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

Statement of Directors' Responsibilities

In relation to the financial statements for the year ended 31 December 2014

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 48 to 89 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) applicable in Nigeria and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Authority's ability to continue as a going concern and have no reason to believe the Authority will not remain a going concern in the period ahead.

Signed on behalf of the Board of Directors by:

Alhaji Mahey Rasheed, OFR
FRC/2013/IODN/00000002090
Chairman of the Board of Directors

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

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE NIGERIA SOVEREIGN INVESTMENT AUTHORITY

Report on the financial statements

We have audited the accompanying financial statements of the Nigeria Sovereign Investment Authority ("the Authority") and its subsidiaries (together, "the Group"). These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Authority and the Group at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Nigeria Sovereign Investment Authority Act and the Financial Reporting Council of Nigeria Act.

Gabriel Ukpeh

For: **PricewaterhouseCoopers**
Chartered Accountants
Engagement partner: Gabriel Ukpeh
FRC/2013/ICAN/0000001882
Lagos, Nigeria

A1037766

27 March 2015

PricewaterhouseCoopers Chartered Accountants, 252E Muri Okunola Street, Victoria Island, Lagos, Nigeria

Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	Group 12 months to 31 December 2014 ₦'000	Authority 12 months to 31 December 2014 ₦'000	Authority 15 months to 31 December 2013 ₦'000
Investment income	8	3,920,787	3,774,168	1,395,718
Interest income	9	20,606	17,232	70,467
Total operating income		**3,941,393**	**3,791,400**	**1,466,185**
Investment management fees		(293,762)	(293,762)	(9,575)
Local custodian fees		(16,988)	(16,988)	(8,131)
Global custodian fees		(33,581)	(33,581)	(4,199)
Total investment management & custodian fees		**(344,331)**	**(344,331)**	**(21,905)**
Total operating profit		**3,597,062**	**3,447,069**	**1,444,280**
Other non-operating income	10	3,239,795	3,239,795	495,017
Total non-operating income		**3,239,795**	**3,239,795**	**495,017**
Operating and administrative expenses	11	(1,644,388)	(1,644,388)	(1,414,139)
Total operating and administrative expenses		**(1,644,388)**	**(1,644,388)**	**(1,414,139)**
Share of profit of investments accounted for using the equity method	20	16,364	-	-
Profit before tax		**5,208,833**	**5,042,476**	**525,158**
Taxation	14	(42,907)	(35,090)	-
Profit for the period		**5,165,926**	**5,007,386**	**525,158**
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Fair value gains on available-for-sale investments				
Net change in fair value	23	10,489,666	8,877,356	(19,464)
Currency translation differences	23	116,981	-	-
Other comprehensive income for the period		**10,606,647**	**8,877,356**	**(19,464)**
Total comprehensive income for the period		**15,772,573**	**13,884,742**	**505,694**

The accompanying notes on pages 53 to 89 form an integral part of this financial statement.

Statement of Financial Position

As at 31 December 2014

	Note	Group 12 months to 31 December 2014 ₦'000	Authority 12 months to 31 December 2014 ₦'000	Authority 15 months to 31 December 2013 ₦'000
Assets				
Cash and cash equivalents	15	49,903,739	43,098,473	111,895,419
Advances		16,800	16,800	28,768
Investment securities	16	117,746,679	108,471,837	45,114,706
Other assets	17	4,769,933	4,769,621	290,512
Investment in subsidiaries	20	-	11,994,482	-
Investment in associate	20	1,616,364	1,600,000	-
Property and equipment	18	3,772,873	185,378	246,189
Intangible assets	19	12,168	12,168	19,777
Total assets		**177,838,556**	**170,148,759**	**157,595,371**
Liabilities				
Trade and other payables	21	6,310,289	508,323	439,677
Borrowings	22	-	-	1,400,000
Total liabilities		**6,310,289**	**508,323**	**1,839,677**
Equity and reserves				
Contribution by Government	23	155,250,000	155,250,000	155,250,000
Retained earnings	23	5,691,084	5,532,544	525,158
Fair value reserves	23	10,470,202	8,857,892	(19,464)
Currency translation reserves	23	116,981	-	-
Total equity and amount attributable to equity contributors (Government)		**171,528,267**	**169,640,436**	**155,755,694**
Total equity and liabilities		**177,838,556**	**170,148,759**	**157,595,371**

The consolidated financial statements as set out on pages 48 to 89 were approved and authorised for issue by the Board of Directors on 24 March 2015 and signed on its behalf by:

Alhaji Mahey Rasheed, OFR
FRC/2013/IODN/00000002090
Chairman of the Board of Directors

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

Additionally certified by:

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

The accompanying notes on pages 53 to 89 form an integral part of this financial statement.

Statement of Changes in Equity

For the year ended 31 December 2014

Group	Contribution by Government ₦'000	Retained earnings ₦'000	Fair value reserves ₦'000	Translation reserves ₦'000	Total ₦'000
Balance at 1 January 2014	**155,250,000**	**525,158**	**(19,464)**	**-**	**155,755,694**
Total comprehensive income					
Profit for the year	-	5,165,926	-	-	5,165,926
	-	5,165,926	-	-	5,165,926
Other comprehensive income for the year					
Net changes in fair value reserve of financial assets (available-for-sale)	-	-	10,489,666	-	10,489,666
Currency translation differences	-	-	-	116,981	116,981
Total other comprehensive income for the year	-	-	10,489,666	116,981	10,606,647
Total comprehensive income for the year	**-**	**5,165,926**	**10,489,666**	**116,981**	**15,772,573**
Balance at 31 December 2014	**155,250,000**	**5,691,084**	**10,470,202**	**116,981**	**171,528,267**

Authority	Contribution by Government ₦'000	Retained earnings ₦'000	Fair value reserves ₦'000	Total ₦'000
Balance at 1 January 2014	**155,250,000**	**525,158**	**(19,464)**	**155,755,694**
Total comprehensive income				
Profit for the year	-	5,007,386	-	5,007,386
	-	5,007,386	-	5,007,386
Other comprehensive income for the year				
Net changes in fair value reserve of financial assets (available-for-sale)	-	-	8,877,356	8,877,356
Total other comprehensive income for the year	-	-	8,877,356	8,877,356
Total comprehensive income for the year	**-**	**5,007,386**	**8,877,356**	**13,884,742**
Balance at 31 December 2014	**155,250,000**	**5,532,544**	**8,857,892**	**169,640,436**

Authority				
Balance at 1 October 2012	**-**	**-**	**-**	**-**
Total comprehensive income				
Profit for the period	-	525,158	-	525,158
	-	525,158	-	525,158
Other comprehensive income				
Net changes in fair value reserve of financial assets (available-for-sale)	-	-	(19,464)	(19,464)
Total other comprehensive income for the period	-	-	(19,464)	(19,464)
Total comprehensive income for the period	**-**	**525,158**	**(19,464)**	**505,694**
Contributions made by Government	155,250,000	-	-	155,250,000
Total contribution and distributions to owners	**155,250,000**	**-**	**-**	**155,250,000**
Balance at 31 December 2013	**155,250,000**	**525,158**	**(19,464)**	**155,755,694**

The accompanying notes on pages 53 to 89 form an integral part of this financial statement.

Statement of Cash Flows

For the year ended 31 December 2014

	Note	Group 12 months to 31 December 2014 ₦'000	Authority 12 months to 31 December 2014 ₦'000	Authority 15 months to 31 December 2013 ₦'000
Cash flows from operating activities				
Profit before tax		5,208,833	5,042,476	525,158
Adjustments for				
Depreciation	18	78,507	78,507	42,787
Amortisation of intangible assets	19	7,609	7,609	3,051
Withholding tax expense deducted from income received	14	(42,907)	(35,090)	-
Share of (profit) from associate	20	(16,364)	-	-
Movements in operating assets/liabilities				
Increase in investment securities	16	(65,130,410)	(57,584,859)	(45,238,864)
Increase in other assets	17	(4,479,421)	(4,479,109)	(290,512)
Decrease/(increase) in advances		11,968	11,968	(28,768)
Increase in trade and other payables	21	5,870,612	67,646	439,677
Net cash (used) in operating activities		**(58,491,573)**	**(56,890,852)**	**(44,547,471)**
Cash flows from investing activities				
Purchase of property and equipment	18	(3,605,191)	(17,696)	(288,976)
Purchase of intangible assets	19	-	-	(22,828)
Investment in subsidiary entities	20	-	(11,993,482)	-
Investment in associate	20	(1,600,000)	(1,600,000)	-
Net cash (used) in investing activities		**(5,205,191)**	**(13,611,178)**	**(311,804)**
Cash flows from financing activities				
Contribution by Government		-	-	155,250,000
Loan granted by Government		-	-	2,900,000
Repayment of loan		(1,400,000)	(1,400,000)	(1,500,000)
Net cash (used) in/generated from financing activities		**(1,400,000)**	**(1,400,000)**	**156,650,000**
Net cash movement for the year		**(65,096,764)**	**(71,902,030)**	**111,790,725**
Cash and cash equivalents at beginning of period		111,895,419	111,895,419	-
Net exchange gains on cash and cash equivalents		3,105,084	3,105,084	104,694
Cash and cash equivalents at year end		**49,903,739**	**43,098,473**	**111,895,419**
Cash and cash equivalents comprise				
Cash in hand		70	70	163
Bank balances		12,076,261	6,871,656	46,882,874
Placements with financial institutions		37,827,408	36,226,747	65,012,382
Total cash and cash equivalents		**49,903,739**	**43,098,473**	**111,895,419**

The accompanying notes on pages 53 to 89 form an integral part of this financial statement.

Notes to the Consolidated Financial Statements

1. General Information

Nigeria Sovereign Investment Authority ('NSIA' or 'the Authority') and its subsidiaries (together, 'the Group') was established to receive, manage and invest the excess funds from the country's sale of crude oil in a diversified portfolio of medium and long-term investments. The Authority was set up by the Nigeria Sovereign Investment Authority Act, which was signed into law 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. The Authority's office address is the Clan Place, 4th floor, Plot 1386A, Tigris Crescent, Maitama, Abuja.

In order to actualize its mandate, the Authority has established three separate 'ring-fenced' funds, which are: The 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 and Private Equity Funds
Stabilisation Fund (SF)	Brandywine, Goldman Sachs, JPM Asset Management and UBS
Nigeria Infrastructure Fund (NIF)	In-house Management Team, Fund for Agricultural Finance in Nigeria (FAFIN), Goldman Sachs, JPM Asset Management and Brandywine
Future Generations Fund (FGF)	Cevian Capital, Blue Mountain Capital, JHL Capital Group, Edgbaston, Capital International, Arbiter, Somerset, Marathon, Chieftain, Prince Street, JPM Asset Management, Goldman Sachs, Jamison Capital Partners, Xenon Private Equity, Z Capital, Helios Investors, Healthcare Royalty Partners and Brandywine

JP Morgan has been appointed as the Funds' Global Custodian and Stanbic IBTC as the Local Custodian.

2. Basis of Preparation

2.1 Statement of Compliance

The consolidated 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 financial statements were authorised for issue by the Board of Directors on 24 March 2015.

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

2.2 Basis of Measurement

The consolidated 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; and
— trade and other receivables, held to maturity financial assets and financial liabilities are measured at amortized cost.

2.3 Functional and Presentation Currency

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

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

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances

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

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

Notes to the Consolidated Financial Statements continued

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.

2.3.3 Group companies

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

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

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

2.3.4 Composition of the Group

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

NSIA Motorways Investment Company (NMIC): wholly-owned subsidiary investing in road infrastructure within Nigeria. Its results have been consolidated in the Group's financial statements.

KG Brussels LP: wholly-owned subsidiary domiciled in the United States of America. The subsidiary was set up to invest in private equities of other investee funds.

KG Acquisition I LLC: wholly-owned subsidiary domiciled in the United States of America. The subsidiary was set up to act as a General Partner to KG Brussels LP.

2.4 Structure and Content

The financial statement comprises:

— a statement of financial position at the end of the period;
— a statement of comprehensive income for the period;
— a statement of changes in equity for the period;
— a statement of cash flows for the period; and
— notes, comprising a summary of significant accounting policies and other explanatory information.

2.5 Changes in Accounting Policy

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

2.5.1 New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Group:

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

2.5.2 New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

Amendments to IAS 27 on equity method in 'Separate Financial Statements': the amendment allows an option to use the equity method in separate financial statements. The changes will need to be applied retrospectively and there is no relief for first-time adopted. The amendment is effective for annual periods beginning on or after 1 January 2016. The Group is yet to assess the impact of this amendment.

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

3. Significant Accounting Policies

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

3.1 Consolidation

3.1.1 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.

3.1.2 Changes in ownership interests in 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.

3.1.3 Disposal of subsidiaries

When the Group ceases to have control over an entity 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.

3.1.4 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.

Notes to the Consolidated Financial Statements continued

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

3.1.5 Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Authority has assessed the nature of its joint arrangements and determined them to be joint operations. Joint operations are accounted for by recognising the entity's share of the assets, liabilities, revenues and expenses of the joint operation.

3.2 Interest Income and Interest Expense

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or liability.

3.3 Dividend Income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividend income from equity securities designated at fair value through profit or loss is recognised in the 'dividend income' line in the statement of comprehensive income.

3.4 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.

3.5 Net Gain from Financial Instruments at Fair Value through Profit or Loss

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

3.6 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.

3.6.1 Fiduciary activities

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

3.7 Income Tax Expense

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

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

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.

3.8 Financial Assets and Financial Liabilities

3.8.1 Recognition and initial measurement

All financial instruments are initially recognized 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.

3.8.2 Classification

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

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

(b) **Financial liabilities:**

The Authority classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

Loans and receivables

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

Held-to-maturity

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

Available-for-sale

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

Financial assets at fair value through profit or loss

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

Financial assets may be designated at fair value through profit or loss when:
- the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis.

Notes to the Consolidated Financial Statements continued

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in profit or loss in 'trading income' for trading assets. Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

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

3.8.4 Derecognition
The Authority 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.

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

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

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

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

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

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

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

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

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

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

3.9 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.

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

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

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

3.10.2 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.

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

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

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

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

3.10.4 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.

3.11 Intangible Assets – Software
Software acquired by the Authority is stated at cost less accumulated amortisation and accumulated impairment losses. Software is recognized 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 capitalized as part of the software. Software is accounted for using the cost model. After initial recognition, the software is carried at cost less accumulated amortization 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.

Notes to the Consolidated Financial Statements continued

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of three years, from the date that it is available for use. The amortisation method and useful life of software are reassessed at each financial year end and adjusted if appropriate.

3.12 Trade Receivables

Trade receivables are amounts due from the sale of securities in the ordinary course of business. 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.13 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.

3.14 Impairment of Non-Financial Assets

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

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

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

3.15 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.

3.15.1 Restructuring

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

3.16 Trade Payables

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

3.17 Contingencies

3.17.1 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.

3.17.2 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.

3.18 Employee Benefits

3.18.1 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 shall be 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 shall be discounted to their present value at the reporting date.

3.18.2 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.

3.19 Segment Reporting

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

Segment results that are reported to the Chief Executive Officer/ Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Authority's headquarters), head office expenses.

3.20 Capital Commitments

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

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

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

3.21 Financial Guarantees

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

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

3.22 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.

Notes to the Consolidated Financial Statements continued

3.22.1 Investments 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.

3.22.2 Investments 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.

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

3.23 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;
— 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 statement.

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected. Management discusses with the Board of Directors the development, selection and disclosure of the Authority's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see note 5).

4.1 Critical Accounting Judgements in Applying the Authority's Accounting Policies
Critical accounting judgements made in applying the Authority's accounting policies include:

4.1.1 Valuation of financial instruments
The Authority's accounting policy on fair value measurements is discussed under note 3.8.7. 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, i.e., unobservable inputs. 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.

4.1.2 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 3.8.

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

4.1.4 Determination of impairment of property and equipment, and intangible assets
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Authority applies the impairment assessment to its separate cash generating units.

This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

4.1.5 Joint arrangements
The Authority's subsidiary, NSIA Motorways Investment Company (NMIC) and Julius Berger Investment Ltd (JBI) decided to pool their resources in order to design, build, operate and transfer a bridge over the river Niger and intend in due course to enter into a Concession Agreement with the Federal Republic of Nigeria through the Nigerian Federal Ministry of Works for the performance of the project at which point a Special Purpose Vehicle (through a service concession agreement) will be established.

For these purposes, they entered into a contractual agreement titled 'Cooperation Agreement' for the 'development phase' of the project carried out by NMIC and JBI. The terms of the contract have been assessed to determine whether it constitutes a joint arrangement and its subsequent classification as either a joint operation or a joint venture. This joint arrangement constitutes a joint operation with each party holding 50% rights. NMIC together with JBI have joint control over this arrangement as under the contractual agreements, unanimous consent is required from both parties to the agreements for all relevant activities.

In July 2014, NMIC, JBI and the Federal Government of Nigeria (FGN) entered into an indemnity agreement in order to start early works on the Second Niger Bridge project.

The FGN contributed ₦8.5billion as part of the equity contribution of ₦30 billion in the Second Niger Bridge project. This amount is under the control of NMIC, and have been used in carrying out the initial works.

The activities of the joint operation will eventually be transferred to the intended concessionaire, that is, Second Niger Bridge Development Company when it starts operations.

4.1.6 Payable to the Second Niger Bridge Company
The Federal Government of Nigeria made a payment of ₦8.5 billion to the Authority's subsidiary, NSIA Motorways Investment Company (NMIC) to enable the execution of the early works phase of the construction of the Second Niger Bridge in advance of the agreement of the terms of the service concession between the Federal Government of Nigeria and the Second Niger Bridge Development Company. This amount was pledged by the Federal Government of Nigeria as equity contribution towards subscription and allotment of shares of the Second Niger Bridge Development Company.

Notes to the Consolidated Financial Statements continued

NMIC has recognised its share of the amount that has been spent on construction works per the joint arrangement between NMIC and JBI and the total of any unspent amount as liability to the Second Niger Bridge Development Company.

4.1.7 Impairment of available-for-sale equity investments
The Group follows the guidance of IAS 39 'Financial Instruments: Recognition and Measurement' to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, 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.

4.1.8 Investment in associate
The Group's share of the profit of its associate (i.e. equity interest in Nigeria Mortgage Refinance Company) was determined using provisional unaudited figures as at 31 December 2014. Management is of the opinion that this will not have a materially significant effect on the numbers reported in these financial statements.

4.1.9 Functional currency reassessment
The Authority carried out a reassessment of its functional currency and determined it to be the Nigerian Naira and not the US dollar as previously reported. There has been no restatement of prior year figures as the transactions were recorded as if the Authority's functional currency was the Naira. The underlying transactions of the Authority remain unchanged as at the end of the reporting period and the reassessment of functional currency indicates that the Authority's functional currency is the Naira. Refer to note 30.

4.2 Critical Accounting Estimates and Assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.2.1 Fair value of investments 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.

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

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

5.1 Our Approach to Risk Management
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.

5.2 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.

5.2.1 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 the credit standards.

5.2.2 Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure.

As at 31 December 2014, all financial assets are neither past due nor impaired. The credit quality of these financial assets are disclosed in the table below.

5.2.3 Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
i) Money market placements			
Counterparties with external credit ratings (S&P), Fitch & Moody			
A+	9,244,786	9,244,786	6,212,484
AA-	8,516,656	8,516,656	-
B+	10,843,730	9,243,069	-
B	4,191,373	4,191,373	20,729,651
BB-	5,030,863	5,030,863	15,539,939
Counterparties without external credit ratings			
Local banks	-	-	22,530,308
Total money market placements	**37,827,408**	**36,226,747**	**65,012,382**
ii) Cash at bank			
Counterparties with external credit ratings (S&P)			
AAA	23,104	23,104	484,032
A+	9,725	9,725	-
A	6,566,647	6,566,647	45,725,435
A-	4,590,105	-	-
B+	886,680	272,180	673,407
Total cash at bank balances	**12,076,262**	**6,871,656**	**46,882,874**
iii) Trade receivables and advances			
Counterparties without external credit ratings			
Trade receivables	4,521,599	4,521,287	238,655
Advances	16,800	16,800	28,768
	4,538,399	**4,538,087**	**267,423**

The credit quality of trade receivables and advances which are neither past due nor impaired can be 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.

Notes to the Consolidated Financial Statements continued

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
iv) Investment securities			
Counterparties with external credit ratings (S&P)			
A	58,404,050	58,404,050	30,414,776
Counterparties with external sovereign credit ratings (Fitch)			
B+	14,483,914	14,483,914	14,699,930
Total investment securities (subject to credit risk)	**72,887,964**	**72,887,964**	**45,114,706**

5.3 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.

5.3.1 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.

5.3.2 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 2014	Up to 3 months ₦'000	4 to 6 months ₦'000	Between 6 months and 1 year ₦'000	Between 1 and 2 years ₦'000	Total ₦'000
Group					
Non-derivative financial liabilities					
Trade payables	49,913	-	10,728	965,951	1,026,592
Accruals	-	113,616	-	-	113,616
Other payables	-	-	157,297	-	157,297
Payables to related parties	-	-	5,012,784	-	5,012,784
Total liabilities	**49,913**	**113,616**	**5,180,809**	**965,951**	**6,310,289**
Authority					
Non-derivative financial liabilities					
Trade payables	49,913	-	10,728	175,769	236,410
Accruals	-	113,616	-	-	113,616
Other payables	-	-	158,297	-	158,297
Total liabilities	**49,913**	**113,616**	**169,025**	**175,769**	**508,323**
31 December 2013					
Authority					
Non-derivative financial liabilities					
Trade payables	239,868	-	-	-	239,868
Accruals	21,244	-	-	-	21,244
Other payables	178,565	-	-	-	178,565
Borrowings	-	1,400,000	-	-	1,400,000
Total liabilities	**439,677**	**1,400,000**	**-**	**-**	**1,839,677**

5.4 Market Risk

Market risk is the risk of loss from unfavourable changes in the fair values of financial instruments caused by adverse moves in market variables, such as foreign exchange rates, interest rates, equity prices, commodity prices, credit spreads and implied volatilities of the market rates. Market risk losses could result in a loss of 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; and
— 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:

5.4.1 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.

5.4.2 Non-trading/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.

5.4.3 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 table below summarises the Group's financial assets and liabilities, which are denominated in a currency other than the Nigerian Naira.

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Concentration of foreign currency exposure			
Cash and cash equivalents	49,231,354	43,040,588	46,026,072
Investment securities (loans and receivables)	5,947,040	5,947,040	22,661,011
Other assets (excluding prepayments)	4,202,255	4,202,255	238,655
Net foreign currency exposure impacting profit or loss	**59,380,649**	**53,189,883**	**68,925,738**
Investment securities – available-for-sale	97,315,725	88,040,883	-

There were no foreign currency liabilities as at the end of the reporting period (2013: Nil).

Notes to the Consolidated Financial Statements continued

The table below summarises the sensitivity of the Group's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at the end of the reporting periods. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table below, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates. The increase or decrease in profit or loss arises mainly from a change in the foreign exchange gains/losses on translation of US dollar-denominated cash and cash equivalents, and other assets. The increase or decrease in other comprehensive income arises mainly from a change in the fair value of US dollar-denominated investment securities classified as available-for-sale.

31 December 2014	Impact on	Exchange rates (USD to Naira)	Net exposure translation ₦'000	Sensitivity to 5% strengthening ₦'000	Sensitivity to 5% weakening ₦'000
Group	Profit or loss	167.5	59,380,649	(2,969,032)	2,969,032
	Other comprehensive income	167.5	97,315,725	(4,865,786)	4,865,786
Authority	Profit or loss	167.5	53,189,883	(2,659,494)	2,659,494
	Other comprehensive income	167.5	88,040,883	(4,402,044)	4,402,044
31 December 2013					
Authority	Profit or loss	155.2	68,925,738	(3,446,287)	3,446,287

Profit is more sensitive to movement in Naira/US dollar exchange rates in 2014 than 2013 because of the recent devaluation of the Naira against the US dollar.

5.4.4 Interest risk management

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.

5.4.4.1 Net interest income sensitivity

The Group is not exposed to interest rate risk i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There are two types of scenarios that gives 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. As at the end of the reporting period, the Group's financial assets or liabilities are neither exposed to cash flow or fair value interest rate risk. Hence, no interest rate sensitivity analysis is required.

5.4.4.2 Equities securities price risk

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

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

	Sensitivity	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Available-for sale equities	5% increase	81,697	81,697	-
	5% decrease	(81,697)	(81,697)	-

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. There were no equity securities classified as available-for-sale as at 31 December 2013.

6. 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 table analyses within the fair value hierarchy the Authority's financial assets (by class) measured at fair value at 31 December 2014. All fair value measurements disclosed are recurring fair value measurements.

31 December 2014	Note	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total N'000
Group					
Available-for-sale investment securities	16	57,087,718	2,676,133	37,551,874	97,315,725
Authority					
Available-for-sale investment securities	16	57,087,718	2,676,133	28,277,032	88,040,883
31 December 2013					
Authority					
Available-for-sale investment securities	16	7,753,765	–	–	7,753,765

There were no transfers between levels during the year.

6.0.1 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 2014. 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. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as available for sale.

6.0.2 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.

6.0.3 Financial instruments in Level 3

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Authority. The Authority considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. There were no transfers between levels during the year.

Notes to the Consolidated Financial Statements continued

Available-for-sale (investments in other investee funds)
Level 3 is comprised of Investee Funds held by the subsidiary ('KG Brussels LP' or 'the Fund') that are not quoted in active markets. In determining the fair value of its Investee Funds, the Fund relies on the valuation as reported in the latest available financial statements and/or capital account statements provided by the Investee Fund's General Partner, unless the Partnership is aware of reasons that such a valuation may not be the best approximation of fair value. In such cases, the Partnership reserves the right to assign a fair value to such investments which differs from the one reported by the Investee Fund's General Partner.

These differences may arise because of a number of reasons including but not limited to:
— the report received from the Investee Fund's General Partner may be noncoterminous with the Partnership's reporting date;
— the report received by the Investee Fund's General Partner may be based on principles that are not aligned with the fair value principles set out in IFRS 13 or that of the Partnership; and
— the Investment Adviser and General Partner of the Partnership may have other observable or unobservable data that would indicate that amendments are required to particular portfolio company investment fair values presented in the report from Investee Fund's General Partner.

The NAV as at 31 December 2014 was as stated in the Authority or the Subsidiary's Capital Account statement provided by the General Partner on each of the funds. The General Partner receives such recommendations from the Investment Adviser and is responsible for approving the final valuation of the underlying investee fund positions.

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

The following table presents the changes in Level 3 instruments for the year ended 31 December 2014 for available-for-sale financial assets.

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000
Available-for-sale financial assets		
Opening balance	-	-
Additions	37,133,225	29,149,849
Distributions received	(428,346)	-
Disposals, repayments and write-offs	(4,202,255)	(4,202,255)
Fair value movement	5,049,250	3,329,438
Closing balance	**37,551,874**	**28,277,032**

Unquoted investments of a subsidiary (KG Brussels, L.P.) valued using Level 3 inputs also had the following impact on the statement of comprehensive income; realised profits over value on disposal of investment of ₦148 million (2013: Nil), interest income of ₦0.8 million (2013: Nil), dividend income of ₦1.3 million (2013: Nil) and foreign exchange gains of ₦117 million (2013: Nil). The foreign exchange gains of ₦117 million was recognised in other comprehensive income within the currency translation reserves. Level 3 inputs are sensitive to assumptions made when ascertaining fair value.

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

			Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000
Available-for-sale financial assets	**5% change in fair value inputs**	**Inputs**	Difference	Difference
Fair value movement	Increase	NAV	252,462	166,472
	Decrease	adjusted	(252,462)	(166,472)

6.1 Financial Assets and Financial Liabilities

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

31 December 2014	Note	Held-to-maturity ₦'000	Loans and receivables ₦'000	Available-for-sale ₦'000	Other financial liabilities ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Group							
Cash and cash equivalents	15	-	49,903,739	-	-	49,903,739	49,903,739
Advances		-	16,800	-	-	16,800	16,800
Investment securities:	16						
Measured at fair value		-	-	97,315,725	-	97,315,725	97,315,725
Measured at amortised cost		14,483,914	5,947,040	-	-	20,430,954	20,454,759
Other assets	17	-	4,769,933	-	-	4,769,933	4,769,933
		14,483,914	**60,637,512**	**97,315,725**	**-**	**172,437,151**	**172,460,956**
Trade and other payables	21	-	-	-	6,310,289	6,310,289	6,310,289
		-	**-**	**-**	**6,310,289**	**6,310,289**	**6,310,289**
Authority							
Cash and cash equivalents	15	-	43,098,473	-	-	43,098,473	43,098,473
Advances		-	16,800	-	-	16,800	16,800
Investment securities:	16						
Measured at fair value		-	-	88,040,883	-	88,040,883	88,040,883
Measured at amortised cost		14,483,914	5,947,040	-	-	20,430,954	20,454,759
Other assets	17	-	4,769,621	-	-	4,769,621	4,769,621
		14,483,914	**53,831,934**	**88,040,883**	**-**	**156,356,731**	**156,380,536**
Trade and other payables	21	-	-	-	508,323	508,323	508,323
		-	**-**	**-**	**508,323**	**508,323**	**508,323**
31 December 2013							
Authority							
Cash and cash equivalents	15	-	111,895,419	-	-	111,895,419	111,895,419
Advances		-	28,768	-	-	28,768	28,768
Investment securities:							
Measured at fair value	16	-	-	7,753,765	-	7,753,765	7,753,765
Measured at amortised cost		14,699,930	22,661,011	-	-	37,360,941	37,561,274
Other assets	17		290,512	-	-	290,512	290,512
		14,699,930	**134,875,710**	**7,753,765**	**-**	**157,329,405**	**157,529,738**
Trade and other payables	21	-	-	-	439,677	439,677	439,677
Borrowings	22	-	-	-	1,400,000	1,400,000	1,400,000
		-	**-**	**-**	**1,839,677**	**1,839,677**	**1,839,677**

Notes to the Consolidated Financial Statements continued

7. Segment Information

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

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

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

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

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

Information about reportable segments

31 December 2014	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Total ₦'000
Group				
Investment and interest income	128,833	903,453	2,909,018	3,941,304
Total operating segment income	**128,833**	**903,453**	**2,909,018**	**3,941,304**
Investment management expenses	45,036	210,955	37,770	293,761
Local custodian fees	-	-	16,988	16,988
Global custodian fees	8,608	18,068	5,575	32,251
Total segment investment management and custodian fees	**53,644**	**229,023**	**60,333**	**343,000**
Total operating segment profit	**75,189**	**674,430**	**2,848,685**	**3,598,304**
Other non-operating income	875,053	1,700,098	519,075	3,094,226
Professional expenses	7,598	151,241	36,619	195,458
Other operating expenses	2,189	6,784	62,335	71,308
Total segment operating and administrative expenses	**9,787**	**158,025**	**98,954**	**266,766**
Segmented profit/(loss) for the period	**940,455**	**2,216,503**	**3,268,806**	**6,425,764**
Reportable segment assets	**33,860,471**	**70,168,175**	**73,130,468**	**177,159,114**
Reportable segment liabilities	**-**	**35,281**	**5,807,407**	**5,842,688**

31 December 2014	Stabilisation Fund ₦'000	Future Generations Fund ₦'000	Nigeria Infrastructure Fund ₦'000	Total ₦'000
Authority				
Investment and interest income	128,833	743,459	2,909,018	3,781,310
Total operating segment income	**128,833**	**743,459**	**2,909,018**	**3,781,310**
Investment management expenses	45,036	210,955	37,770	293,761
Local custodian fees	-	-	16,988	16,988
Global custodian fees	8,608	18,068	5,575	32,251
Total segment investment management and custodian fees	**53,644**	**229,023**	**60,333**	**343,000**
Total operating segment profit	**75,189**	**514,436**	**2,848,686**	**3,438,311**
Other non-operating income	875,053	1,700,098	519,075	3,094,226
Professional expenses	7,598	151,241	36,619	195,458
Other operating expenses	2,189	6,784	62,335	71,309
Total segment operating and administrative expenses	**9,787**	**158,025**	**98,954**	**266,766**
Segmented profit/(loss) for the period	**940,455**	**2,056,509**	**3,268,807**	**6,265,771**
Reportable segment assets	**33,860,471**	**68,296,708**	**67,328,503**	**169,485,682**
Reportable segment liabilities	**-**	**35,281**	**3,441**	**38,722**

31 December 2013				
Authority				
Investment and interest income	63,074	32,771	1,119,600	1,215,445
Total operating segment income	**63,074**	**32,771**	**1,119,600**	**1,215,445**
Investment management expenses	9,575	-	-	9,575
Local custodian fees	-	-	8,131	8,131
Global custodian fees	839	1,680	1,680	4,199
Total segment investment management and custodian fees	**10,414**	**1,680**	**9,811**	**21,905**
Total operating segment profit	**52,660**	**31,091**	**1,109,789**	**1,193,540**
Professional expenses	18,912	33,077	81,209	133,198
Other operating expenses	825	26,210	20,545	47,580
Total segment operating and administrative expenses	**19,737**	**59,287**	**101,754**	**180,778**
Segmented profit/(loss) for the period	**32,923**	**(28,196)**	**1,008,035**	**1,012,762**
Reportable segment assets	**31,343,637**	**62,119,054**	**62,695,034**	**156,157,725**
Reportable segment liabilities	**239,868**	**-**	**-**	**239,868**

Notes to the Consolidated Financial Statements continued

Reconciliation of reportable segment revenues, profit or loss and assets and liabilities	Group 12 months to 31 December 2014 ₦'000	Authority 12 months to 31 December 2014 ₦'000	Authority 15 months to 31 December 2013 ₦'000
Revenues			
Total revenue for reportable segments	3,941,304	3,781,310	1,215,445
Unallocated amounts	89	10,090	250,740
Total revenue for the year	**3,941,393**	**3,791,400**	**1,466,185**
Profit or loss			
Total profit or loss for reportable segments	6,425,764	6,265,771	1,012,762
Unallocated amounts	(1,259,838)	(1,258,385)	(487,604)
Total profit for the period	**5,165,926**	**5,007,386**	**525,158**
Assets			
Total assets for reportable segments	177,159,114	169,485,682	156,157,725
Other unallocated amounts	679,442	663,077	1,437,646
Total assets for the period	**177,838,556**	**170,148,759**	**157,595,371**
Liabilities			
Total liabilities for reportable segments	5,842,688	38,722	239,868
Other unallocated amounts	467,601	469,601	1,599,809
Total liabilities for the period	**6,310,289**	**508,323**	**1,839,677**

7.0.1 Entity-wide information
The breakdown of investment income from external customers are as follows:

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Attributable to the Authority's country of domicile	3,223,724	3,223,724	1,324,277
Attributable to foreign countries	697,063	550,444	71,441
Total investment income	**3,920,787**	**3,774,168**	**1,395,718**

8. Investment Income

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Investment in treasury bills	1,847,888	1,847,888	707,821
Investment in fixed deposits	1,147,734	1,147,734	588,852
Dividend income	431,991	429,887	-
Interest from MMDA and DDA*	90,522	90,522	27,604
Investments in other financial instruments	402,652	258,137	71,441
	3,920,787	**3,774,168**	**1,395,718**

*MMDA – Money market deposit account
DDA – Demand deposit account

9. Interest Income

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Bank balances	20,606	17,232	70,467
Total interest income	**20,606**	**17,232**	**70,467**

Interest income represents income earned on balances with banks.

10. Other Non-Operating Income

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Other non-operating income	134,711	134,711	390,323
Net exchange gains	3,105,084	3,105,084	104,694
Total other non-operating income	**3,239,795**	**3,239,795**	**495,017**

Nigeria Sovereign Investment Authority also acts as a manager for funds from other institutions. Included in other non-operating income is the total fee income earned during the period of ₦57 million (2013: Nil).

11. Operating and Administrative Expenses

	Note	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Personnel expenses	12	719,964	719,964	671,459
Depreciation and amortisation		86,116	86,116	45,838
Professional fees	11a	278,092	278,092	294,711
Directors remuneration and expenses		217,196	217,196	188,441
Other operating expenses	13	343,020	343,020	213,690
		1,644,388	**1,644,388**	**1,414,139**

11a. This represents professional fees and expenses for general consulting services and other specific activities such as investment advisory services, legal advisory and consulting, recruitment and risk advisory services.

12. Personnel Expenses

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Salaries	550,828	550,828	521,304
Contributions to defined contribution plans	45,705	45,705	29,041
Other allowances	123,431	123,431	121,114
	719,964	**719,964**	**671,459**

The average number of persons employed by the Authority during the period including Executive Directors was as follows:

	Group 31 December 2014 Number	Authority 31 December 2014 Number	Authority 31 December 2013 Number
Executive management staff and senior staff	9	9	8
Non-management staff	14	14	14
	23	**23**	**22**

Notes to the Consolidated Financial Statements continued

13. Other Operating Expenses

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
General and administrative expenses	149,438	149,437	74,551
Office rent and other expenses	86,651	86,652	51,637
Travel expenses	106,931	106,931	87,502
	343,020	**343,020**	**213,690**

14. Taxation

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Income tax	-	-	-
Withholding tax expense (WHT)	42,907	35,090	-
Total tax expense	**42,907**	**35,090**	**-**

Withholding tax relates to dividend and investment income WHT deducted at source on local and foreign investment securities.

Effective tax rate reconciliation		Group 31 December 2014 ₦'000		Authority 31 December 2014 ₦'000
Profit before tax		5,208,833		5,042,476
Tax calculated at domestic tax rates applicable to profits in Nigeria (0%)	0%	-	0%	-
Withholding tax	1%	(42,907)	1%	(35,090)
Tax charge	**1%**	**(42,907)**	**1%**	**(35,090)**

15. Cash and Cash Equivalents

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Cash	70	70	163
Bank balances	12,076,261	6,871,656	46,882,874
Money market placements	37,827,408	36,226,747	65,012,382
Total cash and cash equivalents	**49,903,739**	**43,098,473**	**111,895,419**

16. Investment Securities

	Note	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Held to maturity investments	16.1	14,483,914	14,483,914	14,699,930
Loans and receivables	16.2	5,947,040	5,947,040	22,661,011
Available-for-sale investments	16.3	97,315,725	88,040,883	7,753,765
		117,746,679	**108,471,837**	**45,114,706**

16.1 Analysis of HTM Investment Securities

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Nigerian marketable securities	14,483,914	14,483,914	14,699,930
	14,483,914	**14,483,914**	**14,699,930**

16.2 Loans and Receivables

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Sub-investment grade bonds	5,947,040	5,947,040	22,661,011
	5,947,040	**5,947,040**	**22,661,011**

16.3 Analysis of Available-for-Sale Investment Securities

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
US treasury bills	8,424,874	8,424,874	7,354,746
US treasury bonds	-	-	399,019
Available-for-sale equities	3,535,769	3,535,769	-
Available-for-sale securities	44,032,136	44,032,136	-
Hedge funds, long only and private equities	41,322,946	32,048,104	-
	97,315,725	**88,040,883**	**7,753,765**
Reconciliation of available-for-sale financial assets			
Opening balance	7,753,765	7,753,765	-
Additions/(disposals)			
US treasury bills	1,050,664	1,050,664	7,374,210
US treasury bonds	(399,019)	(399,019)	399,019
Available-for-sale equities	3,535,769	3,535,769	-
Available-for-sale securities	33,561,934	35,174,244	-
Hedge funds, long only and private equities	41,322,946	32,048,104	-
Fair value gains/(losses)			
Net gains/(losses) transfer to equity	2,404,576	792,266	(19,464)
Foreign currency translation			
Net exchange gains	8,085,090	8,085,090	-
Closing balance	**97,315,725**	**88,040,883**	**7,753,765**

17. Other Assets

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Trade receivables	4,521,599	4,521,287	238,655
Prepayment	248,334	248,334	51,857
	4,769,933	**4,769,621**	**290,512**

Included in trade receivables are dividends receivable, proceeds receivable from the liquidation of hedge funds and other income from assets under management.

Notes to the Consolidated Financial Statements continued

18. Property and Equipment

Group	Motor vehicles ₦'000	Computer equipment ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Assets under construction ₦'000	Total ₦'000
Cost						
Balance at 1 January 2014	**127,208**	**87,704**	**957**	**73,107**	**-**	**288,976**
Additions	13,604	1,921	234	1,937	3,587,495	3,605,191
Balance at 31 December 2014	**140,812**	**89,625**	**1,191**	**75,044**	**3,587,495**	**3,894,167**
Accumulated depreciation						
Balance at 1 January 2014	**19,070**	**14,051**	**174**	**9,492**	**-**	**42,787**
Charge for the year	34,009	29,519	248	14,731	-	78,507
Balance at 31 December 2014	**53,079**	**43,570**	**422**	**24,223**	**-**	**121,294**
Net book value						
At 31 December 2014	**87,733**	**46,055**	**769**	**50,821**	**3,587,495**	**3,772,873**
At 31 December 2013	**108,138**	**73,653**	**783**	**63,615**	**-**	**246,189**

Assets under construction relates to the Authority's subsidiary, NSIA Motorways Investment Company's (NMIC's) share of the costs incurred in the early works in relation to the construction of the Second Niger Bridge. The project is being carried out as a joint operation with Julius Berger Investments and will be transferred to the Second Niger Bridge Development Company who will enter into a service concession arrangement with the Federal Government of Nigeria.

The capital costs incurred so far, are being accumulated as assets under construction as the terms of the service concession has not been fully agreed and documented and the operators cannot estimate the expected revenue on the project and as such cannot apply the percentage of completion revenue recognition model at this point (IAS 11 'Construction Contracts'. The amount recognised represents NMIC's 50% interest in the joint operation.

Authority	Motor vehicles ₦'000	Computer equipment ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Total ₦'000
Cost					
Balance at 1 January 2014	**127,208**	**87,704**	**957**	**73,107**	**288,976**
Additions	13,604	1,921	234	1,937	17,696
Balance at 31 December 2014	**140,812**	**89,625**	**1,191**	**75,044**	**306,672**
Accumulated depreciation					
Balance at 1 January 2014	**19,070**	**14,051**	**174**	**9,492**	**42,787**
Charge for the year	34,009	29,519	248	14,731	78,507
Balance at 31 December 2014	**53,079**	**43,570**	**422**	**24,223**	**121,294**
Net book value					
At 31 December 2014	**87,733**	**46,055**	**769**	**50,821**	**185,378**
At 31 December 2013	**108,138**	**73,653**	**783**	**63,615**	**246,189**

Authority	Motor vehicles ₦'000	Computer equipment ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Total ₦'000
Cost					
Balance at 1 October 2012	**-**	**-**	**-**	**-**	**-**
Additions	127,208	87,704	957	73,107	288,976
Balance at 31 December 2013	**127,208**	**87,704**	**957**	**73,107**	**288,976**
Accumulated depreciation					
Balance at 1 October 2012	**-**	**-**	**-**	**-**	**-**
Charge for the year	19,070	14,051	174	9,492	42,787
Balance at 31 December 2013	**19,070**	**14,051**	**174**	**9,492**	**42,787**
Net book value					
At 31 December 2013	**108,138**	**73,653**	**783**	**63,615**	**246,189**
At 1 October 2012	**-**	**-**	**-**	**-**	**-**

Depreciation expense is charged to 'general and administrative expenses' in the income statement. No depreciation expense is charged on asset under construction.

Notes to the Consolidated Financial Statements continued

19. Intangible Assets

	Software ₦'000	Total ₦'000
Group		
Cost		
Balance at 1 January 2014	**22,828**	**22,828**
Additions	-	-
Balance at 31 December 2014	**22,828**	**22,828**
Amortisation		
Balance at 1 January 2014	**3,051**	**3,051**
Charge for the year	7,609	7,609
Balance at 31 December 2014	**10,660**	**10,660**
Net book value		
At 31 December 2014	**12,168**	**12,168**
At 31 December 2013	**19,777**	**19,777**

	Software ₦'000	Total ₦'000
Authority		
Cost		
Balance at 1 January 2014	**22,828**	**22,828**
Additions	-	-
Balance at 31 December 2014	**22,828**	**22,828**
Amortisation		
Balance at 1 January 2014	**3,051**	**3,051**
Charge for the year	7,609	7,609
Balance at 31 December 2014	**10,660**	**10,660**
Net book value		
At 31 December 2014	**12,168**	**12,168**
At 31 December 2013	**19,777**	**19,777**

	Software ₦'000	Total ₦'000
Authority		
Cost		
Balance at 1 October 2012	**-**	**-**
Additions	22,828	22,828
Balance at 31 December 2013	**22,828**	**22,828**
Amortisation		
Balance at 1 October 2012	**-**	**-**
Charge for the year	3,051	3,051
Balance at 31 December 2013	**3,051**	**3,051**
Net book value		
At 31 December 2013	**19,777**	**19,777**

Amortisation expense is charged to 'general and administrative expenses' in the income statement.

20 Investments

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

Subsidiaries	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
At the beginning of the year	-	-	-
Additions during the year	-	11,994,482	-
Disposals during the year	-	-	-
At the end of the year	**-**	**11,994,482**	**-**
Associate			
At the beginning of the year	-	-	-
Additions during the year	1,600,000	1,600,000	-
Share of profit/(loss) of associate	16,364	-	-
At the end of the year	**1,616,364**	**1,600,000**	**-**

The amounts recognised in the income statement are as follows:

Associates	16,364	-
At 31 December 2014	**16,364**	**-**

20.1 Investment in Associate

Set out below is the associate of the Group as at 31 December 2014, which in the opinion of the Directors are material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

The nature of investment in associate as at 31 December 2014:

Name of entity	Place of business	% of ownership interest	Nature of the relationship	Measurement method
Nigeria Mortgage Refinancing Company (NMRC)	Nigeria	22.7	Note 20.1a	Equity

20.1a NMRC is a strategic partnership for the Group, providing access to new markets in provision of housing infrastructure and investment income, in line with the NSIA Act. NMRC is a government business entity and there is no quoted market price available for its shares.

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

Notes to the Consolidated Financial Statements continued

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

Summarised balance sheet	31 December 2014 ₦'000
Assets	
Cash and cash equivalents	10,424,950
Prepayments	62,334
Other assets	96,091
Property and equipment	71,165
Total assets	10,654,540
Liabilities	
Accounts payable	72,138
Accruals	206,072
Deferred income on term loan	1,614,008
Term loan	1,807,930
Total liabilities	3,700,148
Capital and reserves	
Share capital	6,882,288
Retained earnings	72,104
Total equity	6,954,392
Total liabilities and equity	**10,654,540**
Summarised statement of comprehensive income	
Interest income	591,465
Interest expense	(115,609)
Depreciation and amortisation	(18,843)
Personnel expenses	(12,392)
Operating expenses	(372,516)
Profit for the period	**72,105**

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

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

Summarised financial information	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000
Opening net assets		
1 January	-	-
Capital on start-up	7,050,000	7,050,000
Equity raising fees	(167,712)	-
Profit for the period	72,105	-
Closing net assets	**6,954,393**	**7,050,000**
Adjusted for:		
Equity raising fees	167,712	-
Adjusted net assets	**7,122,105**	**7,050,000**
Carrying values (22.7%)	1,616,364	1,600,000

20.2 Investment in Subsidiaries

The Group had the following subsidiaries at 31 December 2014:

Name of entity	Place of business/ country of incorporation	Nature of the relationship	% of ownership interest	Authority 31 December 2014 ₦'000
NSIA Motorways Investment Corporation (NMIC)	Nigeria	Investment holding	100	1,000
KG Brussels LP	United States of America	Investment holding	100	11,993,482
KG Acquisition I LLC	United States of America	Investment holding	100	-
				11,994,482

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

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

There is no non-controlling interest in respect of the subsidiaries.

21. Trade and Other Payables

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Trade payables	1,026,592	236,410	239,868
Accruals	113,616	113,616	21,244
Other payables	157,297	158,297	178,565
Payables to related parties (note 25)	5,012,784	-	-
	6,310,289	**508,323**	**439,677**

22. Borrowings

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Opening balance	1,400,000	1,400,000	-
Loan by Federal Government of Nigeria	-	-	2,900,000
Repaid during the period	(1,400,000)	(1,400,000)	(1,500,000)
	-	**-**	**1,400,000**

In 2012, the sum of ₦2,900,000,000 (two billion, nine hundred million Naira only) was given as a bridge finance loan to Nigeria Sovereign Investment Authority. The balance has been fully repaid as at 31 December 2014.

23. Equity and Reserves

	Note	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Contribution by Government		155,250,000	155,250,000	155,250,000
Retained earnings	23.1	5,691,084	5,532,544	525,158
Fair value reserves	23.2	10,470,202	8,857,892	(19,464)
Currency translation reserves	23.3	116,981	-	-
		171,528,267	**169,640,436**	**155,755,694**

Notes to the Consolidated Financial Statements continued

23.1 Retained Earnings

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Opening balance	525,158	525,158	-
Profit for the year	5,165,926	5,007,386	525,158
Closing balance	**5,691,084**	**5,532,544**	**525,158**

23.2 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.

Items that may subsequently be reclassified to profit or loss	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Opening balance	(19,464)	(19,464)	-
Change in value of available-for-sale financial assets	10,489,666	8,877,356	(19,464)
Closing balance	**10,470,202**	**8,857,892**	**(19,464)**

23.3 Currency Translation Reserve

The currency translation reserve includes the net cumulative change in the foreign gains or (losses) arising from translation of the financial statements of the foreign subsidiary, KG Brussels LP, into the Group's presentation currency.

	Group 31 December 2014 ₦'000
Opening balance	-
Net changes in foreign currency	116,981
Closing balance	**116,981**

24. Capital Management

The Authority is to maintain a strong capital base in order to retain the confidence of the Nigerian people and the market with a bid to sustain future developments for the business. Management monitors the return on capital.

The Board of Directors seek 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 borrowings from the Federal Government and other obligations, less cash and cash equivalent. Adjusted equity comprises all components of equity.

The Authority's adjusted net debt to equity ratio at 31 December 2014 was as follows:

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Total liabilities	6,310,289	508,323	1,839,677
Less: cash and cash equivalents	49,903,739	43,098,473	111,895,419
Net debt	**(43,593,450)**	**(42,590,150)**	**(110,055,742)**
Total equity	171,528,267	169,640,436	155,755,694
Adjusted equity	**171,528,267**	**169,640,436**	**155,755,694**
Net debt to adjusted equity ratio	**-25%**	**-25%**	**-71%**

25. Related Parties

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

The Nigeria Sovereign Investment Authority (NSIA) Act establishes NSIA to receive, manage and invest in a diversified portfolio of medium and long–term revenue of the Federal Government, State Government, Federal Capital Territory, Local Government and Area councils.

As disclosed in note 20 above, NMIC and KG Brussels LP are subsidiaries of the Authority and are therefore related parties. NMRC is an associate of the Authority and is also a related party.

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

(i) Payables to related parties	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
Payable to the Second Niger Bridge Company Ltd	5,012,784	-	-
	5,012,784	**-**	**-**

Payables to related parties relates to the amount received from the Federal Government of Nigeria to finance the early works phase of construction of the Second Niger Bridge. This amount represents FGN's equity contribution to the Second Niger Bridge Development Company and will be transferred to the Second Niger Bridge Development Company when it starts operations.

The amount received from the Federal Government of Nigeria for the Second Niger Bridge Development Company was ₦8.5 billion. Out of this amount, a total of ₦6.4 billion has been spent on construction work and in line with the accounting for a joint operation, the resulting asset and the obligation has been split between the Group's subsidiary (NMIC) and JBI according to their participatory interest in the joint operation (50:50). The unspent amount still with NMIC has been recognised fully by NMIC as a liability to the Second Niger Bridge Development Company.

25.1 Compensation of Key Management Personnel

The Authority's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control.

The key management personnel have been identified as the Executive and Non-Executive Directors of the Authority. The Directors 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	12 months to 31 December 2014 ₦'000	15 months to 31 December 2013 ₦'000
Short-term employee benefits	416,265	432,883
Fees as Directors	50,000	62,500
Other allowances	167,196	125,941
Defined contribution plan	27,834	23,403
Total	**661,295**	**644,727**

Notes to the Consolidated Financial Statements continued

26. Other Contracts

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

26.1 Stabilisation Fund

The Authority engaged the following investment managers through their global custodian; JP Morgan for the management of the Stabilisation Fund. The list of investment managers as at year end are as follows:

26.1.1 UBS Global Asset Management (UK) LTD

Engagement and service

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

Reports on investments

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

26.1.2 JP Morgan Asset Management

Engagement and service

The Authority subscribed to X Class Shares of the sub-fund JPM Income Opportunity Fund, of JPMorgan Investment Funds.

Reports on investments

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

26.1.3 Goldman Sachs Asset Management

Engagement and service

The Authority subscribed to Class IO Shares of Goldman Sachs Global Strategic Income Bond Portfolio of Goldman Sachs SICAV (the 'Fund'), (the 'Shares').

Reports on investments

Goldman Sachs provides the Authority with reports containing the holdings, valuations and performance of the account on a monthly basis.

26.1.4 Brandywine Global Investment Management

Engagement and service

The Authority subscribed to LM Class shares of Brandywine Global Absolute Return Fund as stated in the Investment Manager Agreement.

Reports on investments

Brandywine provides quarterly performance statements and monthly valuation reports to the global custodian.

26.2 Future Generations Fund

26.2.1 Hedge fund

The hedge fund managers in which the Future Generations Fund is invested as at year end are stated below:

i) JHL Capital Group LLC
ii) Blue Mountain Capital management LLC
iii) Arbiter Partners

26.2.2 Commodity managers

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

iv) Jamison Capital Partners

26.2.3 Long only equity managers

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

i) Cevian Capital II Ltd
ii) Edgbaston Investment Partners Somerset
iii) Somerset Capital Management LLP
iv) Marathon Asset Management
v) Capital Group
vi) Prince Street Capital
vii) Chieftain Capital Management Inc

26.2.4 Private equity partners

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

i) Z Capital Partners
ii) HealthCare Royalty Partners
iii) Xenon Private Equity
iv) Helios Investment Partners

26.2.5 Income opportunity fund

The income opportunity fund managers in which the Future Generations Fund is invested as at year end are stated below:

i) Goldman Sachs Asset Manager International
ii) JP Morgan Asset Management
iii) Brandywine Global Investment Management

26.3 Nigeria Infrastructure Fund

26.3.1 Private equity partners

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

i) Fund for Agricultural Finance in Nigeria

26.3.2 Income opportunity fund

The income opportunity fund managers in which the Infrastructure Fund is invested as at year end are stated below:

i) Goldman Sachs Asset Manager International
ii) JP Morgan Asset Management
iii) Brandywine Global Investment Management

26.4 Nigerian Equities

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

26.5 Custodians

Custodians
JP Morgan
Stanbic IBTC

Engagement and service

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

Reports on investments

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

Notes to the Consolidated Financial Statements continued

27. Commitments

27.1 Capital commitments

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

Capital commitments – US dollar	Authority 31 December 2014 $'000	Authority 31 December 2013 $'000
HealthCare Royalty Partners (HCRP)	14,727	-
Z Capital Partners	9,932	-
Fund for Agricultural Finance in Nigeria (FAFIN)	4,803	-
Helios Investors	6,801	-
Total	**36,263**	**-**

Capital commitments – Euro	Authority 31 December 2014 €'000	Authority 31 December 2013 €'000
Xenon Private Equity	4,579	-

As disclosed above, the Authority has committed to provide capital to various collective investment vehicles. The total of these commitments at the statement of financial position date is US $36 million and Euro 4 million (2013: Nil). The Authority's commitment obligations, being capital calls, are set out in the various underlying subscription documents. Whilst the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the Authority has recorded the commitments as being current in accordance with the underlying legal documents. The Authority has appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

27.2 Operating lease commitments – Group company as lessee:

The Group leases its head office under noncancellable operating lease agreements. The lease terms are between two and five years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group 31 December 2014 ₦'000	Authority 31 December 2014 ₦'000	Authority 31 December 2013 ₦'000
No later than one year	-	-	22,000
Later than one year and no later than five years	-	-	-
Total	**-**	**-**	**22,000**

28. Other Fiduciary Activities

The sums of US $200 million and US $350 million ('the Funds') were received from the Debt Management Office (DMO) and Nigerian Bulk Electricity Plc. respectively, under an Investment Management Agreement ('the Agreement') during the period. NSIA serves as the manager of the Funds. The agreement provides for the Authority to invest the Funds in gas-to-power and other related projects. Consideration will be paid to the Authority after certain milestones have been met and the customers' share of return has been paid. The assets and liabilities of the Funds have been excluded from these financial statements as they are not assets and liabilities of the Authority. The fees and commissions which relate mainly to these investment management agreements have been recognised in the income statement. The total fair value of the Funds as at 31 December 2014 was US $553.22 million (2013: Nil) while income of ₦57 million has been accrued by the Authority from the fiduciary agreement as of 31 December 2014.

29. Events after the Reporting Period

There are no events after the reporting date which could have had a material effect on the financial position of the Group as at 31 December 2014 and profit for the period then ended.

30. Functional Currency Assessment

The Authority carried out a reassessment of its functional currency and determined it to be the Nigerian Naira. There has been no restatement of prior year figures as the transactions were recorded as if the Authority's functional currency was the Naira. The underlying transactions of the Authority remain unchanged as at the end of the reporting period and the reassessment of functional currency indicates that the Authority's functional currency is the Naira.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gtp: Gas-to-Power.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TBD: To be Determined.

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

Traditional asset classes: These are typically thought of as Equities, Fixed Income and Cash. Commodities are increasingly included in this category.

US T-Bills: United States Treasury Bills.

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

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

Corporate Information

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